TEMENOS

THE BANKING SOFTWARE COMPANY

Temenos AG

Annual Report and Accounts 2019

Temenos at a glance

THE **WORLD'S #1** BANKING SOFTWARE COMPANY

Our vision is to provide financial institutions, of any size, anywhere in the world, the software to thrive in the digital banking age.

Temenos software is proven to enable its top-performing clients to achieve cost-income ratios of **26.8%**, half the industry average and returns on equity of **29%**, three times the industry average.

93

New customer wins in 2019

330

Successful deployments in 2019

#1

Best-selling core banking system in the IBS League table for the last 8 years

ONLY FOCUSED ON BANKING, 3,000+ BANKING CLIENTS

LEADING FUNCTIONALITY, LOCALIZATION AND ADVANCED TECHNOLOGY

OPEN & INDEPENDENTLY IMPLEMENTABLE PRODUCTS

Temenos
winning combina
cloud-native, c
and API-first te
the richest pack
functionality t
transform faster
cost of softwar

For more information

Check out our website

www.temenos.com

Highlights of the year

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Our solutions

Turn to pages 011 to 019

Insights

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RELENTLESS FOCUS ON INNOVATION

6,500+ CONSULTANTS TAKING A BANK LIVE EVERY DAY

offers the
tion of advanced
cloud-agnostic
chnology and
kaged banking
o help banks
with the lowest
e deployment.

CONTINUOUS & FASTER DEPLOYMENT

CLOUD NATIVE AND CLOUD AGNOSTIC

Temenos solutions are "cloud native" and "cloud agnostic". This means that the software can run on cloud infrastructures using the features found in them which enable dynamic scalability and built-in resilience. This materially reduces the operational cost of running the technology that the software uses, and also allows the operations to scale out and in as needed. The cloud agnostic capabilities mean that this is true for all major cloud platforms. This is important as it allows banks the choice to deploy the software on any mainstream cloud platform and realize the cost, scale and resilience benefits automatically, and it also make Temenos' own cloud and Software as a Service (SaaS) propositions more commercially attractive.

OPEN APIs

Integration is often an expensive and time-consuming activity which can impact the ability of banks to both deploy new solutions and to create innovations around existing solutions. Temenos has a published set of Open APIs which enables clients and other participants in the Temenos technology ecosystem to integrate the solutions into existing operational environments and to design, test and deploy innovative extensions around Temenos' products.

The APIs can be accessed via a development portal for documentation and testing purposes, and allow banks to rapidly make changes to their solutions and overall operational environment in an insulated and clearly defined way using modern technology and design approaches which shorten the time needed to accomplish this.

EXPLAINABLE ARTIFICIAL INTELLIGENCE (XAI)

Temenos' patented XAI capabilities are embedded across our products. The technology is a cutting edge innovation which addresses customer and regulator concerns over the use and operation of conventional "black box" AI models which offer little insight as to how they reach their decisions. Our XAI approach enables automated decisions to be understood by customers, regulators and other stakeholders.

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Our performance
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Operating responsibly
Turn to pages 048 to 095

Our leadership team
Turn to pages 096 to 099

41 OF THE WORLD'S TOP 50 BANKS **CHOOSE TEMENOS**

Over 3,000 firms across the globe, including 41 of the world's top 50 banks, rely on Temenos to process the client interactions and daily transactions of more than 500 million banking customers.

Open up the flap to read why

We're passionate about helping banks to perform better so we solely focus on creating banking software.

Read more about our software solutions on page 011

Contents

ANOTHER YEAR OF GROWTH & SUCCESS

"In 2019, we had another outstanding year with record growth in our revenues and profitability and the successful development of our business and strategic objectives."

It is with great pleasure that we present our Annual Report for 2019 to our shareholders.

Only a handful of software companies have ever reached USD 1 billion in revenues and Temenos has the pride to be amongst this elite group. The relentless march of technology and innovation, which brings so many options to all of us as consumers in our daily lives, ensures that only the best can keep pace with this change and even fewer have an opportunity to lead. Temenos is one of them. More importantly, our growth continues to be strong and profitable as we continue to gain market share in our target markets, which bodes well for the future. Our increased size allows us to invest more meaningfully in our products and allows us to compete more effectively and therefore grow faster. Application software companies that make it to USD 1 billion in revenues with their growth intact usually accelerate significantly and continue to become the giants of their target markets; the bigger they become, the faster they grow.

The trillion dollar opportunity

We would not have been able to do this unless we delivered outstanding value to our clients over the years. We have been running a value benchmark program with our clients for a number of years that came to maturity during 2019 and has provided insights into why our clients are more profitable and with higher returns on equity than their peers. Through in-depth strategic analysis we are able to correlate financial performance of banks to the use and maturity of software processes across the banking value chain and we estimate that there is at least an annual USD 1 trillion opportunity to be captured by banks through the use of modern software. This is truly an exceptional finding which puts the Temenos opportunity into perspective.

Thoughts on our performance in 2019

In 2019, we had another outstanding year with record growth in our revenues and profitability and the successful development of our business and strategic objectives.

2019 was characterized by three very exciting trends:

Digital banking

Banks' efforts to offer their clients digital personalized customer experiences underpinned by analytics and Artificial Intelligence (AI), and thus provide access to both financial and non-financial products, are gaining traction and are becoming mainstream. Today the spend on digital is larger than the spend on core software and is also growing faster.

Our efforts in digital banking accelerated with the acquisition of three companies during 2019.

The acquisition of Kony has allowed Temenos to enrich our digital offering to our clients while also strengthening our US presence. Our Infinity product, into which we have integrated Kony, is revolutionizing the distribution piece of the banking value chain by allowing banks to deliver omni-channel, personalized customer experiences and better engagement to all touchpoints, underpinned by our AI technology. Infinity offers our customers the choice to pursue transformation at their pace, before, during or after a core modernization project, working in front of multiple core systems if necessary for a time.

During 2019 we also acquired Logical Glue, a leader in Explainable AI (XAI). During the year we have embedded AI in our products to allow banks to offer personalized customer experiences to their clients. The use of XAI is gaining traction in all areas of technology, and banking and financial services is no different. We are seeing a trend where the next phase of digital transformation within banks will be powered by AI technologies. Being a regulated industry though, it is not enough just to offer your clients the results of an intelligent algorithm, which has the disadvantage of being a black box. Banks need to be able to explain to their customers why, for example, their credit card application has been approved or declined without bias and, if so, how they can resolve the issues that led to them being declined. This needs to be done in real-time and in plain language that all can understand. Logical Glue has a unique, patented fuzzy logic-based approach that provides the explanation and also the interaction with AI algorithms to be able to achieve exactly this outcome.

The other acquisition was in the area of data management with the acquisition of hTrunk at the beginning of 2019. The acquisition has allowed us to offer the Enterprise-wide data lake capabilities required in order to intelligently use structured and unstructured data at scale to power our AI models. This, along with the AI platform, has rounded off our offering in the digital space and we experienced outstanding growth in digital on the back of this.

Core banking software

Investment in core banking software continues to grow at a very robust pace in the banking industry and Temenos continues to outpace the market with significant double digit growth. Banks are increasingly realizing that without a modern, efficient core engine that can help them manage their products, price them for the customer of one, and provide the data to power their analytics, they will not be competitive and their efforts in digital will be undermined. In 2019 we made the significant step of enhancing our Microservices architecture in order to provide our clients with more options on how to go about their modernization efforts, implementing fewer banking capabilities at a time, thereby minimizing implementation risk.

Cloud and Software as a Service

Cloud and Software as a Service (SaaS) is gaining significant traction in financial services in both mature and emerging markets as banks appreciate the efficiencies that can be achieved through cloud deployment and regulators are convinced about the security and availability of cloud networks. Temenos has been a leader in offering our products on the cloud with our first deployments taking place as early as 2011, giving us the credibility to lead the market in this respect. We are very excited by the spectacular growth we see in this segment. Let me just say that in four years of growth in our cloud and SaaS business we have achieved an equivalent size business that took us 19 years to grow under the traditional on-premise model.

Values and sense of purpose

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

At Temenos, we have the ethical responsibility to consider the expectations of all our stakeholders, along with our corporate purpose, our company's strengths, the opportunities and trends in the global marketplace, and our personal aspirations and values as leaders and get a clear understanding of what will generate value to all those associated with us.

We are proud of our dynamic and sustainable presence in the banking industry for over 25 years, as an enabler for the transformation and re-invention of banks. As a global company with 68 offices in 40 countries, we want to keep on doing what we know best in a way that takes care of the world around us both globally and locally. We are proud of our efforts so far, and they have been recognized by our inclusion in the 2019 Dow Jones Sustainability World Index (DJSI), ranking in the top 10% of the largest global companies listed, as well as our inclusion in the FTSE4Good Index Series.

Maintaining the trust of our stakeholders and remaining accountable to them is critical to us. It took us more than 25 years to build Temenos as we know it today and we have done so with a strong sense of purpose, guided by our Temenos culture and values. We believe that this is our true competitive advantage. We call this Temenosity and we celebrate Temenosity as the cornerstone of our success. Our business is about building trust and strong relationships, with all our stakeholders, our clients, our Partners, our shareholders and between us Temenosians. Responsibility is in our culture. Our passion for innovation and for seeing things differently will ensure that we continue to develop winning products for our clients. Our determination, energy, enthusiasm, resolve, integrity, commitment, people focus and never-give-up attitude will ensure we remain the leading banking software company and overcome any challenges that may lie ahead of us, like we have done in the past.

Influencing the way banking is carried out for the 21st century continues to be our end goal, one that guides our daily endeavors. With more than 3,000 banking clients in over 150 countries worldwide, we are well on our way to doing so.

Andreas Andreades
Executive Chairman

GROWING OUR **GLOBAL OPPORTUNITY**

Europe	The Americas	Middle East & Africa	Asia Pacific
22 Offices in the region	**17** Offices in the region	**8** Offices in the region	**21** Offices in the region
42% Total revenue	**23%** Total revenue	**15%** Total revenue	**20%** Total revenue
39% Total software licensing revenue	**27%** Total software licensing revenue	**13%** Total software licensing revenue	**21%** Total software licensing revenue

Key industry trends

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

Cloud
The use of on-demand computing resources to host software and data is driving down the total cost of ownership and reducing risk for incumbents, as well as lowering barriers to entry for new entrants to banking, as costs can scale according to business volumes.

Artificial Intelligence (AI)
The move to utilizing AI in helping customer interaction, for example through robo-advisors, chat bots and automated product recommendation systems, in transactional processing and with operational efficiency and in risk and compliance. Recent advances in Explainable AI, which allows for the rationale in automated decisions to be understood by humans, have further advanced the rate and scope of adoption.

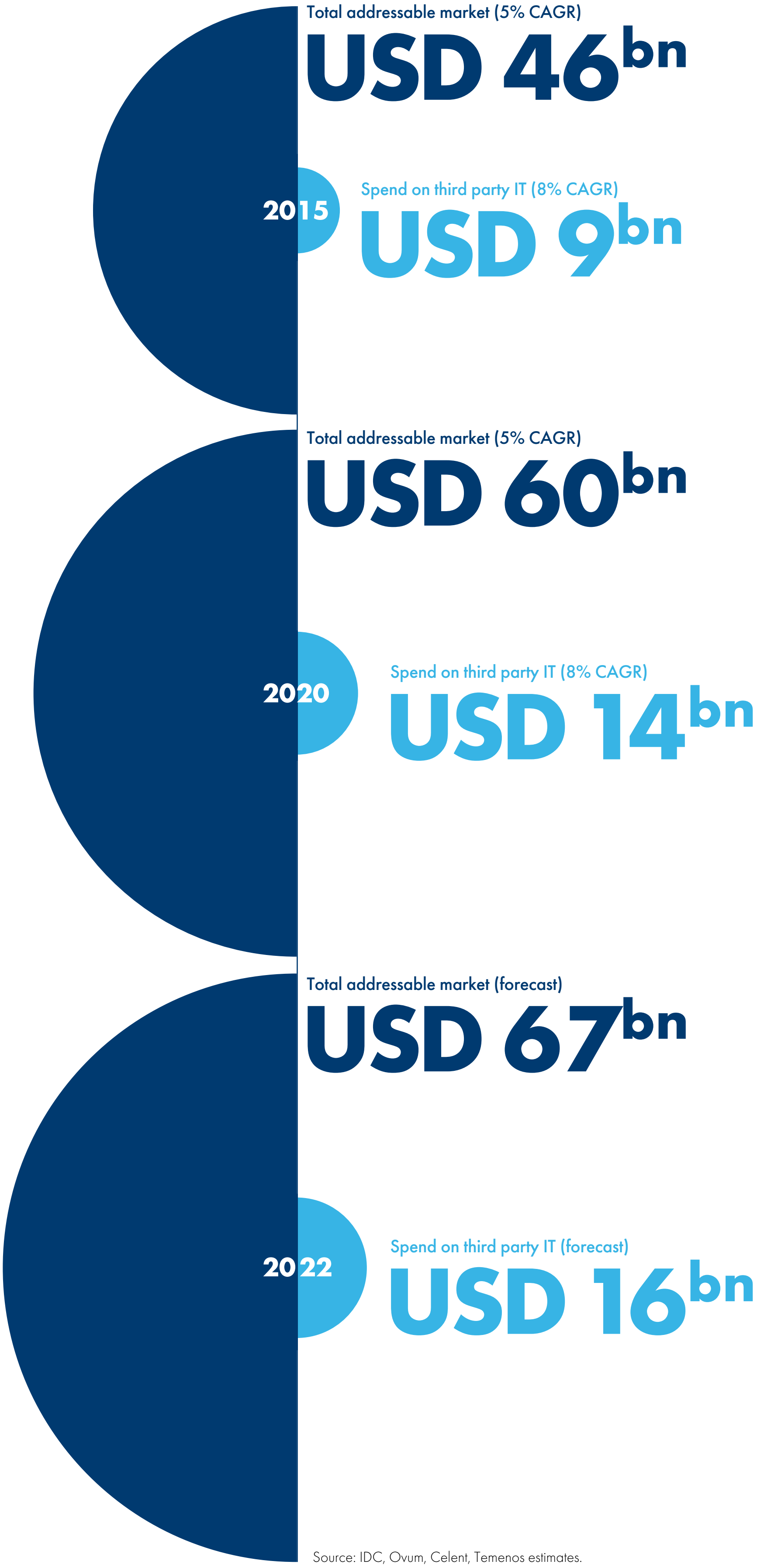
APIs
The move to Open Banking is both a risk and an opportunity for banks. There is increasing pressure on banks to support interfaces that allow third parties to access their customer data, and banks with modern, Open API platforms are better able to take advantage of third party innovation to improve their customer service.

Big data
Banks have vast quantities of uniquely valuable data on their customers, however they are only just starting to use analytics to leverage this as a competitive advantage. Banks have the potential to improve customer service, increase product penetration and reduce risk, through the use of this data.

Mobile
Banking has seen exponential growth in the number of interactions and transactions taking place through mobile devices. Banks need to ensure they can provide their customers a complete banking service with minimal friction. Those banks with the best mobile service will be able to better attract, retain and cross-sell products to their clients.

Addressable bank IT spend

Consistsent growth in our addressable market



Source: IDC, Ovum, Celent, Temenos estimates.

STRATEGIC INITIATIVES TO DRIVE GROWTH

Enhance award winning solutions

Cloud-based Microservices

Hypersonalization of front office with XAI

Continuous renovation of tier 1 back office

Geographic market development

Significant traction in the US for Infinity and Transact post integration of Kony

Investing in Sales and Marketing, Cloud and SaaS, and Talent and people

68% increase in SaaS ACV* in 2019

An expanding Partner ecosystem

6,500 consultants, 12,000 developer community members

Using M&A to accelerate organic growth

kony

logical glue

hTRUNK

* Definition of ACV to be found on the Sources page in the Appendix.

Highlights of the year

CONTINUED SUCCESS YEAR ON YEAR

Total software licensing

2019	USD 445m
2018	USD 373m

+19%

Maintenance

2019	USD 358m
2018	USD 314m

+14%

Total revenue

2019	USD 981m
2018	USD 841m

+17%

EBIT margin

2019	32.4%
2018	31.5%

32.4%

Operating cash flow conversion

2019	USD 364m
2018	USD 365m

100%

Earnings per share

2019	USD 3.47
2018	USD 2.95

+18%

Dividend per share

2019	CHF 0.85
2018	CHF 0.75

+13%

2019 non-IFRS financial highlights

Read more on page 038

- Total software licensing revenue growth of 19%
- Maintenance revenue growth of 14%
- Total revenue growth of 17%
- Services margin of 11.0%, improvement of 1 percentage point
- EBIT margin of 32.4%, up 87 bps
- Operating cash flows of USD 364 million
- Operating cash conversion of 100% with DSOs at 120 days reported, 114 days organic
- Strength of cash flows and growth in profit support 2019 dividend of CHF 0.85 per share, an increase of 13% (2018: CHF 0.75 per share).

2019 operational highlights

Read more on page 034

- Strong performance in 2019 with market growth driven by increased focus on digital banking and hyper-personalized, omni-channel experiences
- SaaS and cloud adoption continues to accelerate, driving incremental demand for software
- US position strengthened through strategic acquisition of Kony, the leading US digital SaaS player
- Tier 1 and 2 bank activity remained strong, with sales to tier 1 and 2 banks contributing 43% of total software licensing in 2019
- Temenos won a total of 93 new clients in 2019, maintaining its market leading position through the winning combination of the best technology and the best functionality
- Total of 330 clients going live on our software in 2019.

A MARKET **LEADER**

Gartner[1]

- Recognized as a Leader ten times in 'Magic Quadrant for Global Retail Core Banking.'
- Kony, now part of Temenos, recognized as a Leader in the 'Magic Quadrant for Multiexperience Development Platforms.'

Forrester[2]

- Leader in Forrester Wave for global digital banking platforms and digital banking engagement platforms.
- Classed "Global Power Seller" for new business for the 13th consecutive year and "Top Global Player" for new and existing business deals for 7th consecutive year
- Leader in Forrester Wave for Low-Code Development Platforms for AD&D Professionals (Q1, 2019).

Ovum[3]

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

IBS Intelligence[4]

- Ranked best-selling core banking system for the last eight years and top two positions for the past 19 consecutive years.
- Ranked best-selling digital banking and channels system.
- Ranked best-selling payments system.

Celent[5]

- Temenos' Client, Umpqua Bank, received the Celent Model Bank of the Year Award for Customer Engagement.

International Data Corporation[6]

- Recognized as a 'Leader' for Integrated Payment Systems.
- Recognized as a 'Leader' for North America Digital Banking Customer Experience Platforms for Kony DBX, now Temenos Infinity.
- 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.

Private Banking & Wealth Management Awards 2019

- Recognized as 'Most Innovative Banking Technology Partner of the Year'.

*A "**Market Leader**" in **core banking** and a "**Market Leader**" in **digital banking platforms**.[3]*

10 times

Recognized as a Leader ten times[1] in Gartner Magic Quadrant for Global Retail Core Banking

13 yrs

Classed "Global Power Seller" for new business[2]

8 yrs

Ranked best selling core banking system[4]

1 The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Annual Report) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

Gartner, 'Magic Quadrant for Global Retail Core Banking', Vittorio D'Orazio, Don Free, 22 July 2019. (This report was previously titled "Magic Quadrant for International Retail Core Banking" from 2009 – 2014. Temenos was recognized as Temenos Group from 2010-2013, and Temenos Group (T24) in 2009.)

Gartner, 'Magic Quadrant for Multiexperience Development Platforms', Jason Wong, Van Baker, Mark Driver, Adrian Leow, Paul Vincent, 10 July 2019.

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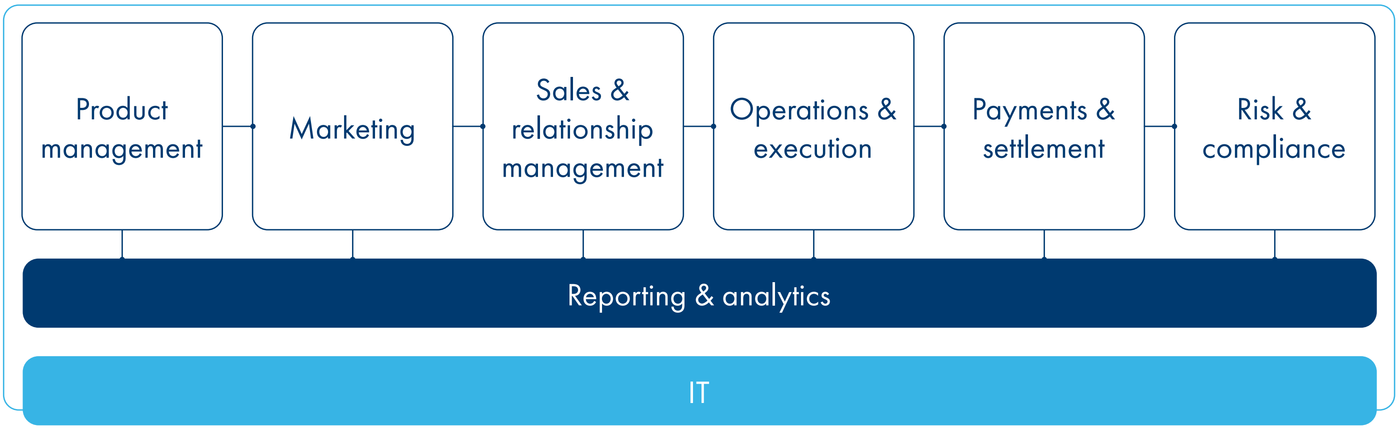
Temenos Value Benchmark

UNLOCKING BUSINESS VALUE FROM IT INVESTMENT

The banking value chain



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

The Temenos Value Benchmark 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 25 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 Temenos clients including executive-level findings with business and IT insights structured along the banking value chain.

The exercise is conducted by Temenos strategy consulting professionals deployed on site to collect and validate the bank's data. Over 200 quantitative metrics as well as qualitative best practices are collected from each client to enable us to provide correlations and insights to explain banking performance. The benchmark 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 gives banks the opportunity 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.

*"**A great example of the value I got from the Temenos Value Benchmark** and why I would encourage my banking counterparts to participate in this program, **is the metric I received on Page 1 of the report:** IT cost as a % revenue. **This benchmark metric paid off immediately as it revealed to me the true cost of my IT** and how I must continue to optimize and automate as I grow my customer base as Canada's first digital challenger."*

Dan Dickinson,
CIO, Equitable (EQ) Bank Canada

*"**This is a unique program** compared to the other surveys I have been involved in – it brings in a business flavor to show management the value of IT investments. **The benchmark gives me the right indicators and KPIs to justify my IT spend to the board** so we can invest in new technologies."*

Khurram Qadir,
CIO, CIB Egypt

Sample Temenos Value Benchmark report output (illustrative)

Software

COMPREHENSIVE, **CLOUD NATIVE**, CLOUD AGNOSTIC, MICROSERVICES ARCHITECTURE

Temenos' software is centered around two main products; Temenos Infinity and Temenos Transact.

Both of these are available as independently deployable products, together with several other more specialist products described in the following pages. Their value to clients is, however, increased when they are deployed together to form an end-to-end digital banking solution. All of the software enjoys the benefit of continuing functional investment by Temenos, ensuring that Temenos' clients can access the latest banking functionality, as well as the years of functional enhancements which have been packaged into the products.

Temenos' products are also being increasingly deployable as Microservices. The boundaries between services are defined according to business areas and banking functions. This technology change provides a series of strategic benefits to banks who use the software. In particular, the independently deployable nature of each service means that banks can progressively go live with different business areas by implementing different services. Unlike a standalone best-of-breed approach, the various service components also sit together to build an integrated offering. This enables banks to undertake large transformation exercises in a more flexible manner which also delivers earlier benefits. It also allows banks to retain key items of third party or in-house technology where they have a competitive edge and to manage upgrades on a partial ("module level") basis going forwards.

All of Temenos' software products can be deployed natively on the main commercial cloud platforms; this means that they take the full benefit of the lower operating costs and elastic scalability of these services, as well as enjoying in-built operational resilience. They are also available on a Continuous Deployment basis which enables banks to reduce the cost of implementation and maintenance by the use of modern DevOps approaches and technology, as well as making it faster for banks to deploy innovations into their live operating environments and hence to enjoy a shorter time to market.

Temenos Infinity

Temenos Infinity is an independent digital banking product which focuses on customer engagement and the distribution of banking products and services on an omni-channel basis by means of an integrated "conversational banking" customer engagement module, cutting-edge digital customer acquisition and onboarding functionality and an integrated product origination capability. The market leading low-code channel capability of the software is backed by an independently deployable series of Distribution services, which enable banks to offer a seamless omni-channel experience across multiple core and other product manufacturing systems. By avoiding complex point-to-point connections, it also future-proofs a bank's capabilities in this area, allowing for different channel solutions to be deployed as needed, and for core systems to be changed without needing to rebuild large and complex integration layers.

It can be deployed on any combination of back office systems by means of its Open API framework and definitions in a quick and cost effective manner, allowing access to all of the underlying product manufacturing and servicing capabilities which those platforms offer. Even greater benefit can be gained when the solution is deployed with Temenos Transact as the bank can then make use of the end-to-end product design and distribution capabilities to gain significant benefits in the areas of customer insight and new product go-to-market agility.

Temenos Transact

Temenos Transact is the market leading core banking product which incorporates the broadest and deepest set of functionality available in the market. Temenos has invested in expanding the functionality of the product for over 25 years which, when allied with policy of producing standard packaged software, provides a functional footprint which is without parallel in the industry.

This functional depth is supported by the use of the Microservice-based architecture. This allows for the solution to be deployed and upgraded on a functional component basis which means that banks can more easily engage in transformation programs that deliver early benefits and allow for changing business priorities during the implementation process.

The product is further enriched by an extensive set of Country Model Banks. This combination of global product capability, off-the-shelf regional functionality and the underlying flexibility of the product enables banks to implement the solution in a cost effective manner and to continue to innovate, and to deploy these innovations, at speed and on an efficient economic basis. The cloud native and cloud agnostic capabilities which underpin the product also enable banks to operate at scale in an elastic and agile manner.

PRODUCTS
Read more page 012

TECHNOLOGY PLATFORM
Read more page 016

SECTOR SOLUTIONS
Read more page 018

Our solutions

Temenos organizes its products into five key areas reflecting the needs of its customers.

Technology is strategy. We say this because our Technology products and frameworks make banks more agile, competitive and profitable, and help them thrive in complex, margin-pressured environments.

Temenos offers software solutions to banks and financial institutions of all types and sizes.

PRODUCTS

Temenos has five main products. Although each of these is independently deployable, they are based around a common set of capabilities and design principles aimed at increasing analytical insight and product agility, and reducing the cost of operation and ownership. Even though they can be implemented on an independent basis, Temenos clients gain progressively more benefit when multiple solutions are deployed in an end-to-end manner. The extent to which this is done, and the speed and sequencing of deployment, are all selectable by the client, ensuring that the software supports their business and commercial goals in an optimal manner.

Temenos Infinity

A Digital Front Office product driving outstanding experience across customer acquisition, servicing and retention journeys, built on a foundation of Explainable AI and Open APIs.

Temenos Infinity is an omni-channel digital banking product which focuses on the distribution of banking services and products. It can be sold and deployed on any combination of back office systems, including non-Temenos core banking systems as well as Temenos Transact. Temenos Infinity is deployed using the Temenos Banking Platform.

The product is delivered using a series of Microservices. These are organized into two main areas; Channel Support and Distribution Services. The former is focused on creating outstanding customer experience on all digital channels, and is deployed using a market leading low-code technology which enables the rapid construction and ongoing maintenance of customized user journeys and experiences on all devices. The latter provides an omni-channel layer which simplifies the complex connectivity between the product manufacturing systems and channel support systems.

This is particularly important for banks which wish to retain elements of their channel solutions where they feel that they have competitive advantage. It also dramatically simplifies the ongoing process of managing the links between multiple channel systems and multiple product manufacturing/core systems.

Temenos Infinity Distribution services comprise:

- Origination for account opening and more complex products such as credit and mortgages
- Onboarding to support the rapid digital acquisition of new clients
- Marketing Catalogue to provide a list of products and services which are available to sell
- Real-time engagement to use customer insight to drive new product sales
- Holdings and Arrangements providing a list of all holdings for clients across all product manufacturing systems
- Payment Initiation
- Funds Authorization
- Multi-Party.

Digital transformation programs can be long and complex. Acquiring new customers in a competitive digital banking market, even more so. Temenos Infinity offers a long term and flexible solution to managing omni-channel user experiences whilst also enabling banks to deliver short to medium term gains in digital sales and service performance.

Temenos Infinity includes solutions for the Wealth sector. These are designed to empower a wealth manager's business. The solution helps wealth managers to industrialize the investment process, allowing for the efficient management of investments for large numbers of complex portfolios whilst achieving maximal investment performance.

Combining back office efficiency with front office differentiation, the product offers support for all wealth sectors from the U/HNWI to the Mass Affluent. This latter sector has, in particular benefited from a renewed focus as the financial services industry identifies the segment as one key to growth; enhancements in this area include Robo-Advisor and Goal Based Investing capabilities.

Temenos Transact

The world's best-selling, most technically advanced and functionally rich core banking product used by over 1,000 banks in all sectors and geographies, delivered using a Microservice architecture which enables progressive and agile transformation programs which deliver personalised and intelligent banking.

Temenos Transact is the market leading core banking product. Designed to operate in a truly packaged manner, and with a consistent policy of maintaining a single functional base, the breadth and depth of the products' capabilities have grown over the years. With more than 25 years of investment in functionality, the product contains massive functional capabilities, all of which can be accessed by any Temenos client who uses the software. The policy of incorporating all enhancements back into the product continues, ensuring that any bank which licenses the software can continue to enjoy the future investment which Temenos makes into the product.

Temenos Transact is delivered using the cloud native, cloud agnostic architecture which is common across all Temenos products. This enables Temenos, and banks, to deploy the software on all major cloud platforms in a way which takes advantage of the elastic scaling capabilities of the platforms. Furthermore, the product can be deployed on an active-active basis to provide resilience on a single cloud or across multiple clouds. As part of the cloud native architecture, it is increasingly delivered as a series of independently deployable Microservices. The means that individual functional components can be deployed one at a time, using the extensive set of Open APIs to connect to other systems. This enables banks to engage in more flexible transformation projects which offer quicker time to value.

Transact also benefits from the underlying functionality centered around data and analytics and the evolving support of the underlying Temenos technology platform which now includes cloud native, cloud agnostic and Open API capabilities as well as support for a DevOps approach to implementation and ongoing Continuous Deployment of new software and configurations.

The product offers support to almost all sectors of banking, including Retail, SME, Corporate and Inclusive Banking segments. The functionality is designed to be used on a global basis, which is then enhanced by the growing number of Country Model Banks maintained by Temenos which provide packaged support for regional banking requirements.

Temenos Payments

A universal end-to-end payments product built on cloud-native and cloud agnostic software with built-in support for ISO 20022 and with tools to enable new payment channels to be addressed easily and quickly.

Our Payments product is a uniquely flexible payment offering that not only gives banks full, real-time control but also a harmonized customer service experience and is centralized for cost efficiencies and risk management. Our Payment Hub is designed to process domestic and international payments in one product in any region.

It was designed in collaboration with a leading international bank to meet a gap in the market and with its rule and data-driven approach, allows rapid evolution to support new products and new "payment rails".

Our auto-repair solution allows banks to reach STP rates of 97% and higher.

Our Payments clients benefit from increased efficiency and profitability through:

- A complete, single product
- Transparent, 360° view of transactions
- Unique weight based processing supporting payment prioritization
- Agile, parameter driven platform flexibility
- Full operational and technical control
- Conditional rules; avoiding the complexity of multiple connections and high risk programming; and
- Can be deployed stand alone or fully embedded within Temenos Transact.

Temenos solutions are supported by industry-leading capabilities in the following areas:

Temenos Fund Administration

Investment Accounting and Investor Services software used by seven of the world's top ten fund administrators, offering the widest range of underlying instrument support with market leading STP rates and operational efficiency.

The solution covers the full spectrum, supporting all product types and all asset classes on our unique, single platform. Clients choose us because they know we can support all their fund administration requirements, both now and in the future.

We provide the best functionality, flexibility and extensive capability in our industry to deliver significant operational efficiency gains by replacing fragmented legacy systems and manual processes with a single, global platform. Typically, our clients enjoy efficiency improvements in excess of 30% by migrating to Temenos.

As software dedicated specialists, our goals are aligned with those of our clients in providing market leading products and transforming clients' fund administration activity with sophisticated workflow, production and control techniques.

Global Accounting

Transforms fund administration activity with sophisticated workflow and production control techniques. Drives dramatic increases in operational efficiency via advanced global operating models and integrated investment book and general ledger capability.

Global Investor

A single, global investor servicing and transfer agency platform, offering the most extensive capability in the industry, to deliver a step-change in efficiency, oversight and control.

Temenos SaaS

Delivering market leading, compliant and highly secure, functionally rich banking products to clients in all geographies and banking sectors, building on market expertise gained since 2011.

Temenos has offered its software on a cloud-hosted basis since 2011, being an early adopter of this approach to delivering software. Since then, the range and scope of the offering has grown, with various SaaS offerings being available. New SaaS offerings have been announced for 2020, including a specialized pre-packaged model supporting US based new digital banks. These take advantage of the cloud native capabilities of our software, but also the extensive set of Open APIs which enable integration, and the DevOps-based Continuous Deployment service which Temenos offers to ensure that innovative product features are delivered on an ongoing basis to clients.

SaaS is a key change which permeates the financial services technology industry, and Temenos is enthusiastic about continuing to invest in this area to ensure that banks can continue to benefit from the functional investment made by Temenos into its products, however they wish to consume the capabilities. The underlying structure of investing in global functionality and Country Model Banks ensures that Temenos' SaaS solution will continue to support the widest range of banks in different sectors and geographies.

Analytics

Using Temenos Data Lake to unlock the power of banks' data to power AI, insight and automation.

Unlocking the power of banks' data to become analytically driven and to drive profitability and efficiency improvements throughout their entire organization. Temenos Aanalytics is delivered on the Temenos Data Lake and enables banks to harness a wealth of data and transform it into valuable business intelligence to support better decision making and to drive the Explainable AI platform.

By using banking specific, high-value, analytical applications in every department including Finance, Marketing, Operations, Treasury and Risk Management, banks are able to transform their business. This gives banks a significant competitive edge in this new banking landscape and digital world.

By using Temenos Analytics, our clients are able to:

- Empower business users with self-service access to accurate data providing a single version of the truth driving smarter decision making faster with better business outcomes
- Gain deep insight into customer behavior and buying trends to build a customer-centric approach to delivering products and services
- Embed intelligent analytics into core systems to enrich every customer interaction and boost customer engagement with a superior user experience
- Integrate real-time data and embed predictive analytics to enable real-time risk and marketing activities
- Provide customers with contextual, relevant product offers and advice at a time when they are most likely to buy – improving cross-selling, customer value and customer loyalty
- Integrate analytical capabilities directly into core banking and other applications, making those applications smarter and more efficient
- Better understand and predict performance to build strategies for improving operational efficiency and financial processes to minimize risk and drive profitable growth.

Temenos' main products are supported by a common set of functional capabilities and support which enable them to provide excellent solutions to their clients, wherever they are located and whichever market segments they focus on.

Financial Crime Mitigation

Real-time and flexible products using data-driven AI to deliver Anti Money Laundering, Fraud Detection and Sanctions Screening protection to banks and their customers.

A uniquely flexible range of intelligent, versatile products for banks, large and small, to combat financial crime.

The Financial Crime Mitigation product family is a range of intelligent, analytical detection engines that are accurate, fast, easy to configure and simple to use. Its sophisticated approach ensures increased efficiency by saving time and lowering data-mining costs for enhanced decision making and improved collaboration, ultimately completely mitigating against risk. Banks choose the product they need, whether it be to combat money laundering, accurately screen against sanctions lists or ensure enhanced customer due diligence.

Our Financial Crime Mitigation clients benefit from increased efficiency and profitability through:

- Safe and accurate algorithms
- Complete control and clarity
- Full automation
- Intelligent analysis
- Ready and easy integration
- Stand alone or integrated into Temenos Transact
- Real-time as well as offline products.

With our products, organizations are able to reduce exposure to risk and minimize losses while complying fully with regulatory mandates.

Risk and Compliance

Enabling financial institutions to remain compliant whilst focusing on business growth and digital transformation.

Enabling financial institutions to navigate the complex regulatory landscape in order to remain focused on serving customers, creating innovative products and improving profitability.

The Risk and Compliance product family offers software and services for:

- Compliance advice
- Audits
- Social media monitoring
- Vendor management
- IFRS 9
- CRS
- Enterprise risk management
- FATCA compliance.

With our products, organizations are able to reduce exposure to risk and minimize losses while complying fully with regulatory mandates. In this challenging environment, there is tremendous pressure to maintain and grow profit margins despite challenges associated with new consumer demands, non-traditional competitors, and heavy regulatory burdens. Proper compliance practices, supplemented by products and services from Temenos, can help financial institutions avoid penalties, fines, and reputational risk, ultimately ensuring profitability and success.

Country Model Banks

Packaged country specific functionality covering over 150 countries which enables banks to go live quicker and to focus on areas of competitive advantage.

With our extensive experience of client implementations we have packaged country specific localizations, including compliance with regulations and local payment systems, into reuseable country platforms. We currently offer functionality which is drawn from over 150 countries' requirements.

TECHNOLOGY PLATFORM

Our products are built on the single integrated Temenos Platform using the most advanced cloud-native, cloud-agnostic and multi-cloud technologies and tools. Our solutions are designed to be API first and have AI capabilities embedded in them. We deliver them using a DevOps based Continuous Deployment approach. The platform helps banks to reduce their TCO, to increase scalability and to deploy rapidly on any cloud.

Cloud-native and cloud-agnostic

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

Temenos provides banks with an infrastructure designed to support digital transformation in order to 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 new 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 Google Cloud Platform, Amazon Web Services and Microsoft Azure. We are also the only platform also to offer multi-cloud deployments for increased resilience and regulatory compliance.

Microservices and containers

Efficient scalability built around a containerized deployment model.

Temenos transforms the traditional approach by breaking down the software into independently scalable Microservices that can be deployed rapidly, enabling banks to make high-impact changes frequently, predictably and seamlessly, enhancing DevOps capabilities: coding in the morning and consuming in the afternoon. By exposing these banking Microservices as APIs in the cloud, our clients benefit from the easy plug and play integration to both existing environments as well as to an ecosystem of Partners, developers and fintechs via the Temenos Developer Community.

This can be of particular use in large transformation programs where banks can progressively go-live in business-meaningful steps, ensuring that the payback period is both initially shorter and progressively cumulative. It also means that it is easier for long strategic programs to be flexed as business needs change.

Independently deployable

Components can be added, managed and scaled independently based on each bank's requirements, speeding up the change process. Decoupled services can be written in the best language for the task – all harmoniously coexisting and delivering a resilience not experienced in monolithic systems – should one service fail, the other services remain unaffected.

Elastic scalability

The Microservice architecture introduces highly efficient elastic scaling capability, automatically provisioning resources to perfectly match demand upwards or downwards. This improves the service ROI as overprovisioning resources become a problem of the past.

Organized around business capability

Services are developed to fulfill specific business objectives needed and desired customer experiences, meaning banks can organize development teams around business capabilities, rather than technologies.

Distribute development workload

The independence of components eliminates the issues of productivity and speed by decomposing applications into manageable services that are faster to develop. Different teams can independently and simultaneously develop components, enabling faster project delivery and better quality.

API first

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

Temenos' Open APIs enable banks to execute strategies to thrive in an age of Open Banking. Temenos' approach enables banks to meet regulatory requirements such as PSD2, through pre-defined APIs that meet published specifications such as Berlin Group, STET, etc. They allow banks to innovate products and services rapidly with access to over 700 enterprise API endpoints on the Temenos Developer Community. Furthermore, banks benefit from the ability to enrich their offering to customers through the integration of new FinTech technologies using Temenos MarketPlace.

API-first

Temenos offers an API-first architecture across our 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.

Extensibility

We enable extensions to standard APIs to suit a bank's precise needs, created using the API designer tool.

Temenos Developer Community

Our Open API Catalogue bringing 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.

AI & machine learning

The most advanced next-generation Explainable AI and Machine Learning banking products embedded in the cloud-native, cloud-agnostic Temenos Platform.

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 embedded in the Temenos Platform and available with all Temenos software either through an easy-to-use interface or through APIs delivered on-premise, in the cloud or as a SaaS offering. By embedding AI and Machine Learning into our products, we have accelerated the release of explainable models that will underpin new AI use cases that focus on creating seamless customer journeys and automating manual processes with self-learning capabilities.

AI permeates Temenos products

AI capabilities are embedded in multiple areas within Temenos products including Fraud Detection, Payment Exceptions, Customer Engagement & Cross-Selling, Collections Optimization, Tailored Pricing and an active ongoing roadmap for enhancing Robo-Advisor.

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 you explain clearly, in plain language, to your customers and regulators how AI-based decisions are made.

Smart data lake

The XAI platform, fully integrated with the Temenos Data Lake, gives banks a real-time, end-to-end Smart Data Lake, offering higher quality and richness of data through multiple sources. This means that banks can make faster, more accurate and explainable decisions driven by AI algorithms.

Enterprise-wide value

Temenos embeds AI and Machine Learning capabilities into our banking platform so banks can realize value across the entire enterprise to provide individualized customer experiences and maximize straight-through processing with limited or no human intervention in all areas of the bank.

Distributed database

Engineered to use distributed relational database technology.

Traditional relational databases are not always able to gain the maximum benefits from the cloud. Temenos products support distributed databases, natively designed and optimized for the cloud, providing a data management architecture that extends the competitive advantages gained by cloud adoption. Through a strategic partnership and participation in NuoDB, an enterprise-class distributed SQL database provider, banks can benefit from unlimited processing capacity, auto-elastic scalability and the highest levels of active-active resilience across data centers, geographies and cloud platforms.

Elastically scale-out

Distributed database technology allows banks to elastically scale-out, as needed, in a linear fashion without incurring the disproportionate scale-up overheads of legacy database approaches.

Achieving zero downtime

Inherently designed for reliability, from keeping the application up, running and available for resilience and automated redundancy in a single data center, an active-passive architecture for disaster recovery, or even an active-active database across multiple availability zones.

Trusted relational model

Unlike many distributed database solutions, Temenos believes that the trusted relational model is required to ensure data consistency and integrity at scale.

Reduce cloud computing cost

A distributed database optimizes hardware utilization, automates redundancy and reduces disaster recovery overhead, effectively reducing costs while improving performance.

Continuous Deployment

Extend cloud capabilities to DevOps so banks can code in the morning and deploy in the afternoon.

Continuous upgrades are a core tenet of cloud utilization. DevOps teams delivering on the continuous integration and continuous story are able to 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 test.

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

Rapid acceleration

Temenos Continuous Deployment creates environments within minutes rather than weeks, accelerating development and ongoing change projects. This amplifies feedback loops and find and fix issues fast. Innovations are deployed from test to live environments quicker than previously possible, reducing their time-to-value.

Increased stability

Banks can access the same Continuous Integration and Continuous Deployment processes Temenos uses internally – running hundreds of thousands of tests daily – to optimize processes and workflows.

Reduce cost

Subscription-based, cloud hosting eliminates the need for costly infrastructure, reducing the cost of innovation and the total cost of ownership.

Self-managed

Banks can create self-provisioned, self-managed environments on-demand in minutes, with all components installed. There are no procurement processes slowing down development. Banks can self-pace development utilizing the Temenos Design Studio.

SECTOR SOLUTIONS

Retail Banking

Temenos provides retail banks with agility and freedom to innovate front-to-back using the latest cloud and API technology.

The Temenos Retail Banking solution is an integrated banking software solution for retail banks of all sizes across the globe.

It combines a modern, agile core with powerful analytics and a single platform for distribution across all digital and assisted channels. It enables a bank to provide convenience and choice to their customers in how they want to bank and manage their finances. It will extend the bank's reach to customers using any device, today and in the future. The bank will be able to harness the wealth of its data to better understand its customers and develop products and services they want and need quickly and easily.

The solution will address the banking technology, regulatory and market challenges of today and tomorrow. Through Temenos a bank can leverage technology innovation to drive competitor differentiation and advantage, increase operational efficiencies, reduce costs and boost profitability.

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.

Corporate Banking

Assemble cross-product line solutions for corporate customers linking directly to their financial systems and broader ecosystems using Open APIs.

The Temenos Corporate Banking solution, with its scalable innovative technology, provides superior features for corporate banks, supporting profitability, customer acquisition and retention. Now, bank customers can benefit from quality digital solutions to equal their retail experiences, for all their business banking needs.

Our Corporate Banking customers continue to see the benefit of our advanced modules. Temenos' Corporate Banking customers benefit from increased efficiency and profitability through:

- A full complete, single solution
- Transparent, single view offering a 360° view of accounts
- Agile, parameter driven platform flexibility
- A product builder to quickly create segment customer level products
- Full control
- 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, modular architecture
- An automated, electronic solution without the need for cumbersome paper based processes.

Wealth Management

Empowering portfolio and relationship managers with the latest in wealth management and modern cloud technology.

Temenos has a long-standing focus on the Wealth Management sector. The solution covers all parts of the industry, from the U/HNWI to the Mass Affluent and is designed to be deployed by all participants in the sector, ranging from Private Banks to Wealth Managers to Retail Banks for the mass affluent sector.

The solution contains sophisticated portfolio management tools which cover most instrument classes and which allow for maximized investment return. Supporting this core capability are digital CRM capabilities specifically designed for the sector, automation tools around goal-based planning and automated advice capability for the mass affluent sector and highly comprehensive back office functional support.

If a wealth manager is looking for a single vendor solution, with the associated benefits of centralized support, Temenos can transform their business. The Wealth Management solution offers:

- Increased performance and revenue growth
- Stronger customer loyalty
- Advanced digital capabilities
- Cost and risk reduction.

Fund Administration

Providing unparalleled multi-asset class fund administration capabilities across all geographies.

With Temenos' Fund Administration solution, clients have the capability to manage all asset classes and jurisdictions, both now and in the future, from a single accounting and investor servicing platform:

- Delivers long-only control and efficiency with alternatives flexibility on one platform, to support convergence between long-only and alternative funds
- Reduces total cost of ownership by consolidating functions and systems on one platform across multiple geographies, asset classes and jurisdictions
- Delivers increased efficiency through sophisticated workflow and exception management
- Syndicates analysis/product development across clients, so that development costs are shared and all clients benefit from changes made to one code base
- Supports both middle office and back office, and delivers the Investment Book Of Records (IBOR) and Accounting Book Of Records (ABOR) from one platform.

Islamic Banking

A flexible and efficient award-winning solution enabling Shari'ah compliant innovation, scalability and digital engagement.

Temenos' Islamic Banking solution services the Islamic banking community with Shari'ah compliant, flexible solutions that have been specifically designed to support wealth, retail, corporate and treasury bank needs. This range of highly scalable, established solutions means that banks can now easily and efficiently create new Islamic banking products, offering world class services that rival Islamic or conventional counterparts.

Temenos' Islamic Banking clients benefit from increased efficiency and profitability through:

- Full automation and increased straight-through processing rates
- Reduced development time
- Quality customer products and services available quickly and cost effectively
- Adopting a pre-configured solution based on Shari'ah industry standard
- Offering advanced Shari'ah wealth management services.

Inclusive Banking

Enabling Financial Inclusion to be rapidly extended using a packaged and integrated model bank that is developed specifically to increase access to relevant financial services.

Temenos' Inclusive Banking offering is an integrated banking software solution that helps community banks and Financial Institutions (FI) of all sizes, active in both group and individual lending and member deposit holding.

It provides community financial institutions with world-class banking capabilities that usually are only accessible to larger commercial banks with significant IT budgets. Inclusive Banking, which can be deployed in the cloud on a SaaS basis, provides a modern, agile and highly scalable core banking system, as well as a single platform for distribution across all digital and assisted channels, and powerful business analytics.

For community banks, it offers dividend point tracking, provisions and parameterized dividend processing functionality.

Inclusive Banking enables community financial institutions to significantly reduce operating costs even when their business is growing fast, and to pass on these efficiencies to their end-customers in the spirit of financial inclusion. At the same time, it enables them to clearly differentiate themselves with highly responsive service, tailored products and a truly customer-centric experience – giving every customer, regardless of their financial worth, the same quality service anywhere.

STRATEGIC ACQUISITIONS TO ACCELERATE ORGANIC GROWTH

Our three pronged approach
to M&A to accelerate organic growth

01
Accelerated R&D roadmap in key markets and segments

02
Increased scale

03
Adjacent markets and complementary products

In 2019, Temenos made three acquisitions that brought significant new products, technology, market presence and expertise.

A strong track record
of strategic M&A

2019	3 acquisitions Kony Logical Glue hTrunk
2018	1 acquisition Avoka
2017	1 acquisition Rubik
2015	2 acquisitions Multifonds Akcelerant

September 2019 – Temenos acquired Kony, the US #1 digital banking SaaS company

In September, Temenos acquired Kony, the fast-growing US #1 digital banking SaaS company. The acquisition significantly enhanced Temenos' scale and capabilities in the US, adding significant digital expertise and accelerating Temenos Infinity, the breakthrough digital front office product. Temenos purchased Kony for an enterprise value of USD 559 million.

Kony had already achieved rapid growth with both top tier and mid-market banks in the US and internationally with its Kony Digital Banking Experience product (Kony DBX) which was recognized as a leader by top analyst firms such as Gartner, Forrester and IDC. With 1,500 employees and deep expertise in digital and cloud technologies, Kony had been helping banks transform the experience for their customers with digital banking applications and its market leading development platform, all of which are served through a cloud hosted SaaS model.

The Kony DBX product included a suite of mobile banking apps delivering exceptional omni-channel experiences including support for conversational interfaces, AI, augmented reality, and wearable technologies. Key to this success was Kony's development platform that accelerates product cycles and increases agility by reducing the load on bank IT to design and iterate user experiences. Kony's banking clients had been able to transform the banking experience with some achieving over 20% increase in mobile deposits, 64% increase in mobile credit card payments and significantly reducing abandonment rate from 20% to 3%.

The combined strength of Temenos, Kony and the recently acquired Avoka, further strengthened Temenos Infinity, covering all banking verticals and offering customer acquisition and onboarding, omni-channel banking, customer retention and marketing, and modules supporting payments, wealth advisory, financial crime, risk and compliance and analytics.

July 2019 – Temenos acquired Logical Glue, a SaaS-based Explainable AI (XAI) platform to accelerate its AI roadmap and expertise

In July, Temenos acquired Logical Glue Ltd., a London-based provider of a patented, award-winning Explainable AI (XAI) platform with financial clients in the UK and Europe. The acquisition accelerated Temenos' AI roadmap by bringing together a patented, proven, industry-first XAI platform, AI credit scoring models that are immediately available worldwide as well as deep AI and Machine Learning expertise.

Logical Glue's XAI platform addresses one of the key challenges 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. Regulators globally are increasingly mandating that financial institutions should be able to explain to their customers the results of automated decisions that affect them. For example, Europe's General Data Protection Regulation (GDPR) includes 'a right to explanation' for all decisions made by AI algorithmic systems while the US Equal Credit Opportunity Act compels creditors and lenders to provide specific reasons to borrowers when negative decisions have been taken. Through this acquisition, Temenos brings cutting-edge innovation to the banking industry by helping banks explain in plain language to their customers and regulators how AI-based decisions are taken.

The Logical Glue XAI platform has been embedded within the cloud-native, cloud-agnostic Temenos banking platform and made available with all Temenos software including digital front office, core banking, wealth management, payments and fund administration products. This provides banks with the next generation of AI-powered applications irrespective of the choice of cloud platform or on-premise deployment. By embedding AI and Machine Learning into its products, Temenos is accelerating the release of explainable models that will underpin new AI use cases focusing on creating seamless customer journeys and automating manual processes with self-learning capabilities.

The XAI platform is also fully integrated with the Temenos Data Lake to give banks a real-time, end-to-end Smart Data Lake, offering higher quality and richness of data through multiple sources. This means that banks can make faster, more accurate and explainable decisions driven by AI algorithms. All these products can be consumed either through an easy-to-use interface or through APIs and can be delivered on-premise, in the cloud or as a SaaS offering. The provision of XAI as part of the Temenos platform is central to the Temenos strategy to deliver both cloud-agnostic as well as on-premise products to banks.

February 2019 – Temenos acquired hTrunk, accelerating its analytics and big data solutions

In February, Temenos acquired hTrunk, a fast-growing company providing big data and analytics solutions to the banking industry. This accelerated our strategic vision for data and analytics. Through the integration of hTrunk, Temenos strengthened its Analytics product, which was already recognized as a leading analytics solution in the banking space. Temenos is now able to help banks leverage big data technologies, implement modern data lake architecture efficiently and unlock the value of their data.

With the addition of hTrunk's comprehensive data lake product, Temenos Analytics is able to ingest, blend, store and process both structured and unstructured data in real-time, allowing the creation of next-generation, analytically-driven banking applications.

Founded in 2015, hTrunk had 30 employees and was based in Bangalore, India. hTrunk provided big data and analytics solutions, primarily to banking clients, including a number of Temenos Transact customers. hTrunk accelerates Temenos' ability to offer a productized data lake solution as a fundamental component of its banking software platforms.

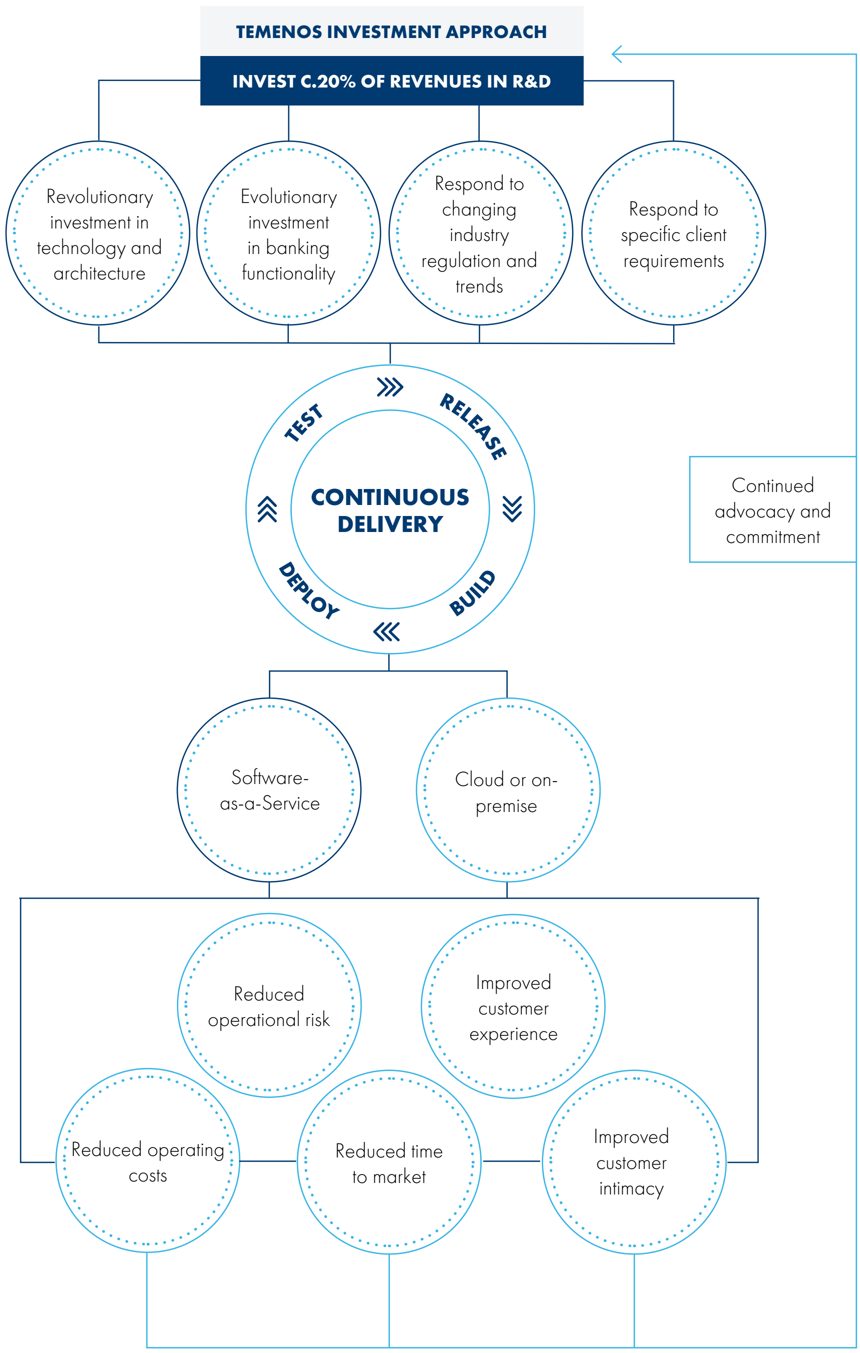
> ***"We are excited to combine our strengths with Temenos' expertise, reach and passion.*** *Together, I am sure we will be able to* ***transform the industry."***

Professor Hani Hagras
Co-Founder and Chief Science Officer at Logical Glue Ltd.

INVESTMENT TO 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.

The virtuous cycle of Temenos software investment
How we turn investment into innovation



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. The technology changes required to support the growing business and regulatory interest in Open Banking are a prime example of this. What is revolutionary at one point becomes standard in the following years, and this is why it is important to continue with this investment approach. Examples can be seen in recent years in the adoption of mobile banking technology and the increasing desire to provide software solutions which are hosted on the cloud. Temenos offers updated software based on the latest technology to clients seamlessly through simple, regular upgrades.

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 25 years reflects this. Recent examples have included the embedding of AI and analytics across the entire portfolio to support improved and personalized customer experiences and to increase the level of automation and efficiency in the back office processing areas of our customers. 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.

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, in order to build relevant solutions into the software and thus support our clients using the regular upgrade mechanism. We also anticipate other significant industry trends such as Open Banking, and incorporate them proactively into our software.

Respond to specific client requirements

As we enter new markets or work with new clients, it is possible that our software may require enhancement. We invest in our products to close these functional gaps, but also in such a way so as to make the new functionality of widest benefit possible to our existing and future clients. We do this by ensuring that flexibility is built into the design, and that the new functionality is incorporated into the standard product. Our wide geographic reach across all banking segments means that enhancements developed for a specific client are often relevant in other markets and to other clients.

Continuous delivery

Temenos builds, deploys and tests software on a daily basis. We use this as the foundation for the continuous release of upgrades 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.

Reduced operating costs

Only a small percentage of bank IT spend is on growth and innovation; the majority is spent on business as usual activities. In contrast, Temenos clients spend significantly less on maintenance IT, and a significantly more on innovation. The result of this innovation-focused expenditure is our top performing clients achieving industry-leading cost-income ratios of up to half the industry average, and Returns on Equity of up to three times the industry average.

Improved customer service

Customers expect banks to provide the same level of seamless, personalized service which they receive from leading online service companies such as Amazon or Uber. In the past, banks' abilities to provide such service has been hampered by legacy technology and business issues. Temenos provides a modern front-to-back digital and integrated solution, allowing seamless customer journeys across all areas of a bank's service and product portfolio. A single rules engine driven by embedded analytic capabilities, enables a bank to proactively tailor the experience to a customer's individual needs based on a single 360° lifetime view of the customer.

Reduced operational risk

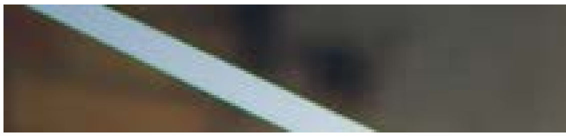
Legacy IT landscapes are inherently risky because of the many interfaces which are required between different functionality and delivery silos; the number of "islands" of functionality and the resulting complexity of connections between them increase the number of points where a process or technology failure can occur. As a result, banks can face outages in mission critical operations with resulting reputational damage. These risks are increased if the bank is still relying on obsolete technology where there is often a shortage of suitably skilled resources. The end-to-end integration offered by Temenos' software, with its configurable and sophisticated workflow, access control and security features, allows our clients to benefit from the lowest levels of IT operational risk, and to future-proof their IT architecture by means of the regular software release mechanism.

Reduced time to market

Today, digitalization and the rise of new, specialized and highly agile competitors are driving banks to respond ever more quickly to customers' individual needs. Temenos' software enables banks to respond quickly, flexibly and securely to these business needs as it is highly parameter-driven, and delivered with pre-configured, re-usable content, as well as user-friendly configuration, design and testing tools.

Improved customer intimacy

A modern, digital bank requires sophisticated analytics to understand customer needs, to respond to regulators and to make optimal business decisions in a timely and efficient manner. The Temenos analytics product set is tightly embedded within the overall front-to-back solution, providing real-time, predictive and integrated analytics based on a single version of the truth sourced from both transactional and contextual data from all areas of the solution. This enables bank staff to take customer service and business strategic decisions on the basis of up to date information.



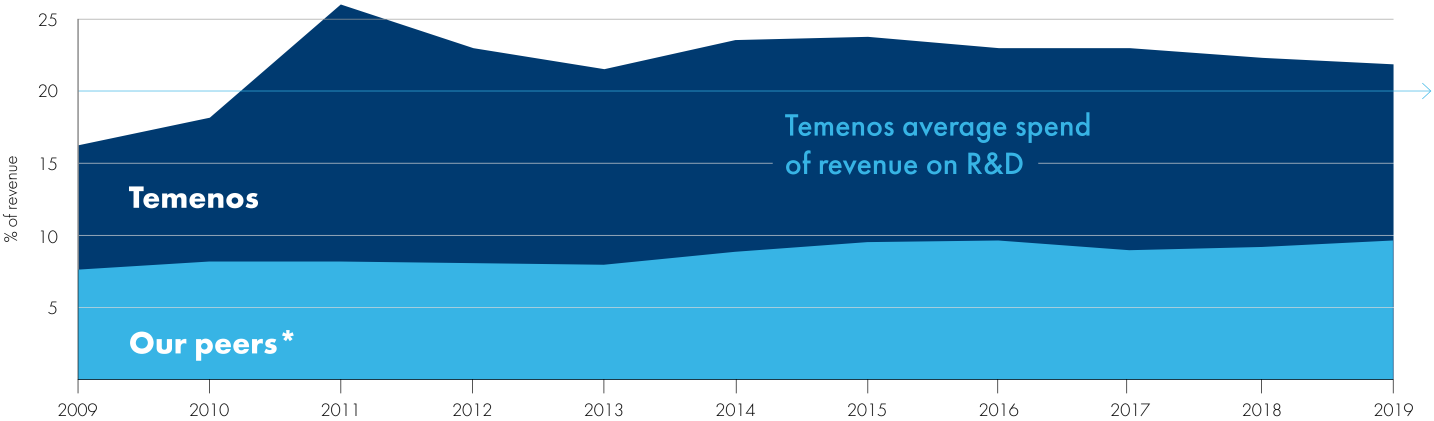
R&D

The highest R&D in the industry

% of revenue spent on R&D

USD 2.1bn

Cumulative R&D investment 1990-2019



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. Going forward, we will also make more of our software available on a Continuous Deployment basis, with DevOps support, for banks to help them to shorten the innovation cycle.

We also support partial upgrades, allowing our clients to upgrade the parts of their solution which they need to. This means that all of our clients can continue to benefit from the ongoing investment we make in our products.

Core principles

Temenos has always produced software according to a set of core principles. We believe in re-use, 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 could be summed up as 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, 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 RESTful APIs. Temenos has recently announced the next stage in its technology investment and innovation with the migration of all of our products to "cloud native" and "cloud agnostic" platform capabilities, which use a Microservice architecture to enable elastic scalability and to allow banks to deploy individual functional areas on a standalone basis as part of larger transformation programs.

Source: Company Annual Reports, Temenos estimates.
* Oracle FSS, TCS, FIS, Fiserv, Jack Henry, SS&C.

OPEN BANKING

The pace of innovation is accelerating at the same time as competitive boundaries are blurring.

Traditionally banks have operated as vertically integrated enterprises. This means that they have both manufactured banking products, and also distributed them to their customers. Although this model remains valid for many banks and markets, changing technology and regulation is also encouraging the growth of institutions which specialized in providing one part of the overall banking value chain. Some of these are existing banks, but others are new banks, whether owned by existing banks or not, and some are technology companies whose services are beginning to overlap with some areas of banking.

In order to take advantage of the new opportunities which this change creates, banks need to be able to innovate not only in the products which they offer, but also in how they interact with other market participants. Open APIs enable banks to connect the various systems which they have in their technology landscape to each other but also to externally provided specialized solutions.

Recognizing the impact of these changes, we have pursued three key objectives:

- The deployment of our solutions as a series of Microservices to improve both operational scalability but also to increase the granularity at which external solutions can be integrated
- The extension of existing API capability to support published, Open APIs and the building of a supported developer community around these
- The creation of Temenos MarketPlace where a curated set of innovative fintechs are assembled and supported to ensure that our clients can find specialized solutions when they need them.

Opening up is unavoidable
The effects of technology and regulation are self-reinforcing and pushing banks to much greater openness.

So many technologies are opening up the banking market: mobile phones have opened up a new distribution channel; cloud has lowered infrastructure costs and opened the market to new entrants; APIs have opened up the flow of information.

Now, regulatory forces are also pushing in the same direction. Open Banking legislation, which started in Europe, is fanning out across the globe, forcing banks to share customer data as well as share their payment infrastructure with third parties. As such, the move to Open Banking appears inevitable, whether banks like it or not.

A new strategic imperative
The move to Open Banking, however, will be extremely lucrative to those banks that embrace the paradigm shift. To do so, they will need to consider abandoning older models of operating as a closed, vertically integrated enterprise, and instead open themselves to working with partners, becoming a concentration point for information flows so that they can learn faster and give the best customer experience at scale.

Banks are starting to appreciate this. A survey from Cognizant and Temenos found that a clear majority of bankers (89%) now see Open Banking as more of an opportunity than a threat with 57% of bankers saying that they would be prepared to distribute third party services over their platform.

And so the scene is now set for greater collaboration.

"A clear majority of bankers (89%) now see Open Banking as more of an opportunity than a threat."

THE TEMENOS **MARKETPLACE**

MarketPlace

Bringing the power of fintech to banking.

The Temenos MarketPlace was launched in 2015, when we had already recognised the value that fintech could bring to banks. Our vision was clear – to help our customers to benefit from the collective innovative power of fintech – and that vision remains true today.

We are identifying the very best in fintech solutions to add to MarketPlace, those solutions which complement our software and bring real and proven value to banks. This curation of tried and tested fintech plays a key strategic role for our customers, enabling them to readily tap into an ecosystem of innovation, to identify those solutions that make sense for their businesses, and to be able to continue to innovate and differentiate within their markets. The pre-integration of MarketPlace solutions ensures that our customers can rapidly implement the solutions they select for a quick time-to-value.

MarketPlace enables our customers to accelerate their innovation by leveraging the best in banking fintech. For our customers, the decision to buy Temenos software is just the start of a journey of continued innovation where not only will they benefit from our market leading investment in development, but also where they can continue to leverage, through the MarketPlace, the latest in fintech to complement our software.

TEMENOS **DEVELOPER COMMUNITY**

Driving innovation through the building and engaging of banking's largest collaborative Community.

In 2019, we launched our Developer Portal, which provides access to hundreds of APIs, enabling developers to discover first-hand the power our API-first architecture and to experience just how easy it is to integrate with our products and innovate around our software. The Developer Portal is a key part of engaging our growing Community of developers from across our industry, from banks to Partners, from educational establishments to fintechs and consultants. Through this open sharing of technology, alongside online forums and live events that bring the Community and Temenos experts together, we are helping developers everywhere to use our software to its full potential.

Encouraging innovation around Temenos software through the openness of our technology and the sharing of knowledge benefits our clients downstream, who are in turn able to take advantage of resulting fintech activity and solutions that are ready integrated with our products. Our API-first architecture provides the technology required to empower those banks that are pursuing a strategy of proactively encouraging and harnessing innovation across their markets through creation of their own developer portals and market places.

Through this building and engaging of banking's largest collaborative Community, we are bringing together the expertise from across our industry to share best practice, to encourage innovation, and to drive change leveraging Temenos' leading technology platform.

Delivering client success

A DELIVERY ECOSYSTEM **DESIGNED FOR SUCCESS**

The Temenos Delivery Ecosystem comprising Temenos Services and our Partner consultants continues to expand, providing the scalable capacity and capability to implement the full portfolio of Temenos Products across all markets and all geographies, and deliver excellence to our growing customer base.

The Temenos Partner Program continued to expand in 2019. The delivery capacity significantly increased in the course of the year, in particular with regard to Infinity implementations. The Temenos Partner Program continues to operate to a detailed due diligence process when onboarding new or renewing existing Partners to ensure that our Certified Partners are able to provide Delivery Excellence in the services provided to our clients. Whilst Temenos continually monitors the market to identify potential new Partners, onboarding is conducted on an invitation only basis to provide value to both our selected Partners and mutual clients.

The value and strength of the Delivery Ecosystem has allowed Temenos and our Partners to deliver over 1,000 successful go lives events over the past four years of which 330 took place in 2019, a year-on-year increase of 97 compared to 2018. The Temenos Partners play a critical role in this continued success story given their increased involvement in the go lives delivered.

In addition to developing Partners certified in delivering implementation services, Temenos has also formed specific programs for Partners wishing to become certified in delivering Development, Migration and Upgrade Services. The Development Partner certification process will be expanded further to support the new Open API structure of Temenos products in the future.

The Community spirit within the Temenos Partner Program is very evident and highlighted by multiple Services Partners working collaboratively to deliver combined successful implementation projects and also our Technology Alliances working with Services Partner colleagues and Temenos to deliver the "Power of Three" which we plan to continue to evolve throughout 2020. This is also critical to the expansion of the Temenos Cloud offerings.

Established to support Partners and clients during Implementation projects The Temenos Project Consulting Service (TPCS) continues to develop and uses lessons learnt from previous delivery engagement to define best practice to be used on delivery engagements. Experienced Project Management and highly knowledgeable Architect-level Temenos consultants provide advice and guidance on the best use of Temenos products and ultimately maximize customer success.

Key to the growth of the Temenos Delivery Ecosystem is the increased demand for knowledge and training validated by consultant certification, which is critical to developing and delivering highly skilled resources able to deliver successful projects. To meet these needs, the Temenos Learning Community (TLC) has experienced a dramatic growth in its number of members who enjoy access to a continually developing prospectus of Temenos courses and supporting certification exams.

Temenos also operates a Centre of Excellence (CoEs) structure, which works to define capacity and capability development plans for new and existing Temenos skills. Access to these CoEs is also offered to our colleagues in the Temenos Partner Program and is further supported by specific Learning Paths defined by the TLC to develop individual consultant roles and detailed product knowledge.

"I am delighted with the performance of our implementation business in 2019, across both our own consultants as well as those of our Partners. With over 6,500 trained consultants worldwide, we are very well positioned to help our clients go live, on time and on budget. We had 330 go lives globally in 2019, reflecting our commitment to client success and proving the excellence of our delivery ecosystem across the entire portfolio of Temenos solutions. We also see an increasing number of our clients leveraging our extensive cloud capabilities to reduce cost and accelerate the speed of their implementations. This is an extremely exciting business areas for us where we are seeing rapid growth."

Colin Jarrett
Chief Cloud and Delivery Officer

THE **FOCUS** FOR TEMENOS SERVICES

As the Services division of a Product Company, our aim is to support the Delivery Ecosystem to continually improve and drive the transformation of the Temenos Implementation and post live services delivery.

Centers of Excellence (CoE) reflecting the Temenos five engines of growth, (Temenos Transact, Temenos Infinity, Payments, Funds and SaaS) have been created. A lead has been appointed for each CoE and they work with the Regional Consulting Managers to focus on building the skills and capabilities required to implement our solutions, both within Temenos and across our Partner network. They also work closely with the product teams during product launches to ensure that we, and our Partner network, are prepared as part of the go-to-market process.

Every Temenos consultant is mapped to one of the Centers of Excellence and the Leads run regular communication events to provide updates and share best practice with its members.

Working with the TLC Division, our Temenos Services Teams take ownership in supporting our Partners in strengthening their Temenos skills base and staying up to date on the latest releases of Temenos software.

Operating as joint project teams, the Temenos Services function is key to helping develop trained Partner consultants into project-ready resources through strategic early inclusion in projects.

TEMENOS LEARNING **COMMUNITY**

In 2017 Temenos set out to restructure and modernize its training and learning model in answer to the increasing demand for Temenos experts, by making the process of knowledge-transfer easier, faster and more cost effective for our clients and Partners. The Temenos Learning Community (TLC) was created to answer those demands, and during 2019 we have driven continued growth, cementing TLC as the number one provider for all Temenos' educational needs, creating experts at the heart of the Temenos Ecosystem.

TLC Online

We are excited to report that membership of TLC Online has grown some 40% to more than 2,800 subscribers in 2019. TLC Online is our approach to provide accessible knowledge-transfer to the entire Temenos ecosystem including clients, Partners and independent consultants. Subscribers enjoy access to our latest content, sandboxes, learning paths and to the only recognized Temenos certification available.

In the past year, we have seen substantial increases in the activities enjoyed by our members, including a 54% increase in examinations taken, an 89% improvement in the number of members who increased their certification levels, and around 5,500 logins to the TLC sandboxes.

TLC Engine

TLC Engine is our complete digital transformation tool able to train, test and certify a client's team.

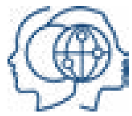
TLC Engine brings a business process-led learning experience that provides the ability for our clients to shape and document their own unique standard operating processes. Beyond addressing our clients training needs, TLC Engine is a comprehensive day-to-day operational tool with smart impact analysis and rich auditing capability.

TLC Engine now delivers more than 1,700 standard business process flows describing how Temenos products deliver solutions to our clients.

In 2019 we continued to evolve the proposition, making TLC Engine accessible for our clients and Partners as either an on-premise or cloud-based solution.

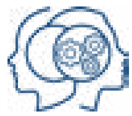
TLC Classroom

The TLC Classroom is still a very popular product with our clients and Partners. In 2019 we delivered 670 classroom experiences, which was an increase of 11% over the previous year. Our content level has also increased, with more than 440 courses now available for our ecosystem to access. This is an increase of more than 55% over 2018. This improvement has supported our drive to make our offering more engaging with new componentized content, improved course structures and virtual courses. These improvements have also helped us to relaunch our public access courses in 2019.



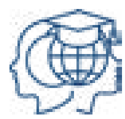
TLC ONLINE

Cloud-based, individual subscription learning platform, **providing unlimited, 24x7 access** to official Temenos training and certification programs and our **global expert community**



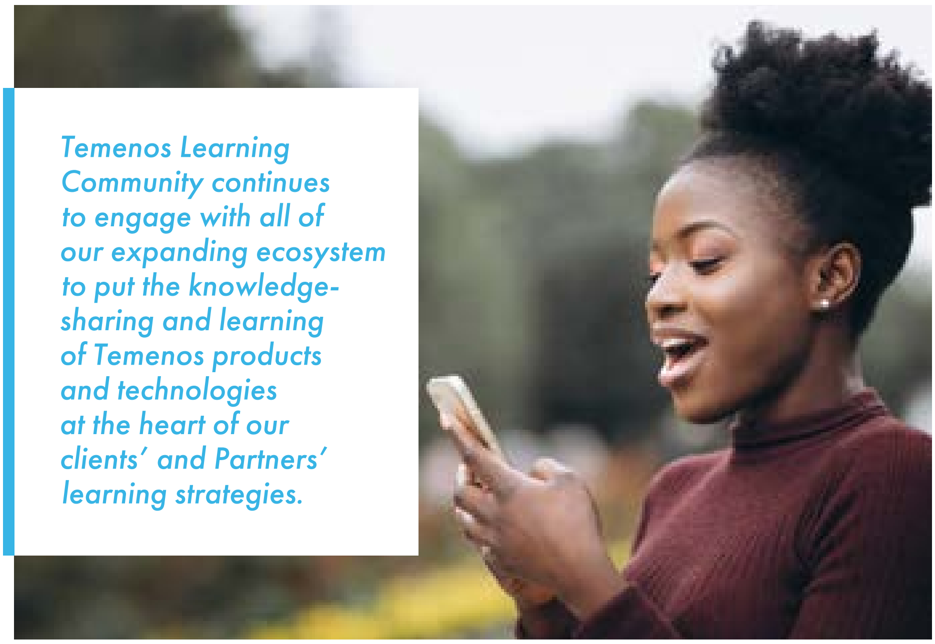
TLC ENGINE

The digital learning and communications platform, that is able to capture and maintain bank specific operating procedures and content, in order to **rapidly upskill and certify their teams**



TLC CLASSROOM

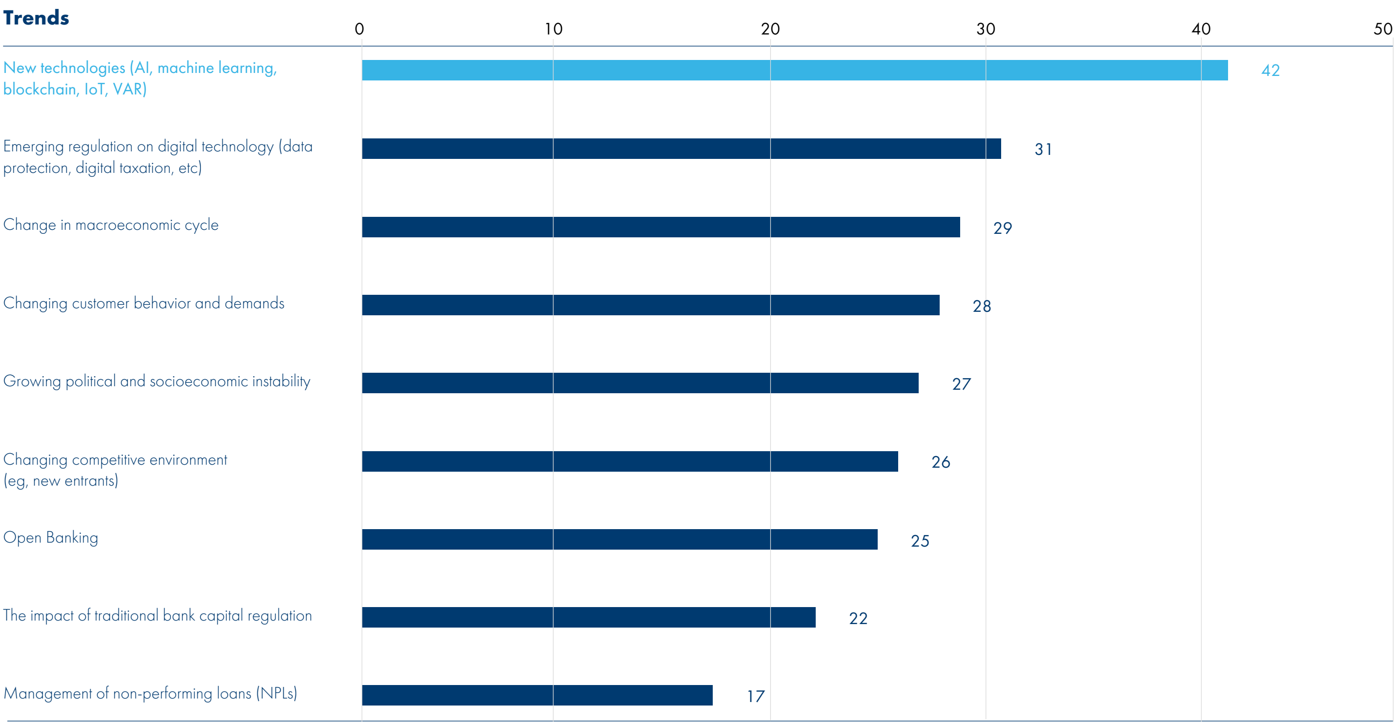
Virtual or instructor-led classroom training provided by **highly experienced, certified trainers in standard or bespoke formats**, delivered both on-site or via public access classrooms



Temenos Learning Community continues to engage with all of our expanding ecosystem to put the knowledge-sharing and learning of Temenos products and technologies at the heart of our clients' and Partners' learning strategies.

RETAIL BANKING TRENDS – ECONOMIST INTELLIGENCE UNIT REPORT RELEASED BY TEMENOS

Which trends do you believe will have the biggest impact on retail banks in your country by 2025
(% of respondents)



An industry in transition

Retail banking has changed considerably over the past decade. Retail banks have adapted to changing consumer demands and expectations, new technologies (AI, blockchain and the Internet of Things), new competitors (neo-banks, payment players and tech giants) and new regulations (Open Banking and PSD2) while reducing costs and creating value. These combined factors have resulted in retail banks adjusting their business models, rethinking their innovation strategies and investment focus, and altering their product offerings and how they are delivered.

For the sixth consecutive year, The Economist Intelligence Unit (EIU), on behalf of Temenos, surveyed over 400 global banking executives on the changes they see taking place in their industry to 2020 and 2025, their organizational response, and the longer-term impact on their strategic development.

New technologies will have the biggest impact on banks

Technologies like AI and Machine Learning have replaced changing customer behavior and demands as well as regulation, as the key driver of strategic thinking at banks around the world both, in the short (36%) and longer term (42%). AI is becoming a key part of the new technology mix and 61% of survey respondents think AI will create better value for customers by 2025.

Open Banking is an opportunity

Banks are realizing the true opportunities of Open Banking. More than four in ten (41%) see their business models evolving towards acting as true digital ecosystems. A further 28% expect to maintain their own product offerings and become an aggregator of third party banking and/or non-banking products. While 30% of banks are preparing to launch an Open Banking strategy by 2025, they remain focused on improving product agility (32%) and mastering digital marketing and engagement (31%) in the shorter term.

Launching a new digital banks as top innovation strategy

Although banks' innovation strategies remain focused on digitization, Open Banking and their partnerships with fintechs, they are also looking to build new business units and brands from scratch. Banks' top innovation strategy in this year's report is focused on building greenfield digital banks (36%).

Banks are looking to the cloud

Digital investment is focused on cybersecurity (39%), cloud technologies (35%) and developing AI-powered digital advisers and voice-assisted engagement channels (29%). Such will be the demand for behavioral data analysis, that three in five respondents (60%) foresee banks deploying more computing power in the public cloud by 2025 than they currently deploy in all the private cloud data centers.

400+

Global banking executives surveyed on the changes they see taking place in their industry to 2020 and 2025

42%

Of respondents recognized new technologies as the trend that will have the biggest impact on retail banks in their country by 2025

61%

Of survey respondents think AI will create better value for customers by 2025

Banks are realizing the true opportunities of Open Banking. More than four in ten (41%) see their business models evolving towards acting as true digital ecosystems.

GIVING INSIGHT INTO THE FUTURE

01

HOW GENERATION Z WILL RESHAPE DIGITAL BANKING

Just as banks are beginning to understand what makes millennials tick, they have to start taking note of the shift in customer habits and expectations that Gen-Z is bringing, so that they remain relevant to this new breed of customers.

Ahmed Khidhir
Senior Consultant, Business Solutions

02

WHY BANKS ARE TAKING BIG DATA TO THE CLOUD

The benefits that can be realized from cloud for any banking cloud-deployed software are also true for the data lake.

Todd Winship
Product Director

03

REDEFINING BEST-IN-CLASS BANKING: TEMENOS INFINITY MOBILE BANKING APP GETS HIGHEST "LEADER" RATING FROM CENTRIC DIGITAL

In the fast-paced world of technology, the idea of minimum viable product (MVP) is a common application development technique to rapidly deliver a new product with sufficient features. However, we've taken a completely different approach to how we deliver solutions.

Jeffery Kendall
Executive Vice President of North America Sales and Distribution

To read more about our insights

Check out our website

www.temenos.com

04

IT'S TIME FOR AI TO EXPLAIN ITSELF

The US financial regulator announced earlier this month that it has opened an investigation into claims of gender discrimination by Apple Card. Apple's own co-founder, Steve Wozniak, tweeted that algorithms used to set credit limits are inherently biased against women.

Hani Hagras
Chief Science Officer

05

THE FUTURE OF CORE BANKING IS IN THE CLOUD

There is no doubt that the future of banking is with the cloud. As banks react to their fast-paced customers' increasingly demanding requests, only cloud-based systems can provide robust solutions which banks and finance houses need.

Alexandre Duret
Product Director, Wealth

06

SIX THINGS YOU DIDN'T KNOW ABOUT SUSTAINABLE BANKING

The integration of sustainability issues into policies, strategies, products and services of the financial industry makes business sense as well.

Nick Brewer
Product Marketing Director

A SIGNIFICANT **YEAR OF GROWTH**

"We delivered an excellent set of results in for the full year 2019, and our investment in product, strategic acquisitions and people has laid the foundation for a strong 2020 and beyond."

- Strong sales momentum across geographies, double-digit growth in Temenos Transact and very strong demand for Temenos Infinity.
- Surging growth in demand for SaaS with signings across regions for both Temenos Transact and Temenos Infinity.
- Transformational separation of manufacturing and distribution by making Temenos Transact and Temenos Infinity standalone products that can be integrated through APIs.
- Significant investment in technology, including the roll out of our Microservices architecture that allows tier 1 and 2 banks to continuously renovate and harness cloud-based banking in the front and back office.
- Leadership in cloud, through our strategic partnership with Google and our benchmarking of 50,000 transactions per second on AWS, on distributed database NuoDB in which we are a strategic investor.
- Embedded Explainable AI across our products to enable our clients to make faster, accurate and explainable decisions using AI across their front and back office.
- Completed the integration of the Kony organization, driving pipeline growth globally including in the US and especially across Temenos Transact and Temenos Infinity.

Introduction

As I reflect on my first year as CEO, I am delighted by Temenos' excellent performance in 2019. We made significant progress on strategic initiatives and delivered an excellent set of results for the full year. We performed well across all of our KPIs, both operational and financial, and made some major steps in the evolution of our products and technology.

Our robust business model and winning strategy continue to deliver strong returns for our shareholders. As a vendor focused on the banking industry, we use our deep domain expertise to understand our clients, the environment they operate in, the competitive pressures they face and the demands of their customers. This knowledge drives our product roadmaps, building software that can deliver significant operational and financial benefit to our clients. Our Temenos Value Benchmark demonstrates the tangible benefits this brings across our customer base.

Temenos remains at the forefront of innovation in our sector. We do this by building packaged, upgradeable software and combining this with a relentless focus on Research and Development. We also continue to expand our global community across clients, Partners, developers and, ultimately, the banks' customers who use Temenos software every day to manage their finances.

Our addressable market is expanding, with overall bank IT spend growing at around 4% p.a. and, within this, spend on third party packaged software growing at 8%. This shows that banks are recognizing the need to embrace change and rethink their business models. On top of existing cost and regulatory pressure, demands for digital services are increasing. Meanwhile Open Banking is increasing competition to meet these demands. That competition is no longer peer banks. It is now big tech, fintech, neo banks and other new entrants, all attempting to disintermediate the banks, gain customers and take market share.

We maintained our very high win rates in this addressable market through 2019, continuing to take market share even as we face a broader range of competitors. These competitors included both new entrants in the core banking market and specialist vendors in areas outside of core banking such as front office. We continue to sell a significant portion of our licenses to tier 1 and tier 2 banks, with these institutions contributing 43% of total software licensing in 2019. In particular, 2019 saw a massive acceleration in the demand for SaaS and cloud, across all client tiers. We were also particularly pleased with the traction built in the front office market with Temenos Infinity.

I am very pleased that our continued progress is receiving external recognition. IBS Intelligence Sales League Table has ranked us the number 1 core banking vendor for the last 14 years as well as the number 1 best-selling solution for digital banking and channels, payments, and risk and compliance. Not only that, the progress we have made on ESG performance now sees Temenos included in three different sustainability indices: FTSE4Good, Dow Jones Sustainability Index and the Swiss Sustainability Index.

We are focused on operating sustainably and responsibly. This is a key pillar of our culture and the foundation on which we conduct our business. It is a personal focus of mine and the passion with which our people embrace this responsibility makes me proud to be a Temenosian.

There is a massive market opportunity in front of us, and we continue to invest in our business to make sure we capture it. In particular, we focused in 2019 on Sales and Marketing and R&D. We grew our sales force both organically and through acquisitions, and we continued to hire some exceptional graduate talent for the Temenos Sales Academy. On R&D, we again invested significantly more than 20% of revenue into product development. with a focus on Temenos Infinity, Explainable AI and our cloud and SaaS capabilities. And in a key evolution of our products, we announced the roll-out of our cloud-native Microservices architecture for Temenos Transact and Temenos Infinity in January 2020.

Sales – strong demand across products, geographies and tiers

Our growth in 2019 was broad based. We had double digit growth in demand for Temenos Transact, as banks continued to pursue end to end transformation. Meanwhile, sales for Temenos Infinity grew multiple times faster on the back of the integration of the Kony product.

Our SaaS business performed exceptionally well in 2019. It took Temenos 19 years to achieve approximately USD 100 million of license bookings, while we are forecasting to achieve the same milestone in less than four years with ACV bookings. This is a tectonic shift in growth acceleration, never witnessed before in the history of Temenos. At the end of 2019, ACV bookings growth was already outpacing license bookings growth by a factor of more than 4x. ACV bookings growth is set to further expand its relative growth multiple, and at the same time we are expecting sustained strong growth in license bookings in 2020.

From a geographical perspective, we had strong growth across a number of regions. We have transformed our presence in the US through the acquisition of Kony – expanding our headcount by c. 50%. The integration of Kony and Avoka has dramatically accelerated our R&D roadmap, helping us to build a market leading digital front office platform that can address the needs of US financial institutions. This allows them to address their clients' needs with hyper-personalized products and services.

Sales – strong demand across products, geographies and tiers continued

Europe remained a major contributor to group revenue, with 39% of total software licensing from the region. We continue to see a strong pipeline of activity in the region, both in existing and new clients. Asia Pacific saw strong growth in 2019 – in particular in Australia – and contributed 21% of total software licensing in the year.

We also had a strong year of sales into our installed bases, who contributed 69% of total software licensing in the year.

Our three year plan – update on strategic initiatives

The very good progress we made on our strategic initiatives in 2019 was outlined in our Capital Markets Day in February 2020 and is summarized below:

Enhancing our award-winning products: We have separated Temenos Infinity and Temenos Transact, to enable banks to implement them independently or integrated through APIs. In January 2020, we announced the roll out of cloud-native Microservices for both Temenos Infinity and Temenos Transact.

Geographic market development: In terms of geographic expansion, we have transformed our presence in the US market through the acquisition of Kony. We have brought local market expertise in digital and SaaS to Temenos, and have seen significant traction for both Temenos Transact and Temenos Infinity in our pipeline.

Investing in Sales and Marketing, Cloud/SaaS and new talent and people: We have made massive investments in SaaS and cloud. Today, we have more than 1,000 clients using our SaaS services, with over 50 core banking customers in the cloud. We have demonstrated the scalability of our solutions with our AWS benchmark at 50,000 transactions per second. We also announced our global partnership with Google Cloud to become the first global banking software provider to run on Google Cloud's Anthos. This enables our clients to run hybrid models combining on-premise and cloud deployment. And we have continued to invest in our people, both in terms of new hires as well as development, investing in both training and career development to ensure we attract and retain the best talent in the market.

An expanding ecosystem: Temenos benefits from the ecosystem we have built around the business that helps drive our growth in the long term. Today we have 8,000 people in the company, and over 3,000 clients globally using our software. We continue to expand our implementation Partner ecosystem to support these clients. Partners offer us scale, local expertise and implementation capabilities and we are expanding these. Last year, with our 6,500 strong implementation consultant Partners, Temenos had a go-live almost every day of the year. We have also expanded our community of developers building applications on top of our software through our APIs. Today there are 12,000 members of our developer community building new innovations which our banking customers can harness. Finally, and most importantly, there are half a billion end customers using Temenos software every day for their day to day banking.

Using M&A to accelerate organic growth: We made three strategic acquisitions in 2019. In September we completed the acquisition of Kony, the number one US digital banking SaaS player. In July we announced the acquisition of Logical Glue, which gave us an industry leading, patented, Explainable AI product with multiple use cases. This enables clients to use AI across their front and back office whilst being able to understand and explain the decision making process. Lastly, in February we announced the acquisition of hTrunk, which provides big data and analytics solutions to the banking industry.

Delivering customer success: A total of 330 banks went live on our software in 2019. We have seen our Partner strategy continuing to mature, within an increasing number of third party consultants being trained by Temenos. Partners are involved in the majority of our implementations. Our Services organization continues to focus on the quality control and governance of all our projects.

Product Innovation

With the launch of Temenos Infinity and Temenos Transact at the start of 2019, we have the leading products for the new era of banking – both for distribution and manufacturing. These products are available for independent deployment or tightly integrated for the bank that requires a full software stack. Temenos Transact provides an optimized solution for manufacturing providing scale, agility and efficiency. Temenos Infinity focuses on the customer experience, enabling the customer to provide a service that is smart, personal, proactive and contextual.

Temenos is the only banking software company that has the winning combination of the most advanced cloud-native, cloud-agnostic technology, the richest, broadest banking functionality, and the highest investment of revenues into Research and Development in our industry.

In January 2020, we announced a key evolution of our products, with the industry-first rollout of Banking Distribution Services in Temenos Infinity. These are a set of API-driven, cloud-native Microservices, giving banks the freedom to transform faster. They help banks to create hyper-personalized experiences, driven by Explainable AI, for all financial and non-financial products. Banks are excited because these Microservices can be deployed one-by-one, in any sequence, across single channel, multichannel or omnichannel – depending on the bank's strategy. They now have the ability to deploy Temenos Infinity before, after or during a core transformation project. This makes deployment faster and reduces the cost of operation. It helps banks take personalized products to market quickly and ultimately adopt new business models.

We also announced the rollout of Temenos Transact Microservices. Larger banks can now renovate their core banking applications component by component without compromising their end goal of a full system transformation to a cloud-agnostic, cloud-native architecture. Temenos Transact Microservices can deliver enterprise-wide capabilities such as pricing on top of legacy infrastructures as a first step toward creating value for the bank. These can be integrated through APIs in any sequence with any legacy infrastructure, quickly and safely, helping banks to unlock the power of digital transformation.

Final Remarks

It is a privilege to lead Temenos and I am delighted with our excellent 2019. Temenos will grasp the opportunities ahead through our winning combination of the most advanced technology with the richest functionality, as well as continuous and unparalleled investment in our business. And all the while, we will act as a sustainable and responsible company. Thank you for your support. I look forward to what we can achieve in the year ahead.

Max Chuard
Chief Executive Officer

Our operating highlights

93

93 new customers in 2019

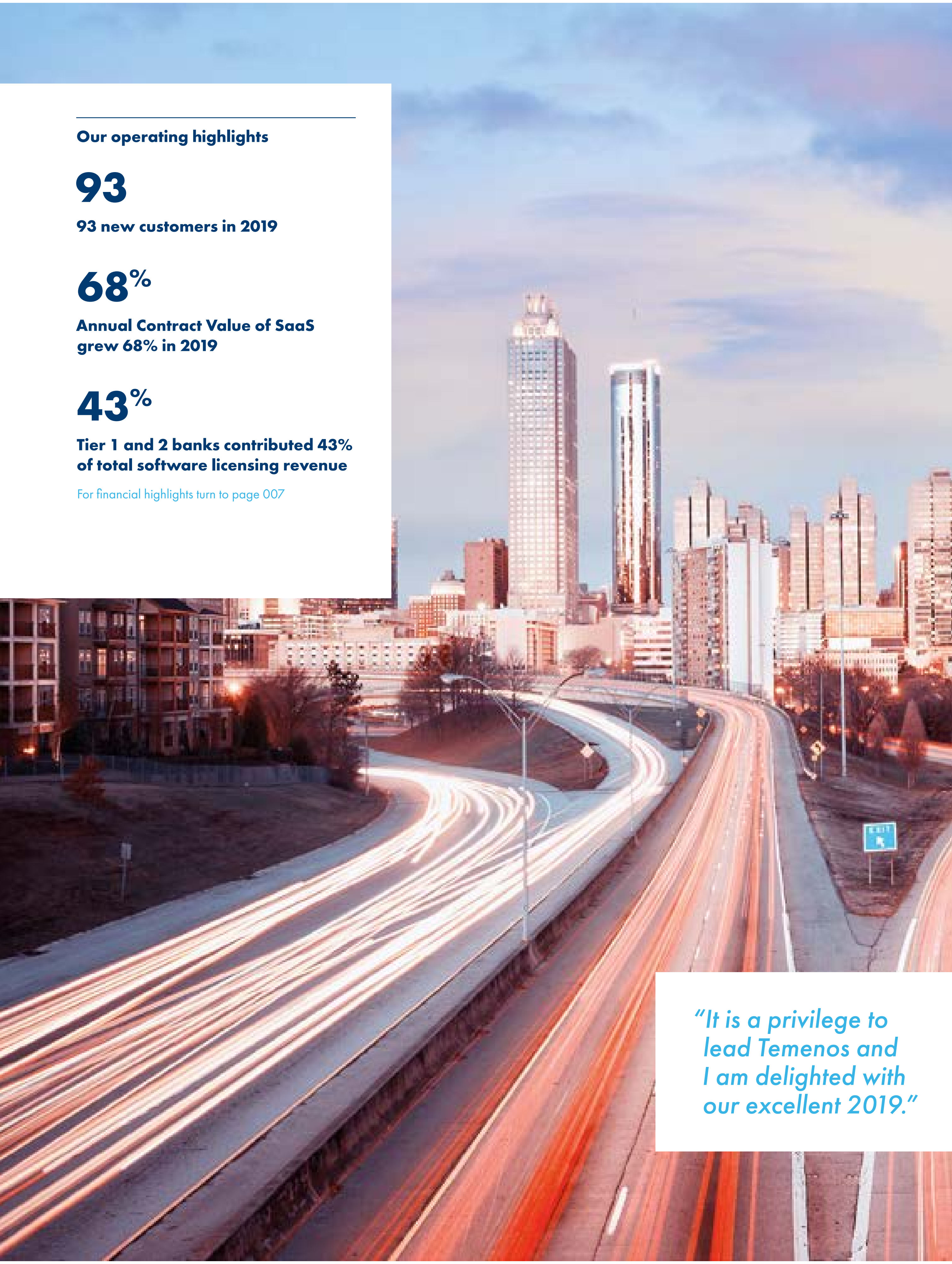
68%

Annual Contract Value of SaaS grew 68% in 2019

43%

Tier 1 and 2 banks contributed 43% of total software licensing revenue

For financial highlights turn to page 007



"It is a privilege to lead Temenos and I am delighted with our excellent 2019."

AN EXCELLENT YEAR ACROSS KPIs

"We had an excellent set of results in 2019, with total software licensing growth of 19% and total revenue growth of 17%. Our EBIT grew by 20% and we delivered a full year EBIT margin of 32.4%, an increase of 87bps year-on-year. We saw double-digit growth in Temenos Transact and even stronger growth in Temenos Infinity. The integration of Kony and Avoka has significantly strengthened the Temenos Infinity platform and this was reflected in client demand."

Introduction

Opening thoughts

We had an excellent performance in 2019, delivering non-IFRS total software licensing growth of 19% and non-IFRS total revenue growth of 17%. Over the last five years, we have grown total software licensing at a CAGR of 25%, and total revenue at a CAGR of 16%, demonstrating the sustained revenue growth in our business. Our profit growth has also been very robust, growing non-IFRS EBIT at a CAGR of 20% and non-IFRS EPS at a CAGR of 19% over the last five years, as we continue to drive strong operational leverage through our business model of packaged, upgradeable software, significant R&D investment and our use of strategic M&A to accelerate our organic growth and our R&D roadmap.

Our DSOs reached 120 days reported and 114 days organic by year end, and we closed the year with USD 153 million of cash on our balance sheet and leverage of 2.6x net debt to non-IFRS EBTIDA* after we closed the acquisition of Kony in September 2019.

IFRS vs non-IFRS

To ensure that the presentation of results reflects the underlying performance of the business, Temenos publishes its key metrics on a non-IFRS basis as well as on an IFRS basis. For transparency purposes, Temenos also publishes full reconciliations between IFRS and non-IFRS measures. Full definitions of non-IFRS adjustments can be found on page 41. Non-IFRS comparatives are based on non-IFRS (IFRS 15) rather than non-IFRS (IAS 18) as in prior years.

Highlights

Full year highlights (non-IFRS) include:

- Total software licensing growth of 19% reported
- Maintenance growth of 14% reported
- Total revenue growth of 17% reported
- Services margin of 11.0%, representing a margin expansion of 1 percentage points
- EBIT of USD 317.9 million and margin of 32.4%
- EPS of USD 3.47, an increase of 18%
- Operating cash flow of USD 364 million with cash conversion of 100% of EBITDA, in line with our guidance
- DSOs ended at 120 days reported and 114 days organic
- Recommended annual dividend of CHF 0.85 per share, an increase of 13%.

Key Figures 31 December

USDm, except EPS	2019	2018
Non-IFRS revenue	**980.6**	841.0
Non-IFRS EBIT	**317.9**	265.3
Non-IFRS EBIT margin	**32.4%**	31.5%
Cash generated from operations	**364.3**	365.1
Total assets	**2,322.4**	1,649.2
Non-IFRS earnings per share	**USD 3.47**	USD 2.95

* For the purpose of leverage calculations, non-IFRS EBITDA adjusted for IFRS 16 impact USD 15.9 million, and net debt adjusted to exclude lease liability of USD 51.3 million.

Revenues

IFRS

IFRS group revenues were USD 972.0 million for 2019, an increase of 16% versus 2018 on a reported basis.

IFRS total software licensing grew 17% in the year on a reported basis, with significant demand for Temenos Transact and even stronger demand for Temenos Infinity. We saw very strong growth in demand for SaaS and cloud. SaaS Annual Contract Value increased 68% (constant currency) to reach USD 21 million and Total Contract Value (TCV) increased 44% in 2019 to reach USD 76 million by year end.

IFRS maintenance revenues grew 14% on a reported basis, and IFRS services revenues grew 16% on a reported basis.

Non-IFRS

Total non-IFRS group revenue in 2019 was USD 980.6 million, an increase of 17% compared to 2018 on a reported basis. The USD 8.6 million difference between the IFRS and non-IFRS revenue is due to adjustments made for the write down of deferred revenue linked to the acquisitions of Kony and Avoka.

Cost base

IFRS

Full year costs on an IFRS basis were USD 736.6 million, up from USD 622.1 million in 2018. The increase in cost was driven by our continued investments in the business, in particular in Sales and Marketing, and Product, as well as the contribution from the acquired business of Avoka in December 2018 and Kony in September 2019.

Non-IFRS

Full year costs on a non-IFRS basis were USD 662.7 million, up from USD 575.7 million in 2018. Of the USD 73.9 million difference between the IFRS and non-IFRS cost base, USD 55.2 million is due to adjustments made for the amortization of acquired intangibles costs and USD 18.7 million is due to adjustments made for restructuring costs and acquisition-related charges.

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

IFRS

Full year IFRS EBIT was USD 235.4 million compared to USD 218.8 million in 2018. IFRS EPS for 2019 was USD 2.46, compared to USD 2.31 in 2018.

Non-IFRS

EBIT on a non-IFRS basis was USD 317.9 million, up from USD 265.3 million in 2018, an increase of 20% on a reported basis. EPS was USD 3.47, up from USD 2.95 in 2018, an increase of 18%.

Non-IFRS continued

Non-IFRS EBIT margin was 32.4%, up from 31.5% in 2018, benefiting from the faster integration of Kony and underlying leverage on our cost base in particular across G&A and Services. Our Services operating margin was 11.0% for the year, up from 10.1% in 2018. Our Partner program continues to mature and we see an increasing number of Partners involved in our implementation projects.

Cash flows

We generated USD 364 million of operating cash in 2019, representing a cash conversion of 100% of EBITDA. We have maintained our guidance for 100%+ conversion of EBITDA into operating cash flow in 2020, and we are confident of delivering this driven by the continued growth in our recurring maintenance and SaaS revenue and strong cash collection on license and services revenue.

DSOs ended the year at 114 days organically, flat on 2018, however the acquisition of Kony added six days of DSOs such that we ended the year at 120 days reported. We have moved our target of reaching DSOs of 90 days to our medium term targets and expect to achieve this in the next three to five years. We generated free cash flow of USD 269 million in the year.

Balance sheet and financing

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

- The servicing of our debt obligations
- Investment in the business, including industry leading R&D spend
- Funding for targeted acquisitions
- The payment of an annual dividend
- Deliver 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 2019 with a leverage ratio of 2.6x 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.

DSOs

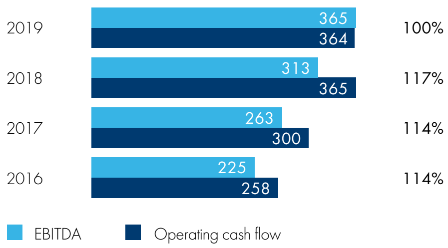
Day

120 Days

Organic Reported

Cash conversion

USDm



Medium term targets

90 Days

DSOs of

36%+

EBIT margin of

18-20%

Tax rate

Dividend

We have announced a dividend of CHF 0.85 per share for 2019, representing an increase of 13%. This is subject to shareholder approval at the AGM on 20 May 2020. The shares will trade ex-dividend on 22 May 2020, and the dividend record date will be set on 25 May 2020. The dividend will be paid on 26 May 2020. Out of the total dividend of CHF 0.85, half of it (CHF 0.425) will be treated in line with previous years and be paid as a distribution of reserve from capital contributions, therefore exempted of withholding tax (share premium dividend). Half of the dividend (CHF 0.425) will be taxable (Withholding Tax of 35%) taken out from the retained earnings (cash dividend). Temenos' policy is to distribute a growing dividend.

Looking forward

Guidance for 2020

Our 2020 non-IFRS guidance is as follows (in constant currencies):

- Non-IFRS total software licensing growth at constant currency of 18.5% to 23.5% (implying total software licensing revenue of USD 527 million to USD 550 million)
- Non-IFRS total revenue growth at constant currency of 16% to 20% (implying total revenue of USD 1,137 million to USD 1,177 million)
- Non-IFRS EBIT at constant currency of USD 380 million to USD 385 million (implying non-IFRS EBIT margin of c.33%)
- SaaS ACV to grow by more than 100%, implying at least USD 42 million of ACV for full year 2020
- 100%+ conversion of EBITDA into operating cash flow
- Tax rate of 15% to 16%.

Sustainable long term annual targets

We have confirmed our sustainable long term annual targets, which are as follows:

- Non-IFRS total software licensing growth of at least 15% CAGR
- Non-IFRS total revenue growth of 10-15% CAGR
- Non-IFRS EPS growth of at least 15% CAGR
- Cash conversion of over 100% of EBITDA p.a.
- Tax rate of c.20%

Medium term targets

In addition to our sustainable long term annual targets, we have confirmed our medium term targets, which are as follows:

- DSOs to reach 90 days
- Non-IFRS EBIT margin to reach 36%+
- Tax rate of 18% to 20%.

	Non-IFRS			IFRS		
USDm, except EPS	2019	2018	**Change**	2019	2018	**Change**
Software licensing	378.4	341.6	**11%**	378.4	341.6	**11%**
SaaS and subscription	66.6	31.4	**112%**	57.9	31.3	**85%**
Total software licensing	445.0	372.9	**19%**	436.3	372.8	**17%**
Maintenance	357.7	314.4	**14%**	357.7	314.4	**14%**
Services	178.0	153.7	**16%**	178.0	153.7	**16%**
Total revenues	980.6	841.0	**17%**	972.0	840.9	**16%**
EBIT	317.9	265.3	**20%**	235.4	218.8	**8%**
EBIT margin	32.4%	31.5%	**1%pts**	24.2%	26.0%	**-2%pts**
EPS (USD)	3.47	2.95	**18%**	2.46	2.31	**6%**

* For the purpose of leverage calculations, non-IFRS EBITDA adjusted for IFRS 16 impact USD 15.9 million, and net debt adjusted to exclude lease liability of USD 51.3 million.

Engines of growth in 2019 and the medium term

We continue to benefit from multiple structural drivers of growth, which we will capitalize on to deliver our medium term targets.

The total global spend we can address today with our products is estimated to be USD 60 billion, of which only USD 14 billion is spent with third party vendors. The spend with third parties is estimated to be growing at an 8% CAGR as banks are under digital, regulatory and cost pressure as well as pressure from the move to Open Banking.

The Temenos Value Benchmark has demonstrated that best-in-class banks running Temenos software can achieve Cost/Income ratios at half of the industry average, returns on equity of three times the industry average and allocate twice the amount of IT spend to growth and innovation compared to the industry average. The operational and performance benefits from working with the market leader are clear.

Temenos has a unique value proposition that enables us to beat the competition. We are solely focused on the banking space with deep domain expertise. We have the winning combination of leading functionality with advanced technology and are continuously investing in innovation and R&D to ensure we stay at the forefront of the industry. Our products are open, independent and enable banks to continuously renovate their IT. We benefit from a significant global ecosystem of clients, Partner consultants, developers and fintechs that can work with us to continuously innovate and facilitate change within our clients.

Tier 1 and 2 clients contributed 43% of total software licensing revenues in 2019 and we expect this client group to grow as a percentage of the mix in the medium term. We are also building strong momentum in North America, with the acquisitions of Kony and Avoka bringing significant digital and SaaS expertise. We now have 700 employees in the US, with seven major offices and over 1,300 US clients.

We are particularly pleased with the tectonic shift in growth acceleration in our SaaS business, with ACV bookings growing four times faster than license bookings in 2019 and expected to accelerate further in 2020. ACV reached US 21 million in 2019 and we expect this to at least double in 2020 to reach USD 42 million.

Final Remarks

We had an excellent performance in 2019, continuing the strong and sustainable growth we have delivered over the past five years. We benefit from a growing market, increasing momentum with tier 1 and 2 clients and have transformed our presence in the US in 2019 through the acquisitions of Kony and Avoka. I am personally honored to have joined the company as CFO in March 2019 and look forward to continuing to execute our strategy to drive growth and returns for our shareholders in the long term.

Panagiotis "Takis" Spiliopoulos
Chief Financial Officer

USDm	**2019**	2018
IFRS EBIT	**235.4**	218.8
Deferred revenue write-down	**8.6**	0.1
Amortization of acquired intangibles	**55.2**	37.2
Restructuring	**14.7**	3.3
Acquisition-related charges	**4.0**	5.9
Non-IFRS EBIT	**317.9**	265.3

USDm	**2019**	2018
IFRS EBIT	**235.4**	218.8
Depreciation and amortization	**130.6**	92.7
IFRS EBITDA	**366.0**	311.5
Deferred revenue write-down	**8.6**	0.1
Restructuring	**14.7**	3.3
Acquisition-related charges	**4.0**	5.9
Non-IFRS EBITDA	**393.3**	320.8

Sustainable long term annual targets

At least 15%

Total software licensing (CAGR)

10-15%

Total revenue (CAGR)

At least 15%

EPS (CAGR)

100%+

Cash conversion of EBITDA p.a.

c.20%

Tax rate

Definitions

Non-IFRS adjustments

Deferred revenue write-down
Adjustments made resulting from acquisitions.

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

Acquisition related charges
Relates mainly to advisory fees, integration costs and earn outs.

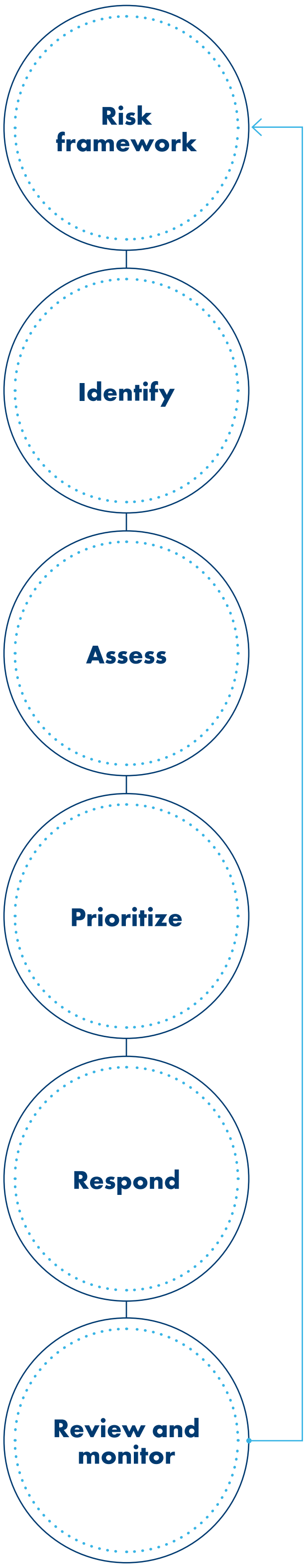
Amortization of acquired intangibles
Amortization charges as a result of acquired intangible assets.

Restructuring
Costs incurred in connection with a restructuring plan implemented 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.

Taxation
Adjustments made to reflect the associated tax charge relating to the above items.

EBITDA
Temenos defines earnings before interest, tax, depreciation and amortization (EBITDA) as operating profit excluding depreciation of property, plant and equipment and amortization of intangible assets.

RESPONSIBLE RISK MANAGEMENT



Risk management

Temenos Risk management policy is aligned with ISO: 31000 Risk management – Principles and guidelines. It defines the methodology, roles and responsibilities, reporting and monitoring for key risks. Temenos' operational management is responsible for managing day-to-day risks. Periodical risk assessments are performed within business units and summarized results reported to management along with mitigation plans where appropriate. The Audit Committee oversees the program and reviews key risks of the Group.

We have implemented a robust internal control and risk management system for financial reporting 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. Their effectiveness is regularly evaluated through a self-assessment process which is independently tested by internal and external auditors.

The following sections outline the risks that we have identified and track. They represent an aggregated view.

Economic, political, and social environment

Temenos derives all 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, financial markets and is highly susceptible to unforeseen external events, such as political instability, terrorist attacks, recession, inflation, 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.

In recent years, there have been substantial changes in the banking industry, including continuing consolidation among market participants, the introduction of wide ranging regulatory changes and extensive technological innovation. These changes have inter alia resulted in increased IT spending by banks and driven market participants to replace legacy systems, leading to increased demand for Temenos' solutions. If the pace of change were to decrease, demand for Temenos' products and services may decrease, which could have a material adverse effect on Temenos' business, financial condition and results.

Temenos' sustainable global presence, organizational structure, 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, financial position, profit, and cash flows.

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.

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.

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 continually enhance our quality program as part of the Software Development Life Cycle. 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.

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 and retain highly skilled and qualified management and other personnel, particularly those with expertise in the banking software industry. 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.

Incentive and recognition programs are utilized to align staff efforts to organizational objectives. Staff receive various training to ensure they have the necessary skills to perform their duties. We have launched various CSR initiatives to demonstrate our commitment to employees. Career and succession planning are carried out annually to provide for continuity of operations.

Foreign Operations

Temenos systems are currently installed at more than 3,000 live sites in over 150 countries and it has sales and support offices in over 40 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 will 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 will 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 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
- 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, 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 residual exposure. 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 per annum equal to EURIBOR or LIBOR, as adjusted periodically, plus a margin. 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.

Compliance with the terms of Temenos credit facilities

Temenos has credit facilities in place with a syndicate of banks. The facilities contain financial and negative 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 under 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 has increased its focus on assessing client satisfaction and is proactively seeking and responding to client feedback.

Improved 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 relatively new to the banking and financial market sector. Accordingly, Temenos may be subject to changing regulatory requirements, evolving client attitudes and technical complexities in developing a new business offering and support services. Temenos may fail to achieve desired operating profit results in this new market due to regulatory changes, inability to develop a competitive product or which appeals to its clients.

By providing cloud technology to clients, Temenos will hold client data. Hardware 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 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 liabilities.

Temenos is constantly enhancing its cloud and SaaS offering and security. In addition, Temenos holds SSAE18, SOC 2, ISO 9001, ISO27001, ISO27017, ISO27018 and ISO22301 certifications to provide a greater degree of assurance to clients. Temenos is in the process of further extending the certification and attestation program with PCI-DSS, AICPA and SOC1.

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. Launch of Temenos Learning Community (TLC) shows our further commitment to this area.

Implementation teams are also trained to identify and effectively manage any unforeseen events and a suite of risk management tools are used to monitor and track potential issues which may adversely impact the successful installation of software. Project governance boards are held monthly 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.

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 is utilized to ensure a smooth transition of operational activity, product offerings and services. Legal, commercial, operational, personnel 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
- 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
- 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 security authorities or independent third party agencies.

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.

A Business Continuity Management framework provides contingency planning for all mission critical business functions and process within the organization.

Information systems are regularly audited internally and externally to provide a reasonable assurance on effective management of these risks.

Insurance

Temenos has taken out a variety of insurance policies in areas where a loss would have a significant financial impact, or to ensure safety of employees while on business trips.

Across the various local legal jurisdictions in which Temenos operates, there are various legal requirements to hold certain insurance policies such as workers compensation policies and public liability for example.

Temenos' local offices manage their legally required policies with oversight and review by Temenos Head Office. Each office is reviewed and as necessary covered for property damage, business interruption and public liability risks. Information and IT infrastructure is also covered by regional and local computer policies.

Temenos Head Office also manages all global policies. The main global policies provide coverage across core business areas such as Professional Indemnity liability (covering Errors and Omissions, Cyber Liability and Data Protection), Cyber Insurance, Crime Insurance, Global Travel Insurance and Directors and Officers policy that is providing the professional coverage.

All insurance policies are reviewed periodically to ensure that Temenos, our offices and employees are adequately covered in line with the most actual and comprehensive insurance portfolio software for companies.

Environment and sustainability

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. As an IT company, we rely heavily on people rather than natural resources. To serve our clients, we use 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.

Climate change and governmental actions to reduce such changes may disrupt our operations or reduce demand for our products. Increased frequency of extreme weather (storms, floods, heat waves) could cause increased incidence of disruption. 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.

As part of our environmental responsibility strategy, we have set up an internal Company-wide mechanism, in order to measure, monitor and report on our global impact. We also implement mitigation, 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 offset projects for the carbon we cannot reduce or replace. We cooperate with our business Partners and suppliers to ensure continued availability of our business operations and products. 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. We help our clients integrate environmental sustainability into their business strategies and enable the potential for the reduction of their environmental impact. We are an environmentally responsible neighbor and support environmental sustainable projects in the communities where we operate. 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, 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. Internal audit serves as a third line of defense to provide assurance on the effectiveness of risk management and internal controls system.

ACHIEVING EXCELLENCE RESPONSIBLY

"There is no question that sustainability has been moving upwards on the corporate agenda globally and is set to shape how businesses think, plan and operate. It is increasingly on the minds of people, business leaders, investors, non-governmental organizations and policy makers."

Max Chuard
Chief Executive Officer

The rise of sustainable business

Technoloogy is transforming the world. We witness breakthroughs that we could not have imagined years ago. Technology moves fast. The world has to keep up and adapt fast. Digital technologies and the rise of an interconnected world are transforming the way businesses think, plan and operate. Business models are not linear any more. Millennials and Gen Zers are questioning the 'traditional' ways, mobilize themselves for a variety of causes, and are now setting new game rules.

Our roles as CEOs have been transforming as well. We are looking for new and better ways to listen and act upon the expectations of our stakeholders. We have witnessed a number of initiatives in the headlines lately, just to name a few: the Business Roundtable new statement on corporate purpose, BlackRock and State Street letters to CEOs, as well as the aspiring teenage world-changers sitting on the same table along with CEOs at the United Nations (UN) or the World Economic Forum (WEF) events. We have the ethical responsibility to consider the expectations of our stakeholders, along with our corporate purpose, our company's strengths, the opportunities and trends in the global marketplace, and our personal aspirations and values to get a clear understanding of what will generate value to all those associated with us.

Our sector has experienced more change in the last five years than in the previous 20 years combined. Digital technology is transforming banking. Being innovative, fast, flexible and compact in size can put you ahead of the game. Banks are changing to adapt to this new fast-paced, digital, interconnected global world: moving from the physical to the digital model service delivery that transcends border, time or adverse event limitations, topped up with all the new risks and the ethical implications of an increasingly digital world as well as the changing new regulations. The possibilities now emerging for companies are equally transformational as challenging.

At Temenos, we are proud of our dynamic and sustainable presence in the banking industry for over 25 years, as an enabler for the transformation and re-invention of banks, having built one of the world's most dynamic banking communities, where we share best technology banking practices and see their impact on our stakeholders.

As a truly global company, we want to keep on doing what we know best in a way that takes care of the world around us both globally and locally. It is our mission and ethical responsibility to keep growing our business in a responsible and sustainable way, delivering value to anyone associated with us. Responsibility after all is in our Culture, Temenosity, the magic that makes Temenos, Temenos.

In 2019, we renewed our commitment to furthering the agenda for global action on sustainability and advancing the UN Sustainable Development Goals through our engagements with the UN Global Compact and WEF.

We also remained close to the local communities where our employees, Partners and clients live and work, by sharing our technology, expertise and resources with those that need them the most. Through the Temenos Adopt iT project, we built solar-powered computer labs in two additional schools in India, reaching more than 8,000 students in five government or government-aided schools in Chennai and Bangalore. It is with enormous pride that I keep returning to India and volunteer myself along with our Temenos India volunteers every time we build another computer lab: to help these children improve their work skills and capabilities and promote gender equality and inclusive education for all. They are the ones who will transform local communities, enhance India's competitiveness and change the world.

We also expanded the Adopt-iT program to promote innovation and digital skills and create employment opportunities to University students. We created the first Temenos Innovation Lab and provided 43 need and merit-based scholarships to deserving engineering students at Anna University in Chennai. And this is only the beginning. Our long-term goal is to reach as many young people as possible and inspire them to achieve, do better, and improve their own lives and others within the communities around them.

We are also proud of the progress we have made in 2019 on our long term environmental sustainability journey. Temenos received ISO 14001:2015 certification for having implemented an Environmental Management System (EMS) in our office in Romania, adding to our three already certified offices in India. In addition, we measured for the first time the carbon footprint of our two biggest Temenos events – Temenos Community Forum and General Sales Meeting 2019 – and offset the emissions that could not be avoided or reduced.

At Temenos, we believe that people can make the difference. Our strength lies in our people, as our people are the key to our success. What we create and achieve is the result of the aspirations and goals of the 8,000 Temenosians that make up Temenos today. And a solid proof of that were our four 2019 Great Place to Work recognitions in Europe, Middle East and Asia.

For us, it is not enough to simply have a CSR strategy. Instead we have integrated responsibility into the way we operate, promoting a sustainable corporate strategy across our entire business and beyond. In 2019, we celebrated a big milestone in our sustainability journey: our inclusion in the 2019 Dow Jones Sustainability World Index (DJSI), ranking in the top 10% of the largest global companies listed, as well as our inclusion in the FTSE4Good Index Series.

As we look to the future, we will continue to embrace our global role and create sustainable value for all our stakeholders. Maintaining the trust of our stakeholders and remaining accountable to them is critical to us. We will keep on doing what we know best – while managing our operations responsibly – from investing in our people and managing our carbon footprint, to providing secure, compliant and trustworthy services to our clients, while conducting our business in an ethical and transparent way.

Max Chuard
Chief Executive Officer

Highlights

in the top 10%

Of the largest global companies listed in the 2019 Dow Jones Sustainability Index

45%

Female senior managers reporting to CEO

5

Great Place to Work recognitions

8,300

Students reached through solar powered computer labs built in Chennai and Bangalore

For more information on our 2019 CSR and Sustainability highlights, please watch this video.

About Temenos

Founded in 1993, Temenos is the world's leader in banking software, partnering with banks and other financial institutions to transform their businesses and stay ahead of a changing marketplace. Over 3,000 firms across the globe, including 41 of the top 50 banks, rely on Temenos to process both the daily transactions and client interactions of more than 500 million banking customers. Our products combine the richest end-to-end packaged country model bank functionality and the most advanced cloud-native, cloud-agnostic, AI and API-first technology, helping our clients go-live faster, giving them the freedom to innovate and deliver personalized experiences.

Headquartered in Geneva, Switzerland, the Company currently has 68 offices in 40 countries and had non-IFRS revenues of USD 980.6 million for the year ended 31 December 2019. Temenos has been a public company listed on the SIX Swiss Exchange (TEMN) since June 2001. Temenos employs 7,854 people worldwide, including full-time employees and contractors. In February 2019, Temenos acquired hTrunk, a small and fast-growing company providing big data and analytics solutions to the banking market. In July 2019, Temenos acquired Logical Glue, a SaaS-based, patented, Explainable AI company and in September 2019, Temenos acquired Kony, the fast-growing US #1 digital banking SaaS company. For more information please refer to the Annual Report: Strategic Acquisitions section.

Our vision is to provide financial institutions, of any size, anywhere in the world, the software to thrive in the digital banking age.

We are passionate about helping banks perform better and deliver consistent, frictionless customer journeys.

Our culture:
TEMENOSITY

Temenos' culture powers the company. We define it as 'TEMENOSITY' because this single word captures the spirit of who we are and how we make things happen: collaboratively, dynamically and boldly. These are the qualities that make up TEMENOSITY.

Tenacity
We are innovators who disrupt the status quo. We are driven and hate to lose, so we never give up. We put Temenos first to achieve great things.

Velocity
We operate with a long term strategic view and a day-to-day sense of urgency. We are ambitious, never stand still and are always thinking ahead. We are growth-minded, execution-focused and results-driven.

Responsibility
We act with integrity and keep our promises. We love, protect and invest in our software and technology. We relentlessly focus on value creation.

Authenticity
We are straight talkers, hate politics and do not let hierarchy define us. We work with freedom and are not afraid of taking risks. We champion diversity and see things differently.

Community
We care about and respect each other in good times and bad. We work collaboratively and inspire each other. We put our clients at the heart of everything we do.

Our CSR approach

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 corporate 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.

We are committed to:

- Building long term sustainable relationships with our stakeholders
- Managing our operations in a responsible, secure and sustainable way
- Helping our clients transform into smart, sustainable organizations
- Achieving both financial and non-financial value (business and social value) for our stakeholders.

Our priority areas

For over 25 years, these commitments have guided the way we operate internally, innovate and deliver on our business mission through the following priority strategic areas:

- Achieving business excellence
- Operating responsibly
- Investing in our People
- Enabling access to financial services
- Investing in our Communities

Our actions

We have gone beyond the requirements of the law and have integrated CSR into our corporate strategy, business principles, policies and processes, decision making and governance. Our CSR action plan focuses on three areas:

1. How to manage our CSR strategy
2. How to monitor, analyze and assess our ESG footprint, with the use of non-financial KPIs
3. How to communicate and raise awareness about our CSR strategy to all stakeholders internally and externally.

Our endorsements

International organizations, industry peer pressure and stakeholder expectations play a major role in promoting responsibility, transparency and accountability in corporate governance and business processes. Regulation as well as voluntary compliance with international standards are central to our CSR strategy. Temenos complies with the requirements of many international organizations, governmental organizations and industry standards, such as the EU Directive 2014/95/EU on disclosure of non-financial and diversity information by certain large undertakings and groups, India Companies Act 2013, UK Modern Slavery Act 2015 and the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

Temenos is included in the SXI Switzerland Sustainability 25® Index among the 25 Swiss stocks from the SMI® Expanded Index with the best sustainability scores. We base our CSR reporting on the Global Reporting Initiative (GRI) Standards. We have endorsed the UN Global Compact (UNGC), and are committed to submitting an annual Communication on Progress implementing the UNGC's 10 principles. We are members of the Global Compact Network Switzerland. We have aligned our Business Code of Conduct and corporate policies with the UNGC's 10 principles on the four issue areas of Human Rights, Labor, Environment and Anti-Corruption, as well as the OECD Guidelines for Multinational Enterprises. Our commitments strongly align with the UN Sustainable Development Goals (SDGs). We support the SDGs and publicly report ways in which we are contributing to the global effort to achieve the UN SDGs.

Temenos is also a member of the World Economic Forum (WEF). For the past two years, Temenos has been participating in a number of key WEF events, demonstrating the significance of our contribution to the banking industry and more broadly to society as a whole, including the Sustainable Development Impact Summit in New York on 23-24 September 2019. Temenos' attendance confirms our commitment to furthering the sustainability agenda and advancing the UN SDGs.

Reporting, verification and assurance are important tools for us to measure our progress as well as document our non-financial performance to all our stakeholders, while remaining competitive and ahead of the game.

Our achievements

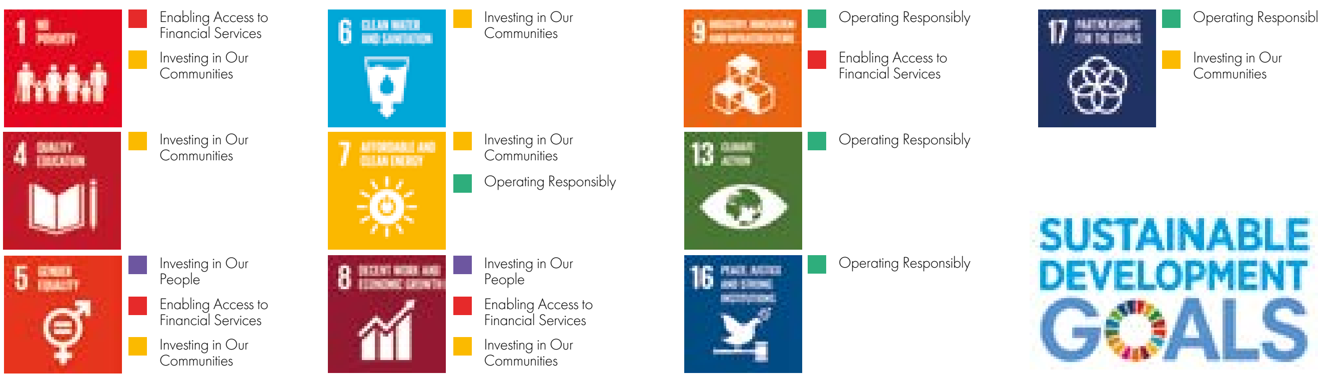
Throughout 2019, as a result of our active dialogue with our stakeholders, we continued to benchmark our sustainability performance against international business benchmarks and voluntary initiatives, in order to better address the needs of our stakeholders. In recognition of our sustainability performance:

- Temenos was included in the 2019 Dow Jones Sustainability World Index (DJSI) and ranked in the top 10% of the largest global companies listed, as well as in the FTSE4Good Index Series
- Temenos obtained a gold medal level by EcoVadis for its CSR performance, ranking among the top 5% performers evaluated in all four themes
- Temenos was once again named as a Great Place to Work, adding to the Temenos Greece 2018 recognition. The new recognitions included:
  - Temenos Luxembourg: 2019 Great Place to Work (1st place)
  - One of the Best 2019 Workplaces in Europe
  - Temenos United Arab Emirates: 2019 Great Place to Work (12th place)
  - Temenos India: 2019 Great Place to Work (certified)
- Our Environmental Management System in our office in Romania received ISO 14001:2015 certification, adding to our three India offices and reaching coverage at around 60% of the total global employee workforce (before the Kony acquisition)
- Temenos was the only exhibitor partnering with a sustainable production company to introduce a zero-waste conference stand at Sibos, the global financial services event that took place in London 23-26 September 2019.

2020 Goals

- To proactively identify and address any new social and environmental issues, material to our business, better responding to the changing needs of our stakeholders
- To share our sustainability efforts' recognitions with our stakeholders
- To continue to target international standards, frameworks and business benchmarks relevant to the interests of our stakeholders, such as indices, ISO certifications and performance ratings.

How our CSR strategy is contributing to the UN SDGs



Stakeholder groups	Examples of engagement	Stakeholder key concerns	Location in report
Employees Frequency: daily	• Employee surveys: MyVoice, New Hire Survey • Career Development Process: Pathfinder, Compass and Talent Review • Learning and Development • Temenos Mentoring Platform • Internal Communication: uni-T intranet, social media, Marketing, HR and regional Newsletters • Town hall Meetings and Leadership Live • Employee recognition: Quarterly Regional employee recognition awards, Annual C-level awards, Club and Chairman's Club, Hackathons, Temenosity Badges • Internal global mobility scheme • Business Code of Conduct and linked policies • Employee volunteering and fundraising matching scheme	• Learning and development • Internal communication • Job satisfaction • Employee recognition • Responsible, secure and stress-free workplace	• Investing in Our People
Clients Frequency: daily	• Client surveys: Client Voice and Client Satisfaction project • Product Board and Steering Committees • Annual Temenos Community Forum • Temenos Learning Community • Temenos MarketPlace • Client newsletters, Marketing updates and social media • Client Support Portal • Audits • Temenos Security and Privacy Committee • Business Code of Conduct, data privacy and protection and corporate security policies • Corporate Website	• Client communication • Client satisfaction • Quality, security and responsibility in delivery and implementation • Data privacy and protection	• Achieving Business Excellence • Focus on Client Engagement
Investors – research analysts Frequency: weekly	• Annual General Meeting of Shareholders • Annual Capital Markets Day • Roadshows, investor and analyst visits, meetings, skype calls • Financial press releases, videos, webcasts and social media • Annual Report • Corporate website • Business Code of Conduct and linked policies • ESG Indices	• Economic performance • Transparent and ethical corporate governance • Accurate, timely and responsible communication	• Annual Report
Suppliers and Partners Frequency: daily	• Procurement policies • Annual Temenos Community Forum • Annual Temenos Kick Off Meeting • Annual Partners' Meeting • Temenos Learning Community • Trainings and seminars • Audits and risk assessments	• Ethical and responsible business conduct • Long term partnership	• Operating Responsibly • Responsible Procurement
Local Communities and NGOs Frequency: monthly	• Cooperation with NGOs • Community service and Employee Volunteering • Employee fundraising • Community investment projects • Scholarships • Social media	• Access to education and jobs • Improve local living conditions • Support in emergency situations	• Investing in Our Communities
Academic community Frequency: daily	• Temenos Sales Academy • Services Incubation Center • Temenos Masterclass • Temenos Innovation Labs • Hackathons • Scholarships • Collaboration in research programs • Lectures, presentations, company visits • Career days • Social media	• Collaboration and job opportunities • Joint R&D projects	• Investing in Our People
Media and industry analysts Frequency: daily	• Temenos Events • Roadshows, visits, meetings, skype calls • Press releases, videos, webcasts, blogs and social media • Annual Report • Corporate website	• Accurate, timely and responsible communication	• Annual Report

Stakeholder engagement

Engaging with our key stakeholders informs our decision making, strengthens our relationships and helps us deliver 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 have a stake in our business. These engagements may take many forms, in order for us to identify the significant economic, environmental and social impacts on Temenos and better understand the interests and expectations of our stakeholders. We conduct annual surveys with clients, Partners and employees to learn more about our stakeholders' experiences working with us, as well as their expectations from us.

Over the past few years, our clients, prospects, investors and suppliers have addressed CSR as part of their evaluation of Temenos as an IT partner through client, prospect and investors' questionnaires, supplier and rating agencies' assessments, requesting for documentation of our CSR strategy and compliance with voluntary international sustainability standards.

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 CSR considerations into our dialogue with our stakeholders, drawing upon international frameworks such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the GRI Standards.

2020 Goals

To look for new ways of direct stakeholder engagement and communication, based on the changing needs of our stakeholders.

Materiality analysis

Our materiality analysis is in line with the GRI Standards' requirements and includes the views of our employees, clients, prospects, investors, suppliers, Partners, non-governmental organizations and media. Based on various internal compliance, business continuity and risk assessments throughout the year covering different areas related to the impact of our operations as well as on the ongoing engagement process with our stakeholders, in 2019, we updated internally our materiality analysis and assessment of the material CSR issues for Temenos and for our key stakeholders. We incorporated the feedback we received from our clients through RFPs and supplier assessments and from our investors through engagement calls and meetings we had in 2019. We also incorporated the areas against which we were rated and scored in 2019, such as the Dow Jones Sustainability Index, FTSE4GOOD, MSCI, ISS-oekom, ISS E&S, Ecovadis, among others. In 2020, we plan to launch a new materiality issues survey to all our stakeholders, so as to have a 360 view of the changing needs of our stakeholders and mirror that into our materiality analysis.

Understanding and prioritizing the issues that matter to Temenos and our stakeholders enables us to focus on the respective areas, address the right issues and report on them effectively, aligned with the interests and changing needs of our stakeholders and those of the Company. We have defined issues to be material to our business in terms of:

- The importance of the issue to our key stakeholders
- The potential economic, environmental and social impacts
- The degree to which each issue is aligned with our mission, vision and geographic presence.

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

Achieving Business Excellence

1. Business Performance
2. Technology and Product Innovation
3. Client Engagement

Operating Responsibly

4. Ethical Business Conduct and Governance
5. Information Security and Data Privacy
6. Responsible Procurement
7. Environmental Management and Awareness
8. Energy Efficiency and Carbon Neutrality

Investing in Our People

9. Diversity and Inclusion
10. Talent and Development
11. Human Rights

Investing in Our Communities

12. Community Investment and Employee Volunteering

Enabling Access to Financial Services

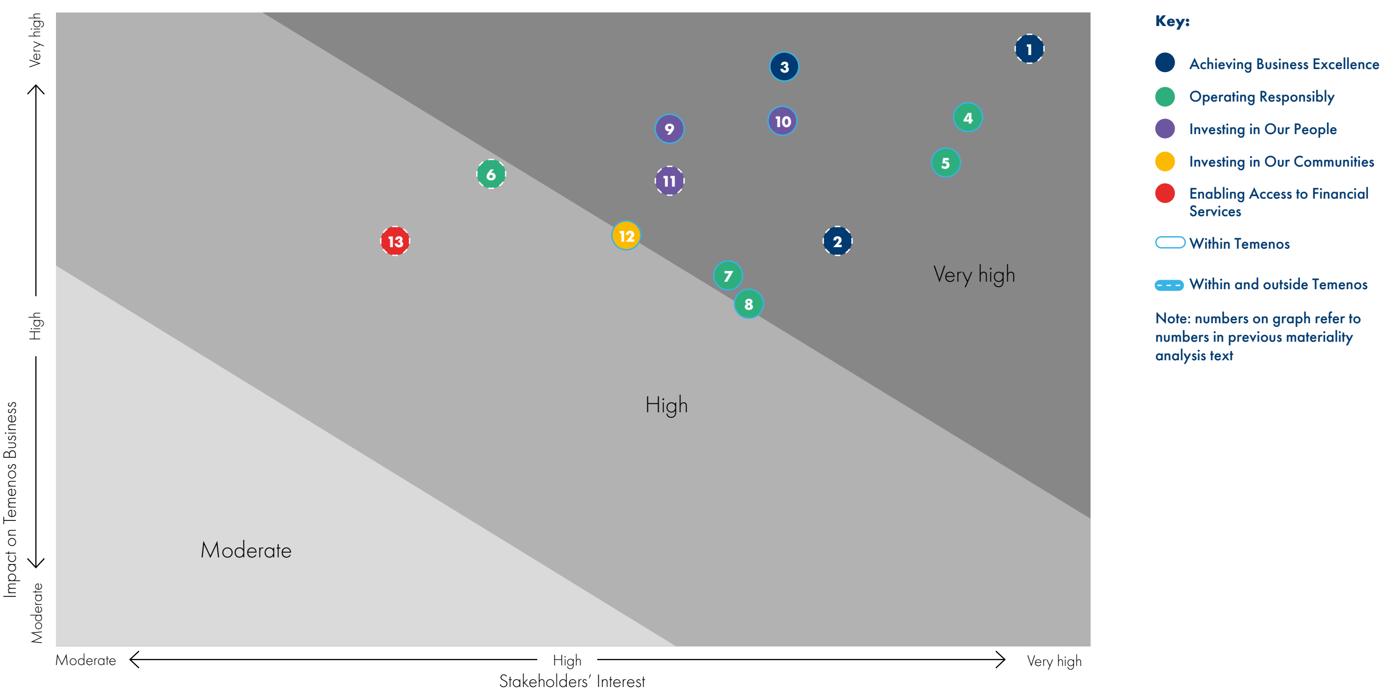
13. Financial Inclusion

In the following materiality analysis graph, the vertical axis represents the impact of the above material issues on Temenos and the horizontal axis represents the stakeholders' interest per material issue. For all of the issues discussed in this CSR Report, the data cover all Temenos operations globally except where otherwise noted.

2020 Goals

- To send a new materiality issues survey to our stakeholders, so as to update our materiality analysis.

Materiality analysis graph



Achieving business excellence

Economic impact

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

In 2019, we grew non-IFRS total software licensing by 23% and non-IFRS total revenues by 19%. We achieved full year EBIT of USD 317.9 million and expanded our non-IFRS EBIT margin by 87bps to reach 32.4%. Our proposed 2019 dividend is CHF0.85, an increase of 13% over last year's dividend. We have a strong capital structure, Our leverage decreased to 2.6x net debt to EBITDA at the end of the quarter, and we expect this to approach 1.5x by the end of 2020 and having generated USD 364 million of operating cash flow in 2019.

Achieving business excellence

The total monetary value of financial assistance received by Temenos from governments during 2019 is as follows:

Europe:

- UK: Temenos UK receives research and development tax credits for certain related activities. In 2019 the total tax credit received was USD 354,790 (2018: USD 434,240).
- Romania: Temenos Romania benefits from an income tax exemption for employees in software creation related roles. The amount of the exemption for 2019 was USD 422,825 (2018: USD 399,385).

Asia

- Singapore: Under Singapore's Productivity and Innovation credit (PIC) and Wage credit Schemes Temenos has claimed USD 3114 in 2019 (2018: USD 34,666).

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

Our medium term growth targets are:

Metric (Non-IFRS)	Sustainable long term annual targets
Total software licensing	At least 15% CAGR
Total revenue	10-15% CAGR
EPS	At least 15% CAGR
Tax rate	c.20%
Cash conversion	100%+ of EBITDA p.a.
	Medium term targets
DSOs	90 days
EBIT margin	36%+
Tax rate	18-20%

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 upgradeability, 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 2019 was USD 210,002,675. 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.

'We who shall not be named' triumphed with their app to support offline payments.

Case study: Hackathon

Innovation at its best

"The teams were tasked with creating an innovative banking application, leveraging our APIs and building a demonstrable prototype to present to our Executive Committee judging panel."

Our ability to challenge the status quo has been a mainstay of the way we have operated over the years but the 48-hour Hackathon, which took place in our offices in India, has put our ability to innovate firmly in focus. In October 2019, Temenos organized a Hackathon competition, with nearly 800 Temenos and Kony employees from our Chennai, Bangalore and Hyderabad offices in India. The teams were tasked with creating an innovative banking application, leveraging our APIs and building a demonstrable prototype to present to our Executive Committee judging panel. They were given 48 hours, over the course of a weekend in October, to create their app using a cloud sandbox environment comprising Temenos T24 Transact and Temenos Infinity.

The six shortlisted teams competed for the first 3 positions in the presence of the Executive Chairman, CEO and Executive Committee who traveled to India to be part of this activity. The judges scored teams on their prototype's innovation value and ambition of scope, its demonstrability and the app's overall potential value to financial institutions and end-users. 'We who shall not be named' were awarded first place in the competition at the Leadership Live event, in recognition of their Temenosity and highly innovative offline payments app.

The winning idea

'We who shall not be named' triumphed with their app to support offline payments. With a clear understanding of the network issues often faced by people buying and selling goods across the world, the team created a fantastic prototype that allows payments to be made offline using QR codes for pre-registered banking customers. It's an ambitious and potentially far-reaching idea that could be productized and sold to our banking clients. The team will now get to partner with subject matter experts from across the business to develop their idea and prototype further and will join external developers at our new developer conference – Temenos Scale – in 2020. Because of the success of this activity, our CEO promised to repeat the Hackathon in 2020 to keep the momentum and put the talent and passion that we have within Temenos to test in new ways.

Economic contribution to various stakeholders	**FY 2019 USD 000**	FY 2018 USD 000
Revenue	**971,970**	840,861
Employee wages and benefits	**454,554**	386,215
Payment to provider of funds	**611,592**	67,842
Payment to government	**31,715**	38,839
Community investment	**276**	175

Focus on client engagement

Client Voice

Client-centricity and client success have been at the heart of our corporate values since the Company was founded. In order to have a consistent view of each step of our clients' journey, we launched the Temenos Client Voice in 2012 and have been repeating it on an annual basis since then. The program, owned by our Chief Executive Officer, covers all products and regions. The program is critical to Temenos as it enables us to track and analyze the clients' perception of their experience of working with Temenos. It is supported both at a senior management and regional level, with the client satisfaction process itself being led by a cross departmental team with members from Sales, Marketing, Support and Services teams.

The Temenos Client Voice program was first launched with an initial survey in February 2012. It is based on the 'Net Promoter' methodology, which classifies participants from those least likely to recommend a firm to those most likely to advocate for a firm, detractors, passives and promoters. The percentage of detractors is then subtracted from the percentage of promoters to arrive at the Net Promotor Score. In doing so, it serves to effectively concentrate the organization on always-giving outstanding service and moving client opinion from negative or neutral to highly positive, (a promoter has a satisfaction score of nine or ten out of ten). However, the discipline of Net Promoter, which is used widely by B2B companies, goes deeper than just tracking a metric, it is a whole system designed to operationalize client data throughout the organization in order to drive change, systemize learnings and improve client experiences.

On an annual basis Temenos invites its entire client base, across its full range of products and platforms, to participate in a detailed relationship survey.

Client Satisfaction

In order to drive our focus on client experience further, a complementary initiative to the Temenos Client Voice program, the Improve Client Satisfaction Project, was launched in March 2014. The aim of the Improve Client Satisfaction Project is to cement the Company's focus on client satisfaction and make Temenos an even more client-centric company. The project is sponsored by our Chief Client Officer. Within the project, each department is represented by a carefully selected individual/group of individuals.

They are tasked with setting KPIs and actions to enhance satisfaction in their areas according to the feedback collected through the Temenos Client Voice program. The representatives are also responsible for making sure that the actions are completed and that the target improvements within their areas are achieved. The KPIs and actions are tracked and reported on a monthly basis at the executive level. They are also reviewed regularly based on incoming feedback in order to ensure that they remain relevant and continue addressing the correct areas.

Clients receive updates on Temenos initiatives and activities through various media, from specific updates and newsletters to presentations at our annual Temenos Community Forum. Since the program was launched, we have seen a significant improvement in our Net Promoter Score and our clients have shown their support and approval of the program.

Since the metric was launched, our NPS has improved by 50 percentage points with the largest improvement following the launch of the Improve Client Satisfaction Project. Our satisfaction scores across the board have also followed this trend. To date we have completed ten survey waves, collecting over 7,000 responses across all our accounts. Since 2015, we have been incentivizing our clients to participate in the survey. The Company matched every survey submission with a donation to Poverty Alleviation and Local Economic Development: Kenya CSR program with Hand in Hand International. In 2019 we set ourselves several goals including maintaining a strong response rate and improving in all satisfaction areas. We have achieved our 2019 goals, while we will continue to strive for improvement in 2020.

2020 Goals

- To continue to focus our efforts on improving satisfaction in those areas, which have the largest impact on client engagement, including product, support and services.
- To strive for higher participation in the Client Voice program to obtain more and more representative feedback, bringing the annual number of participants to over 1,250 individuals from our client organizations.
- To raise our Net Promoter Score by 5 percentage points.
- To improve our overall satisfaction score (an average of all participants' scores, as opposed to promoters less detractors) by at least 1 percentage point across every aspect of the business.

Priority area	Objective	Indicator	2025 target
Achieving business excellence	Client Engagement	Client Voice: number of participants from our clients compared to 2016 baseline	x2
	Client Engagement	Improve Client Satisfaction: percentage points in the Net Promoter Score, since the metric was launched	+55pp

International Standards and Certifications

Temenos adopted processes and methodologies that are certified by accredited bodies and adhere to international standards, in order to deliver its services to all clients in a consistent, standardized way.

The certification and external attestation program is subject to annual scope review to ensure it stays relevant, meets stakeholders' expectation and reinforce Temenos commitment towards delivering high quality service.

	2018	2019-20 goals	Progress against 2019-20 goals	2020-2025 goals
ISO/IEC 27001:2013 Information Security Management System with extensions: **ISO 27017** **ISO 27018**	Temenos India offices and Temenos Australia are ISO 27001 certified against the standard. Temenos Romania and UK offices await certification	To extend the ISO 27001 certification with ISO 27017 and ISO 27018 controls	Temenos UK and Romania offices obtained ISO 27001 certificates including for hosting business, in Q1 2019 ISO 27001 Certificate extension with ISO 27017 and 27018 controls for Temenos India, Temenos Australia and Romania hosting business has been obtained in November 2019 Newly acquired Kony is ISO 27001 certified for its offices located in India (Hyderabad), Australia (Melbourne) and US (Texas, Austin)	To continue to integrate newly acquired companies and certify new locations on ISO 27001, ISO 27017 and ISO 27018 standards
ISO 22301:2012 Business Continuity Planning	Assessment and gap analysis	To aim for certification in 2019 for cloud: Temenos Australia, Temenos India Chennai offices, Temenos Romania, Temenos UK Fenchurch office and Temenos Avoka for Sydney and Broomfield offices	ISO 22301 certificate was obtained for all planned locations in November 2019	To extend the certification to more cloud support and operations locations globally
ISO 9001:2015 Quality Management	Temenos India offices and UK –Product Core CMB, CSD, PACS, Model Bank, Technology along with Temenos Australia and Temenos Romania offices are certified	To extend the certification to US Model Bank and Cloud operations in Australia	The US Model Bank (US Orlando center) is still underway	To include US Model Bank into the scope by October 2020
ISO 14001:2015 Environmental Management	Three Temenos India offices are ISO 14001:2015 certified	To extend the certification to other Temenos offices	Temenos Romania office became ISO 14001:2015 certified in October 2019	To extend the certification to five additional Temenos offices based on headcount
AICPA SOC Service Provider Security • SOC 1 Type 2 • SOC 2 Type 2	Temenos India offices, Temenos Romania and Temenos UK are certified for SOC 2 Type 2 Akcelerant Lifecycle business and Wealth Management are also SOC 2 type 2 certified Australia office is SOC 2 type 1 certified as of 31 December Temenos Avoka, is SOC1 Type 2 and SOC2 Type 2 certified	To extend SOC 2 Type 2 certifications to include: Temenos Australia SOC2 Type 2 in November 2019 LATAM location for SOC2 Type 2 US Core banking for SOC 2 Type 1& 2 Other processes such as product development and implementation	Control alignment for global SOC2 reporting has been completed, including mapping with CSA-CCM requirements Global SOC2 Type 2 and SOC1 Type 2 annual audit including CSA-CCM compliance status reporting for: Avoka, Temenos US, LATAM, Canada, Temenos India offices, Romania and Temenos Australia expected to be completed in Q1 2020 as per audit cycle Security, Availability, Confidentiality and Processing integrity trust service criteria are addressed Newly acquired Kony is SOC2 Type 2 certified for India and US operations. "Security" trust service criteria addressed	To include "Privacy" trust service criteria under SOC2 audit coverage To continue the global SOC2 Type 2, SOC1 Type 2 reporting Integrate and align newly acquired companies to Temenos standard set of Security & Privacy controls
CSA STAR Certificate/Cloud Security Alliance – Cloud Controls Matrix	Assessment of compliance with the CSA-CCM completed	To publish a standard response to the CSA CCM for use by clients in assessing the security of our services. To prepare for STAR certification	Temenos cloud services standard response to CSA CCM has been documented and released for client use and understanding of implemented security and privacy concepts	To obtain CSA-Star Certificate, Level 3 for Temenos and newly acquired companies
PCI DSS level 1 Payment Card Industry – Data Security Standard	Temenos Australia gap analysis concluded	To implement controls and obtain the PCI-DSS certification in 2019 for Temenos Australia (Azure platform)	External audit work to certify Azure platform closed. To obtain the certificate by end Q1 2020 Newly acquired Kony has obtained the PCI-DSS certification for both Azure and Amazon platforms	To further extend PCI-DSS certificate To complete the readiness assessment against CI – Secure Software Lifecycle and PCI – Secure Software standards and get it prepared for certification

DOING BUSINESS THE **RIGHT** WAY

Highlights

98.4%

Of our employees have acknowledged the Temenos Business Code of Conduct

73%

Of our focus suppliers underwent sustainability assessments

60%

ISO 14001:2015 certification coverage

2

Biggest Temenos events became carbon neutral in 2019

Quick links

Business Code of Conduct

For 26 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 corporation, 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.

Corporate governance

Corporate Governance at Temenos is set up so as to promote the long term interests of all of our stakeholders and foster a culture of transparency, business integrity, responsible decision making and accountability, maintain internal checks and controls and help 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.

Ethical business conduct and governance

Our commitment to assess and manage the impact of our operations and promote the long term interests of our shareholders is demonstrated in the Temenos Business Code of Conduct and our corporate policies. The members of the Board of Directors and the Executive Committee have endorsed the Code and have the highest level of executive oversight for the company's CSR & Ethics Framework.

CSR and Ethics Governance

To ensure the effective implementation of our CSR strategy, Temenos has a Global Corporate Social Responsibility Department, responsible for managing the Group CSR strategy, interacting with stakeholders and driving the CSR initiatives.

Temenos CSR strategy is designed and led by the CSR and Ethics Committee at the senior management level, which reports to the Board of Directors through the Audit Committee. The purpose of the Committee is to foster a culture of sustainability, responsibility and ethics within the Company, recognizing that senior management is responsible for instilling Temenos' values throughout the Company. The Committee represents different Temenos functions and departments, ensuring all the voices of internal and external stakeholders are taken into account.

The Committee's membership expanded, in order to better reflect the organizational changes in 2019 and better address the changing needs of our stakeholders. The CFO transitioned into the CEO position in 2019. Despite the role change, the CEO remains the Committee Chairman and main executive sponsor of the Temenos CSR and Ethics strategy. The Chief Security Officer joined the Committee membership, as security is a material issue for Temenos. The Chief Marketing Officer also joined the Committee, in order to better communicate internally and externally the CSR strategy to all our stakeholders. The expanded membership is as follows:

- Chief Executive Officer (Chairman of the Committee)
- General Counsel (Deputy Chairperson of the Committee)
- Director of Sustainability and Social Responsibility (Secretary)
- Chief Human Resources Officer
- Chief Security Officer
- Deputy Chief Financial Officer
- Chief Marketing Officer
- Group Head of Internal Audit.

The Committee meets quarterly, while 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 2019, the Committee held five meetings.

Business Code of Conduct

Our Code is the foundation of our commitment to ethical business practices and legal compliance. It 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. 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, in order to better serve the interests of a broader set of stakeholders and raise awareness about our responsible and sustainable operation.

Our Code is available in English and French on our intranet and our corporate website. It applies equally to full-time, part-time, 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.

In 2019, Temenos acquired three companies, with the latest acquisition of Kony completed in late September 2019. The Kony integration project is underway and will be completed in 2020. All employees from acquired companies were allowed three months to read and acknowledge the Code and linked policies, as well as to complete the mandatory trainings. Since the Kony acquisition was completed at the end of September 2019, the compliance data from Kony will be reported in next year's report.

Temenos requires Partners to comply with the Temenos Business Code of Conduct as respective compliance requirements are included in the Services Partner agreement. In addition, Temenos requires all new suppliers to comply with the Temenos Business Code of Conduct and the Temenos Supplier Code of Conduct. For the existing suppliers, Temenos will require to gradually comply with the Code and related policies and to verify compliance by providing respective information when requested.

Corporate Policies

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. Temenos is a global company and our business is subject to the laws of many different countries. In order to conduct our business on a daily basis, we interact with a variety of stakeholders. We are committed to interacting with all of these stakeholders in a respectful, ethical manner and in compliance with all the local and international laws of the countries we operate in. The policies are reviewed annually and reflect our continued commitment to ethical business practices and legal compliance.

In addition to acknowledging the Code when joining the Company, Temenos employees are expected to complete training on the Code as well as on three other areas, such as Anti-Corruption and Bribery, Data Protection and Security Awareness.

Global Temenos training completion percentage*	%
Business Code of Conduct Acknowledgment	98.4
Information Systems Security Acknowledgment	97.7
Business Code of Conduct training	96.2
Anti-Corruption and Bribery training	96.6
Data Protection training	95.7
Security Awareness training	95.5

* The table above covers the entire 2019 and does not include Kony employees.

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 upholds all laws relevant to countering bribery and corruption in all the jurisdictions in which it operates, including but by no means limited to the US Foreign Corrupt Practices Act and the Bribery Act (UK) 2010. Temenos' zero tolerance on corruption and ethical standards are set out in our Code and the linked Anti-Corruption and Bribery policy which apply to all Temenos employees and group entities.

The Temenos Anti-Corruption and Bribery policy is available on our intranet and our corporate website. It states that Temenos shall actively attempt to ensure that corruption does not occur in Temenos' business activities through an adequate and risk-based Anti-Corruption program. Anti-Corruption and Bribery training is part of the annual mandatory trainings that all employees have to take when joining Temenos and to repeat regularly during their employment with Temenos. By 31 December 2019, 96.6% of our employees (including Executive Chairman, Executive Committee and Leadership team members) have completed the training. 2.1% (124 employees) of the total headcount were exempt from this requirement due to long-term leave reasons (sickness, maternity, etc).

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.

Since 2016, we have implemented mandatory requirements for screening and conducting due-diligence assessments of our business Partners and suppliers, while introducing a risk assessment tool for our suppliers to identify the level of risk associated with bribery and corruption, ensuring that we can only engage with those that are legitimate businesses with a reputation for integrity.

The updated Code addresses our policies with regards to charitable donations and the giving and receiving of gifts and corporate hospitality. To ensure charitable contributions, donations and sponsorships and prizes made on behalf of Temenos are not used to circumvent Anti-Corruption and Bribery policies and can be documented, we set up an internal global system designed to centralize the declaration and/or approval process for gifts, entertainment and contributions to better shield the Company from practices that could be perceived as unethical and contrary to our Anti-Corruption and Bribery practices. A Conflict of Interest Declaration is mandatory for every Donations' Request through the online system. All charitable contributions, donations and sponsorships require the prior review and written approval of the CSR and Ethics Committee. As per the Anti-Corruption and Bribery policy as well as the Charitable Donations and Non Commercial Sponsorships' policy, Temenos does not make any contributions to political parties.

We continue to operate on the updated anti-corruption framework and guidelines when engaging with third-party representatives that introduce Temenos to new markets and projects, both in terms of the Introducer scoring mechanism as well as the level of documentation required to be submitted in support of Introducer related activities, including an obligation to document the activities and communications undertaken when working with Introducers. The new Introducer scoring mechanism is based on three assessment criteria. More specifically:

1. Quantitative Criteria

The risk assessment is based on:

- Location Risk: The perceived corruption level set up by Transparency International is taken into consideration, both for the Introducer and the prospect client
- Payment Risk: Both the proportionality of Introducer payment as % of deal value, as well as the payment to the Introducer as an absolute amount is taken into consideration
- Transaction Risk: The location (country) of the bank account in which the Introducer will receive payment is scored against the location (country) of the Introducer.

Quick links

Anti-corruption and Bribery policy

Anti-Corruption and Bribery training dashboard

By function	Employees trained No.	%
General administration	589	98.5%
R&D	2,690	95.9%
Sales & marketing	580	96.2%
Services	1,497	97.6%
Cloud	160	94.1%
Grand total	**5,516**	**96.6%**

By region	Employees trained No.	%
APA	452	99.6%
Europe	1,341	98.2%
India	2,911	95.0%
MEA	174	95.6%
NAM	500	98.4%
LATAM	138	99.3%
Grand total	**5,516**	**96.6%**

* The table above covers the entire 2019 and does not include Kony employees in the total headcount.

Priority Area	**Objective**	**Indicator**	**2025 target**
Operating Responsibly	Ethical Business Conduct and Governance	Maintain a stable percentage of completion of Ethical Business Code of Conduct and mandatory trainings compliance	>97%

Specific weighting is assigned to the following (based on the risk appetite set at management level):

- Location Risk-Perceived corruption at location of prospect client
- Location Risk-Perceived corruption at location of Introducer
- Payment Risk
- Transaction risk (Location of Payment-Perceived corruption).

2. Qualitative criteria

- Relationship of the Introducer with government/ governmental authorities
- Adequacy of information provided.

3. Sanction checking

- Both the Introducer and the prospect client are cross-checked against sanctions lists provided by Dow Jones.

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. In 2017, we engaged a third party external audit company to benchmark our Anti-Corruption and Bribery compliance organization, including an examination on the design, implementation, processes and internal controls in that respect. This benchmark was part of our commitment to ensure that our Anti-Corruption and Bribery compliance program is continuously improving, in line with best practices and our continually evolving business.

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. Temenos will forego 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, fines and imprisonment.

In 2019, Temenos significantly enhanced its Sanctions Compliance program in order to take into account the efficient integration of all new acquisitions. By further utilizing Temenos' own compliance solution Financial Crime Mitigation software (FCM), and through the development of a custom parameterization, specifically designed to cover Temenos' business needs and requirements, the entire database of all newly acquired companies can be integrated with FCM within 24 hours. Furthermore, Temenos continues to assess sanctions risk as follows:

Primary targets: Opportunities (prospects) including distribution channels such as re-sellers, licensing and services, Existing Clients

Secondary targets: Suppliers, Partners, Introducers, Sub-contractors, Marketplace/Complementary Solutions Provider Accounts

Auxiliary targets: TLC Subscribers, Suppliers

The capability to analyze within 24 hours all business opportunities at an early stage of development for sanctions risks has been maintained, as well as the functionality for a continuous analysis through their evolution as a business opportunity and thereafter as a client.

Updated sanctions lists provided by Dow Jones are uploaded to the FCM Solution, and all business opportunities, Clients, Partners, Introducers, Sub-Contractors and Marketplace Accounts are checked daily.

Conflict of Interest and Related Party Transactions

Conflicts of Interest in both the public and private sectors 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 and procedures 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 who 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 Conflict of Interest and Related Party Transactions as well as the approvals of Outside Directorships Requests made by Temenos employees or members of the Board of Directors serving as a director or an officer for an outside organization which might also result in a conflict of interest.

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 non-compliance 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 Human Resources Department
- Group Legal Department
- 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, which is linked to the 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 that is taking place in our workplace. 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. All filed cases have been successfully resolved in 2019.

Quick links

Anonymous Reporting
Policy and Guidelines

Risk Management and Internal Controls

Temenos' policy is to have adequate controls in all areas of its operation to ensure compliance with applicable laws, regulations, policies and client agreements, preparation of reliable financial and management reports, safeguarding of Company assets (both physical and intangible) and efficient and effective use of resources. Internal audit reviews are conducted by the Group Internal Audit function according to a risk-based plan.

It is management's responsibility to design, implement and operate effective risk management practices and controls. This is achieved through regular assessment of risks, carrying out control activities such as segregation of duties, supervision, staff training, communication, and monitoring. It is the role of Group Internal Audit among others, to evaluate effectiveness of risk management and internal controls, assess compliance with policies and procedures and provide assurance to senior management and Board of Directors.

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 stated in the Internal Audit Charter approved by the Audit Committee.

Employee concerns 2019	Raised	Upheld	Dismissed
Workplace discrimination concerns (perceived-feeling of discrimination)	0	0	0
Other workplace concerns (failure to comply with legal obligations, such as breach employment law or human rights obligations)	1	0	1
Fraud, theft, bribery or other ethical misconduct	2	0	2
Health and safety or perceived damage to the environment	0	0	0
Violation of the Temenos Business Code of Conduct	2	1	1
Actual, potential or perceived conflict of interest	0	0	0
Total	**5**	**1**	**4**

Information security and data privacy

Temenos acknowledges that information security and data privacy are fundamental to its clients, Partners and employees. This encompasses security relating to its products and services including its hosted solutions as well as its own information security systems and physical and location security arrangements. In addition, Temenos respects that everyone has rights with regard to how their personal data is handled. The Temenos Security and Privacy policies as well as the respective enhancement plan have been fully aligned with the Security and Privacy strategy.

Information Security

Governance

The role of the Temenos Security and Privacy Committee has been enhanced in order to serve as a connecting point to senior management and to the Board of Directors. To this end, the Committee:

- Reviews security and privacy risks and opportunities present in Temenos and makes decisions which are communicated to the business or escalate to the Executive and Audit Committees as appropriate;
- Assists senior management and the Board of Directors in establishing an appropriate "tone at the top" and promoting a strong culture of awareness of security and data protection throughout Temenos;
- Reviews effectiveness and impact of the security and data protection compliance programs.

The Committee meets quarterly with representation from senior stakeholders within Temenos, with a fixed agenda item for our regular Executive and Audit Committees meetings.

Temenos Security Incident Management procedure has been further enhanced, resulting in a more agile, versatile and effective operating model. Depending on the type of incident, and in order to address it in the most effective and efficient manner, the Standard Security Response team is expanded with the equivalent stakeholder.

In 2019, 11 privacy related incidents were reported and handled as per the aforementioned procedure. One of these incidents has been categorized as 'Level 1" (high-severity – immediate response required) and have been resolved at the Committee level.

CSO organization

The Chief Security Officer is responsible for all security, privacy and business continuity matters. The team has deep expertise in GRC, cloud security, cybersecurity, privacy business continuity and business resilience, product security, infrastructure security. As a result, the Global Information Security and Privacy headcount has increased from approximately 10 people in 2018 to 65 people in 2019. Temenos will continue to invest in people and talent, targeting at a total headcount of 70 people by the end of 2020.

Communication and Training

Temenos has recently contracted with a leading e-learning training platform in order to expand and enhance its training capabilities globally. In addition to the mandatory trainings for all staff, we are also developing more targeted training to "high-risk" user segments such as IT administrators, staff processing PII and Temenos cloud staff will be developed.

In 2019, Temenos achieved a 95.7% completion rate for mandatory Data Protection training and 95.5% for Security Awareness training. The trainings are mandatory for all Temenos employees and contractors. Furthermore, all Partners – included in the Services Partner agreement – are required to provide Security Awareness and Data Protection trainings to all of their employees, working on Temenos projects.

Temenos Information Security and Privacy Intranet Portal is being redeveloped, in order to provide a one-stop presence for internal staff and targeted messaging in the form of regular bulletins. The project was initiated in 2019, targeting for a Q1 2020 completion.

Technology

Information security and data privacy are a fundamental aspect of our product offering and business operation. Temenos continued to invest in the security aspect of its operations, upgrading its Security Operations Center in terms of people, processes and technology. These investments will provide the capability of state-of-the-art monitoring and response capabilities for all cloud and on premise clients. In addition, Temenos has invested heavily on tooling, launching and implementing the additional DLP technologies, threat intelligence and monitoring software.

Product

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.

Privacy

Towards a Global Privacy Compliance Framework

In 2019, Temenos enhanced and expanded its GDPR compliance program to include all privacy requirements at a global scale. Temenos Privacy compliance framework incorporates the same four principles: Assess, Protect, Sustain and Respond, utilized for all its processing activities globally. To facilitate the framework, the Global Privacy operating model has been introduced, with distinct and inter-related operations between the corporate Privacy function, the country/region Privacy teams, the Security and Privacy Committee and the Privacy Steering Group (Legal and Privacy functions).

The Corporate Privacy function sets and maintains the Privacy control framework, drives and monitors compliance, sets the Privacy standards, completes annual maturity assessments, develops and monitors plans to improve local Privacy compliance, maintains records of processing, maintains and updates the relevant policy, pursues and obtains certifications associated with Privacy, identifies, assesses and mitigates privacy risks, provides opinions and recommendations and liaises with local DPOs (where applicable).

The country/region Privacy teams provide support by triggering and completing PIAs, documenting new processes, performing annual maturity assessments, driving improvement plans, and reporting applicable KPIs.

The Security and Privacy Committee acts as a point of escalation and communication, providing senior level oversight.

The Privacy Steering Group (Legal and Privacy functions) identifies the relevant risks, monitors the progress of required implementation plans, builds awareness and escalates risks when required.

Based on the above, all processes involving processing of personal data have been mapped and assessed for relevant risks, via the leading Privacy management software. Furthermore, all data subjects can exercise their rights, including the rights to access, rectify and delete personal data.

Building on the 2019 engagement, ISO 27701 aligned Privacy framework has now been fully deployed across all business lines. Moreover, Temenos Data Protection and Privacy policy applies to all of Temenos worldwide (business lines, subsidiaries and newly acquired companies).

How Temenos uses the data

Temenos process 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 not received any substantiated complaint concerning breaches of customer privacy and losses of customer data in 2019.

2020 Goals

- To achieve a level 4 Maturity as per the ISO 27701 methodology
- To position for compliance with Indian DPA
- To position for compliance with CCPA
- To position for compliance with ISO 27701
- Product – Privacy by design

Business Continuity

Temenos recognizes that having a robust Business Continuity management framework is one way to adhere to our corporate commitment to operating responsibly. We operate responsibly towards:

- Our clients by continuing to provide our services in adverse situations especially when these affect our sites/premises/people/suppliers
- Our employees by having emergency response and communication plans to perform our duty of care
- Our shareholders, investors and all interested stakeholders by protecting our product, intellectual property, people, premises and supply chain.

To that effect, within 2019, Temenos implemented a fully compliant ISO 27701 Business Continuity Management System (BCMS) to cover Continuity and Resilience requirements. The framework touches on all aspects of Resilience and more specifically focuses on:

- globally standardized emergency response and communication planning
- fully tested business continuity management plans for all its global critical locations and personnel
- cloud client service continuity testing in line with our responsible code of conduct
- internal corporate IT service continuity and disaster recovery plans
- supplier contingency planning
- crisis management and major incident handling procedures

Recognizing the importance of Temenos being a resilient organization, it has also invested in a state-of-the art and award winning Business Continuity planning solution as well as an emergency mass notification system tool to handle emergency communications.

Finally, in order to be able to validate the robustness of our BCMS, Temenos has certified its cloud support and operation teams from six global locations (London, Chennai, Sydney, Manly, Broomfield and Bucharest) against the ISO 22301:2012 standard from the Lloyds Register Quality Assurance certification authority.

Responsible procurement

Temenos has integrated sustainability considerations in its procurement policy and practices to provide more value to the organization by improving productivity, assessing supplier value and performance, enabling communication between buyers, suppliers and all stakeholders, and by encouraging innovation.

Procurement lifecycle in Temenos is an end-to-end Source to Pay process: it spans right from responsible sourcing and supplier relationship management to purchasing and accounts payable.

We employ a responsible sourcing process for categories of suppliers considered as 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
- Suppliers that have access to and/or processes our Employee or Company data
- Suppliers that connect to our Company systems or requires access to Temenos Intellectual Property or confidential information
- Suppliers that provide technical or IT services and/ or software products that involve intellectual property licensing.

Sustainability assessments are part of the new supplier selection process and the annual supplier performance and risk assessment activities.

For the 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 10 principles of the UN Global Compact and the EU General Data Protection Regulation 2016/679.

Our Supplier Code of Conduct lists the requirements for our suppliers in adhering to our responsible ways of doing business and is integrated clause into contracts and Purchase Order Terms and Conditions. We encourage our suppliers 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 publicly disclosed the Supplier Code of Conduct as well as relevant information related to our Purchase Order Terms and Conditions and invoice guidelines.

Temenos has a centralized procurement governance model where the Global Procurement team oversees the sourcing process and drives the purchase activities at Group level. The Global Procurement team is annually trained on the latest sustainable procurement principles and sustainable procurement objectives are integrated into the team's performance reviews.

Procurement lifecycle
an end-to-end Source to Pay process

Sourcing

New Supplier selection and qualification
Supplier Relationship Management
Spend category Management

Purchase

Raise Purchase Requisition
Issue Purchase Order
Goods receipt

Payables

Invoice processing
Expenses
Payments

Responsible Procurement framework 2019-2025

We have established a responsible procurement framework to track our current achievements and long terms goals in delivering sustainable outcomes:

Spending on local suppliers

We have a dynamic supplier base 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:

Highest to Lowest Employee Headcount December 2019	Top 15 countries based on headcount*	% purchases from local suppliers
3,106	India	94%
–	USA	62%
–	United Kingdom	62%
–	Romania	68%
–	Australia	67%
–	Luxembourg	49%
–	Singapore	40%
–	Switzerland	35%
–	Canada	79%
–	UAE	60%
–	Greece	53%
–	China	100%
–	Germany	95%
–	Ecuador	52%
64	France	70%

* Highest: 3,106, lowest: 64.

The reported local spending contains all purchases done 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.

Area	2019		2020	2021	2025 target
	Objective	**Achievement**	**Objective**	**Objective**	**Objective**
People	Refresher training to procurement staff on latest sustainable procurement principles	100%	Key staff involved in procurement activities to receive training on sustainable procurement principles	Sustainable procurement to be included as part of all staff induction program	Maintain 100%
Policy & strategy	Review and enhance the internal sustainable procurement policy for focus suppliers with strategic techniques such as spend category management, market analysis, vendor risk management	100%	Extend the responsible sourcing process to other categories of suppliers, beyond focus categories of suppliers	Ensure the internal sustainable procurement policy is reviewed regularly as part of the CSR strategy	Maintain 100%
Procurement process	Further implement sustainability assessment as part of the qualification and annual performance and risk assessment for focus categories of suppliers	73%	Sustainability assessment as part of the qualification and annual performance and risk assessment implemented to all focus categories of suppliers	Sustainability assessment for most supplier categories	Reach 100%
Engaging suppliers	New or renewed focus categories of suppliers, providing goods or services with Supplier Code of Conduct applicable clause	15%	Further augment the new or renewed suppliers providing goods or services with Supplier Code of Conduct applicable clause	Supplier engagement program in place, promoting continual sustainability improvement and CSR audits if required	Reach 100%

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. No instances of non-compliance with environmental laws and regulations occurred in 2019.

We are committed to:

- measuring and monitoring our global environmental footprint,
- implementing mitigation, reduction and improvement initiatives, by continuously identifying opportunities to increase our energy efficiency and reducing carbon emissions and
- reporting on our progress.

Environmental policy and Management

Temenos has 68 offices in 40 countries. All Temenos offices are located in large leased office buildings close to city centers and outside protected lands and habitats. Some of the large leased office buildings are already certified for their environmental performance on their own initiative, such as the one in Miami, which has been awarded LEED certification at the Gold level by the US Green Building Council. 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. We continuously pursue initiatives to help us improve energy efficiency and reduction of carbon emissions at a time of ongoing growth in our business.

In 2017, we introduced a Global Environment policy, as part of the Temenos Business Code of Conduct. While our footprint is smaller compared to other resource-intensive industries, we are committed to continuously identifying opportunities to increase our energy efficiency and reduce carbon emissions.

Global Environment Policy

In 2018 we developed a Global Environmental Management System (EMS) and aligned it with international standards. We have successfully implemented the EMS in our three offices in India (Chennai and Bangalore) in 2018, and our office in Romania in 2019, while receiving ISO 14001:2015 certification for all four offices. These four offices account for almost 60% of the total global employee workforce (prior to Kony acquisition).

As a result of the implementation of ISO 14001, a decrease in the energy intensity (energy consumed in kWh/headcount) was achieved in all four ISO 14001 certified offices, by implementing both engineering and administrative controls.

At the three offices in India, there was a 7% reduction in energy intensity, which was achieved through a number of mitigation initiatives such as:

- installation of energy efficient lifts
- upgrade of the A/C systems with energy efficient components such as motors, filters, coils
- use of 350 LED lamps in common areas and work stations
- increase of diesel generators' efficiency by improving operations and maintenance activities
- employee training and effective implementation of Standard Operating Procedures for maintenance and operation of significant energy consuming equipment
- consolidation of critical rooms such as data centers, server rooms and switch rooms for effective operations.

At our office in Romania, there was a 4.4% reduction in energy intensity, which was achieved through the installation of motion sensors in specific areas and through employees training to operate A/C systems and room lighting only when required, with emphasis given on switching off any electronic equipment, lights and A/C system during weekends and after working hours.

At our UK offices, planned for EMS and ISO 14001 implementation, for the past two years, as a part of Energy Savings Opportunity Scheme 2015 requirements, we engaged a third party to conduct an Energy Efficiency audit in line with BS EN 16247 standard and identified opportunities to improve our energy efficiency. In 2019, we continued to perform the Energy Efficiency audit in all four UK offices. As a result, by the end of 2019, we achieved close to 2.3% reduction in energy intensity as compared to last year, by optimizing the use of lighting systems in collaboration with the building management companies and through employees training awareness initiatives.

2020 Goals

- To implement EMS to additional offices in Europe and increase the certification coverage
- To introduce a mandatory Environment Awareness training for all employees

Environmental Monitoring and Reporting

We have set up an EMS Desk, an internal Company-wide mechanism, in order to measure, monitor and report our environmental footprint in relation to business travel, employee commute, energy and water consumption and waste generation and introduce ways to conserve resources in select locations globally with the largest employee concentration.

Offices

In 2017, we started measuring and reporting on our actual direct and indirect energy consumption in our offices. In 2018, we measured and reported the energy consumption and carbon emissions in the top 15 significant countries based on December 2018 headcount, with more than 50 employees in the country, representing 92% of the total Temenos population. In 2019, we measured and reported 99% of the total energy consumption and GHG emissions, excluding only a few individual small offices with limited headcount (10 people or less). We are in the process of intensifying our EMS Desk efforts to establish a systematic way to measure and report on our water consumption and waste generation with the cooperation of the building owners, where our offices are located globally.

Business travel

As an IT software company we rely on our people who travel to deliver our services. So business travel by air constitutes our biggest environmental impact that cannot be easily reduced. We have measured our environmental footprint in relation to business air travel for all the countries we operate, representing 100% of the total employee concentration (prior to Kony acquisition). Despite our growing headcount, our air business travel emissions significantly reduced since last year, as a result of carbon emission reduction initiatives we introduced internally, such as travel and global mobility policies, internal carbon pricing, increased internal communication and environmental training, efficient meeting management that required 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. Since 2018, we have been investing in carbon emissions offsets for all our air travel globally. This offset effort resulted in the compensation of 11,527 tCO_2e of the entire air travel impact in 2019.

Priority Area	Objective	Indicator	2025 target
Operating Responsibly	Environment policy & Management	Roll out EMS to additional locations and increase the ISO 14001:2015 certification coverage	4 offices
	Energy Efficiency & Carbon Neutrality	Organize sustainable and carbon neutral corporate events	4 events
		Percentage of overall decrease of Scope 2 Indirect energy consumption per capita for certified ISO 14001 offices, compared to 2018 baseline (first certification)	10%

Employee commute

In 2018, we launched for the first time an internal employee commute survey, which we repeated in 2019, to measure and report our indirect environmental footprint in relation to employee commute, using their private means of transportation to commute daily to our office locations globally. In 2019, due to increased internal communication, we managed to get a 92% response rate to the survey (from all our employees globally prior to the Kony acquisition) higher than last year, while reducing the actual emissions from employee commute due to relocation of offices based on environmental criteria. 3% (200 employees) of the total headcount were exempt from this requirement due to job role (teleworking and not commuting to an office) or long term leave reasons (sickness, maternity).

Carbon footprint

The primary sources of our emissions are natural gas, on-site electricity generation, purchased electricity, employee commute and business travel. The total energy consumed during 2019 is 32,986.56 GJ. The direct energy consumption by primary energy source is 2,819.5GJ. The indirect energy consumption by primary source is 30,167GJ. Our annual absolute greenhouse gas emissions (GHG) are at 24,302.1tCO_2e. We are establishing reliable systems to monitor other emissions such as NOx, SOx, and Ozone Depleting Substance (ODS). All GHG figures in the report are in tons of carbon dioxide equivalents (tCO_2e). The Temenos' energy reporting and corresponding Scope 1 and 2 emissions cover the time period from 1 December 2018 to 30 November 2019. The data below do not include any data from Kony, as the acquisition was formally completed at the end of September 2019.

Energy Efficiency and Carbon Neutrality

As part of our environmental responsibility strategy and in line with our commitment to measuring our global impact and implementing mitigation, through energy reduction and emissions' avoidance initiatives, we set internal targets to improve energy efficiency, reduce emissions and invest in offset projects for the carbon emissions we cannot reduce or replace. Key initiatives include: implementation of our ISO 14001 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.

2020 Goals

- To implement energy efficiency measures in more offices with large employee concentration
- To introduce environment champions in more offices globally

Case study:
Investing in a community carbon project in India

"Apart from the environmental benefit, it offers social benefits to the local population by improving access to clean energy, education, and healthcare."

In 2019, we continued to witness the benefits of our investment in the community carbon project in Tamilnadu in India, a material location for Temenos, where our two Chennai offices are located. As part of our efforts towards carbon neutrality, we offset the carbon footprint of our air business travel (as we also did in 2018), as well as from our two 2019 biggest Temenos events: Temenos Kick-Off Meeting (TKO) and Temenos Community Forum (TCF), through purchase of voluntary emission reduction certificates generated from a Wind Power project in Tamilnadu in India. This offsetting project, coordinated by the Tamilnadu Spinning Mills Association (TASMA) focuses on renewable power generation (wind and solar) and complies with the Verified Carbon Standard (VCS), the world's leading voluntary program for the certification of GHG emissions reduction and removal projects. The TASMA project, apart from the environmental benefit, it offers social benefits to the local population by improving access to clean energy, education, and healthcare – all in alignment with the 17 UN SDGs.

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
Purchased electricity	Indirect (Scope 2)	Electricity grid
Employee commute	Other indirect (Scope 3)	Employees' private vehicles*
Business travel	Other indirect (Scope 3)	Commercial airlines

* Vehicles owned by our employees – the Company does not have any company cars.

Emissions offset

14,587tCO_2e

2019

21,442.50tCO_2e

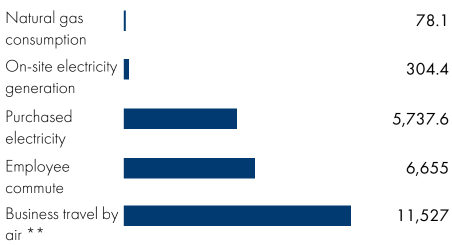
2018

Energy in GJ

Total GHG emissions (tCO_2e) – 2019

GHG emissions (tCO_2e)

GHG emissions by activity (tCO_2e)



Contribution to the SDGs

* Our offices in Switzerland utilize renewable energy sources for electricity, thus generating zero GHG emissions.
** Business travel by air data are provided by the travel agencies. Emissions are calculated based on the miles flown using one DEFRA emissions' factor due to Company policy change on traveling Economy class for environmental reasons.

Sustainable Event Planning

We are seeking ways to ensure that our event planning operates with high sustainability standards, by organizing our external events in a sustainable way and working with event vendors who are adhering to sustainable event best practices. In addition, we are committed to measuring, reducing and offsetting the environmental impact of our two biggest Temenos events.

In 2019, we introduced a new Sustainable Event Planning policy and we linked it to the Global Environment policy. The Global Environment policy is part of the Temenos Code of Conduct and the Temenos Supplier Code of Conduct.

We are committed to responsible event planning:

- by planning and organizing our external corporate and regional events in a sustainable and environmentally responsible way
- by working with event vendors who are adhering to sustainable event best practices, thus making our events as sustainable as possible
- by measuring, reducing and offsetting the environmental impact of our two biggest Temenos events
- by adhering to international standards relating to sustainable development.

Our sustainable event planning commitment is based on four principles:

- Promoting sustainable environmental practices
- Integrating social considerations: supporting universal human and fair labor rights, inclusiveness, respect for the community, health and safety
- Supporting economic practices: based on collaboration, support for the local economy and communities, responsible sourcing and procurement, economic growth, integrity, transparency and responsible governance
- Sustainable partnerships: Suppliers and event management vendors with a CSR mindset, i.e. who share the same values with us and understand the responsibility of implementing and communicating sustainable practices to their stakeholders.

Temenos organizes a number of external corporate and regional events during the year. The biggest corporate events include the Temenos Kick-Off Meeting (TKO) and Temenos Community Forum (TCF). Temenos employees, Partners and clients attend our external events.

In 2019, we measured the carbon footprint of these two events, reduced as much as possible and offset the remaining emissions (2,195 tCO_2e) through purchase of voluntary emissions reduction certificates generated from a Wind Power project in Tamilnadu in India, coordinated by the Tamilnadu Spinning Mills Association (TASMA).

In addition, we designed and implemented an Event Sustainability Management System, as per the requirements of ISO 20121, to help us manage our two biggest events and control their social, economic and environmental impact.

Our goal is to organize these two events as an ISO certified sustainable event, minimize the negative environmental impact of the event in the areas of waste, water, energy and air quality, ensure our supply chain has responsible social and environmental practices, improve positive social and economic impacts of the event, optimize planning and processes, while maximizing the benefits of a sustainable event.

In 2020, we aim to achieve ISO 20121 event sustainability certification for these two events, following a rigorous off-site and on-site audit by an external certification body. ISO 20121 provides the framework for identifying the potentially negative social, economic and environmental impacts of events by removing or reducing them, and capitalizing on more positive impacts through improved planning and processes. In addition, Temenos will quantify and report the carbon footprint from all the emission sources of these events, based on ISO 14064-1, as well as achieve carbon neutrality for these events in accordance with PAS 2060:2014.

2020 Goal

- To organize TKO and TCF as sustainable, carbon neutral events as per the requirements of international standards.

Quick links

Sustainable Event Planning Policy

*Temenos showcased a **state-of-the-art zero-waste** and **eco-friendly** stand.*

Case study:
Sibos zero waste stand

"Constructed exclusively from responsibly sourced materials, the entire booth will be re-used, re-purposed or recycled after the event."

At Sibos 2019, a global financial services event that took place in London 23-26 September 2019, Temenos showcased a state-of-the-art zero-waste and eco-friendly stand to reduce its carbon footprint and contribute to a more sustainable event. Temenos was the only exhibitor partnering with a sustainable production company at Sibos. The stand incorporated environmentally-friendly features, including furniture made from ocean waste plastic, furnishings 3D printed from recycled plastic drinks bottles, and a living wall made up of air purifying plants to provide cleaner air for Sibos' 8,000 attendees.

Water

Although we use water only as part of our offices' operations, in 2019, we started to measure and report the water consumption, representing 72% of the total Temenos population (excluding population working in serviced offices with less than ten employees).

Sources of Water*		**Volume in L**
Purchased water	Municipality water	30,551,126.55
	Purchased water (non-potable)	2,889,140.3
	Purchased drinking water	575,558.76
Ground water	Ground water	1,958,934
Surface water	Surface water (River/Lake/Sea)	0
Harvested rain water	Rainwater collected and stored (water consumed from RWH tanks)	0
Total water consumption		**35,974,759.61**

* The data above do not include recently acquired Kony. For more information on the calculations, please refer to About this Report.

Case study:
Use of recycled waste water in our office in Chennai, India

"The consumption of fresh water was reduced and 1,907,218.53 liters of domestic waste water were treated, without contaminating both water and land."

Our office in Chennai, KG 360° building, operates in an IT Business park, where all waste water is being treated in a sewage treatment plant. 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 2019, the consumption of fresh water was reduced and 1,907,218.53 liters of domestic waste water were treated, without contaminating both water and land.

Waste Management:

As an IT software company, due to the nature of our business, waste generation is fairly limited and restricted primarily to municipal solid waste, as well as a reasonable amount of e-waste from our internal operations – from computers, printers, monitors and phones etc. Other waste includes a small proportion of regulated waste like batteries, waste lube oil, etc. Since all Temenos offices are located in large leased office buildings with multi-occupancy, waste handling and disposal is handled by the building management companies, and hence not under Temenos control. Although we do not handle our disposal, we have increased our focus on adopting a proactive approach by recycling, in the countries and counties where such an option is available. We have introduced recycling initiatives to our offices globally, while encouraging and training our employees to recycle paper, plastic, can, glass and toners. Used IT equipment is cleaned of all data and software and it is either donated to non-governmental organizations or disposed in an eco-friendly manner through an authorized and certified recycler.

Case study:
Recycling in our London office

"In 2019, we recycled 4,017kg of paper, including white and mixed paper as well as security shredding."

In our London office, we work with a recycling company to measure the amounts we recycle and monitor the benefits of this initiative to the environment. In 2019, we recycled 4,017kg of paper, including white and mixed paper as well as security shredding. We have also recycled 2,800kg of glass, 128kg of cans and plastic, 5kg of IT equipment and 90kg of toners. Thanks to our recycling, 51 trees and 7,460kg of CO_2 were saved in 2019, while we received an annual award for our recycling achievements.

2019 Highlights

4,107kg
Of paper recycled

2,800kg
Of glass recycled

7,460kg
Of CO_2 avoided

These initiatives include: refillable Temenos branded stainless steel bottles to replace single use plastic water cups.

Case study:
Green initiatives

"We have introduced environment champions as well as environmental initiatives to our offices globally."

To enhance our efforts to protect the environment, we have introduced environment champions as well as environmental initiatives to our offices globally. These initiatives include: refillable Temenos branded stainless steel bottles to replace single use plastic water cups; stainless steel straws to replace single-use plastic straws; recycling programs; environmental awareness campaigns to ban plastic and promote reuse and recycling and environmental volunteering activities and community service.

Case study:
Internal campaign to stop plastic

"Temenos India employees in Chennai and Bangalore conducted internal campaigns to #BeatPlasticPollution# in 2019."

To raise awareness about the big environmental impact of plastic and to help reduce plastic use, our Temenos India employees in Bangalore conducted a five day campaign "Temenos Supports #BeatPlasticPollution#" in 2019. The campaign included:

- **Day 1:** our environment champions invited a solid waste management expert and a recipient of the prestigious Namma Bangalorean Awardee 2016, to address all employees on the harmful effects of single-use plastics and suggest ways to reduce the usage of plastics in our everyday life.
- **Day 2:** they posted awareness posters related to the harmful effects of plastics and various methods to reduce them, on highly visible areas of the office.
- **Day 3:** they visited each floor and shared a strong message with all employees to reduce use of plastics. This was also communicated by a dance performance to say NO TO PLASTICS.
- **Day 4:** they set up stalls showcasing alternative plastic products like bamboo toothbrushes, stainless steel straws and wooden combs.
- **Day 5:** our environment champions along with Temenos employees had a special theme based dance performance to say NO TO PLASTICS within the premises and outside of the office so that they could raise awareness to employees from other companies, too.

Case study:
Lake cleaning

"In August 2019, our Temenos India employees in Chennai volunteered to clean Porur lake. In October 2019, they returned to the lake, not only to clean it but also to plant trees, contributing to the protection of the lake flora and fauna."

Investing in our people

MAKING THE **DIFFERENCE**

Highlights

7,854
Employees

68
Offices

40
Countries

90
Nationalities

47%
Female under 30

45%
Female senior managers reporting to CEO

5
Great Place to Work recognitions

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.

Our Human Resources (HR) team is organized globally as well as across regions and countries to cater to the needs of our people at both local and global level, with policies in place attuned to local conditions. The team includes groups focused on HR operations, business partnering, compensation and benefits, mobility, data and systems, talent and development, recruitment and employee communication and branding. Temenos global as well as local HR policies serve as the overall strategic direction and a clear point of contact and support on HR issues for our employees and operations globally.

At the end of 2019, Temenos employed 7,854 people worldwide, including both full-time employees, business partners and contractors of Temenos and all acquired companies in 2019. In February 2019, Temenos acquired hTrunk, a small and fast-growing company providing big data and analytics solutions to the banking market. In July 2019, Temenos acquired Logical Glue, a SaaS-based, patented, Explainable AI (XAI) company. In September 2019, Temenos acquired Kony, the fast-growing US #1 digital banking SaaS company. The Kony integration project is underway and will be completed in 2020 with leads and teams participating from both Kony and Temenos per function as our aim is to combine the best of both worlds in order to deliver a successful integration.

During 2019, we invested heavily in onboarding new people through recruitment and acquisition to support the growth. 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 2019, we had 104 part-time employees (61 women and 43 men) and 12 fixed-term employees (7 women and 5 men). 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.

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 Labor 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.

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. Our Human Rights commitment is an integral part of our Business Code of Conduct, as well as the Supplier Code of Conduct. We expect our employees, Partners, suppliers and clients to share this commitment to ensure that information technology and our business respects and promotes human rights.

In 2019, 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 our own as well as our suppliers' impact on human rights in our Business Code of Conduct and related training, Supplier Code of Conduct as well as our supplier performance and risk assessment processes of our Global Procurement policy and procedure.

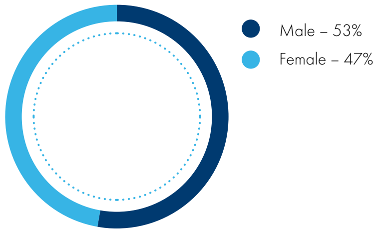
Quick links

Workforce diversity by age and gender

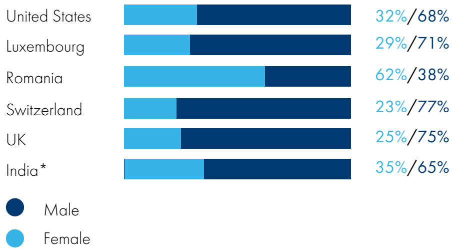
% women in the total Temenos workforce

* In September 2019, before the Kony acquisition, the ratio of women at Temenos was 35%. With the Kony acquisition, the ratio was reduced since the percentage of women at Kony was 27%.

Gender less than 30 years old



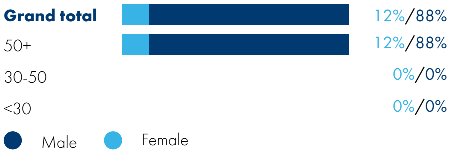
% employees by gender in certain regions



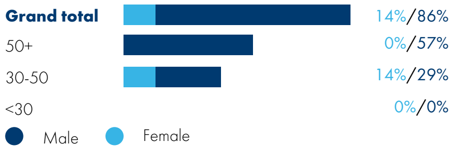
* The Kony acquisition had an initial impact on our cultural, age, and gender diversity dashboard. In particular, 76% of the headcount impact was in India: with 73% male and 56% between the 30-50 age group.

Board, Executive Committee and Leadership Team Diversity

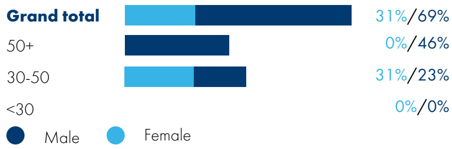
% Board of directors by gender and age



% Executive Committee by gender and age



% Leadership team by gender and age



Diversity, inclusion and equal opportunity

We take pride in ourselves for continuing to build our diverse workforce at all levels in Temenos from 90 nationalities. We are committed to attracting, developing, promoting and retaining our diverse Temenos community to provide product and service excellence in a global marketplace to a diverse client community, while creating an inclusive work environment in which all employees can contribute their unique knowledge and experience to make a real impact on the world around us.

Diversity and inclusion principles are integrated 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 talents and communicate the importance of diversity and inclusion with our people. Through such diversity, we have a dynamic work environment in which we continue to gather a wealth of knowledge that contributes to our innovation and commercial success.

Being an equal opportunity employer, we do not mandate the disclosure of ethnicity and/or disability at the time of recruitment. Our business philosophy as well as our organizational structure are based on cultural diversity, as we operate 68 offices in 40 countries globally. The Company is managed using a matrix of regional and global business functions. We encourage decentralized work processes and co-operation between our people across countries and regions or anywhere in the world when traveling, while having central processes on core activities, co-operation and decision making.

The Company's management structure is one with regional directors, responsible for all business lines in each region. Our people come from a diverse pool of countries and regions and share skills, resources and support across geographies to promote synergies and learning across the organization, enhancing our reputation as a global but – at the same time – local company, and ensuring we are best positioned to meet the needs of our clients.

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.

Since the IT industry is still male-dominated in many countries, we are actively seeking to recruit women and support them in their career development, with the aim of achieving a more equal representation of male and female employees in the business. The principles and goals of the Universal Declaration of Human Rights are at the center of our diversity initiatives. According to global studies, in 2016, fewer than 25% of IT jobs in developed countries were held by women. That figure was about the same in 2015. Gender imbalance in IT has been recognized as an issue since at least 2005.

Achieving gender equality 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.

At Temenos, 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 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. For example, we have incorporated gender diversity in our recruitment and advancement practices at all levels and monitoring progress, focusing on two levels within the company: on the new generation recruitment, encouraging young women to choose a career in the IT industry, resulting in female participation of 35% (in 2014) to 47% (in 2019) in the under 30 year old age segment of our workforce; and on advancement and representation of women in senior management positions, resulting in female representation of 22% (in 2014) to 45% (in 2019) in the 1st line female senior managers reporting to the CEO.

At the Company level, the female representation in the total Temenos headcount is currently at 33%, i.e. 8% higher than the average in the IT industry in terms of male to female ratios. It is worth noting that in September 2019, before the acquisition of Kony was completed, the ratio of women at Temenos was 35%, up from 34% in 2018. With the Kony acquisition, the ratio changed to 33%, since the percentage of women at Kony was 27%. Our global, regional and local HR 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.

By 31 December 2019, our leadership team (excluding the Executive Committee) consisted of nine men and four women. Our Board of Directors consisted of seven men and one woman, while the Executive Committee consisted of six men and one woman. In 2020, the Executive Committee membership changed and as of February 2020 consists of five men and one woman, while our leadership team (excluding the Executive Committee) consists of eight men and four women. More information on our 2019 Board of Directors and Executive Committee structure can be found in the Annual Report: Governance section and on the corporate website www.temenos.com.

Temenos has a gender pay gap of around 35% similar to other software companies since the number of females as percentage of total employees reduces as the seniority increases. Temenos publishes the UK Gender Pay Gap Report which is available on our website. We constantly monitor salary by country, role and band for internal equity.

Temenos is committed to improving the quality of work life of all employees irrespective of gender, race, disability, age, and personal circumstances. We are committed to increasing the representation of women in Temenos at all levels, functions and locations, as well as to creating a strong network amongst women to support and help one another to develop across the organization.

As part of our gender diversity commitment, in 2018, our Chief HR Officer established an active Women@ Temenos network, founded and managed by 170+ women ambassadors, to provide the framework for exchange, collaboration and raising awareness globally, while at the same time acting locally. The objective of Women@Temenos is to raise awareness and ultimately increase the proportion of women across the organization by:

- Sharing best practices on how to create an inclusive business environment
- Networking internally and externally
- Attracting more women in the technology sector and to Temenos
- Coaching, mentoring and helping one another and developing women leaders at all levels
- Discussing challenges facing women in the workplace
- Sharing women's achievements with visible support from our senior leadership
- Having fun in a great place to work.

Some of the activities that were organized by Women@Temenos in 2019 included:

- Celebrating: Men & Women at Temenos held a week-long celebration to coincide with International Women's Day across the organization in all Temenos offices focusing on the theme Balance for Better.
- Prevention of Harassment: In India, we conducted awareness sessions at all locations by qualified Prevention of Sexual Harassment/trainers.
- Community: Temenos became member of the European Women in Payments Network. This is the first and only Pan-European community for women, a not-for-profit organization dedicated to building a community for women in Fintech & payments in Europe.
- Mentoring: Women@Temenos ambassadors created a mentoring platform that allows training, role-modeling and mentoring sessions across women in Temenos.
- Raising Awareness: An online blog of inspirational stories of successful women at Temenos was created where stories of successful women in the banking industry are shared through our "Women Wear Technology" Blog. Articles of Inspiring Career Journeys within Temenos.

Objective	**Indicator**	**2014**	**2019**	**2025 target**
Gender diversity	Percentage of women in the Temenos total headcount	22%	33%	36%

Consistent success in our fast paced, demanding sector is only achievable with a team of diverse, highly committed and talented people. We strongly believe in making our commitment and focus on diversity and inclusion a truly integrated part of the Company's standard business practices that will bring added value to all our stakeholders.

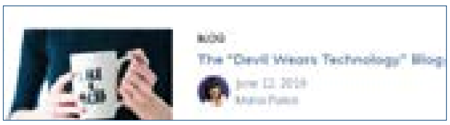
2020 Goals

- To become a preferred employer for women globally (by 2025)
- To target international standards and business benchmarks relevant to gender diversity, such as indices, ISO certifications and performance ratings.

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.

Through the respective communication channels, 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 inquiry 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. Our anti-discrimination and anti-harassment policies apply to employees and contractors, as well as suppliers, Partners and clients.



Employee relations

Freedom of Association and Collective Bargaining

As stated in the Temenos 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 dialogue 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, fora 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 are committed to having a constructive and efficient collaboration with trade unions and other employee representatives. We comply with all relevant collective bargaining agreements in countries where we operate. we follow as a minimum the local law requirements We also require subcontractors to comply with all relevant collective bargaining agreements and to provide documentation of compliance. The percentage of Temenos employees (excluding Kony employees) covered by collective bargaining agreements may be seen below:

Country	No. of employees covered under collective bargaining agreements	%
Brazil	5	0.07%
France	64	0.90%
Spain	22	0.31%
Romania	322	4.54%
Total no. of employees	413	
Percentage	**7.72%**	

* The table above covers the entire 2019 and does not include Kony employees .

In France, Germany, Luxembourg and Brazil, the employees maintain work councils and health and safety committees. The local HR departments work as an enabler and to make sure that all agreements are followed through as agreed.

Case study:
Welfare of Women

"In 2019, during the Bengaluru Tech Summit, our Temenos Bangalore office received an award by Software Technology Parks of India (STPI) for hiring more women during the year."

The Welfare of Women in India, a women's group that drives affirmative actions for the welfare of women working in Temenos India, is active in Bangalore and Chennai and is run by Temenos India women employees. WoW group decides and drives the employee-connect initiatives focusing on creating awareness on women's health through workshops and programs, as well as lifestyle initiatives that help women with their personality development. Through the 'Dialogue' forum, WoW invites women leaders to come and share their thoughts on leadership and excellence.

Temenos Kony Hyderabad women are also promoting equality through community initiatives and advocacy, aligning with the UN Women's Empowerment Principles. In November 2019, they received an award for supporting a safe and secure society for women through contributing to building the Women cell of control partnering in awareness videos with the Telanagana Police Control team – "She Teams".

During Temenos Kony integration, we are focusing on gender diversity through a separate integration stream, where we will align all our diversity initiatives across India in 2020.

In 2016, the Welfare of Women was launched in India, a women's group that drives affirmative actions for the welfare of women working in Temenos India.

Case study:
Miami eco-action volunteering

"As part of the Women@Temenos initiative, our Temenos Miami ladies rolled up their sleeves and helped the environment prepare for the hurricane season."

During the Miami-Dade Parks EcoAction Day, our ladies volunteered to restore one of the biggest parks and natural areas in Miami, Crandon Beach. In collaboration with another 80 volunteers, they planted 400 sea oats that will prevent sand erosion during the storms that affect the coastal habitat during summer time. They also participated in restoring the local flora and fauna by planting flowers that will attract seven types of autochthone butterflies. This event was organized in collaboration with Miami Dade County, Million Trees Miami non-profit organization and the National Football League as sponsor.

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 peoples' right to freedom of expression and their right to freedom from arbitrary and unlawful interference with privacy online. We ensure this through our Business Code of Conduct 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 HR and recruitment policies.

Global mobility, health and safety

As a software company, we rely heavily on our people to conduct our business. At Temenos, we are committed to supporting our employees' wellbeing and creating a healthy and safe work environment for all employees, contractors and visitors by integrating appropriate health and safety (H&S) practices within our operations, as well as when traveling on business trips. We have integrated (H&S) in the management of our business in such a way that all activities are considered through the protection and prevention perspective.

All employees and contractors are expected to perform their work in compliance with the H&S laws, regulations, policies and procedures of their locations. We meet the requirements of the H&S laws applicable in the countries in which we operate, having established local H&S procedures and identified and assigned responsibilities and accountabilities at the local level of our offices.

As a global organization, international mobility forms an integral part of our service delivery to clients and our strategic plans for future growth. A globally mobile and dynamic workforce is key to providing and developing our expertise across the globe and maintaining our competitive advantage. The Company has created global mobility and travel policies and procedures, so as to provide the framework for properly managing and addressing issues arising from working from anywhere on an international assignment or traveling globally.

In that regard, Temenos offers all its employees extended coverage with additional benefits in our regular international travel insurance program to adapt to the latest developments related to global travel:

- International travel insurance with worldwide cover with no territorial exclusion for all employees and their dependents traveling with them
- International medical assistance when traveling and reimbursement of medical expenses for the employees and their dependents traveling with them
- International liability and life insurance
- Approval from HR and monitoring of employees traveling in high-risk countries through the Temenos Travel Application and Global Travel Desk
- Travel security services and registration of high-risk travel on customized Insurance Company platform for tracking purposes
- Additional customized transportation and 24x7 security.

We are constantly enhancing the security measures and training of our employees, aiming at mitigating the travel risk for our employees.

Health and wellness

At Temenos we are committed to supporting our employees' well-being and creating a work environment that helps employees maximize their physical and social wellness. Temenos global as well as local HR policies serve as the overall strategic direction and a clear point of contact and support on health and wellness issues for our employees and operations globally. 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 indicatively include:

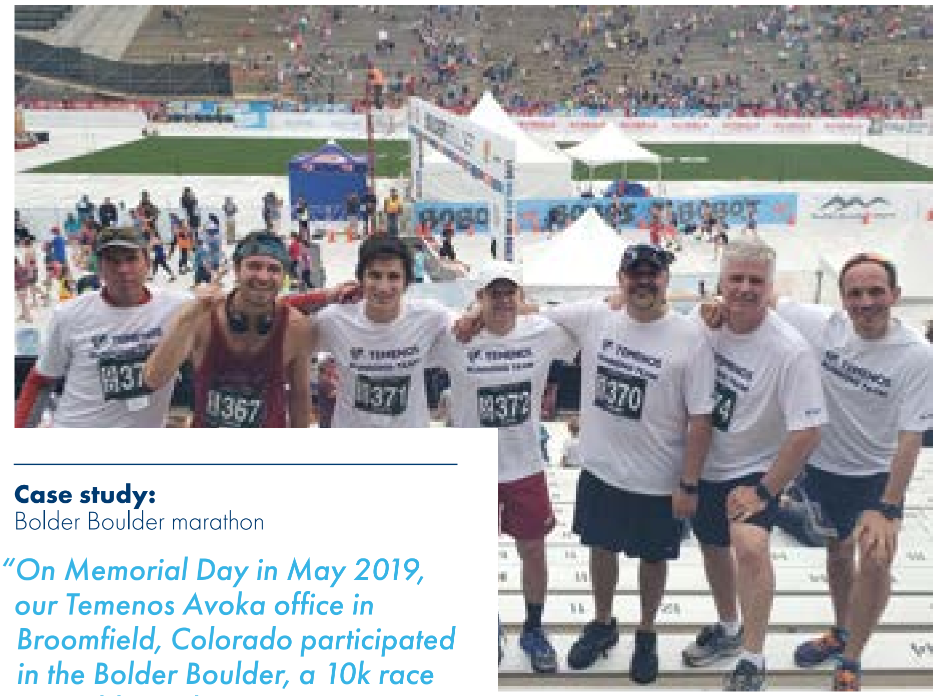
- Work from home options, in order to balance work and personal life
- International travel and medical insurance, including health screening
- On-site and offsite team bonding and recreation opportunities
- On-site recreational rooms and stress management programs
- Energy corners with healthy office snacks
- Training and development programs
- Multiple channels of internal communication and engagement with our employees across countries and at all levels
- Recognition of their work and contribution, as well as opportunities to learn more about Temenos and spend time with the leadership team
- Employee engagement in community service and volunteering projects.

Employee communication and engagement

Open communication and engagement with our employees will continue to be an integral part of the Temenosity culture and philosophy. At Temenos, we are committed to clearly communicating our corporate goals, objectives and successes, to promote a work environment of ethics, transparency and trust. Employee feedback helps shape the direction of our policies and initiatives to drive a great employee experience while maintaining a positive employer brand.

Temenosity culture promotes transparent communication and our open door policy is greatly supported by the latest communication technologies. Temenos continues to invest in latest telecommunications, digital and web-conferencing technologies to facilitate project delivery and business operation while ensuring each employee feels included and engaged in the Company culture. The Company has invested in Zoom, Skype for Business software, which serves as the basic communication tools within Temenos globally. In addition, the other tools we use for internal and/or external collaboration are our Company intranet, email, blogs, MS-teams, yammer and Sharepoint.

We have established multiple channels to communicate and engage with our employees across countries and at all levels, including intranet, yammer, blogs, video updates, internal newsletters targeting different corporate areas, town halls with leaders, employee engagement survey, new hire survey, other internal operational surveys, helpdesks and an anonymous reporting mechanism. All employees are provided regular updates throughout the year on the Company's strategy through CEO business updates, supplemented by clear communication from regional management, HR and Marketing.



Case study:
Bolder Boulder marathon

"On Memorial Day in May 2019, our Temenos Avoka office in Broomfield, Colorado participated in the Bolder Boulder, a 10k race in Boulder with over 50,000 runners and walkers."

Case study:
Temenosity workshop

"Temenosity, the magic that makes Temenos, Temenos and the principles that make up Temenosity – Tenacity, Velocity, Responsibility, Authenticity, and Community."

In 2019, during the onboarding process of new joiners, we organized Temenosity workshops in various Temenos as well as Kony offices, to familiarize new joiners with the Temenos culture: Temenosity, the magic that makes Temenos, Temenos and the principles that make up Temenosity – Tenacity, Velocity, Responsibility, Authenticity, and Community. This activity was inspired by the Marshmallow challenge with some modifications. The participants split themselves into teams and each team was given a set of Satay sticks, tape, and rubber bands. The challenge was to build the tallest tower using the materials given, in specific time. The team that constructed the tallest tower and deployed an innovative design won the challenge. The activity and the post-activity deliberations covered the five Temenosity principles and attributes under each Temenos quality. We introduced a different difficulty level in these activities. A colleague from another team would give one big blow using a straw to try to collapse the other team's tower. The learning-point is to link this activity to "daily work-life" which can be full of surprises and unexpected events, challenges that we must be able to overcome.

Employee experience
The focus on consistently enhancing the employee experience is a significant aspect of our culture as we continue to grow as a business. Hence, to capture the relevant information on the employee experience drivers to align strategic actions, we utilize two key listening mechanisms:

- MYVOICE – A long term engagement monitor to capture feedback on key areas from tenured employees (1 year or more at Temenos)
- NEW HIRE SURVEY – A short term engagement monitor that captures feedback on the early days of our new employees (90-day survey).

MyVoice survey
MyVoice, our employee engagement survey has been rolled out every two years until 2018 to gain feedback on what it is like to work at Temenos and how we can work together to make Temenos an even better place to work as we continue to grow. The survey is conducted on an anonymous and confidential basis by Gartner, a third-party survey provider, so that employees openly give their feedback and is administered under the Safe Harbour certification which guarantees confidentiality to all respondents that participate in their surveys. Previous surveys have identified career management, business communication, learning and development as some of the key areas and these have all been addressed through strategic action plans over the years. The 2018 MyVoice engagement survey snapshot: 85% response rate, 58 questions, 16 engagement categories measured, 3 new categories: Agility, Diversity and Inclusion, and Alignment as a distinct category.

As scheduled, we aim to launch our next MyVoice engagement survey in 2020. Temenos management not only believe that employee engagement and feedback is significant, but also show their support in embedding the Temenosity culture through this organizational investment. As Temenos continues to grow, we also enhance our employee engagement practices by aligning to the dynamic and progressive changes in work environment and industry.

Gartner, our engagement survey Partner has supported us with latest research and guidance to understand the reasons for the decline of annual employee survey model and the benefits from an 'always-on' listening mechanism. Therefore, going forward we will redefine our MyVoice survey execution with the following key purpose:

- As we operate in a fast-changing environment, we aim to ensure that our employees are supported to adapt to these changes and are aligned with current and future business goals
- Employee engagement is a key driver of enhanced employee experience, evolving Temenosity culture and business performance through 'always-on' measures to achieve a long term impact organizationally
- A dynamic approach to engagement incorporates a broader view of employee expectations and perceptions to drive real-time actions to empower our people to make Temenos a great place to work
- Adapting this agile approach to Temenos, we aim to measure engagement throughout the year and focus on both the impact and sustainability of our improvement strategies to enable us to advance near and long-term performance.

MYVOICE 2020 preview snapshot:

- **Frequency –** Always-on survey triggered by work anniversary date of employees on a monthly basis
- **Survey design –** 43 questions offered in English, French, German, Spanish and Mandarin (simplified Chinese)
- **Reporting –** Quarterly review and analysis, with an aim at first global communication in Q4-2020
- **Action planning –** Strategic action plans for key engagement drivers aligned globally and regionally

New hire survey
Gartner guided us in testing the 90-day New Hire survey throughout the year, which supported us in gathering and analyzing useful data about new hires' early experience of Temenos culture. During an onboarding enhancement project being planned in India, the 90-day survey insight helped us focus on key action areas, which had a significant impact in being able to design and deliver a structured 30, 60 and 90-day onboarding engagement activity with new hires, managers, leadership team and HR to maximize the adoption of onboarding best practices. The global review of the new hire survey – planned in 2020 – will support us in expanding on the achievements and plan future priorities on new hire experience and engagement initiatives across regions and departments.

Talent and development

Every employee brings their unique skills and knowledge to work, and with continuous learning and development opportunities, we help them to further optimize their career potential, which is key to Temenos' success and growth. We believe learning and development is not limited to formal instruction, so our learning philosophy focuses on career development frameworks (Pathfinder), career and performance management initiatives (Compass), diverse learning opportunities and employee recognition programs which overall support the leadership and organizational development strategies at Temenos.

At Temenos, we invest a substantial part of our revenue in R&D activities, which is directed towards the enhancement of our products. We also invest significantly to be able to offer a variety of learning and development opportunities for employees across all levels from – early to experience career levels, and potential future leaders to mid-management and senior managers.

The categories of our learning and development initiatives extend from technical and functional skills to soft-skills and management development opportunities provided through diverse channels, which allow employee to execute their individual or team development by using a style that suits their needs and personality to continuously improve the overall learning experience at Temenos.

By December 2019, we achieved 132 hours of average training hours per employee, excluding on-site coaching by supervisors and other self-service or local development activities not recorded in our systems. For 2019, the annual recorded average training hours by gender and employee category by department are shown in the figures below.

Average training hours – by gender

Average training hours – employee category by department

* The table above covers the entire 2019 and does not include Kony employees.

Career development framework (pathfinder)

Pathfinder is the career development framework at Temenos that has been developed and rolled out to provide employees with a clear understanding of the expectations in their current roles and the opportunities they have to develop their future career aspirations at Temenos. Pathfinder's bespoke Career Development Framework sets out what skills, knowledge and behaviors (competencies) are needed in a particular job family and role at a specific level within a department. The framework defines a structure where all roles within a job family carry out similar tasks and require broadly similar skills and competencies, but operate at different levels of bands, where competencies are aligned as per career progression and growth. Pathfinder clarifies the "paths" for development of competencies and progression criteria that enable individuals to proactively manage their own career, performance, training and development needs at Temenos by aligning both their technical/functional and soft skills (behavioral). The Pathfinder behavioral competency framework has now been aligned to our Temenosity culture principles.

The innovation in our product development and integration of our new M&A, has guided us to initiate a project in 2020 to review and/or redefine our current career development frameworks to align it to the current organizational growth to cover functions such as – Cloud, Security and TLC (Temenos Learning Community).

Career and performance management (compass)

Our people are innovators who disrupt the status quo, are ambitious, growth-minded and results-driven. Now the aim is to align the Temenos performance and career development process with our culture, to drive the business as well as develop, motivate and inspire our people.

As Temenos continues to grow, in order for us to align with new industry trends and address the changing organizational needs, we need to change the way we report on performance and career development activities. The enhanced way of reporting will reflect the outcome of the initiatives from now (shown at the end of this part), rather than the completion status (data not gathered in 2019 due to change in process) as done in previous years. So, the 2019 status under this section will not be comparable to previous years, as Temenos culture evolves and embeds forward-focused practices.

For the past couple of years, Temenos started the transition journey from using an annual performance appraisal towards an ongoing and comprehensive career development approach. First, by eliminating ratings which were backward looking and perceived as a roadblock to a constructive and forward-looking career discussion. Then, by adopting an agile way where employees could update individual business priorities throughout the year and have regular feedback, rather than setting objectives only at the beginning of the year to review during year end. Through a global briefing on Temenos strategy, all employees and managers were communicated the corporate, regional and departmental objectives to help them relate their own and the team objectives to company goals.

In 2018, we introduced the talent review process moderated by HR by engaging group of team managers to share feedback on individual team members' contribution, initiating healthy discussions with other participating managers to maintain fairness and accuracy of the outcome. These sessions helped to:

- achieve consistent performance assessment across departments
- identify who should be promoted or could be promoted in future open roles
- define individual strengths and development needs
- allocate rewards based on merit, and
- succession planning

The talent review session is also a good way for less experienced team managers to learn from their colleagues and gather comprehensive feedback in order to have a more effective discussion with each team member.

As we continue our journey toward a progressive and agile career development approach that is business-driven, people-focused and work-centered, we are now looking at:

- promoting regular check-ins between managers and direct reports to have meaningful conversations about career achievements and forward focused development actions
- reviewing our online career management tool with an objective of improving the user experience by making it user-friendly and relevant to our employees' growth.

We are planning to make the process and practice significantly more manager-led and employee-empowered as opposed to an HR-led policy. In order to achieve this, Temenos will continue to enhance the tools and provide training on promoting the importance of career development, open feedback and constant dialogue. At Temenos, we promote an open dialogue to foster an environment in which people feel encouraged and excel in their career. Hence, we support both managers and their team members with key learning and development initiatives to help them deliver and receive effective feedback.

Temenos also invests in core leadership training across the organization to help our managers:

- become better leaders
- understand development needs and adapt to different behavior styles of team members
- use team diversity to explore and co-create effective solutions
- build high performing teams by encouraging an inclusive culture of collaboration.

To help us assess whether our program works, we get direct feedback from employees as well as focus groups, engagement surveys, talent review outcomes and last but not least our Great Place To Work recognition initiatives.

We took the approach of decoupling the career development activities such as feedback/check-ins from the talent review process that confirms the performance-based rewards, enabling us to focus on the impact and value from both processes. The talent review process was held in March 2019 and was based on the headcount in September 2018, with 4,107 eligible employees who joined by end of August 2018. The number of employees who received career progression during the talent review process are reported by gender and employee category with department below, while Temenos offered the remaining people with career developmental feedback/learning opportunities. In addition, throughout 2019, there were out of cycle career progression done as shown below, which reflects our investment in our employees' career growth.

During talent review cycle – 2019

By gender

Female	1,219
Male	2,326

By employee category (department)

Cloud	47
Services	1,012
Sales & Marketing	336
R&D	1,793
General Administration	357

Out of talent review cycle – 2019

By gender

Female	128
Male	255

By employee category (department)

Cloud	31
Services	98
Sales & Marketing	66
R&D	130
General Administration	28

Case study:
Temenos India Apprentice program

"Every year more than 150 students are identified from these campuses to join Temenos. They are a significant part of our employment pipeline."

Temenos India provides five to six month classroom and on-the-job training to apprentices from top engineering campuses every year. The four-week classroom training takes them through product development and business processes of financial technology products. This is followed by scenario-based on the job training, workshops and presentations for four to five months of mentor led training program. Every year more than 150 students are identified from these campuses to join Temenos. They are a significant part of our employment pipeline. In 2019, we had 168 fresh graduates joining this program.

4-5 months

Of mentor led training

150+

Students are identified from campuses to join Temenos

168

Fresh graduates in 2019 joining the program

Case study:
Temenos Sales Academy

"Temenos is committed to attracting, developing and retaining untapped talent in the global market."

Academy is an one-year program, which was initially launched in 2016, targeting fresh graduates and early professionals designed to cultivate the next generation of Sales champions. Temenos is committed to attracting, developing and retaining untapped talent in the global market. In 2019, we had 24 participants and expanded the Academy beyond Sales, Business Solutions group and Marketing to include Business Analysts for Product Management as well. The 24 participants have 16 different nationalities and speak all together 14 different languages, while 33% among them are female trainees.

Their training focuses on fundamental concepts of Sales and Business Solutions. Based in Luxembourg for their first 3.5 to 6.5 months, depending on their respective direction, participants are taught a comprehensive set of skills from banking, industry knowledge, product and software knowledge, to the soft skills of selling, communication and presentation. Once their classroom training is completed, participants move to their respective regions, where they put into practice what they have learned.

Sales trainees will become members of the Regional Sales team and will work directly with Regional Marketing on lead generation for the remainder of their 12 months while participating and contributing to sales cycles. Business Solutions trainees will become members of their respective Temenos Regional Business Solutions teams and will be involved in indoor engagements first to get additional practice experience; they will then start to work outdoor at client sites after having developed their first hands-on knowledge and having been mentored and coached by successful industry leaders.

Employee recognition

Recognition of great work and key contributions by both individuals and teams is critical to Temenos. Through these recognition programs, we encourage all employees at all levels to embrace the opportunity to appreciate great work and recognize efforts of performance excellence of their colleagues, team members, peers and supervisors.

Celebrating excellence

Group
C level
Chairman's Club
Club

Regional/ Divisional
Quarterly Regional Awards
Shared Services Awards

Individual
Temenosity Badges

Annually
Quarterly
Daily
Frequency

The C-Level award, Club and Chairman's Club

The C-Level award recognises Temenosians outside sales who had significant business impact and are role model of Temenosity culture. The winners are invited to our Temenos Kick Off (TKO) event. They are also invited to have lunch with Temenos Executive Committee members and receive a cash award. In 2019, there were 23 winners (16 men – seven women) vs. there were 12 winners (10 men – two women) in 2018.

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 and India. In 2019, there were 80 winners. In 2020, there were 95 winners.

In addition, through the Chairman's Club we recognize people who for several years have significantly contributed to Temenos growth from diverse parts of the Company. The Chairman invites the winners and their partners to an exclusive weekend hosted by himself and his wife. This recognition program started in 2018 with five winners (three men – two women). In 2019, there were six winners (five men – one woman). In 2020, there were again six winners (five men – one woman) from a range of departments (sales, R&D, services, finance and human resources).

Case study:
Great Place to Work

In April 2018, the Temenos Greece office was recognized as one of the Best Workplaces in Greece by Great Place to Work®. Following the success of our Athens office, in 2019, we were recognized as number one Best Workplace in Luxembourg, as well as one of the Best Places to Work in Europe and United Arab Emirates by the Great Place to Work Institute. In 2019, we also became Great Place to Work certified in India.

2020-25 Goal:

- To participate in a GPTW competition in the Americas and/or Australia.

We have achieved the goal we set in 2018 to duplicate the effort in other Temenos offices globally, covering Europe and Asia, two significant continents of operation.

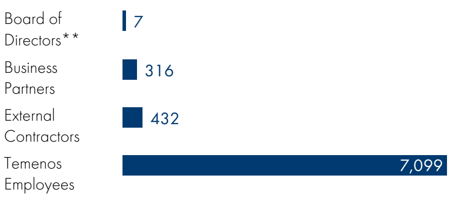
These awards are a vote of confidence in ***the continuing hard work and commitment*** *of our* ***talented and inspirational people.***

DIVERSITY DASHBOARD

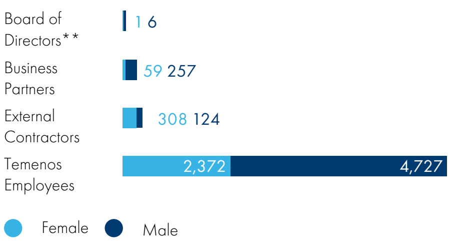
Total headcount*

Last five years

By employee type



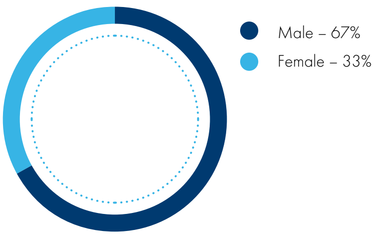
By employee type and gender



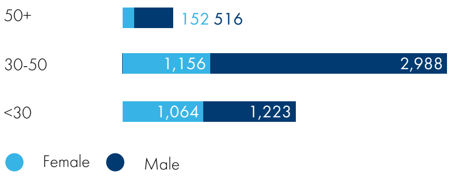
* Including newly acquired Kony employees.
** Independent and Non-Executive Directors only.

Temenos employees

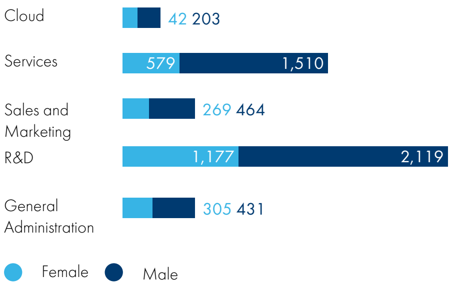
% by gender



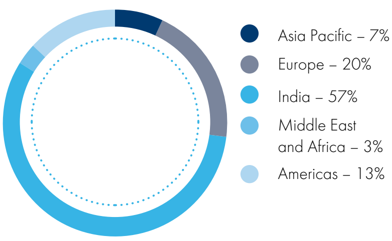
By gender and age



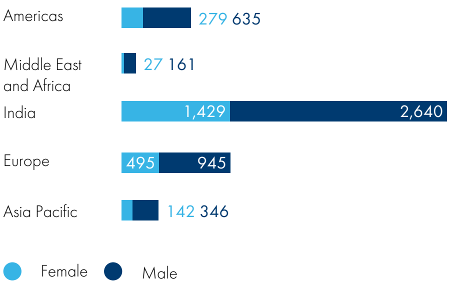
By function and gender



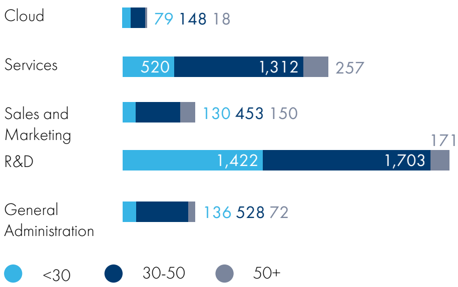
% by region



By region and gender

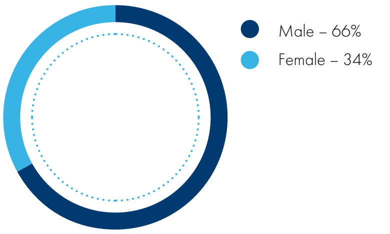


By function and age

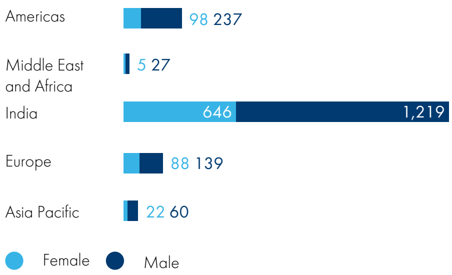


New employee hires*

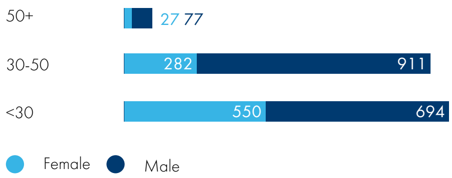
% by gender



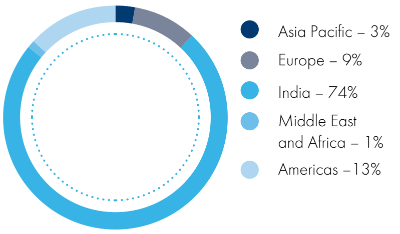
By region and gender



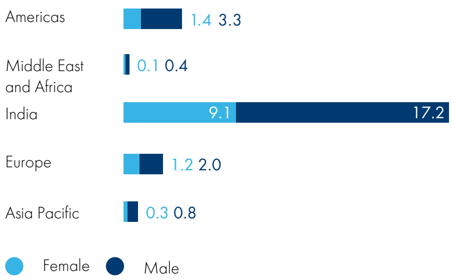
By gender and age



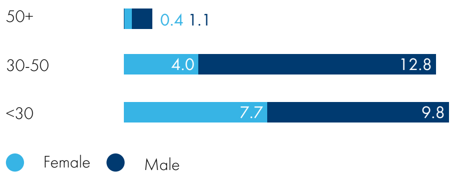
% by region**



% rate by region and gender



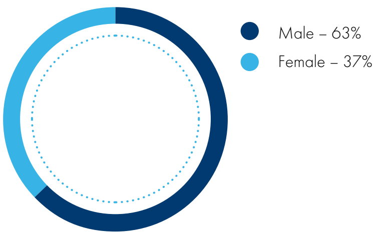
By gender and age



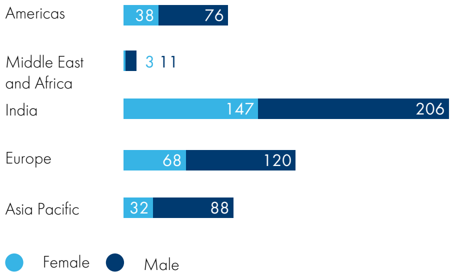
* Including newly acquired Kony employees as new hires.
** New employee hires at a region/total number of employee hires.

Employee turnover

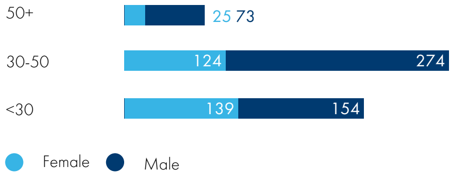
% by gender



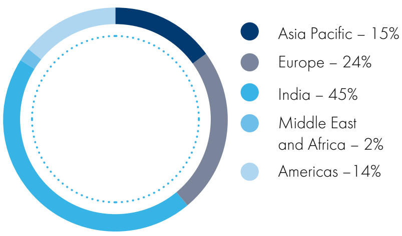
By region and gender



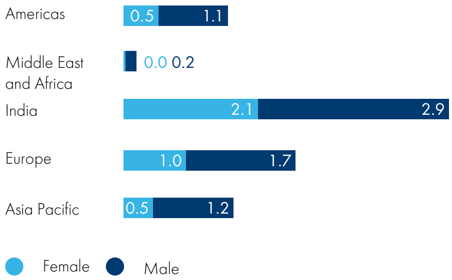
By gender and age



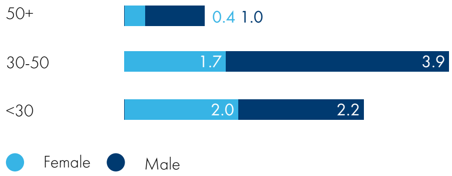
% by region*



% rate by region and gender



By gender and age



* Leavers at a region/Total number of leavers.

OPENING DOORS

Strengthening local financial intermediation

According to the World Bank, around two billion people do not use formal financial services and more than 50% of adults in the poorest households are unbanked. Others are exploited by opportunistic micro lenders at usurious rates. The world's most vulnerable communities need access to affordable, trusted financial services. Financial inclusion is a key enabler to reducing poverty and boosting prosperity. At the same time, digital is creating world-changing innovations, but also disrupting industry and how people work.

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. Our approach to support the development of healthy and productive local economies is to provide community banks, cooperative financial institutions and various non-bank financial institutions with modern digital technology and services to strengthen their business to serve their communities and expand their outreach to the unbanked.

Financial inclusion strategy

Temenos 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 client base providing quality, affordable, digital financial services to the poor. Temenos provides the technology and expertise to build digital services to compete with mobile network operators, Fintech and commercial banks that are after the very valuable membership base community banks and credit unions have developed over decades. It is essential that the community banks keep their client spend within their own community-banking network, generate new revenue and build on their greatest asset – the trusted client 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 the integration and digital channels in a cloud-based Software as a Service (or local) basis. This helps smaller financial institutions gain access to the same technology used by some of the largest and most modern banks in the world but made accessible by subscription service and packaged for rapid implementation.

In the year 2000, Temenos took a decision to commit to microfinance, the forerunner to what we know today as financial inclusion. Temenos configured its then Globus Banking SW to create a microfinance model bank with the thought to create a "bank-in-a-box" that would be easy and affordable to deploy. It aimed to meet the varied and idiosyncratic ways of banking the unbanked at the time, serving the many variants of non-bank financial institutions that were experimenting with financial products and services for the poor. Banks were not able to address this market for reasons of cost, culture and focus. Eventually with the ever-expanding terrestrial 2G and 3G mobile networks across much of the developing world the ability to centralize and aggregate transaction processing costs began to fall.

The mobile phone for voice and data became a viable last mile technology and transformed the way banking was organized. A market opened for transactions and payments for the mass market.

Over the past 10 years mainstream banking, led by great successes in mobile payments like Mpesa in Kenya and the large commercial microfinance networks, retail banks have begun to discover the potential of transactional banking for the poor. Temenos has been leading the fintech discovery throughout this journey. Today Temenos can be proud to have been the first to bring mainstream core banking technology to the cloud with Microsoft, in Mexico with 5 microfinance banks in 2011. Temenos has supported every major microfinance network and most of the large mainstream microfinance banks who have been developing leading solutions to financial inclusion with Temenos technology. We can proudly claim to now have 230 banks as clients that associate with financial inclusion in 49 countries running the Temenos Transact Inclusive Banking model bank.

The inclusive banking sector has shifted emphasis from a definition of inclusion or being 'banked' as having a transaction account. However, a transaction account alone or a virtual wallet is not sufficient to achieve financial inclusiveness. The World Bank defines financial inclusion as "individuals and businesses having access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way." The World Bank further notes that financial inclusion "is a key enabler to reducing poverty and boosting prosperity".

Notably Temenos is the only fintech in the group, not specifically associated to the card and payments industry alone, and the only one in the group that brings together core banking and payments in a suite of solutions to the sector. Temenos Inclusive Banking has evolved from the traditional microfinance end-to-end 'bank-in-a-box' solution strategy to a wider digital transformation on the digitization of payments. The digitization of payments relieves enormous friction in the market economy, especially where cost effects productivity and investment in emerging markets. The cost and risk of cash in high-density poor urban and peri-urban areas retard business development and excludes millions. The International Finance Corporation of the World Bank Group estimates that there are 120 SMEs for every 1,000 inhabitants in Sub-Saharan Africa (SSA) and four out of five jobs are created in this sector. Empowering and growing the SME and SMME sector is essential to a successful and stable economy in SSA. Access to finance and quality financial services is cited by the World Bank as the most critical constraint to growth and development of the sector. However, most SMEs are for the most part trapped in the informal cash economy - excluded from formal finance.

Bankserv Africa did a recent study of payments in South Africa. Including cash, South Africans make on average 1,500 payments per year, mostly in cash. With the population economically active population between the age of 15 and 65 representing 63.7% of South Africa's 57.7M people, that is 55,132,350,000 payments per year, or 151M payments each day. This is just South Africa. Africa-wide this could be three trillion payments per day, mostly in cash. The Temenos approach to inclusive finance is more comprehensive. The integration of core banking, modern digital channel interaction, digital payments and data analytics are all elements of a sophisticated mass-market retail and inclusive banking strategy. This has moved the Temenos inclusive banking effort from a niche vertical into a wider company-wide offering to all commercial banks and non-bank financial institutions embracing the challenge of digital transformation in emerging markets.

Today it is hard to find a tier 1 retail bank in Africa that does not have a declared financial inclusion strategy. Social and economic development policy depends on the majority participating in the formal economy. 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 to achieve 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 as fellow travelers in a common mission to make a meaningful contribution to our community, our global economy and the lives of the tens of millions of women and men our technology has helped to server. We are now on the cusp of a new frontier. Africa will provide the world with the next billion people, all of whom need to be freed from the limitations of the cash economy and informal finance. The internet and the mobile phone are the tools, and Temenos will continue to lead with financial technology to continue the mission.

Investing in our communities

CARING FOR OUR COMMUNITIES

Community investment

As a global corporation, we are committed to supporting and enhancing the quality of life of 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, collaborating with clients and Partners, we are making positive, measurable contributions to the 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) and
- Volunteering (donation of professional service, management expertise, skills and time to non-profit organizations or local communities).

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 parties.

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 the local communities. In addition, we have aligned our community investment with our mission and the strategic issues of our business to create shared value. We look for Partners rather than as the principal actor in promoting local development and creating long term benefits and sustainable results that can outlast company support.

Corporate Monetary Contributions

We rely on the efforts of all our employees to help us identify emerging issues and local community needs where Temenos can reach out, design programs and contribute to the communities in the regions where we operate and monitor the progress. We cooperate with our people in our local offices on the review, evaluation and selection procedure that is based on local community-need assessments. 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. In 2017-2019 we awarded around USD 500,000 to community development projects mainly in India and Romania. 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 management of existing projects and identifying future opportunities. During the Temenos Kony integration project, we will align our community investment and employee volunteering initiatives.

Poverty alleviation and local economic development remains a key priority area for our community investment. In order to maximize the social impact of our community investment, we focus on this area, with 96% of our community investment towards empowering underserved and poor communities. Our goal is to provide young students from disadvantaged local communities with digital skills and capabilities – promoting gender equality and inclusive education for all – and enhance their lives and their communities, by contributing to their financial literacy, education, improved health and economy.

Our strategic priorities

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

Contribution to the SDGs

SUSTAINABLE DEVELOPMENT GOALS

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 sponsorships requests are submitted online through the Temenos intranet for review and evaluation by the CSR and Ethics Committee during its regular meetings.

Community investment continued

Corporate Monetary Contributions and Employee Fundraising

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 corporate matching need to be aligned with the corporate CSR priorities.

Donations of Used IT Equipment

We work at a local level to donate desktops, laptops, screens, printers and other IT equipment that are no longer used by the Company to non-profit organizations or schools based in the countries where we operate. All laptops and desktops are cleaned of all data and software before being donated due to confidentiality, licensing and data protection issues.

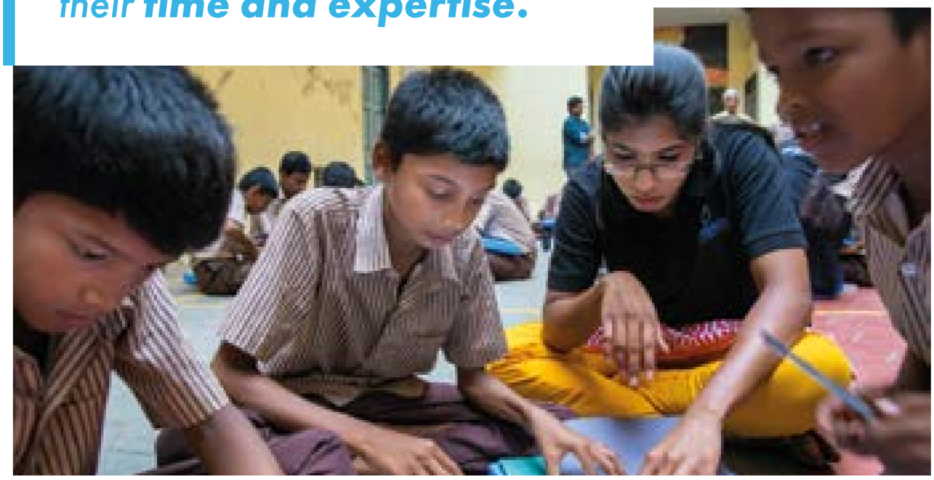
Employee volunteering and community service

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. In 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
- To have documentation for audit and third-party verification.

In order 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 online Employee Volunteering Tracking form for volunteering activities organized by Temenos. 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 offices globally. For 2019, it includes all the India volunteering activities, but not the entire global activities.

*At Temenos, **we encourage and support the efforts of our employees** as well as **our management** to offer their **time and expertise.***



Employee volunteering by CSR strategic priority areas	Employee time in USD	Employee time in hours
Environment	2,511	193
Children	821	54
Poverty alleviation and local economic development	17,707	1,132
Technology & innovation	7,063	48
Total	**28,102**	**1,427**

* The tables do not include Kony volunteering.
** To calculate the cost, base salary and social charges were used for each employee.

Supporting local communities

India CSR School program

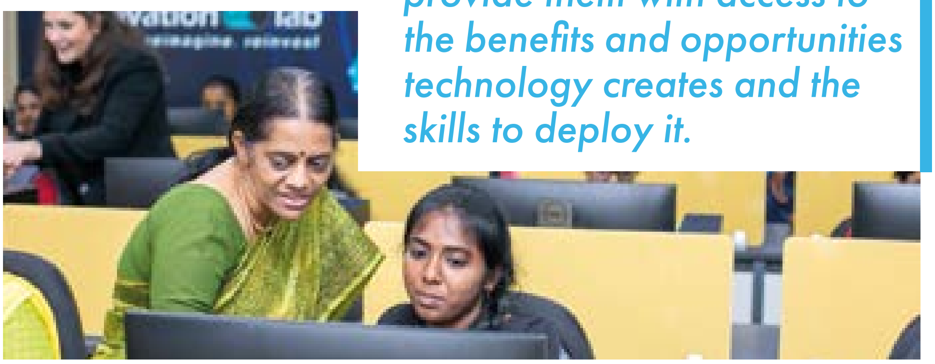
Temenos is committed to finding ways to use technology to enable social change, by supporting disadvantaged local communities, enhancing their living standards as well as their work skills and capabilities and helping them gain access to finance, health and jobs. India is a material location for Temenos as it represents 57% 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.

In 2017, Temenos launched a comprehensive CSR program in India "Adopt iT" to help improve the quality of secondary education in India and eventually access to quality education for more. The concept was to identify secondary schools in need (government aided schools) and use technology to enable social change, by supporting disadvantaged local communities in India. Adopt iT aims to transform 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 access to finance, healthcare and jobs.

During 2017-2019, through the Temenos Adopt iT project, we built computer labs in five schools in India:

- MCN school in Chennai: computer lab
- St Columbus Higher Secondary school in Chennai: computer lab and girls' restrooms
- Government Kannada Higher Primary School in Bangalore: computer lab and girls' restrooms
- RBANC School in Chennai: solar-powered computer lab
- Prakash Nagar Government High School in Bangalore: solar-powered computer lab.

In 2019, our CEO visited the schools in Chennai and Bangalore twice to join the Temenos India volunteers and meet in person with the students and the teachers.



Our vision is to keep finding ways to engage with local communities, *provide them with access to the benefits and opportunities technology creates and the skills to deploy it.*

Supporting local communities continued

India CSR University program

In 2019, we also expanded the Adopt-iT program to promote innovation and digital skills and create employment opportunities to University students. As part of the program, Temenos provided Anna University in Chennai with a fully equipped and sustainably-powered Innovation Lab. The lab will give students the opportunity to learn about the Fintech sector, partner with Temenos employee volunteers and provide opportunities to learn through hands-on experience. Temenos plans to expand the collaboration with Anna University to cover other areas and will continue to grow the Adopt-iT University program to reach other higher education institutions in Bangalore and Hyderabad, India.

In addition, we launched a scholarship program for students at Anna University in Chennai, India. Temenos will award need- and merit-based scholarships to qualifying 2nd, 3rd and 4th year students for the coming years and provide employment opportunities to outstanding performance graduates. As part of its gender diversity program, Temenos will allocate 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 Anna University College of Engineering in Chennai.

To date, the Temenos Adopt iT program has assisted nearly 8,300 students, by providing them with IT equipment, training and mentoring and by helping create safe, clean environments in which they can learn. In 2019, Temenos India employees volunteered for more than 1,000 hours to teach and coach the Adopt iT students.

Our vision is to keep finding ways to engage with local communities, provide them with access to the benefits and opportunities technology creates and the skills to deploy it. In doing this, we aim to encourage innovation and sustainable economic growth. Adopt iT not only benefits individuals and communities outside our business, it reinforces our Temenosity principles of operating responsibly and using our technology, expertise and resources for good within Temenos, inspiring many to dedicate their time to helping others.

2020 Goals

- To expand the Adopt iT school program to more schools in India
- To expand the Adopt iT University program to more Universities in India
- To continue to award need- and merit-based scholarships to qualifying 2nd, 3rd and 4th year students of Anna University for the next three years
- To create more volunteering opportunities for our employees in line with our CSR strategic priorities

Priority area	Objective	Indicator	2025 target
Investing in our communities	Digital Inclusion & Innovation	Number of students reached/ benefited through the Adopt iT CSR India program, since the program was launched	20,000
	Volunteering & Community Service	Percentage of volunteers (percentage of the total headcount of that year)	10%
	Employee fundraising & Corporate Matching	Percentage of India employees' funds raised and company matched – Adopt a Kid program	100%

Kenya CSR program

In 2018, 380 Temenos employees and partners ran 5K during our two Temenos events: Global Sales Meeting (GSM) 2018 in Lisbon and Temenos Community Forum (TCF) 2018 in Dublin to support the local community of Kivandini village in Kenya, in partnership with Hand in Hand International. The funds raised from these activities, along with the funds raised from the Client Voice surveys in 2018 and 2019, a total of USD 49,000, were used to support the local community to get out of poverty, through this poverty alleviation and local economic development program, that started in 2019 and is scheduled to be completed in 2021.

Kivandini village is in Machakos County, 65km southeast of Nairobi. The people of Kivandini village are struggling due to poverty and climate change. Roughly, 24% of people living in Machakos County live in poverty (earning less than USD 2 per day), resulting in high malnutrition and school dropout rates and creating a multi-generational poverty trap. With agriculture constituting over 70% of household income in the county, people have been hard-hit by a recent drought in 2017, one of the worst in Kenya's living memory, making the idea of escaping poverty unassisted seem ever more distant.

This program aims to lift the entire community in this village including 345 people out of poverty in 27 months. First, we create community self-help groups of trainee entrepreneurs, mainly women, who support each other, save money and learn together. The trainees are recruited after consultations with local communities and their leaders to identify community members' needs and identify existing service providers and gaps. Groups are trained to establish formal structures such as a group constitution and elected leadership to ensure the group can continue to operate sustainably. Each group members contributes small weekly savings to a collective pot, which is used to distribute loans to members. In this way, members learn to manage and repay borrowed capital so they can access credit from banks in the future.

Once a group has been set up, we provide business training through bi-weekly training sessions, learning basic business skills such as: saving; bookkeeping; business planning and registration; pricing; market demand and supply; and borrowing and repaying from banks. It typically takes between six to nine (6-9) months for groups to complete the training. Self-help group members develop businesses based on their own skills and local market opportunities, and enterprises vary hugely, including tailoring; beekeeping; poultry rearing; and shop-keeping.

Finally, we help members to grow their business by connecting them with larger markets, enabling them to source cheaper suppliers and more. For instance, they partner with Kenya's Ministry of Agriculture to link the members into their priority value chains that are centered on specific crops, such as passion fruit and avocado.

In 2019, three months into the project, we have achieved:

Activity	Results	Target
Members mobilized	67	37
Enterprises created	30	26
Jobs created in the community	41	34

Case study:
Meet Susannah Katite, Poultry entrepreneur

"Hand in Hand taught Susannah how to improve her business."

Susannah used to struggle to make ends meet on just KES 1,500 (USD 15) a month. Today, Susannah runs a small poultry farm, selling eggs and mature chickens, earning an average of KES 4,000 (USD 40) a month.

Hand in Hand taught Susannah how to improve her business by switching breeds, how to feed the chickens properly and keep them healthy and how to keep track of expenses and profit. Looking ahead, Susannah plans to save enough money to buy a water tank, so that she does not have to walk far in search of water.

The increased income will help Susannah and her family to have three meals a day and to fund her grandchildren to go to school.

67

Members mobilized

30

Enterprises created

41

Jobs created in the community

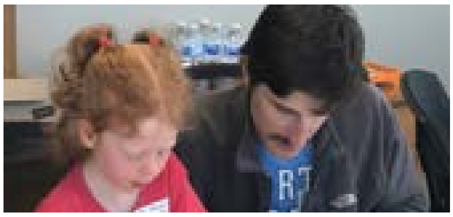
What's next?
Through the program, we will work hard to recruit the remaining 278 people into our village program where they will learn about: financial planning, borrowing and repaying credit, and building resilience to climate change. By the completion of the program, we plan to have supported the creation of 241 businesses and 314 jobs.

Case study:
Bring your child to work day – US

"This event encourages young people to stay in school, seek post-secondary education and pursue a greater variety of careers."

In February 2019, our Temenos Miami employees organized the "Bring Your Child to Work Day". Miami schools allow their students to join parents at work for one day. This event encourages young people to stay in school, seek post-secondary education and pursue a greater variety of careers.

Our Temenos Avoka employees in Broomfield organized the same initiative in April. After having a tour of the office, the kids 'took a stab' at advertising and branding with the Marketing team and engineering a "drop proof" egg with Client Services and Product Development.



Case study:
Adopt a kid – India

"True Temenosity in action! "

As part of our Temenos employee fundraising program, our Temenos India employees continued to support the Temenos Education Sponsorship program, Adopt a Kid. In 2019, our Temenos India employees covered themselves the school tuition fees, books and stationery for 47 poor children who could not afford a decent education. Thanks to our employees' support in 2019, USD 8,061 were raised by the employees and 47 children were able to go to school and pursue their dreams. True Temenosity in action!

Adopt a Kid – India 2017-2019 highlights

17,332USD

Raised by employees

87

Children were able to go to school and pursue their dreams

Number of children supported/year	Boys	Girls	Total
2017	8	4	12
2018	10	18	28
2019	18	29	47
Total	**36**	**51**	**87**

Funds raised in USD by Temenos India employees/year	Total
2017	**$2,727**
Boy	$1,773
Girl	$954
2018	**$6,545**
Boy	$2,062
Girl	$4,482
2019	**$8,061**
Boy	$2,773
Girl	$5,288
Grand total	**$17,332**

Our targets at a glance

Priority area	Objective	Indicator	2025 target
Achieving Business Excellence	Client Engagement	Client Voice: Number of participants from our clients compared to 2016 baseline	x2
		Improve Client Satisfaction: Percentage points in the Net Promoter Score, since the metric was launched	+55p
Operating Responsibly	Ethical Business Conduct and Governance	Percentage of completion of Ethical Business Code of Conduct and mandatory trainings compliance	>97%
	Responsible Procurement	Sustainability assessment as part of the qualification and annual performance and risk assessment implemented to all focus categories of suppliers	100%
		Percentage of new or renewed focus categories of suppliers, providing goods or services with Supplier Code of Conduct applicable clause	100%
	Environment policy & Management	Roll out EMS to additional locations and increase the ISO 14001:2015 certification coverage	4 offices
	Energy Efficiency & Carbon Neutrality	Organize sustainable and carbon neutral events	4 events
		Percentage of overall decrease of Scope 2 Indirect energy consumption per capita for certified ISO 14001 offices, compared to 2018 baseline (first certification)	10%
Investing in our People	Gender Diversity	Percentage of women in the Temenos total headcount	36%
	Employee Engagement & Recognition	Recognitions in Great Place to Work competitions (since first recognition)	7 recognitions
Investing in our Communities	Digital Inclusion & Innovation	Number of students reached/benefited through the Adopt iT CSR India program, since the program was launched	20,000
	Volunteering & Community Service	Percentage of volunteers (percentage of the total headcount of that year)	10%
	Employee Fundraising & Corporate Matching	Percentage of India employees' funds raised and company matched – Adopt a Kid program	100%

About this report

Unless otherwise indicated, the information provided in this report reflects the situation as of 31 December 2019 and covers all Temenos operations globally during the financial year 2019. This report is prepared in accordance with the Global Reporting Initiative (GRI) Standards (Core), a set of internationally recognized reporting standards. 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 fourth 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 their assurance on Temenos CSR Report 2019. 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 68 offices in large, leased, multi-tenant buildings in 40 countries (including acquisitions). Temenos' energy reporting and corresponding Scope 1 and 2 emissions cover the time period from 1 December 2018 to 30 November 2019. In 2019, we measured and reported 99% of the total energy consumption and GHG emissions, excluding only a few individual small offices with limited headcount (10 people or less). The energy consumption of these offices represents actual consumption as reported on invoices from utility providers and management companies.

Our water consumption covers 72% of the total Temenos population (excluding population working in serviced offices with less than ten employees). The data do not include recently acquired Kony.

Our Scope 3 business travel related emissions from flights cover the financial year 2019 and all the countries where Temenos operates, representing 100% of the total employee concentration (prior to Kony acquisition). The data were collected from the Company travel management system as well as travel agency providers. Our Scope 3 employee commute related emissions were gathered through an online, global, internal employee survey. The response rate was 92%. 3% (200 employees) of the total headcount were exempt from this requirement due to job role (teleworking and not commuting to an office) or long-term leave reasons (sickness, maternity). The remaining 5% was calculated based on extrapolation. The survey 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, average number of work from home or client locations. The data gathered cover private vehicles owned by our employees, since the Company does not provide any company cars. The emissions have been calculated based on fuel efficiency, total distance traveled, fuel types and characteristics and emissions factor for the fuel used.

Energy and emissions calculations follow the Greenhouse Gas Protocol with reference to ISO 14064:2006 –'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. Emissions are calculated based on the miles flown using one DEFRA emissions' factor. All emissions figures are in tons of carbon dioxide equivalents (tCO_2e).

Our headcount related figures are based on the GRI Standards' 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 HR systems, which provide data on full-time and part-time employees and permanent and temporary employees. The total Temenos headcount includes the number of employees from the recent acquisition of Kony that was completed in September 2019. Below the charts, we mention if Kony employees are included or not in the corresponding chart data.

When referring to Governance Bodies, we include: Board of Directors, Executive Committee and Leadership team. Compliance Trainings, Training and Development, Environmental and Community Investment data for financial year 2019 do not include Kony employees.

All references to currency are in USD unless otherwise stated.

Contact

The 2019 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
Director of Sustainability and Social Responsibility

Tel.: +30 211 1094604

csr@temenos.com

Independent 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 section Operating Responsibly) for the fiscal year ended on 31 December 2019 ("selected data"), in accordance with the Global Reporting Initiative (GRI) Standards ("GRI-Standards"). For the purposes of this Report, Temenos encompasses the 68 offices which operates in 40 countries. 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 (10 people or less).

Scope

We performed our engagement in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE 3000"), in order to provide limited level assurance opinion on the selected non-financial/sustainability data of the Annual Report 2019, with regard to:

- The "In accordance" – Core adherence related to GRI Standards.
- The completeness and accuracy of quantitative data and the plausibility of statements related to GRI 102: General Disclosures.
- The completeness and accuracy of the GRI - Topic specific Standards on fifteen (15) material issues (Disclosures 201-1, 203-1, 204-1, 205-2, 302-1, 303-1, 305-1, 305-2, 305-3, 308-1, 401-1, 404-1, 404-3, 405-1, 414-1), as well as the two (2) specific Temenos' indicators.
- The completeness and accuracy of quantitative data and the plausibility of statements that correspond to the aforementioned fifteen (15) material issues and the two (2) specific Temenos' indicators, against the requirements of GRI 103 Standards "Management Approach".

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 2019, 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 2019, as these were included in the Temenos Annual Report 2019.

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

We conducted our work so as to collect all the data, relevant documentation, information and explanations we considered necessary as to the selected data described in the "Scope" section. The procedures followed with regard to the selected data included:

- Read the Annual Report 2019 (in its entirety) to ensure it is in accordance with the guidelines and reporting principles of GRI Standards.
- Interview key personnel responsible for the preparation of the "Operating Responsibly" section of the Annual Report 2019, providing the sustainability performance information, in order to understand and evaluate processes, internal controls and information systems related to the data included in the Report.
- Review and assessment of the processes and controls used to collect, aggregate, validate and report the data;
- Perform sample-based audits on the collected data, conversion factors and formulas, where required.
- Review of 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 2019.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that there are any errors or misstatements that would materially affect the sustainability disclosures (including explanatory notes and relevant references) as presented in the Annual Report of Temenos for the year ended 31 December 2019. Moreover, nothing has come to our attention that causes us to believe that the sustainability data presented, are not prepared, in all material aspects, in accordance with the criteria mentioned above, in the "Scope" section.

Marilena Bouzoura
Athens, 18 March 2020
The Chartered Accountant
CPA (GR) Reg. No.30511
Grant Thornton

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.

a/a	Temenos material issue	Relevant SDGs	Relevant SDG target	Relevant SDG indicator	More information
1	Business performance		8.2 9.4 9.B	8.2.1, 9. B. 9.4.1	Revenue, Value added, Net value added
2	Ethical Business Conduct and Governance		16.5	16.5.2	D.2.2 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)
3	Diversity and inclusion		5.5	5.5.2	Number of women in managerial positions to total number of employees (in terms of headcount or FTE)
4	Talent and Development		4.3	4.3.1	Training & development – Training hours by gender & departments
5	Human Rights		5.5	5.5.2	Number and percentage of women board members
			8.8	8.8.2	Number of employees covered by collective agreements to total employees (in terms of headcount or FTE)
6	Client Engagement	n/a			
7	Information Security and Data Privacy		16.10	n/a	Total number of substantiated complaints received concerning breaches of customer privacy
8	Responsible Procurement		9.3	9.3.1	Proportion of procurement spending of a reporting entity at local suppliers in percentage terms
9	Community Investment and Employee Volunteering		17.17	17.17.1	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
10	Raising Environmental Awareness		13.3 13.B		Environmental policy, Awareness and Management Energy Efficiency and Carbon Neutrality Sustainable and Carbon Neutral Event Planning
11	Energy Efficiency and Carbon Neutrality		7.2 7.3	7.2.1 7.3.1	Energy consumption & GHG emissions
12	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
13	Financial inclusion		1.4 & 9.3		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 • Inclusion of MSMEs into value chain and local purchasing • Innovative financing mechanisms • Financial inclusion

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
Human rights			
1	Businesses should support and respect the protection of internationally proclaimed human rights; and	Investing in Our People	412-2
2	Make sure they are not complicit in human rights abuses.	Investing in Our People	414-1
Labor			
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Investing in Our People	102-41
4	The elimination of all forms of forced and compulsory labor;	Investing in Our People	409-1
5	The effective abolition of child labor; and	Investing in Our People	406-1
6	The elimination of discrimination in respect of employment and occupation.	Investing in Our People	102-8, 401-1, 404-1, 404-3, 405-1, 406-1
Environment			
7	Businesses should support a precautionary approach to environmental challenges;	Operating Responsibly	302-1, 305-1, 305-2, 305-3
8	Undertake initiatives to promote greater environmental responsibility; and	Operating Responsibly	302-1, 305-1, 305-2, 305-3, 308-1
9	Encourage the development and diffusion of environmentally – friendly technologies.	Operating Responsibly	302-1, 305-1, 305-2, 305-3, 308-1
Anti-corruption			
10	Businesses should work against corruption in all its forms, including extortion and bribery.	Operating Responsibly	102-16, 102-17, 205-2, 205-3

GRI content index

This report has been prepared in accordance with the GRI Standards: Core option.

The table below describes the location of relevant report content correlating to the Global Reporting Initiative's GRI Standards. While most information is found in this report, other primary sources include Temenos Business Code of Conduct, Slavery and Human Trafficking Statement and our corporate website: www.temenos.com.

General disclosures		Reference	External assurance
Organizational profile			
GRI 102: General Disclosures 2019	102-1 Name of the organization	Annual Report: Overview; About Temenos	v
	102-2 Activities, brands, products, and services	Annual Report: Overview; About Temenos	v
	102-3 Location of headquarters	About Temenos; About this Report; Annual Report: Overview, Governance, Financial Statements	v
	102-4 Location of operations	About Temenos; About this Report; Annual Report: Overview, Governance, Financial Statements	v
	102-5 Ownership and legal form	About Temenos; About this Report; Annual Report: Overview, Governance, Financial Statements	v
	102-6 Markets served	About Temenos; About this Report; Annual Report: Overview, Governance, Financial Statements	v
	102-7 Scale of the organization	About Temenos; About this Report; Annual Report: Overview, Governance, Financial Statements	v
	102-8 Information on employees and other workers	Investing in Our People; no seasonal variations	v
	102-9 Supply chain	Responsible Procurement	v
	102-10 Significant changes to the organization and its supply chain	About Temenos; About this Report; Annual Report: Overview, Governance, Financial Statements	v
	102-11 Precautionary principle or approach	Environmental Responsibility	v
	102-12 External initiatives	Our Endorsements	v
	102-13 Membership of associations	Our Endorsements	v
Strategy			
GRI 102: General Disclosures 2019	102-14 Statement from senior decision-maker	Message from the CEO	v
Ethics and integrity			
GRI 102: General Disclosures 2019	102-16 Values, principles, standards and norms of behavior	Temenos Culture; Ethical Business Conduct and Governance	v
	102-17 Mechanisms for advice and concerns about ethics	Ethical Business Conduct and Governance	

General disclosures		Reference	External assurance
Governance			
GRI 102: General Disclosures 2019	102-18 Governance Structure	Annual Report: Governance	v
	102-19 Delegating Authority	Annual Report: Governance	
	102-20 Executive-level responsibility for economic, environmental and social topics	Annual Report: Governance	
	102-22 Composition of the highest governance body and its committees	Annual Report: Governance	
	102-23 Chair of the highest governance body	Annual Report: Governance	
	102-25 Conflicts of Interest	Conflict of Interest and Related Party Transactions	
	102-32 Highest governance body's role in sustainability reporting	About this Report	
	102-35 Remuneration Policies	Annual Report: Governance	
	102-36 Process for determining remuneration	Annual Report: Governance	
	102-37 Stakeholders' involvement in remuneration	Annual Report: Governance	
Stakeholder engagement			
GRI 102: General Disclosures 2019	102-40 List of stakeholder groups	Stakeholder Engagement	v
	102-41 Collective bargaining agreements	Employee Relations	v
	102-42 Identifying and selecting stakeholders	Stakeholder Engagement	v
	102-43 Approach to stakeholder engagement	Stakeholder Engagement	v
	102-44 Key topics and concerns raised	Stakeholder Engagement; Materiality Analysis	v
Reporting practice			
GRI 102: General Disclosures 2019	102-45 Entities included in the consolidated financial statements	About this Report	v
	102-46 Defining report content and topic Boundaries	About this Report; Materiality Analysis	v
	102-47 List of material topics	About this Report; Materiality Analysis	v
	102-48 Restatements of information	About this Report	v
	102-49 Changes in reporting	About this Report	v
	102-50 Reporting period	About this Report	v
	102-51 Date of most recent report	About this Report; March 2018	v
	102-52 Reporting cycle	About this Report; Annual	v
	102-53 Contact point for questions regarding the report	About this Report; Contact	v
	102-54 Claims of reporting in accordance with the GRI Standards	GRI content index; Core	v
	102-55 GRI content index	GRI content index; Core	v
	102-56 GRI External assurance	Independent Assurance Report	v

Material topics		Reference	External assurance
Business performance			
GRI 103: Management Approach 2019	103-1 Explanation of the material topic and its Boundaries	Annual Report: Financial Statements	v
	103-2 The management approach and its components	Annual Report: Financial Statements	v
	103-3 Evaluation of the management approach	Annual Report: Financial Statements	v
GRI 201: Economic Performance 2019	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: Governance, Financial Statements	
	201-4 Financial assistance received from government	Economic Impact	
Social responsibility and community investment			
GRI 103: Management Approach 2019	103-1 Explanation of the material topic and its Boundaries	Community Investment; Responsible Procurement	v
	103-2 The management approach and its components	Community Investment; Responsible Procurement	v
	103-3 Evaluation of the management approach	Community Investment; Responsible Procurement	v
GRI 203: Indirect Economic Impacts 2019	203-1 Infrastructure investments and services supported	Community Investment	v
GRI 204: Procurement Practices 2019	204-1 Proportion of spending on local suppliers	Responsible Procurement	v

Material topics		Reference	External assurance
Ethical business conduct and governance			
GRI 103: Management Approach 2019	103-1 Explanation of the material topic and its Boundaries	Anti-Corruption and Bribery; Elimination of Discrimination and Prevention of Harassment; Ethical Business Conduct Monitoring and Reporting; Environmental Responsibility	v
	103-2 The management approach and its components	Anti-Corruption and Bribery; Elimination of Discrimination and Prevention of Harassment; Ethical Business Conduct Monitoring and Reporting; Environmental Responsibility	v
	103-3 Evaluation of the management approach	Anti-Corruption and Bribery; Elimination of Discrimination and Prevention of Harassment; Ethical Business Conduct Monitoring and Reporting; Environmental Responsibility	v
GRI 205: Anti-Corruption 2019	205-2 Communication and training about anti-corruption policies and procedures	Anti-Corruption and Bribery	v
	205-3 Confirmed incidents of corruption and actions taken	Anti-Corruption and Bribery	
GRI 406: Non-Discrimination 2019	406-1 Incidents of non-discrimination and corrective actions taken	Elimination of Discrimination and Prevention of Harassment; Ethical Business Conduct Monitoring and Reporting	
GRI 419: Socioeconomic Compliance 2019	419-1 Non-Compliance with laws and regulations in the social and economic area	Environmental Responsibility	
Energy			
GRI 103: Management Approach 2019	103-1 Explanation of the material topic and its Boundaries	Environmental Responsibility	v
	103-2 The management approach and its components	Environmental Responsibility	v
	103-3 Evaluation of the management approach	Environmental Responsibility	v
GRI 302: Energy 2019	302-1 Energy consumption within the organization	Environmental Responsibility	v
Water			
GRI 103: Management Approach 2019	103-1 Explanation of the material topic and its Boundaries	Environmental Responsibility	v
	103-2 The management approach and its components	Environmental Responsibility	v
	103-3 Evaluation of the management approach	Environmental Responsibility	v
GRI 303: Water 2019	303-1 Water withdrawal by source	Environmental Responsibility	v

Material topics		Reference	External assurance
Emissions			
GRI 103: Management Approach 2019	103-1 Explanation of the material topic and its Boundaries	Environmental Responsibility	v
	103-2 The management approach and its components	Environmental Responsibility	v
	103-3 Evaluation of the management approach	Environmental Responsibility	v
GRI 305: Emissions 2019	305-1 Direct (Scope 1) GHG emissions	Environmental Responsibility	v
	305-2 Energy indirect (Scope 2) GHG emissions	Environmental Responsibility	v
	305-3 Other indirect (Scope 3) GHG emissions	Environmental Responsibility	v
Responsible procurement			
GRI 103: Management Approach 2019	103-1 Explanation of the material topic and its Boundaries	Responsible Procurement	v
	103-2 The management approach and its components	Responsible Procurement	v
	103-3 Evaluation of the management approach	Responsible Procurement	v
GRI 308: Supplier Environment Assessment 2019	308-1 Percentage of new suppliers that were screened using environmental criteria	Responsible Procurement	v
GRI 414: Supplier Social Assessment 2019	414-1 New Suppliers that were screened using social criteria	Responsible Procurement	v
Talent & development			
GRI 103: Management Approach 2019	103-1 Explanation of the material topic and its Boundaries	Talent and Development	v
	103-2 The management approach and its components	Talent and Development	v
	103-3 Evaluation of the management approach	Talent and Development	v
GRI 404: Training and Education 2019	404-1 Average hours of training per year per employee	Talent and Development	v
	404-3 Percentage of employees receiving regular performance and career development reviews	Talent and Development	v

Material topics		Reference	External assurance
Diversity & inclusion			
GRI 103: Management Approach 2019	103-1 Explanation of the material topic and its Boundaries	Investing in Our People; Diversity Dashboard; Diversity, Inclusion and Equal Opportunity	v
	103-2 The management approach and its components	Investing in Our People; Diversity Dashboard; Diversity, Inclusion and Equal Opportunity	v
	103-3 Evaluation of the management approach	Investing in Our People; Diversity Dashboard; Diversity, Inclusion and Equal Opportunity	v
GRI 401: Employment 2019	401-1 New employee hires and employee turnover	Investing in Our People; Diversity Dashboard	v
GRI 405: Diversity and Equal Opportunity 2019	405-1 Diversity of governance bodies and employees	Diversity, Inclusion and Equal Opportunity; Diversity Dashboard	v
Human rights			
GRI 103: Management Approach 2019	103-1 Explanation of the material topic and its Boundaries	Human Rights; Against Forced and Child Labor; Corporate Policies	
	103-2 The management approach and its components	Human Rights; Against Forced and Child Labor; Corporate Policies	
	103-3 Evaluation of the management approach	Human Rights; Against Forced and Child Labor; Corporate Policies	
GRI 408: Child Labor 2019	408-1 Operations and suppliers at significant risk for incidents of child labor	Human Rights; Against Forced and Child Labor	
GRI 409: Forced or Compulsory Labor 2019	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Human Rights; Against Forced and Child Labor	
GRI 412: Human Rights Assessment 2019	412-2 Employee training on human rights policies or procedures	Human Rights; Corporate Policies	
Data privacy			
GRI 103: Management Approach 2019	103-1 Explanation of the material topic and its Boundaries	Information Security and Data Privacy	
	103-2 The management approach and its components	Information Security and Data Privacy	
	103-3 Evaluation of the management approach	Information Security and Data Privacy	
GRI 418: Customer Privacy 2019	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Information Security and Data Privacy	
Technology and innovation			
Temenos 1	% of revenue spend on R&D	Annual Report: Overview – Research and Development	v
Client focus			
Temenos 2	Client Satisfaction: improvement by % points	Focus on Client Engagement	v
	Client Voice: Number of participants annually and Net Promoter score	Focus on Client Engagement	v

FORWARD-LOOKING LEADERSHIP

Andreas Andreades 1

Executive Chairman

Cypriot, born in 1965

After early careers with KPMG in London and Pepsico, Mr. Andreas Andreades joined Temenos in 1999, initially in the position of Chief Financial Officer, before assuming the responsibilities of the Deputy Chief Executive Officer in 2001 and then the Chief Executive's role from July 2003 until July 2011, when he was appointed Chairman of the Board of Directors. In July 2012 he was appointed Executive Chairman of the Temenos Board of Directors. Since he joined Temenos, the Company has grown from less than 150 employees to more than 8,000 and to more than 3,000 clients generating approximately USD 1 billion in annual revenues and achieving a market capitalization of circa USD 12 billion, establishing it as the global leader in banking software. Since 2003 the market capitalization of Temenos has grown by 298 times or a compound average of 40% per annum.

Mr. Andreades holds a Master's engineering degree from the University of Cambridge and is a United Kingdom qualified chartered accountant.

As Executive Chairman Mr. Andreades supports, advises, counsels and provides guidance to the Executive Committee. He provides guidance and support directly to the Chief Executive Officer and Chief Financial Officer on a regular basis. He also attends the monthly Product Board where product strategy and funding are decided and execution is monitored. The Chairman is very heavily involved in acquisitions and in key client/prospect relationships that often require the Chief Executive Officer and/or Chairman's participation to bring key deals to fruition as well as representing Temenos on key project deliveries through Steering committee representation. He therefore works full time in an executive capacity and is jointly responsible together with the Chief Executive Officer and Chief Financial Officer to the Board of Directors for the development and delivery of the strategic plan and the annual business and financial plan.

Sergio Giacoletto-Roggio 2

Vice-Chairman
Independent and Non-Executive Director

Swiss, born in 1949

Mr. Giacoletto-Roggio has served since 2009 in multiple public and private company Boards, after retiring from Oracle Corporation where he had been a Company Officer and Executive Vice President for Europe, Middle East and Africa since 2000. Since 2009 until 2019 he was an Operating Partner with Advent International, a leading global Private Equity company. He was most recently Chairman of the Supervisory Board of Oberthur Technologies Group, Paris from April 2013 until May 2017. Prior to joining Oracle in 1997, Mr. Giacoletto-Roggio was President, Value Added Services for Europe at AT&T. Earlier in his career, Mr. Giacoletto-Roggio spent 20 years with Digital Equipment Corporation in various senior management and executive roles in services, sales, marketing and information management.

Mr. Giacoletto-Roggio holds a Master Degree in Computer Science from the University of Turin, Italy.

George Koukis 3

Non-Executive Director

Greek and Australian, born in 1946

As founder of Temenos, Mr. George Koukis was Chairman of the Board of Directors until July 2011.

Mr. Koukis has been active in the software industry for more than 40 years, having begun at Qantas where he was heavily involved with the computerization of the company's management accounting department. He then spent six years with Management Science America in Australia where he held various management positions, including managing director. Mr. Koukis holds a degree in Commerce from the University of Technology in Sydney, Australia and is a registered Certified Practising Accountant (CPA). Mr. Koukis is currently Chairman of the Board of Trustees of the Classical Opera, a non-profit organization based in the United Kingdom and is a Board member in eight private companies operating mainly in IT and Green Technologies.

Mr. Koukis is a Fellow of King's College London and he is also an Adjunct Professor at the University of Technology Sydney, Australia.

Ian Cookson 4
Independent and
Non-Executive Director

Swiss, born in 1947

Mr. Ian Cookson has been active in the financial services sector for over 30 years and has built one of the most efficient IT operations in Private Banking worldwide.

Mr. Cookson acted as Chief Operating Officer of EFG International and a member of the Executive Committee until September 2007, and he was previously a member of the Executive Committee of EFG Bank (since 2002). Prior to this, Mr. Cookson was the Deputy Chief Executive Officer of EFG Bank (1997-2002), Chief Operating Officer of Banque de Dépôts, Geneva (1991-1997) and the Head of Management Services of CBI-TDB Union Bancaire Privée (1986-1991).

Thibault de Tersant 5
Independent and
Non-Executive Director

French, born in 1957

Mr. Thibault de Tersant is a member of the Board of Dassault Systèmes and has been executive vice president and CFO of the company since 1988 and Senior EVP since 2006. He was named Senior executive vice-president and General Secretary in January 2018.

During his tenure in Dassault Systèmes, Mr. de Tersant, who, as CFO, managed an organization in charge of Finance, Legal, Sales Administration, Pricing, Contracts Negotiations, Internal Control and M&A, has conducted more than 80 successful acquisitions totalling around USD 5 billion. He oversaw Dassault Systèmes' successful initial public offering on the Paris and Nasdaq stock exchanges in 1996, as well as a secondary offering in 1997. Mr. de Tersant, in his capacity of General Secretary is responsible for new business models definition, pricing, corporate structure and governance, compliance, internal audit and various business assignments. He has more than 30 years of experience in the software industry.

Mr. Thibault de Tersant is a graduate of the ESSEC Business School and of the Institut d'Etudes Politiques de Paris.

Erik Hansen 6
Independent and
Non-Executive Director

Danish, born in 1952

Mr. Erik Hansen is a recognized software industry veteran with over 30 years of experience as a senior executive at leading software companies.

Mr. Hansen has previously been Chairman of Myriad Group AG (2012-2018) and has served as CEO and Board Member at Day Software (2008-2011) which was acquired by Adobe in 2010. Prior to this, Mr. Hansen held several senior leadership roles at companies including TIBCO Software (2000-2004), Siemens Pyramid Technology Inc. (1997-2000) and Apple (1990-1994), both in Europe and in the United States.

Mr. Hansen holds a degree from the business college in Horsens, Denmark.

Amy Yip 7
Independent and
Non-Executive Director

Chinese (Hong Kong), born in 1951

Ms. Amy Yip has over 40 years of experience in global financial markets covering different aspects of the industry. She is currently a Partner of RAYS Capital Partners Limited, an independent and non-executive director of AIG Hong Kong, an independent non-executive director of Fidelity Funds Board, a member of the Supervisory Board of Deutsche Börse AG, and independent non-executive director of Prudential plc.

Ms. Yip began her career at the Morgan Guaranty Trust Company of New York (1978-1985), going on to hold progressively senior appointments at Rothschild Asset Management (1988-1991) and Citibank Private Bank (1991-1996).

Ms. Yip also served as a Director of Vitagreen, Hong Kong (2011 to 2018), as an Advisor of Vitagreen, Hong Kong (since 2019) and an Executive Director of Reserves Management at the Hong Kong Monetary Authority from 1996 to 2006, where she was responsible for the investment of the assets of the Exchange Fund of Hong Kong. In 2006, Ms. Yip returned to the private sector as the Chief Executive Officer of DBS Bank (Hong Kong) Limited (2006 to 2010), where she was concurrently Head of the Wealth Management Group at DBS Bank.

Ms. Yip was awarded the Bronze Bauhinia Star in the Hong Kong Special Administrative Region in July 2000. Ms. Yip holds an MBA from Harvard Business School and a BA from Brown University.

Peter Spenser 8
Independent and
Non-Executive Director

British and American, born in 1954

Dr. Peter Spenser has over 39 years of experience in the financial services sector and technology.

Until June 2016 he was a senior Partner at Deloitte Consulting in the US where in addition to serving a number of major clients (Global Banks, Brokerages and Wealth and Asset Managers), he led a number of practice areas including the Investment Management practice and also the Global Financial Services IT and Data Analytics practices. Prior to this he was Director of Engineering at AcquiData, Inc. which he co-founded (1985-1990), Director of Software Systems at Magnaflux, Inc. (1982-1985) and a developer/analyst at Logica (1979-1982).

Dr. Spenser holds a BA and MA in Theoretical Physics from Cambridge University and a Ph.D. in Astrophysics from University College London.

EXPERT MANAGEMENT

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Max Chuard 1

Chief Executive Officer

Swiss, born in 1973

Mr. Max Chuard has been serving as CEO of Temenos since 2019 and is responsible for the company's strategic direction and growth. He brings more than 20 years of technology and global leadership expertise to the company.

He has been instrumental in positioning Temenos as the World's Number 1 Banking Software company and driving the next generation of cloud and AI-based solutions. An inspiring thought leader, Mr. Chuard speaks regularly at large scale events and is a strong advocate for CSR, diversity and inclusion.

Mr. Chuard joined Temenos in 2002 leading the company's mergers and acquisitions strategy and has successfully driven 15 successful transactions including Akcelerant, Multifonds, Avoka and Kony. In 2012 he became Chief Financial Officer of Temenos and in 2015 he was appointed Chief Operating Officer in addition to his Chief Financial Officer role. During his time at Temenos, the company has increased its market value from USD 700 million to in excess of USD 12 billion becoming the fourth-largest software company in Europe and one of the fastest growing global technology organizations.

Mr. Chuard began his career as a business analyst at JP Morgan and subsequently held a senior position at SWICORP, a Swiss merchant bank.

Mr. Chuard holds a Master's of Science in Finance from the University of Lausanne.

Panagiotis "Takis" Spiliopoulos 2

Chief Financial Officer

Greek, born in 1970

Before being appointed CFO in 2019, Mr. Panagiotis "Takis" Spiliopoulos 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, Mr. Spiliopoulos 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, Mr. Spiliopoulos 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.

Mr. Spiliopoulos 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).

Mark Winterburn
3

Chief Product and Technology Officer

British, born in 1960

Mr. Mark Winterburn is Chief Product and Technology Officer and Member of the Executive Committee. He is responsible for the product and technology organizations within Temenos. Mr. Winterburn is responsible for managing Temenos' banking software products and technology development as well as leading the overall innovation agenda. Temenos has always been in the forefront of technology innovation; it was the first company to offer a real-time, 24x7 banking system, and the first to launch a banking system in the cloud.

Mr. Winterburn joined Temenos in 2011 to lead product organization. He has over 40 years' experience in IT, over 30 of them in financial services. Prior to joining Temenos, Mr. Winterburn held the position of VP Solutions Management & Product Development at Finastra, and held a number of senior positions at Lloyds TSB, with a proven track record of driving large and complex IT change programs.

He has studied Leadership, Product, Cultural and Change Management at Harvard Business School, Cranfield University and Henley Management School.

Mr. Winterburn studied a Software Engineering diploma at Coventry University, England.

Jean-Michel Hilsenkopf
4

Chief Operating Officer

French, born in 1963

Mr. Jean-Michel Hilsenkopf was appointed Chief Operating Officer of Temenos in February 2019. Mr. Hilsenkopf is one of the original members of the Company, having joined in 1993. His deep understanding of the company, its culture, and passion for delivery gives him the vision to drive the regional strategy forward.

Prior to taking up his current role, Mr. Hilsenkopf was the Chief Revenue Officer. He previously held the position of managing director for Temenos in Europe, Middle East, Africa and Latin American regions, as well as Temenos Cloud, regional general manager for Europe. Mr. Hilsenkopf has also successfully integrated several acquired companies, such as Odyssey and Viveo. Before joining Temenos, Mr. Hilsenkopf worked as a consultant in the banking sector.

Mr. Hilsenkopf holds an MBA in international marketing from the University of Geneva, Switzerland as well as a Master degree in Computer Engineering from the Polytech of Clermont-Ferrand, France.

Alexa Guenoun
5

President of the Americas and Global Head of Partners

French, born in 1972

Ms. Alexa Guenoun is President of the Americas and Global Head of Partners and Member of the Executive Committee. In her current role, she has full P&L responsibility, and leads strategy and customer success for both North and South America. Ms. Guenoun is also leading the Temenos' Partner organization globally.

Prior to that, Ms. Guenoun was Chief Client Officer at Temenos since 2017 and had responsibility for Services, Partners, Cloud Operations and Support globally. Ms. Guenoun joined Temenos in 2006 and has held a number of leadership roles within sales and business development including the role of Regional Director for French Speaking Territories.

Ms. Guenoun has over 20 years of experience in global banking technology having worked in Luxembourg, Hong Kong, Singapore and New York. Prior to joining Temenos, she held a number of positions at Finastra including Head of Regional Business Development for APAC.

Ms. Guenoun holds a Bachelor's Degree in Marketing and Finance from the American BBA INSEEC in Paris.

Colin Jarrett
6

Chief Cloud and Delivery Officer

British, born in 1969

Dr. Colin Jarret is Chief Cloud and Delivery Officer and Member of the Executive Committee. In his current role, he leads Temenos' SaaS and cloud business as well as the Company's global services organization.

Prior to this role, Dr. Jarrett was the Managing Director of Global Client Services and Support and before that Global Head of Product Development at Temenos since 2016. He was responsible for driving rapid expansion in development capability, delivering scalability and efficiency, while maintaining quality and timely development of Temenos' products.

Dr. Jarrett joined Temenos in 2016 from Accenture where he was Managing Director. He has spent 20 years working in large-scale technology delivery projects across the financial services industry with Accenture and has extensive experience of global delivery. Dr. Jarrett spent five years working in India building the Financial Services Delivery Excellence practice and five years in the Philippines leading the Banking and Payments Technology Delivery group.

Dr. Jarrett 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.

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 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 106;
- 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 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;
- Oversees CSR & Ethics matters;
- Monitors the performance and effectiveness of the internal audit function; and
- Reviews the findings of the external audit reports and monitors their implementation.

Nomination 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; and
- Considers succession planning for both Board of Directors and Executive Committee members.

Introduction

This report has been prepared in compliance with the Directive on Information Relating to Corporate Governance as at 1 May 2018 (DCG) available at https://www.six-exchange-regulation.com/dam/downloads/regulation/admission-manual/directives/06_16-DCG_en.pdf, its Guidelines available at https://www.six-exchange-regulation.com/dam/downloads/publication/obligations/guidelines/guideline-dcg-en.pdf and with the Ordinance against Excessive Remuneration in Listed Companies limited by Shares as at 1 January 2014 (OaEC) available at https://www.admin.ch/opc/fr/classified-compilation/20132519/index.html.

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 http://www.temenos.com/en/about-temenos/investor-relations/corporate-governance/.

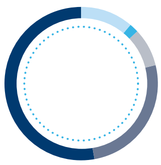
Unless otherwise indicated, the information provided in this report reflects the situation as of 31 December 2019.

Temenos AG (formerly named Temenos Group 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

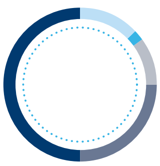


Executive Chairman remuneration mix

Fixed fee/salary	11%
Other compensation	2%
Variable short term incentives	8%
LTIP earned	26%
LTIP not yet earned	53%

Read more on page 120

Total compensation at risk 86%



Executive Committee remuneration mix

Fixed salary	13%
Other compensation	2%
Variable short term incentives	10%
LTIP earned	25%
LTIP not yet earned	50%

Read more on page 121

Total compensation at risk 85%

Meetings held in 2019

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 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:

Max Chuard
Chief Executive Officer

Panagiotis "Takis" Spiliopoulos
Chief Financial Officer

Mark Winterburn
Chief Product and Technology Officer

Alexa Guenoun
President of the Americas and Global Head of Partners

Jean-Michel Hilsenkopf
Chief Operating Officer

Colin Jarrett
Chief Cloud and Delivery Officer

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 five 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 and China.

1.1.2 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 11,146,443,791*
Security Number	1245391
ISIN number	CH0012453913
Symbol	TEMN
Reuters	TEMN.S
Bloomberg	TEMN SW

* Based on the issued share capital as of 31.12.2019 composed of 72,757,466 shares.

Please refer to the Information for Investors' section on page 198 for statistics on Temenos shares.

1.1.3 Please find below the main non-listed companies belonging to the Group as of 31.12.2019:
(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 the 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.	Broomfield	USA	0.1 USD
Avoka Europe Limited	London	United Kingdom	1,900,199 GBP
Avoka Technologies Pty Limited	Manly	Australia	43,561,356.50 AUD
Avoka Technologies Canada Inc.	Vancouver	Canada	100 shares (no par value)
Edge IPK Limited	London	United Kingdom	2,764 GBP
Financial Objects (UK) Limited	London	United Kingdom	466,667 GBP
Financial Objects Limited	London	United Kingdom	950,528 GBP
hTrunk Software Solutions Private Limited	Bangalore	India	100,000 INR
Igefi France Sàrl	Paris	France	7,500 EUR
Igefi Group Sàrl	Strassen	Luxembourg	31,000 EUR
Igefi Hong Kong Limited	Hong Kong	Hong Kong	1,000 HKD
Igefi Ireland Limited	Dublin	Ireland	100 EUR
Igefi Singapore Pte Limited	Singapore	Singapore	20,000 SGD
Igefi UK Limited	London	United Kingdom	5,000 GBP
Kony, Inc.	Wilmington	USA	1 USD
Kony India Private Limited	Hyderabad	India	33,468,980 INR
Kony IT Services Private Limited	Hyderabad	India	20,098,900 INR
Kony Marketing Services Private Limited	Hyderabad	India	3,700,000 INR
Kony Services, Inc.	Dover	USA	0.001 USD
Kony Services India LLP	Hyderabad	India	6,000,000 INR
Kony Singapore Pte Limited	Singapore	Singapore	1 USD
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 PLC	London	United Kingdom	50,000 GBP
Odyssey Financial Technologies SA	La Hulpe	Belgium	62,000 EUR
Odyssey Group SA	Bertrange	Luxembourg	21,904,670 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	Mulgrave	Australia	12 AUD
Sky Technologies Consulting Pty Limited	Mulgrave	Australia	10 AUD
Sky Technologies Holdings Pty Limited	Mulgrave	Australia	1,344,293.80 AUD
Stargate Information Systems Pty Limited	Sydney	Australia	261 AUD
Temenos (Malaysia) Sdn Bhd	Shah Alam	Malaysia	500,000 MYR
Temenos (NL) BV	Amsterdam	Netherlands	18,152 EUR
Temenos (Thailand) Co. Limited	Bangkok	Thailand	100,000,000 THB
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 Messaging Pty Limited	Sydney	Australia	100 AUD
Temenos Australia Operations Pty Limited	Sydney	Australia	7,500,181 AUD
Temenos Australia Services Pty Limited	Sydney	Australia	100 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	No par value
Temenos Cloud Switzerland SA	Geneva	Switzerland	100,000 CHF
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 FOFL Limited (fka Fairs Limited)	London	United Kingdom	50,000 GBP
Temenos FOGT Limited (fka Genisys Technology Limited)	London	United Kingdom	51,505 GBP
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	28,010,000 EUR
Temenos Holdings Limited	Road Town	British Virgin Islands	40,105 USD
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 NIS
Temenos Japan KK	Tokyo	Japan	10,000,000 JPY
Temenos Kazakhstan LLP	Almaty	Kazakhstan	14,400,000 KZT
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	10,760,900 MXN
Temenos Middle East Limited	Nicosia	Cyprus	17,100 EUR
Temenos North Africa LLC	Casablanca	Morocco	10,000 MAD
Temenos Philippines, Inc.	Makati City	Philippines	10,000,000 PHP
Temenos Polska Sp. Zo.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	Sao Paulo	Brazil	150,000 BRL
Temenos Software Luxembourg SA	Bertrange	Luxembourg	29,500,000 EUR
Temenos Software Shanghai Co. Limited	Shanghai	China	140,000 USD
Temenos Solutions Australia Pty Limited	Sydney	Australia	439,195,301 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	5,300,000 EUR
Viveo Group SAS	Paris	France	16,248,900 EUR
Wealth Management Systems Limited	London	United Kingdom	525,000 GBP

1.2 Significant shareholders

Please find below the list of shareholders who hold more than 3% of the voting rights as of 31 December 2019 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.

Beneficial owner	Number of voting rights	Percentage of share capital
Martin and Rosmarie Ebner	7,695,000	10.83%
The Capital Group Companies, Inc.	7,105,217	10.00%
BlackRock, Inc.[1]	3,512,000	4.94%
T. Rowe Price Associates, Inc.[2]	3,489,446	4.91%
Baillie Gifford & Co[3]	2,943,011	4.14%
Amundi Asset Management[4]	2,823,604	3.97%

(1) Out of this number, 524,167 voting rights are delegated by a third party and can be exercised at one's own discretion.
(2) Out of this number, 3,489,446 voting rights are delegated by a third party and can be exercised at one's own discretion.
(3) Out of this number, 2,943,011 voting rights are delegated by a third party and can be exercised at one's own discretion.
(4) Out of this number, 40,911 voting rights are delegated by a third party and can be exercised at one's own discretion.

Based on the registered capital as of 31.12.2019 composed of 71,044,267 shares.

For more recent information on major shareholders, please refer to page 198.

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.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=TEMENOS.

1.3 Cross-shareholdings

There are no cross-shareholdings to report.

2. Capital structure

2.1 Capital

On 31 December 2019, the registered ordinary share capital amounted to CHF 355,221,335 consisting of 71,044,267 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 34,028,285 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 Authorized and Conditional capital

Authorized capital

Pursuant to the Articles of Association (Article 3ter), the Board of Directors is authorized to increase the share capital by 15 May 2021, 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 take-over 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 quarter (1)) as at 31 December 2019, the share capital may be increased by an amount not exceeding CHF 34,028,285 by issuing up to 6,805,657 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 quarter (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

	31.12.19 CHF 000	31.12.18 CHF 000	31.12.17 CHF 000
Issued Ordinary share capital	**363,787**	355,221	354,250
Remaining Conditional share capital	**58,502**	67,068	47,767
Authorized share capital	**35,500**	69,500	69,500

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.

On **15 February 2017**, the registered share capital was increased to CHF 348,105,620 consisting of 69,621,124 registered shares, each with a par value of CHF 5, further to the registration of 3,003,556 shares that were created out of conditional capital during 2016 (for Employee Share Option Schemes).

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 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.

Further to the registration in February 2020 of 1,713,199 shares that were created out of conditional capital during 2019 (for Employee Share Option Schemes), the registered share capital currently amounts to CHF 363,787,330 consisting of 72,757,466 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 0.85 per share on 26 May 2020, subject to shareholders' approval at the Annual General Meeting of Shareholders on 20 May 2020. The dividend record date will be set on 25 May 2020 with the shares trading ex-dividend on 22 May 2020. According to new measure introduced by the Swiss Federal Act on Tax Reform and AHV Financing (TRAF) effective as from 1 January 2020:, half of the 2019 dividend will be paid from retained earnings, subject to ordinary Swiss dividend withholding tax rules; the other half will be paid from the reserve from capital contributions and be exempt from Swiss withholding tax.

2.5 Dividend-right certificates
The Company does not issue profit sharing certificates.

2.6 Limitations on transferability and nominee registrations
There are no restrictions on the transfer of shares.

2.7 Convertible bonds and options
Regarding options please refer to note 26 of the consolidated financial statements.

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 will mature on 31 January 2019 at a redemption price of 100% of the principal amount.

In **May 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 will mature 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 2019, the Board of Directors comprised the following members:

Name	Position
Andreas Andreades	Executive Chairman
Sergio Giacoletto-Roggio	Vice-Chairman, Independent and Non-Executive Director
George Koukis	Non-Executive Director, Temenos founder
Ian Cookson	Independent and Non-Executive Director
Thibault de Tersant	Independent and Non-Executive Director
Erik Hansen	Independent and Non-Executive Director
Amy Yip	Independent and Non-Executive Director
Peter Spenser	Independent and Non-Executive Director

As per the press release of 16 October 2019, Dr. Homaira Akbari will be proposed for election as a new member of the Board of Directors at the forthcoming AGM to be held on 20 May 2020.

Please refer to pages 96 and 97 for their biographies.

Except George Koukis who was Executive Chairman of Temenos until July 2011, 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 Rules in the Articles of Association on the number of permitted activities pursuant to Art. 12 para. 1 point 1 OaEC.
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
Sergio Giacoletto-Roggio	2012
George Koukis	2001
Ian Cookson	2012
Thibault de Tersant	2012
Erik Hansen	2013
Amy Yip	2014
Peter Spenser	2017

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.

Temenos is a typical software company where product, technology vision and deep market knowledge are instrumental in the success of the Company and it is common to have executive chairmen structures where founders/near founders have a critical role to play in the running of the Company. It is of paramount importance that Temenos retains the vision that has established it as a leader in its industry.

The Executive Chairman attends the Product Board 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.

Taking into account his deep understanding of the market, his previous Chief Executive Officer and Chief Financial Officer roles within the Group, the Executive Chairman's input and significant value add are key and instrumental for the other members of the Board of Directors and for the Executive Committee members, especially on all strategic matters.

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 serves as liaison between the Independent Directors, the Executive Chairman and the Chief Executive Officer. The Vice-Chairman acts as the preferred contact for the other Independent Directors.

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 2019, 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 Committees are governed by terms of reference defining their duties and compositions which are available at https://www.temenos.com/en/about-temenos/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.

Name	Audit Committee	Compensation Committee	Nomination Committee
Andreas Andreades			Member
Sergio Giacoletto-Roggio	Member	Chairman	Member
George Koukis			
Ian Cookson	Member	Member	Chairman
Thibault de Tersant	Chairman		
Erik Hansen		Member	
Amy Yip		Member	Member
Peter Spenser	Member		

Audit Committee

The Audit Committee is 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, CSR & Ethics matters and any other matters that may be brought to its attention by the internal and/or 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/en/about-temenos/investor-relations/corporate-governance/and to the Compensation Report on page 110.

Nomination Committee

The main duties of the Nomination Committee are: (i) to annually review the structure, size and composition of the Board with a view to establish a Board that can provide effective governance and perform all Board duties taking into account expertise, experience, 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 candidates for membership on the Board to be recommended for election by the AGM and (iii) to give full consideration to succession planning for both members of the Board of Directors and Executive Committee.

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 twice a year. The Compensation and Nomination Committees meet at least once a year.

In 2019, the following meetings were held:

	Number of meetings	Attendance	Average duration
Board of Directors	8	97%	2.5h
Audit Committee	4	100%	3.5h
Compensation Committee	4	94%	1h
Nomination Committee	3	100%	1h

All physical meetings were held at Temenos offices in Geneva.

Both the external and internal auditors attended all the Audit Committee meetings in 2019.

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 member. The results and comments are consolidated by the Company Secretary and then discussed at the next meeting during which proposed improvements are agreed. The 2019 evaluation results were discussed at the meeting held in July 2019 where it was concluded that the Board of Directors operates effectively.

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 alliances, changes in the Group's structure and share repurchase programs though its responsibilities are not limited to this.

Based on Article 17 of the Articles of Association and Article 3.5 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 is heading and 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. 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. This function's independent status is assured by the fact that 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 monthly 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.

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 2019, the Executive Committee comprised the following members:

Name	Position
Max Chuard	Chief Executive Officer
Panagiotis "Takis" Spiliopoulos	Chief Financial Officer
Andre Loustau	Chief Technology Officer
Mark Winterburn	Chief Product Officer
Jean-Michel Hilsenkopf	Chief Operating Officer
Alexa Guenoun	Chief Client Officer
Thomas E. Hogan	President of North America

Mr. David Arnott resigned as Chief Executive Officer effective 28 February 2019.

Mr. Max Chuard was appointed as Chief Executive Officer effective 1 March 2019.

Mr. Paniagotis "Takis" Spiliopoulos was appointed as a member of the Executive Committee (Chief Financial Officer) effective 31 March 2019.

Ms. Alexa Guenoun was appointed as a member of the Executive Committee (Chief Client Officer) effective 12 February 2019.

Mr. Jean-Michel Hilsenkopf was appointed Chief Operating Officer effective 12 February 2019.

Mr. Thomas E. Hogan was appointed as a member of the Executive Committee (President of North America) effective 25 September 2019.

Mr. Thomas E. Hogan resigned as President of North America effective 12 February 2020.

Mr. André Loustau resigned as Chief Technology Officer effective 12 February 2020.

Ms. Alexa Guenoun was appointed as President of the Americas and Global Head of Partners effective 12 February 2020.

Mr. Mark Winterburn was appointed as Chief Product and Technology Officer effective 12 February 2020.

Dr. Colin Jarrett was appointed as a member of the Executive Committee (Chief Cloud and Delivery Officer) effective 12 February 2020.

Please refer to pages 98 and 99 for their biographies.

4.2 Other activities and vested interests

Except those mentioned in the biographies section on pages 98 and 99, 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 Rules in the Articles of Association on the number of permitted activities pursuant to Art. 12 para. 1 point 1 OaEC.

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

No management tasks have been delegated to third parties.

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 110.

5.2 Rules in the Articles of Association

5.2.1 According to Article 27 of the Articles of Association of the Company, 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 (short and long term incentives), 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 stock appreciation rights and similar financial instruments. 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 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 There are no rules in the Articles of Association on loans, credit facilities and post-employment benefits for members of the Board of Directors and Executive Committee.

5.2.3 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;
- 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 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 Not applicable.

6.1.3 Not applicable.

6.1.4 Not applicable.

6.1.5 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.

6.1.6 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 twenty 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 stock appreciation rights (SARs) will become immediately vested and exercisable.

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 PricewaterhouseCoopers SA was re-elected as the statutory and group auditor at the Annual General Meeting of Shareholders held on 15 May 2019 for a period of one year (first elected in 2003).

8.1.2 Since 2018 the lead auditor for the Group audit is Mr. Mike Foley.

8.2 Auditing fees
Included in general and administrative expenses is an amount of USD 1,965,756 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 1,835,756) and (ii) other audit fees related to work than can only be performed by the Group auditor such as the audit of the compensation report (total of USD 130,000).

8.3 Additional fees
In addition, other fees of USD 1,011,000 have been incurred by PricewaterhouseCoopers through the provision of tax advisory and other professional services. Please find below a breakdown of the additional fees:

	USD 000
Tax Compliance	173
Transactions	86
Non Audit Fees – Audit related	**259**
Tax Advisory	348
Other Advisory	404
Non Audit related	**752**
Total Non Audit Fees	**1,011**

8.4 Information instruments pertaining to the external audit
The Audit Committee is responsible for monitoring the performance of external auditors, checking their independence, approving their annual audit plan and fees, and reviewing their findings on internal control procedures as well as steps taken by the auditors 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 spend time with the external auditors without the presence of management. The external auditors formally report to the Audit Committee during its meetings and have 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 an amount of permitted services that may be performed by the external auditors. 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 http://www.temenos.com/en/about-temenos/investor-relations/.

In addition, those interested can sign up on the Temenos website by clicking to the Subscribe button at http://www.temenos.com/en/about-temenos/investor-relations/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 http://www.temenos.com/en/about-temenos/investor-relations/financial-press-releases/.

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.

Meeting Temenos
On 20 May 2020, Temenos will hold its Annual General Meeting in Geneva, Switzerland. This occasion affords shareholders the opportunity to put their questions to the Board and learn more about the Group's strategic direction.

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.

Dates of publication of 2019 quarterly results and Temenos conferences are published on the Company's website and updated regularly at http://www.temenos.com/en/about-temenos/investor-relations/calendar/.

"I would like to thank our shareholders for the positive feedback we have received in our engagement sessions and at the 2019 AGM to our Compensation structure. The high proportion of "at risk" compensation linked to challenging performance measures has been appreciated and encouraged.

Further, the positive reaction to the changes in the management structure following the appointment of Max Chuard as CEO in February 2019 reaffirms the effort we have put into our succession planning.

A warm welcome to our new colleagues following the acquisition of Kony extending further the Temenos family to almost 8,000 people."

Letter from the Chairperson of the Compensation Committee

Company Performance and Growth

2019 saw a significant step again in the growth of Temenos with the acquisition of Kony. We have continued to grow shareholder returns by 130% over three years and 548 % over the last ten years. Below is the historical growth compared to the average of our peer group:

Total Shareholder Return (TSR)	3 years	5 years	10 years	10 year average
Temenos	130%	357%	548%	55%
Average of peer group	69%	116%	382%	38%

Product Revenue Growth	2016	2017	2018	2019
Non-IFRS Product Revenues USD m	507	591	691	803
Growth year on year %		17%	17%	16%
CAGR growth 2016 to 2019				17%

EPS Growth	2016	2017	2018	2019
Non-IFRS EPS USD	2.07	2.45	2.95	3.47
Growth year on year %		18%	20%	18%
CAGR growth 2016 to 2019				19%

Employee Growth	2016	2017	2018	2019
Number of employees including externals	4,300	4,945	5,744	7,879
Growth year on year %		15%	16%	37%
CAGR growth 2016 to 2019				22%

Compensation Objectives

As part of its mandate, the Compensation Committee continues to monitor and ensure that:

- We have a strong link between pay and performance and that the success of management mirrors that of our shareholders;
- Variable compensation is based on achievement of business goals, which continue to be stretch targets. Final realized compensation is highly correlated with share price performance; this correlation is already reflected in the cost of our programs that is expensed in our profit and loss account;
- Compensation is competitive and drives motivation and retention of our key management.

Benchmark

The Compensation Committee monitors compensation against our peer group, both in terms of quantum and structure of compensation. Temenos is at the mid-point of the benchmark in terms of market capitalization and compensation. The peer group is a mix of software companies in Europe and in the US. Many European software companies have been acquired in recent years leaving very few true peers in Europe, and most of our competitors globally are US based (Fiserv, Fidelity). Successful software companies run an entrepreneurial type structure and the most effective compensation structure is the US model with a very high variable element. This is the model Temenos believes is most appropriate and has been applying for many years with exceptional company performance.

"At risk" Compensation Explained

For the Executive Chairman and Executive Committee, only 15% of their total compensation package in 2019 is fixed salary and benefits, 85% is for short and long term incentives, which are subject to delivering stretch targets for 1 year and three years respectively. This compares to the average for the CEO's in the peer group of 55% at risk compensation.

The following table shows that while for short term compensation the thresholds and payouts are largely comparable between Temenos and our peer group, for long term compensation Temenos has far more stringent thresholds with significantly lower payouts than the peer group.

		Temenos Minimum	Temenos Maximum	Median Minimum for Peer group	Median Maximum for Peer group
Short term	Achievement	90%	125%	90%	108%
	Payout	0%	150%	0%	150%
Long term	Achievement	85%	120%	50%	150%
	Payout	0%	140%	0%	175%

Dilution and cost of Stock Appreciation Rights (SAR) programme

The cost of the SAR programme in the profit and loss account is the fair value at grant and is disclosed. The fair value per SAR is calculated by Algofin, third party option valuation experts, using the using the Enhanced American Model, a standard model for valuing option contracts. At the end of each period an assumption is made on how many SARs will vest and the resulting cost is spread over the period of vesting. The cost for Temenos is recognized in the profit and loss account and is treated identically for both IFRS and non-IFRS reported numbers, unlike some other major software companies in Europe and the US that adjust their non IFRS reported numbers.

In 2019, Temenos used available conditional capital to satisfy vested and exercised SARs. The resulting dilution from the issuance of conditional capital is reflected in our basic and fully diluted Earnings per share calculation.

The dilution over the last three years is shown in the table below. The target set by the Compensation Committee is for average dilution to remain at less than 2% per annum which compares with an exceptional EPS accretion over the same period of 19%. We are well within that target.

	CAGR 2016-2019
Dilution before buyback	1.4%
Non IFRS EPS	19%

The table below shows various simulations of future potential cumulative dilution which range from 3.5% to 8.4% which prove that we are well within the guideline maximum of 10% potential cumulative future dilution for fast growing companies as recommended by certain proxy advisors and significantly lower than the peer group average which stands at at 14%. If the share price growth is 15% then the dilution assuming SARs are exercised on vesting date at a stock price of USD 240.8 is 4.8%. If the share price grows by 30% per annum and all SARs including those already vested are exercised at the resulting stock price of USD 347.8 in three years then the dilution would be only 5.6%.

Simulations	No of shares million	No of SARs/ shares million	Average price USD	Assumed share price on exercise	No of shares to be created million	Dilution
Closing share price	71.0	5.6	86.31	**158.3**	2.6	**3.5%**
15% growth	71.0	5.6	86.31	**240.8**	3.6	**4.8%**
30% growth	71.0	5.6	86.31	**347.8**	4.2	**5.6%**
Maximum dilution (infinite share price)	71.0	6.5	92.93	**na**	6.5	**8.4%**

If we look at future cumulative dilution from the perspective of outstanding SARs as at 31 December 2019, including maximum overachievement on all KPI's to give 6.5 million outstanding SARs, then we can conclude that the maximum dilution that would be mathematically possible is 8.4%.

The conditional capital of five million shares that is available at 31 December 2019 is enough to cover the outstanding programme up to a CAGR growth in share price of 75%.

Continued improvements in Governance

We are this year introducing share ownership rules for Non-Executive Directors following the introduction of this a few years ago for the executives. Non-Executive Directors will be required to retain shares to the value of the annual retainer with effect from May 2023.

Conclusion

Our compensation structure is built to motivate the executive team to deliver strong short and long term achievement. We continue to have stretch targets for 2020 at 15% growth on non-IFRS product revenues and non-IFRS EPS. 87% of compensation is dependent on delivering on these targets. In addition, the SAR plan ensures that realized value is correlated to shareholder results, since the SAR plan delivers value to the executives only if the share price increases.

Feedback from our Shareholders is important for us and we continue our annual engagement programme on compensation specifically. We continue to proactively seek views in advance on any changes we are considering to our compensation structure. The Compensation Committee remains committed to this dialogue with shareholders, and we welcome regular feedback on our compensation policies.

We look forward to receiving your support at the AGM.

Sergio Giacoletto-Roggio
Chairperson of the Compensation Committee

A. Compensation policy and principles

A.1. Compensation objectives

This report has been prepared in accordance with articles 13-17 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies.

Temenos' executive compensation programs are designed with two main goals in mind:

- Pay for Performance alignment: by making the major portion of compensation dependent on achieving increased shareholder value through the achievement of long term performance indicators; and
- Fostering a performance-based corporate culture through variable compensation.

Temenos has a 21 year track record in building long term shareholder value and is committed to continuing to do so.

Executive compensation consists of:

(i) fixed cash compensation and benefits;
(ii) variable cash linked to short term performance targets (i.e. current financial year); and
(iii) 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 opportunity, 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 Executives who served in the 2019 financial year are:

Board of Directors:

- Andreas Andreades, Executive Chairman

Executive Committee:

- David Arnott, Chief Executive Officer (CEO) until 28 February 2019
- Max Chuard, Chief Executive Officer (CEO) from 1 March 2019, Chief Financial Officer and Chief Operating Officer (CFO/COO) until 28 February 2019
- Panagiotis "Takis" Spiliopoulos, Chief Financial Officer (CFO) from 31 March 2019
- Jean-Michel Hilsenkopf, Chief Operating Officer (COO) from 12 February 2019, Chief Revenue Officer (CRO) between 12 January 2018 and 11 February 2019
- André Loustau, Chief Technology Officer (CTO)
- Mark Winterburn, Chief Product Officer (CPO)
- Alexa Guenoun, Chief Client Officer (CCO) from 12 February 2019
- Thomas Hogan, President North America, from 25 September 2019

The Executive Chairman and the Executive Committee are hereinafter referred to as the 'Executives.'

Non-Executive Directors

The Non-Executive Directors who served in the 2019 financial year are:

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

A.3. The role of the Compensation Committee
The Compensation Committee is authorized by the Board of Directors to:

- Recommend to the Board of Directors compensation practices and policies for Executives;
- Align the interests of the Executives and senior managers to the long term interests of the Company and its shareholders by recommending compensation practices and policies that are equitable and performance based;
- Review the competitiveness of the Company's executive compensation programs and thereby ensure the attraction and retention of the Executives and senior managers who are key in delivering the Company's business objectives;
- Confirm that compensation packages for Executives and senior managers are in line with market norms.

To fulfill its duties, the Compensation Committee typically meets at least three times during the year on the following cycle:

- November – to review the Compensation Committee terms of reference, to review compensation practices and policies for the forthcoming financial year, to approve fixed compensation and principles for variable short term and long term incentives for Executives;
- February – to approve the performance targets for variable short term incentive, and to approve the long term variable compensation grant including performance targets; and
- March – to recommend prospective compensation to be submitted for approval at the Annual General Meeting of Shareholders.

In 2019, the Compensation Committee met four times as per the above cycle.

The Compensation Committee comprises four Independent and Non-Executive Directors:

- Sergio Giacoletto-Roggio, Chairman
- Ian Cookson
- Erik Hansen
- Amy Yip

The Compensation Committee members are elected annually by shareholders.

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	Compensation Committee	Board of Directors
Executive Committee	Compensation Committee	Board of Directors
Non-Executive members of the Board	Chief Executive Officer	Chairman of the Board

Benchmarking process
To ensure executive compensation is correctly set in the context of industry practice, the Compensation Committee reviews benchmark data collated from a range of organizations in the technology sector.

Temenos has reviewed its Comparator Group for 2019. The Comparator Group has been selected based on the following criteria:

- Companies targeted for hiring talent into Temenos;
- Software companies that have similar operating characteristics to Temenos in terms of global reach, target markets, competitive dynamics, high growth and complexity; and
- Financial services software companies that industry analysts rank as global top performers.

The companies are the same as those used in 2018. Temenos is at the median market capitalization of our peer group of USD 11 billion, and at approximately USD 1 billion of revenues in 2019 we are approaching the median revenue of our peer group. Our CAGR revenue growth over three years is 15% compared to the median of the peer group at 10%.

A large part of the Comparator Group are companies based in the USA. This is due to the fact that the majority of the global software players originate in the USA and therefore they represent a significant part of our direct competitors. Very few software companies remain in Europe.

The following 17 companies are those used for the benchmark:

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

Shareholder engagement

Regular shareholder dialogue is a key priority of our management and Board and therefore we routinely engage with shareholders to discuss business, performance, compensation and governance matters.

Specifically with regard to executive compensation, in November 2019 we communicated by letter with our major shareholders outlining our compensation structure and inviting them to a meeting with Temenos management or Board members at their convenience and as a result, the Chairman of the Compensation Committee engaged in face-to-face meetings or conference calls with a number of our largest shareholders and some shareholder advisory groups mostly during December 2019. One of the key topics discussed was the shareholder views on our non-executive compensation which is no longer competitive compared to our peer group. For non-executive compensation we compare with the SMIM and with our executive peer group. Our non-executives are paid significantly lower than the average of the SMIM. US companies and our executive peer group are even higher.

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 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 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 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 by the General Meeting of Shareholders.

B. 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 2019.

2019 Executive Chairman and Executive Committee

Fixed fee/salary	13%
Other compensation	2%
Variable short term incentives	10%
LTIP earned	25%
LTIP not earned	50%
At risk compensation	85%

The fixed salary and benefits are the only unconditional, i.e. non risk components; short term variable compensation is dependent on the achievement of the results for 2019 and long term variable (LTIP) is dependent on the achievement of the results for the three year period 2019 to 2021 inclusive.

Compared to our peer group, the portion of our at-risk compensation is higher and corresponds to significantly more stretching threshold goals. The minimum threshold for our LTIP programme is 85%, compared to our peer group median of 50%. The maximum threshold is 140%, compared to our peer group median of 175%.

In 2019, 85% of total compensation was variable and conditional upon performance targets and therefore at risk. Based on the outstanding growth delivered in 2019 one third of the long term incentive is earned and the short term targets were exceeded.

The 'LTIP earned' is the part of the 2019 grant relating to the delivery of non-IFRS EPS and non-IFRS product revenue targets for the financial year 2019. The target for 2019 has been met and the component of the 2019 LTIP grant can no longer be forfeited. The LTIP is subject to time vesting criteria and will not vest until February 2022.

SAR payout vs Non-IFRS EPS CAGR growth for three year plan

With regard to the Long Term Incentive Plan, the chart below shows the trend of payout vs CAGR growth of non-IFRS EPS targets during the vesting period of the scheme.

Year of SAR plan	Payout
2007	100%
2008	0%
2009	60%
2010	30%
2011	0%
2012	13%
2013	101%
2014	100%
2015	110%
2016	121%
2017	120%

Targets have always been set at challenging levels and reflect long term performance in order to maintain the direct link between pay and performance. Since 2013 the Company has performed exceptionally, the metrics since 2016 being shown in the letter of the Chairperson of the Compensation Committee on page 110 and this is reflected in the payouts of the schemes.

C. Compensation components

C.1. Summary of Compensation elements for employees

The table below explains the compensation elements for 2019:

		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 the global targets (80% on regional revenue targets) to be achieved prior to the fund accumulating, allocation based on performance	Continuity of service over three years plus achievement of three year non-IFRS EPS targets and non-IFRS product revenue 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 Stock Appreciation Rights (SAR) plan
Payout subject to	**Forfeiture rules**	No	Yes	Yes
	KPIs	No	Yes	Yes
Performance range for Executive Directors, Executive Committee members and senior managers		None	0% to 150% of fixed salary, 0% below 90% target threshold (80% target threshold for regional revenue targets of Regional Directors)	Up to 140% of on-target LTIP value if all targets are exceeded by 20%, 0% below 85% target threshold
Settlement		Cash	Cash and deferred shares	Shares
Malus and clawback clauses		Not applicable	Yes	Yes

C.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 management, 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 of license revenue, cash collection, non-IFRS EBIT and/or non-IFRS EPS growth.
- The variable short term incentive is paid in cash.

Variable Long Term Equity Incentive

- To provide a balance of total compensation, via long term equity incentives, that is variable and linked directly to long term performance indicators.
- To incentivize sustainable future performance in non-IFRS EPS growth and non-IFRS product revenue growth. Product revenue is defined as software licensing, including Software as a Service, and maintenance revenues.
- 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 106 in the 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 Stock Appreciation Rights as a variable long term incentive.

C.3. Summary of Key Compensation changes in 2019

- The main change in 2019 was the resignation of David Arnott in February 2019 and subsequent restructuring of the Executive Committee, followed by the addition of Tom Hogan to the Executive Committee on 25 September 2019.
- Mr. David Arnott had a 12 month notice period. His LTIPs vested on a pro-rata basis up to the end of this period.
- Mr. Max Chuard was appointed as CEO effective 1 March 2019 and his compensation adjusted from that date onwards in line with Mr. Arnott's package.
- Mr. Panagiotis "Takis" Spiliopoulos was appointed on 31 March 2019. He was given a pro rata bonus for 2019 and in addition was given a special sign-on bonus of CHF 350,000 to compensate for losing stock related compensation from his previous employer.
- Mr. Jean-Michel Hilsenkopf was promoted from CRO to COO effective 12 February 2019 and his compensation adjusted from that date. Ms. Alexa Guenoun was appointed on 12 February 2019 as CCO with responsibility for services, partners and client support. This is a new role on the Executive Committee since Max Chuard covered this prior to his appointment to CEO.
- Mr. Thomas Hogan was appointed on 25 September 2019 as President North America following the acquisition of Kony. North America is a strategic market with high growth expectations for Temenos and as such warrants a role on the Executive Committee.
- The Short Term Variable included in the compensation is pro rata for their tenure in the Executive Committee for all executive committee members. The LTIP grant included is the full value to deliver the three year plan, that is no pro rata calculation has been made for the different joining dates.

C.4. Variable Short Term Incentive

The incentive for 2019 is due in cash on approval of the results for the financial year 2019 by the Board of Directors.

Performance criteria

Annual targets for Executives are set by the Board based on recommendations by the Compensation Committee.

For 2019, the short term incentive plan was based on the following targets:

- Non-IFRS software licensing (40%)
- SaaS ACV (15%)
- Non-IFRS EPS (20%)
- Operating cash flow (25%)

On-target performance is rewarded at 100% of fixed salary. Final overall payout for the Executives is 79%. The targets and respective achievements are set out in the table below:

2019 Target	Percentage of Bonus	Target USD	Actual USD	Threshold	% of Achievement	% To be paid
Non-IFRS software licensing	40%	432m	445m	90%	103%	106%
SaaS ACV[1]	15%	17m	17m	90%	101%	102%
Non-IFRS EPS	20%	3.39	3.47	90%	102%	105%
Net Operating Cash flow	25%	420m	364m	90%	87%	0%
Total						79%

(1) ACV target excludes certain non-core products.

Annual incentive payouts for other senior managers are based on a mix of corporate and specific regional objectives.

C.5. Long Term Equity Incentive

The Company grants Stock Appreciation Rights (SARs) to Executives and senior managers with performance and vesting criteria. We continue to favor the use of SARs over restricted stock as they necessitate a growth in the share price, which itself is dependent on strong Company performance, before they have any value to the recipient. In this way, we incentivize the management team to deliver strong revenue growth and profitability over the long term.

The SAR plan is available for the Executive Chairman, Executive Committee members and senior managers. Grant conditions are linked to the achievement of annual and three year cumulative non-IFRS EPS and/or non-IFRS product revenue targets, vesting after more than three years.

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 day preceding 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. The cost for Temenos is a true cost borne in both IFRS and non-IFRS reported numbers, unlike some other major software companies in Europe and the US.

Temenos SAR programme is a stock settled programme. Employees are given the shares at time of exercise and they can choose to exercise and sell or exercise and hold. Temenos ensures it can meet its demand for shares through available conditional capital. Conditional capital increases are approved by shareholders at the Annual General Meeting. Conditional capital has been used for all exercises in 2019. Bank Havilland holds the treasury shares and administers the conditional capital issuance when required in relation to the share scheme. UBS will administer this from 1 April 2020, on the same basis. Our treasury shares are used as a guarantee to cover an administrative timing issue between granting the shares to our employees and issuing conditional capital at the end of each month.

The tables below provide an overview of the 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 SAR schemes

The Schemes that are not vested as at 31 December 2019 are outlined in the table below, including 2019 scheme granted in this compensation year:

Year of Grant	No. of SARs awarded for Executives[1]	Exercise Price USD	Fair Value USD	Grant Date	Vesting date
2019	520,085	136.94	33.76	13 February 2019	On Board of Directors approval of the results for the year ending 31 December 2021
2019	70,000	147.43	32.10	30 March 2019	On Board of Directors approval of the results for the year ending 31 December 2021
2019[2]	50,000	144.77	32.63	18 October 2019	31 December 2022 but not exercisable until Board or Directors approval of results for the year ending 31 December 2022
2018	635,400	127.00	30.10	14 February 2018	On Board of Directors approval of the results for the year ending 31 December 2020
2017	974,600 plus overachievement of 20%	70.87	16.03	15 February 2017	On Board of Directors approval of the results for the year ending 31 December 2019, ie 12 February 2020

(1) The number of SARs granted includes the number of SARs granted to those who were Executives at the time of grant, this is not equal to the current members.

(2) Mr. Hogan was given SARs directly linked to the acquisition of Kony. The performance targets were for 2020-2022 with vesting on 31 December 2022 (which is greater than our standard three years) and exercisable on Board of Director approval of the results for the year ending 31 December 2022. Since his resignation the SARs have been forfeited.

Vesting conditions

Vesting of the SAR awards is for a period of three years, subject to continued employment, and subject to achievement of performance targets described below.

The targets for the SAR schemes are outlined below:

KPI	Weighting 2017 SARs	Weighting 2018 and 2019 SARs
Non-IFRS EPS Targets	60%	40%
Non-IFRS Product Revenues	40%	60%

The targets for the 2019 plan for non-IFRS EPS are based on a CAGR of 15% for the three year period to the vesting of each grant and for non-product revenues are based on a CAGR of 14% for the three year period to the vesting of each grant. This has been increased from the 13% growth for the 2018 plan as the business continues to accelerate. Mr. Hogan was given SARs directly linked to the acquisition of Kony with targets for the growth in the Americas region. Since Mr. Hogan has resigned effective 12 February 2020 and his SARs are forfeited the targets are no longer relevant and therefore not disclosed.

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

i. The sum of the result of each of the individual years, where one third of the 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%.
ii. Cumulative target achievement being greater than 85% of the sum of the annual targets. On the cumulative target there is a potential overachievement as explained below.

Over/under achievement of SAR schemes
For achievement between 85% and 100% of target a pro-rated reduced amount will vest. For every 1% overachievement of the three years cumulative non-IFRS EPS and non-IFRS product revenue target, an additional 2% of SARs may be granted up to a maximum of 140% of the total grant. For every 1% underachievement, 6.67% of the number of SARs are forfeited.

Any over or underachievement is calculated based on the table below. Intermediate performance is pro-rated on a straight-line basis between the data points shown.

Cumulative non-IFRS EPS or non-IFRS product revenues: Achieved as % of Cumulative target	85%	92.5%	100%	110%	120%
Proportion vesting	0%	50%	100%	120%	140%

Achievement of the 2017 SAR scheme
Under the 2017 SAR scheme, which vested on 13 February 2020, the non-IFRS EPS performance targets and respective achievements were:

Year	Target USD	Actual achievement USD	Growth on prior year
2017	2.27	2.45	18%
2018	2.62	2.95	20%
2019	3.13	3.47	18%
Cumulative	8.02	8.87	19% CAGR
Achievement for non-IFRS EPS		111%	

The non-IFRS product revenue cumulative performance target and cumulative respective achievements were as follows:

Year	Target USD m	Actual achievement USD m*	Growth
Cumulative 2017-2019 non-IFRS Product Revenues	1,896	2,062	16% CAGR
Achievement for non-IFRS Product Revenues		109%	

* Actual results are restated at constant currency compared to plan.

The combined payout for the 2017 SAR plan as a result of overachievement on both KPIs is as follows:

Combined Payout for 2017 SAR plan	Weighting	Actual achievement	Payout
Cumulative 2017-2019 non-IFRS EPS	60%	111%	121%
Cumulative 2017-2019 non-IFRS Product Revenues	40%	109%	118%
Combined Achievement and Payout		110%	120%

C.6. Share ownership
The following minimum amount of shares must be held:

Executive Chairman	4 times annual fixed salary
CEO	5 times annual fixed salary
CFO	2 times annual fixed salary
COO, CTO, CPO, CCO	1 time annual fixed salary

The Executive Chairman, CEO, COO, CTO and CPO met the requirements as at 31 December 2019. The previous CFO/COO was required to hold 3 times annual fixed salary, but since his role was split into two different roles: CFO and COO, the requirement for CFO and COO was put in line with other Executive Committee members and in line with our peer group. New members must satisfy the requirement by the later of two 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 minima.

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 2019 is calculated based on the share price of 31 December 2018 and fixed salary for the year 2019. This allows the Executives sufficient time to take any required actions. Unexercised SARs do not count towards meeting the guidelines. The shares that count are Temenos ordinary shares.

The shareholdings are shown in section F.1.

C.7. Dilution and Capital Requirements

A Stock Appreciation Right (SAR) is an incentive given to employees that aligns their interest with shareholders and is equal to the appreciation of Company stock over an established time period. Similar to employee stock options, SARs are beneficial to the employee when 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 44 are exercised when the share price is USD 130, then the gain is USD 86,000, equivalent to a 662 share dilution.

When issuing SARs, the Compensation Committee reviews the planned dilution to ensure that it remains within our target of no more than 2% pa on a CAGR basis. The dilution for the period 2016-2019, the period over which the 2017 SAR scheme vested on a CAGR basis, was 1.4% pa. This compares to an EPS growth of 19% pa on a CAGR basis for the same period. The CAGR from 2013 to 2019 is 1.7%.

Proxy advisors such as ISS consider cumulative dilution to be acceptable at 5% and 10% for fast-growing companies. The total cumulative dilution as of 31 December 2019 from all outstanding SARs, stock options and STI shares has been calculated based on various simulations in the table in the Compensation Committee Chair's letter on page 111. Note that 3.1 million of the SARs are included already in the EPS dilution.

The conditional capital of 5 million shares that is available at 31 December 2019 covers this requirement and our dilution cannot exceed 8.4% 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 (ie (5,613,241 + 892,526) /(5,613,241 + 892,526 + 70,953,199).

C.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 SARs 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 dismissal for cause, all unvested options and SARs are forfeited. In case of termination, conditions vary by role and are described in each plan.

C.9. Compensation elements for Non-Executive Directors

The Non-Executive Directors were compensated in 2019 with a fee for their Board duties, together with a supplementary fee for their role as Chairperson of the Audit and Compensation Committees respectively.

D. Compensation for financial year under review – audited

This section (section D on pages 120 to 122) has been audited by Temenos' auditors, 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 2019 and the average exchange rate for 2018 respectively. Comparison between these two years may be distorted through the exchange rate fluctuations.

The LTIP 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 2019 it includes 100% of the fair value of the 2019 grant calculated by a third party using the binomial method. The SARs grant (number of SARs) is only realized if (i) non-IFRS EPS and non-IFRS product revenue targets are achieved AND (ii) the time vesting criteria have been satisfied.

For any value to be realized by the executives, even if the SAR is granted, the stock price has to rise above the grant price. The valuation method, conditions and grant details are explained in the paragraph titled Compensation Components.

In order for the 2019 fair value (ie the LTIP value recorded in the compensation tables below) to be realized at 100% for the employee, the following conditions need to be satisfied:

- Non-IFRS Product revenues of at least 14% CAGR growth over the three years
  AND
- Non-IFRS EPS CAGR growth of at least 15%
  (or a different combination between the two in accordance with the weightings and over/under achievement)
  AND
- Stock price CAGR growth of at least 7.6% compared to the grant stock price of USD 136.94, ie the 7.6% increase at 100% vesting will deliver a gain equivalent to the LTIP value in the tables below.

D.1. Board of Directors

The total compensation for the Board of Directors including social security charges totals USD 6.8 million compared to a total maximum compensation of USD 7.5 million approved by the shareholders at the Annual General Meeting on 15 May 2018.

Out of the total Executive Chairman's 2019 compensation of USD 5.9 million, USD 2.8 million has been earned, and the remainder will only be earned if the non-IFRS EPS and non-IFRS product revenue targets for the period 2020-2021 are achieved and the time vesting criteria have been satisfied. The amount earned includes the proportion of LTIPs at fair value for which targets have been achieved but not yet vested because vesting criteria have not yet been satisfied.

All numbers in USD Name Board Function	Year	Fixed fee/ salary	Variable short term incentive	All other compensation[1]	Total compensation before LTIP	LTIP value	Total compensation	Employer social security charges[2]	Total compensation including social security charges	Maximum shareholder approval
A. Andreades[3]	2019	629,174	497,048	142,482	**1,268,704**	4,679,136	**5,947,840**	9,179	**5,957,019**	
Executive Chairman	2018	639,846	728,536	138,763	**1,507,145**	4,679,045	**6,186,190**	141,380	**6,327,570**	
S. Giacoletto-Roggio[4]	2019	145,000	–	–	**145,000**	–	**145,000**	9,828	**154,828**	
Vice Chairman	2018	145,000	–	–	**145,000**	–	**145,000**	9,716	**154,716**	
G. Koukis	2019	105,000	–	–	**105,000**	–	**105,000**	7,782	**112,782**	
Member	2018	105,000	–	–	**105,000**	–	**105,000**	7,712	**112,712**	
T. de Tersant[5]	2019	145,000	–	–	**145,000**	–	**145,000**	12,719	**157,719**	
Member	2018	145,000	–	–	**145,000**	–	**145,000**	12,616	**157,616**	
I. Cookson	2019	105,000	–	–	**105,000**	–	**105,000**	6,761	**111,761**	
Member	2018	105,000	–	–	**105,000**	–	**105,000**	6,673	**111,673**	
E. Hansen	2019	114,179	–	–	**114,179**	–	**114,179**	–	**114,179**	
Member	2018	114,160	–	–	**114,160**	–	**114,160**	–	**114,160**	
A. Yip	2019	105,000	–	–	**105,000**	–	**105,000**	6,761	**111,761**	
Member	2018	105,000	–	–	**105,000**	–	**105,000**	6,673	**111,673**	
P. Spenser	2019	105,000	–	–	**105,000**	–	**105,000**	–	**105,000**	
Member	2018	105,000	–	–	**105,000**	–	**105,000**	–	**105,000**	
Total Board	2019	1,453,353	497,048	142,482	**2,092,883**	4,679,136	**6,772,019**	53,030	**6,825,049**	**7,500,000**
of Directors	2018	1,464,006	728,536	138,763	**2,331,305**	4,679,045	**7,010,350**	184,770	**7,195,120**	**7,415,000**

(1) All other compensation includes life, medical, disability, accident insurances, pension and car allowance.

(2) 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.

(3) Mr. Andreades' total compensation includes fees of USD 105,000 for his Board duties, the remainder represents compensation for his executive duties. Mr. Andreades' long term incentive plan compensation corresponds to the full fair value, as at grant, of the 2019 executive team SAR award. The variable short term incentive is 79% of the on-target amount, payable in February 2020. The LTIP for Mr. Andreades consists of 138,600 SARs which were granted on 13 February 2019 at a grant price of USD 136.94 and a fair value of USD 33.76 per grant.

(4) Mr. Giacoletto-Roggio's fees comprise a basic fee of USD 105,000 (USD 105,000 for 2018) annually plus USD 40,000 (USD 40,000 for 2018) annually for his duties as Chairman of the Compensation Committee. He does not receive additional fees for his duties as Vice-Chairman of the Company.

(5) Mr. de Tersant's fees comprise a basic fee of USD 105,000 (USD 105,000 for 2018) annually plus USD 40,000 (USD 40,000 for 2018) annually for his duties as Chairman of the Audit Committee.

D.2. Executive Committee

The total compensation for the Executive Committee including social security charges totals USD 24.6 million. Shareholders approved USD 23.1 million at the AGM on 15 May 2018. As per the Articles of Association, an additional 40% of the approved amount can be added in case of a new member joining the Executive Committee. With the addition of the roles of Mrs. Alexa Guenoun and Mr. Thomas Hogan we were therefore permitted to exceed the approved amount by up to 40%, that is USD 9.2 million, of which only USD 1.6 million was utilized. The compensation of the existing five roles was USD 20.6 million compared to the approved USD 24.6 million. The addition of Ms. Alexa Guenoun and Mr. Thomas Hogan is an additional cost of USD 4.0 million.

The total of all compensation, in US dollars, earned in 2019 and 2018 by the members of the Executive Committee is shown below. From the total compensation of USD 22.4 million, USD 10.7 million has been earned and the remainder will only be earned if the non-IFRS EPS and non-IFRS product revenue targets for the period 2020-2021 as set out in the report are achieved. The amount earned includes the proportion of LTIPs for which targets have been achieved even though the time vesting criteria have not yet been satisfied.

The Executive Committee members included in 2019 were Mr. Arnott until 28 February 2019, Mr. Chuard, Mr. Hilsenkopf, Mr. Loustau, Mr. Winterburn, Mrs. Alexa Guenoun joined the Executive Committee on 12 February 2019 and Mr. Thomas Hogan joined the Executive Committee on 25 September 2019. Mr. Chuard was promoted to CEO effective 1 March 2019 and is the highest paid member of the Executive Committee and of the Company.

The reason for the increase from 2018 to 2019 is as a result of the addition of Ms. Alexa Guenoun effective 12 February 2019 and Mr. Thomas Hogan joining the Executive Committee on 25 September following the acquisition of Kony. Mr. Thomas Hogan has received SARs in 2019 with specific targets for the Americas region for the years 2020, 2021 and 2022 as described in section C5.

All numbers in USD Year	Base salary	Variable short term incentive[1]	All other compensation[2]	Total compensation before LTIP	LTIP value[3]	Total compensation	Employer social security charges[4]	Total compensation including social security charges	Maximum shareholder approval
2019[5]	2,948,901	2,348,689	353,749	**5,651,350**	16,757,433	**22,408,783**	2,226,880	**24,635,663**	**23,100,000 plus max of 9,240,00 for new member**
2018	2,488,210	2,834,072	303,167	**5,625,449**	14,446,495	**20,071,944**	1,986,832	**22,058,776**	**18,500,000 plus max of 7,400,00 for new member**

(1) The variable short term incentive is 79% of the on-target payable amount. The variable short term incentive is payable in February 2020.
(2) All other compensation includes life, medical, disability, accident insurances, pension and car allowance.
(3) The LTIP for the Executive Committee consists of 640,085 SARs which were granted on 13 February 2019 at a grant price of USD 136.94 and a fair value of USD 33.76.
(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.
(5) Base salary includes the amounts paid to Mr. Arnott during his notice period.

D.3 Highest paid member of the Executive Committee

Mr. Chuard, our CEO, was the highest paid member of the Executive Committee in 2019 with compensation, in US dollars, as shown below. 88% of his total compensation in 2019 was variable and conditional upon the 2020-2021 performance targets to be achieved.

All numbers in USD Year	Base salary	Variable short term incentive[1]	All other compensation	Total compensation before LTIP	LTIP value[2]	Total compensation	Employer social security charges	Total compensation including social security charges
2019 Mr. Chuard[3]	747,592	627,465	79,602	**1,454,660**	5,674,549	**7,129,209**	586,428	**7,715,637**
2018 Mr. Arnott	823,239	937,669	68,497	**1,829,405**	5,674,452	**7,503,857**	647,832	**8,151,689**

(1) The variable short term incentive is 79% of the on-target payable amount. The variable short term incentive is payable in February 2020.
(2) The LTIP for the CEO consists of 168,085 SARs which were granted on 13 February 2019 at a grant price of USD 136.94 and a fair value of USD 33.76.
(3) Mr. Chuard's base salary is for two months as CFO/COO and ten months as CEO. On an annualized basis his total on target compensation would be the same as Mr. Arnott.

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 2019 was 0.9946 (2018: 0.9784).

Function CHF	Year	Fixed fee/ salary	Variable short term incentive	All other compensation	Total compensation before LTIP	Long term incentive	Total compensation	Employer social security charges	Total compensation including social security charges
Board of Directors	2019	1,445,559	494,382	141,718	**2,081,659**	4, 654,043	**6,735,702**	52,745	**6,788,447**
	2018	1,428,960	712,786	135,763	**2,277,509**	4,577,889	**6,855,398**	180,776	**7,036,174**

Function CHF	Year	Base salary	Variable short term incentive	All other compensation	Total compensation before LTIP	Long term incentive	Total compensation	Employer social security charges	Total compensation including social security charges
Executive Committee	2019	2,933,087	2,336,104	351,852	**5,621,043**	16,667,567	**22,288,610**	2,214,938	**24,503,548**
	2018	2,434,419	2,772,803	296,611	**5,503,833**	14,134,176	**19,638,009**	1,943,879	**21,581,888**

Function CHF	Year	Base salary	Variable short term incentive	All other compensation	Total compensation before LTIP	Long term incentive	Total compensation	Employer social security charges	Total compensation including social security charges
Max Chuard, CEO	2019	743,584	624,100	79,175	**1,446,859**	5,644,118	**7,090,977**	583,283	**7,674,260**
David Arnott, CEO	2018	805,441	917,396	67,018	**1,789,855**	5,551,776	**7,341,631**	633,827	**7,975,458**

D.5. Loans granted to members of governing bodies

As of 31 December 2019 and 31 December 2018 the Company has no outstanding loans to members of the Board of Directors and Executive Committee other than a bridging loan of USD 0.4 million to CPO which is to compensate his adverse tax position from his combined residence in both UK and Switzerland, where he spends time at the request of Temenos. No loans were granted to persons related to the Board of Directors or Executive Committee.

E. The year ahead: compensation of the Board of Directors and Executive Committee for 2020

At the Annual General Meeting in 2019, the shareholders approved total compensation including social charges for year 2020 for the Board of Directors of USD 7.8 million and for the Executive Committee of USD 27.2 million.

E.1. Changes that affect 2020 fixed compensation

The Executive Committee has been changed in 2020. Mr. Thomas Hogan, the President of North America, has resigned effective 12 February 2020. He will be replaced by Mrs. Alexa Guenoun as President of the Americas and Global Head of Partners, Mr. Colin Jarrett will take the position of Chief Cloud and Delivery Officer, responsible for Temenos' cloud and SaaS operations and global delivery of implementation projects . Mr. André Loustau will be stepping down with a view to retiring at the end of the year. Mr. Mark Winterburn will take over the responsibilities of Mr. Loustau in addition to those he holds currently. The new Executive Committee, effective from 12 February 2020, is as follows:

Max Chuard, CEO (Chief Executive Officer)
Panagiotis "Takis" Spiliopoulos, CFO (Chief Financial Officer)
Jean-Michel Hilsenkopf, COO (Chief Operating Officer)
Mark Winterburn, CPTO (Chief Product and Technology Officer)
Alexa Guenoun, President of the Americas and Global Head of Partners
Colin Jarrett, CCDO (Chief Cloud and Delivery Officer)

The compensation of the CEO, CFO and COO are increased in line with AGM 2019 approval, that is a 10% increase on LTIP. No other changes have been made. The compensation for the "CPO and CTO" and for the "President of the Americas and Global Head of Partners" have been increased to reflect their promotions.

- The Board fees paid to Non-Executive Directors and the fees for the Chairman of the Audit Committee and for the Chairman of the Compensation Committee are increased by 3% compared to 2019 representing an inflation increase and a small step towards aligning to the SMIM, our benchmark group for non-executives.
- The variable Short Term Incentive for the Executives will remain at a maximum of 150%.

E.2. 2020 Variable Short Term Incentive for Executives

For 2020, the performance metrics will remain the same as in 2019, but the weighting will be amended slightly with more focus on the SaaS target as this part of the business is highly strategic for Temenos and continues to grow at a fast rate, that is:

- 37.5% (2019: 40%) Non-IFRS Software Licensing
- 17.5% (2019: 15%) SaaS Annual Contract Value
- 20% Non-IFRS EPS
- 25% Non-IFRS Operating Cash

The targets are considered commercially sensitive and are not disclosed in advance.

E.3. 2020 Long Term Incentive Plan Awards for Executives

The LTIP award for 2020 was issued in February 2020. 40% of the award is comprised of non-IFRS EPS targets, 60% of the award is comprised of non-IFRS product revenue targets. The targets for non-IFRS EPS are based on a CAGR of 15% for the three year period 2020-2022. The targets for non-IFRS product revenues are based on a CAGR of 15 % for the three year period 2020-2022. This is higher than the 13% CAGR growth for product revenues for the 2018 scheme and higher than the 14% CAGR growth for the 2019 scheme as the Board continues to drive stretch targets for management. The performance against those measures will be disclosed in the year of vesting.
As approved by the shareholders, the maximum threshold for the LTIPs for the 2020 scheme was increased from 120% achievement resulting in 140% payout to 137.5% achievement resulting in 175% payout.

E.4. 2020 Compensation Plan components

For 2020, the split of aggregate compensation for the Executives at the on-target level is shown below. The majority of compensation (87%) is at risk and dependent on achieving the annual total software licensing, operating cash flow and annual non-IFRS EPS and non-IFRS product revenue targets for the 2020 to 2022 financial years. The only fixed compensation which is guaranteed is the fixed salary and benefits which, in aggregate amount to 13% of the on-target total compensation.

2020 Executives

Fixed fee/salary	11%
Other compensation	2%
Variable short term incentives	17%
LTIP	70%
At risk compensation	87%

The LTIP for 2020 is subject to delivery of the non-IFRS EPS and non-IFRS product revenue targets for the financial years 2020, 2021 and 2022 that are still at risk, hence not yet earned.

E.5. 2020 Share Ownership

Share ownership guidelines for the Board of Directors have been introduced in 2020. Non-Executive Directors must hold shares with a value equivalent to the annual retainer fee. This must be effective by May 2023. New Non-Executive Directors must adhere to this guideline within three years of election at AGM.

F. Other information

F.1. Shareholdings and equity incentives

Non-Executive Directors

Name	Position	31 December 2019 Shares	31 December 2018 Shares
S. Giacoletto-Roggio	Vice-Chairman	**9,000**	9,000
I. Cookson	Member	**15,500**	15,500
T. de Tersant	Member	**3,000**	3,000
E. Hansen	Member	**11,000**	11,000
G. Koukis	Member	**15,000**	15,000
A. Yip	Member	**–**	–
P. Spenser	Member	**–**	–

Executive Chairman and Executive Committee members

		Shares		SARS					
Name	Position	2019	2018	Grant Year	Plan	Exercise price USD	Number of vested SARs 2019	Number of unvested SARs 2019	Number of unvested SARs 2018[1]
A. Andreades	Executive Chairman	607,369	582,369	2016	2016 scheme[1]	43.69	393,707	–	393,707
					2016 scheme[1]	49.12	55,725	–	55,725
				2017	2017 scheme[2]	70.87	–	349,469	291,900
				2018	2018 scheme	127.00	–	155,450	155,450
				2019	2019 scheme	136.94	–	138,600	–
D. Arnott[3]	CEO until 28 February 2019	na	35,000	2016	2016 scheme[1]	43.69	na	na	523,328
					2016 scheme[1]	49.12	na	na	79,953
				2017	2017 scheme[2]	70.87	na	na	354,000
				2018	2018 scheme	127.00	na	na	188,520
M. Chuard	CEO	75,000	65,000	2016	2016 scheme[1]	43.69	312,543	–	312,543
					2016 scheme[1]	49.12	42,399	–	42,399
				2017	2017 scheme[2]	70.87	–	304,454	254,300
				2018	2018 scheme	127.00	–	135,430	135,430
				2019	2019 scheme	136.94	–	168,085	–
P. Spiliopoulos	CFO	–	na	2019	2019 scheme	147.43	–	70,000	na
J. Hilsenkopf[4]	COO	13,766	–	2018	2018 scheme	127.00	–	92,000	92,000
				2019	2019 scheme	136.94	–	98,400	–
A. Loustau	CTO	8,298	3,673	2016	2016 scheme[1]	43.69	54,513	–	
				2017	2017 scheme[2]	70.87	–	35,198	45,000
				2018	2018 scheme	127.00	–	27,000	29,400
				2019	2019 scheme	136.94	–	37,000	27,000
M. Winterburn	CPO	3,975	3,975	2016	2016 scheme[1]	43.69	23,741	–	78,741
				2017	2017 scheme[2]	70.87	–	53,875	45,000
				2018	2018 scheme	127.00	–	37,000	37,000
				2019	2019 scheme	136.94	–	41,000	–
A. Guenoun[4]	CCO	–	na	2019	2019 scheme	136.94	–	37,000	na
T. Hogan	President North America	–	na	2019	2019 scheme	144.77	–	50,000	na

(1) The SARs granted under the 2016 scheme vested on 13 February 2019. The numbers above include the overachievement of 121%. 2018 has been restated to include the overachievement.
(2) The SARs granted under the 2017 scheme vested on 13 February 2020. The numbers above include the overachievement of 120%.
(3) Mr. Arnott stepped down from the Executive Committee on 28 February 2019. He did not receive any SARs in 2019 other than overachievement SARs for 2017-19 scheme since these vested during his notice period.
(4) The SARs shown above for Mr. Hilsenkopf and Mrs. Guenoun only include outstanding SARs granted since appointment to the Executive Committee.

No options and/or shares were held on 31 December 2019 and 2018 by persons related to the members of the Board of Directors or the Executive Committee.

F.2. Options and SARs outstanding

The following table lists all options and SARs outstanding as at 31 December 2019. This includes the SARs outstanding for the Executive Chairman and Executive Committee members shown in the tables on page 124 and all other staff eligible for options and SARs.

Grant year	Plan	Exercise price USD[1]	Total number of outstanding SARs/ STI shares	Number of vested SARs	Number of unvested SARs	Number of unvested STI shares
2008	2008	20.63	1,097	1,097		
2009	2010	21.04	3,013	3,013		
2010	2010	23.04	9,569	9,569		
2010	2010	26.55	815	815		
2011	2011	13.81	28,427	28,427		
2011	2012	13.94	2,657	2,657		
2012	2012	11.76	4,835	4,835		
2012	2012	14.21	1,529	1,529		
2012	2012	15.52	4,342	4,342		
2012	2013	12.81	80,700	80,700		
2013	2013	16.71	15,210	15,210		
2013	2013	18.89	77,766	77,766		
2014	2014	35.33	19,000	19,000		
2014	2015	35.15	50,318	50,318		
2014	2015	35.45	76,337	76,337		
2015	2015	32.83	2,105	2,105		
2015	2015	35.34	2,500	2,500		
2015	2015	35.29	207,000	207,000		
2016	2015	46.53	7,177	7,177		
2016	2016	57.07	20,214	20,214		
2016	2016	43.69	886,383	886,383		
2016	2016	49.12	98,124	98,124		
2016	2016	57.07	138,174	138,174		
2016	2016	63.10	3,634	3,634		
2016	2016	65.92	7,191	7,191		
2017[2,3]	2017	70.87	1,545,605		1,545,605	
2017[2,3]	2017	75.04	11,972		11,972	
2017[3]	2017	80.86	2,394		2,394	
2017[3]	2017	88.81	1,197		1,197	
2017[3]	2017	90.20	17,959		17,959	
2017[3]	2017	101.86	1,197		1,197	
2017[3]	2017	103.74	17,959		17,959	
2018	2018	127.00	811,880		811,880	
2018	2018	127.68	2,500		2,500	
2018	2018	161.33	3,000		3,000	
2018	2018	164.00	5,000		5,000	

Grant year	Plan	Exercise price USD[1]	Total number of outstanding SARs/ STI shares	Number of vested SARs	Number of unvested SARs	Number of unvested STI shares
2018	2018	138.63	1,000		1,000	
2018	2019	113.64	53,500		53,500	
2019	2019	136.94	937,285		937,285	
2019	2019	144.09	22,400		22,400	
2019	2019	147.43	70,000		70,000	
2019	2019	164.57	2,000		2,000	
2019	2019	182.26	2,000		2,000	
2019	2019	149.37	4,000		4,000	
2019	2019	160.90	15,000		15,000	
2019	2019	151.75	2,000		2,000	
2019	2020	144.77	296,750		296,750	
2019	2020	147.06	3,000		3,000	
2018	Profit shares 18	–	8,161			8,161
2019	Profit shares 18	–	24,054			24,054
2019	Profit shares 19	–	3,311			3,311
Total			**5,613,241**	**1,748,117**	**3,829,598**	**35,526**

(1) The weighted average exercise price is USD 86.31.
(2) The SARs from the 2017 plan vested on 12 February 2020.
(3) The numbers above for 2017 plan include the overachievement of 120%.

Report of the statutory auditor on the Compensation Report

Report of the statutory auditor to the General Meeting of Temenos AG, Geneva
We have audited pages 120 to 122 of the accompanying remuneration report of Temenos AG for the year ended 31 December 2019.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration 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 accompanying remuneration 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 remuneration 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 remuneration 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 remuneration 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 remuneration 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 remuneration report of Temenos AG for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Yazen Jamjum
Audit expert
Auditor in charge

Pierrick Misse
Audit expert

Geneva, 20 February 2020

Report of the statutory auditor on the consolidated financial statements

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 financial position as at 31 December 2019 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the 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 Auditing Standards. 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 IESBA Code of Ethics for Professional Accountants, 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

Materiality	Overall Group materiality: USD 10'000'000
	The group audit team performed the audit over selected financial statement line items such as revenue, accounts receivables, contract assets and contract liabilities, cash balances, and capitalized development costs, in addition to auditing the consolidation which includes pension and share based compensation. We performed a full scope audit over one entity located in Switzerland and audits of selected financial statement line items were performed on ten additional entities located in nine different countries.
Audit scope	Our audit scope addressed all of the Group's revenue, approximately 96% of the Group's total assets and approximately 66% of the Group's total expenses.
Key audit matters	As key audit matters the following areas of focus were identified: • Software licensing revenue recognition • Services revenue recognition • Recoverability of account receivables and contract assets • Purchase price allocation for the Kony acquisition

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 judgment, 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 materiality	USD 10'000'000
How we determined it	5% of profit before tax, rounded
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above USD 0.5 million 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, accounts receivables, contract assets and contract liabilities, cash balances, and capitalized development costs, in addition to auditing the consolidation, which includes pension and share based compensation. We also considered where subjective judgments 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 a full scope audit over one entity located in Switzerland and audits of selected financial statement line items were performed on ten additional entities located in nine different countries.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Software licensing revenue recognition

Key audit matter	How our audit addressed the key audit matter
For the year ended 31 December 2019, revenue from software licensing was USD 378 million (which includes software developments and customizations). We focused on initial license revenue because of its significance and the risks related to the numerous inherent complexities and critical judgments 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 fair value of each component. In addition, there are critical judgments in determining whether existing uncertainties and contingencies preclude license revenue from being recognized. 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 judgments 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 judgments) of the consolidated financial statements.	Firstly, we evaluated the compliance of Temenos's accounting policies with IFRS 15 key considerations. For all license deals that we considered to be individually significant and for a sample of the remaining software arrangements, we performed the following: • Inspected the existence of a signed version of the customer contract together with evidence of software delivery. • 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. • We 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. • We also looked for evidence to validate the authenticity of customer contracts. We presented the results of our testing to the Audit Committee and highlighted deals involving significant judgments and estimates together with our view on those judgments and estimates made. Based on the work performed, we concluded that the critical judgments and estimates made by management were reasonable and the accounting for license revenue appropriate.

Services revenue recognition

Key audit matter	How our audit addressed the key audit matter
For the year ended 31 December 2019, services revenue was USD 178 million. We focused on this area because this is a material amount and because of the significant estimates involved in determining the percentage of completion for fixed price service implementation projects combined with the enhanced risk involved in medium to long-term projects. Recognizing service revenue over time using the percentage of completion method requires management to estimate the total man-days of effort required at the start of the implementation period and the estimates to complete at every reporting period. There is a risk that total man-days for a given fixed price project are underestimated which leads to recognizing service revenue prematurely or the risk that reductions in revenue for the period are unrecognized. Refer to note 2.17 (accounting policies) and note 4 (critical accounting estimates and judgments) of the consolidated financial statements.	We analysed the evolution of the percentage of completion for a random selection of fixed price projects. For those projects where we identified a significant variance in the percentage of completion or the total man-days estimated, we investigated further to obtain evidence of the status of the project and the reasonableness of the man-day estimates. In certain cases, we also discussed with the service project managers to understand the progress, difficulties associated with the implementation, if any, and likely future scenarios. In addition, we obtained and reviewed a look-back analysis prepared by management for a sample of projects that compared actual total man-days to the estimates made in prior periods. We selected a sample of fixed priced projects and tested the accuracy of the percentage of completion calculation and the resulting service revenue recognized. The outcome of our procedures was presented to, and discussed with, the Audit Committee. Based on the work performed, we concluded that the manday estimates made by management were reasonable and the accounting for service revenue appropriate.

Recoverability of accounts receivables and contract assets

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2019, accounts receivables and contract assets amounted to USD 275 million and USD 51 million, respectively. We focused on this risk as the balances are material and there are many significant judgments involved in assessing recoverability of accounts 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.	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 collection, and operational issues together with a detailed legal analysis, where required. In addition, we challenged management's assessment of the recoverability of selected accounts receivable and contract assets balances (significant and randomly selected) with project managers and senior management, as appropriate. 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 a form of variable consideration that reduces revenue under IFRS 15. We confirmed selected material customer balances to verify their intention to settle the outstanding balance in the future. We also reviewed the aging of accounts 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 accounts receivables and contract assets was deemed appropriate and corresponds to the risks identified.

Purchase price allocation for the Kony acquisition

Key audit matter	How our audit addressed the key audit matter
On 20 September 2019, Temenos acquired control over 100% of the shares of Kony, a digital banking provider in the US. The total consideration amounted to USD 533 million (including a contingent consideration of USD 20 million). The Group, supported by its external valuation expert, has performed the purchase price allocation and identified acquired intangibles of USD 241 million. Goodwill resulting from the acquisition amounted to USD 433 million. The determination of the purchase price allocation required some significant judgments and estimates relating to the identification of the separately identifiable assets and their fair values. Refer to note 6 (Business combinations) and note 17 (Intangible assets).	With the support of our internal valuation experts, we performed the following detailed procedures over the acquisition accounting for Kony: • reviewed the adequacy of the methodologies used by management's expert for the fair value estimations and the key assumptions used by for the valuation of the intangible assets acquired. • evaluated competence, capabilities and objectivity of management's experts. • assessed the appropriateness of the purchase price allocation and related accounting treatment. • audited the adequacy of the disclosures and the presentation of the transaction in the consolidated financial statements. We presented the results of our procedures to the Audit Committee. We determined that the conclusions reached by management with regards to the acquisition accounting and the related disclosures were reasonable and supported.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Temenos AG 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 in the annual report 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.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that 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 Swiss Auditing Standards 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 Swiss Auditing Standards, 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of 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
Audit expert
Auditor in charge

Pierrick Misse
Audit expert

Geneva, 20 February 2020

Consolidated statement of profit or loss For the year ended 31 December

	2019 USD 000	2018 USD 000
Revenues		
Software licensing	378,408	341,555
SaaS & subscription	57,933	31,265
Total software licensing	436,341	372,820
Maintenance	357,679	314,353
Services	177,950	153,688
Total revenues (note 7)	971,970	840,861
Operating expenses		
Cost of sales	(264,480)	(229,191)
Sales and marketing	(177,449)	(144,528)
General and administrative	(99,752)	(87,730)
Other operating expenses	(194,869)	(160,642)
Total operating expenses (note 9)	(736,550)	(622,091)
Operating profit	235,420	218,770
Finance income	11,143	3,117
Finance costs	(34,010)	(26,486)
Finance costs – net (note 11)	(22,867)	(23,369)
Profit before taxation	212,553	195,401
Taxation (note 21)	(31,432)	(27,173)
Profit for the year	181,121	168,228
Attributable to:		
Equity holders of the Company	181,121	168,228
Non-controlling interest	–	–
	181,121	168,228
Earnings per share (in USD) (note 12):		
basic	2.57	2.43
diluted	2.46	2.31

Notes on pages 137 to 186 are an integral part of these consolidated financial statements.

Consolidated statement of other comprehensive income For the year ended 31 December

	2019 USD 000	2018 USD 000
Profit for the year	181,121	168,228
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income (note 3.4)	1,079	–
Remeasurements of post employment defined benefit obligations (note 23)	1,195	(2,290)
	2,274	(2,290)
Items that may be subsequently reclassified to profit or loss		
Cash flow hedge reserve (note 26)	3,994	6,782
Cost of hedging reserve (note 26)	9	–
Currency translation differences (note 26)	(24,104)	(32,883)
	(20,101)	(26,101)
Other comprehensive income for the year	(17,827)	(28,391)
Total comprehensive income for the year	**163,294**	139,837
Attributable to:		
Equity holders of the Company	163,294	139,837
Non-controlling interest	–	–
	163,294	139,837

Notes on pages 137 to 186 are an integral part of these consolidated financial statements..

Consolidated statement of financial position As at 31 December

	2019 USD 000	re-presented 2018 USD 000
Assets		
Current assets		
Cash and cash equivalents (note 13)	152,785	287,439
Trade and other receivables (note 14)	384,226	283,195
Other financial assets (note 15)	4,431	6,579
Total current assets	541,442	577,213
Non-current assets		
Property, plant and equipment (note 16)	67,283	18,021
Intangible assets (note 17)	1,659,822	1,009,945
Trade and other receivables (note 14)	12,338	10,987
Other financial assets (note 15)	22,361	15,423
Deferred tax assets (note 21)	19,155	17,663
Total non-current assets	1,780,959	1,072,039
Total assets	2,322,401	1,649,252
Liabilities and equity		
Current liabilities		
Trade and other payables (note 18)	219,947	164,924
Other financial liabilities (note 15)	2,518	2,234
Deferred revenue (note 8)	287,325	262,461
Income tax liabilities	62,925	38,568
Borrowings (note 19)	100,595	107,797
Provisions for other liabilities and charges (note 22)	891	1,259
Total current liabilities	674,201	577,243
Non-current liabilities		
Trade and other payables (note 18)	2,272	–
Other financial liabilities (note 15)	11,976	19,385
Borrowings (note 19)	1,073,972	706,278
Provisions for other liabilities and charges (note 22)	699	261
Deferred tax liabilities (note 21)	103,665	36,994
Retirement benefit obligations (note 23)	10,536	10,320
Total non-current liabilities	1,203,120	773,238
Total liabilities	1,877,321	1,350,481
Share capital	241,858	233,217
Treasury shares	(264,608)	(264,608)
Share premium and other reserves (note 25)	(258,384)	(289,095)
Other equity (note 26)	(143,742)	(121,491)
Retained earnings	869,956	740,748
	445,080	298,771
Non-controlling interest	–	–
Total equity	445,080	298,771
Total liabilities and equity	2,322,401	1,649,252

Notes on pages 137 to 186 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows For the year ended 31 December

	2019 USD 000	2018 USD 000
Cash flows from operating activities		
Profit before taxation	212,553	195,401
Adjustments:		
Property Plant and Equipment depreciation, intangible asset amortization and impairment of financial assets	131,850	95,726
Loss on retirement /disposal of property, plant and equipment (notes 16)	279	14
Cost of share options (note 27)	39,463	38,018
Foreign exchange loss on non-operating activities	(10,179)	(5,495)
Interest expenses, net (note 11)	20,341	11,847
Net loss from financial instruments (note 11)	6,700	2,064
Other finance costs (note 11)	4,872	10,605
Other non-cash items	866	336
Changes in:		
Trade and other receivables	(57,479)	(35,294)
Trade and other payables, provisions and retirement benefit obligations	9,269	27,194
Deferred revenues	5,716	24,638
Cash generated from operations	364,251	365,054
Income taxes paid	(17,197)	(20,880)
Net cash generated from operating activities	347,054	344,174
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,989)	(8,305)
Disposal of property, plant and equipment	358	–
Purchase of intangible assets	(3,992)	(3,692)
Capitalized development costs (note 17)	(64,649)	(52,625)
Acquisitions of subsidiary, net of cash acquired (note 6)	(573,089)	(242,462)
Escrow deposit for contingent consideration on acquisition (note 6)	(21,000)	–
Investment in equity securities	–	(15,000)
Acquisition of long term loan instruments (note 15)	(6,000)	–
Settlement of financial instruments	(4,173)	(3,885)
Interest received	1,234	1,760
Net cash used in investing activities	(681,300)	(324,209)
Cash flows from financing activities		
Dividend paid (note 28)	(52,361)	(46,134)
Acquisition of treasury shares	–	(205,578)
Proceeds from borrowings	607,641	200,000
Repayments of borrowings	(431,030)	(92)
Proceeds from issuance of bond	219,043	174,418
Repayment of bond	(100,652)	–
Payment of lease liabilities	(16,289)	–
Interest payments	(21,714)	(12,663)
Payment of other financing costs	(5,835)	(8,953)
Net cash generated from financing activities	198,803	100,998
Effect of exchange rate changes	789	(1,379)
Net (decrease)/increase in cash and cash equivalents in the year	(134,654)	119,584
Cash and cash equivalents at the beginning of the year	287,439	167,855
Cash and cash equivalents at the end of the year	152,785	287,439

Notes on pages 137 to 186 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity For the year ended 31 December

	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 2018	232,192	(197,750)	(186,287)	(93,341)	620,944	375,758
Profit for the year	–	–	–	–	168,228	168,228
Other comprehensive income for the year, net of tax	–	–	–	(26,101)	(2,290)	(28,391)
Total comprehensive income	–	–	–	(26,101)	165,938	139,837
Dividend paid (note 28)	–	–	–	–	(46,134)	(46,134)
Hedging gain transferred to deferred revenues	–	–	–	(2,049)	–	(2,049)
Cost of share options (note 27)	–	–	38,018	–	–	38,018
Exercise of share-based payment transactions (note 25)	1,025	138,720	(139,745)	–	–	–
Acquisition of treasury shares	–	(205,578)	–	–	–	(205,578)
Costs associated with equity transactions	–	–	(1,081)	–	–	(1,081)
	1,025	(66,858)	(102,808)	(28,150)	119,804	(76,987)
Balance at 31 December 2018	233,217	(264,608)	(289,095)	(121,491)	740,748	298,771
Adjustment on initial application of IFRS 16 (net of tax)	–	–	–	–	(1,826)	(1,826)
Adjusted balance at 1 January 2019	233,217	(264,608)	(289,095)	(121,491)	738,922	296,945
Profit for the year	–	–	–	–	181,121	181,121
Other comprehensive income for the year, net of tax	–	–	–	(20,101)	2,274	(17,827)
Total comprehensive income	–	–	–	(20,101)	183,395	163,294
Dividend paid (note 28)	–	–	–	–	(52,361)	(52,361)
Hedging gain transferred to deferred revenues	–	–	–	(2,150)	–	(2,150)
Cost of share options (note 27)	–	–	39,463	–	–	39,463
Exercise of share-based payment transactions (note 25)	8,641	–	(8,641)	–	–	–
Costs associated with equity transactions	–	–	(111)	–	–	(111)
	8,641	–	30,711	(22,251)	131,034	148,135
Balance at 31 December 2019	**241,858**	**(264,608)**	**(258,384)**	**(143,742)**	**869,956**	**445,080**

Notes on pages 137 to 186 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements 31 December 2019

1. General information

Temenos AG formerly named as 'Temenos Group 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 client locations around the world as well as in offering help desk support services to existing users of Temenos software systems. The client 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 12 February 2020.

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 the 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 estates 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 2019

IFRS 16 'Leases'

IFRS 16 primarily changes lease accounting for lessees. Lease agreements will give rise to recognition of an asset representing the right to use the leased asset and lease liability representing its obligation for future lease payments. The nature of expense related to the lease has now changed as straight-line operating lease expense is replaced by depreciation expense associated with right-of-use asset and interest expense on lease liabilities. The Group has identified all the leases that are currently in use and majority of these leases are for office-related rentals.

As of 1 January 2019, the Group adopted IFRS 16 'Leases', using modified retrospective approach. This new standard replaces the IAS 17 'Leases'. The transition effect into the new lease standard is accounted by recognizing the cumulative effect of initially applying the standard as an opening balance sheet adjustment to retained earnings at 1 January 2019 without any adjustment to prior year comparative information and it's continued to be reported under IAS 17 and related interpretations.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- accounting for operating leases with remaining lease term of less than 12 months as at 1 January 2019 as short term leases
- the exclusion of initial direct cost for the measurement of the right-of-use-asset at the date of initial application
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there was no onerous contract as at 1 January 2019

The only exceptions are short term and low-value lease (accounting policy choices elected by the Group as permitted by IFRS 16) which are recorded as part of operating expenses over the term of the lease.

Initial application of IFRS 16 as at 1 January 2019 has resulted in the following opening balance adjustments on the Group's consolidated statement of financial position. The net impact was a reduction in retained earnings of USD 1.8 million.

	IFRS 16 adoption USD 000
Assets	
Property, plant and equipment	45,085
Other assets (current/non-current)	3,327
Total assets	48,412
Liabilities	
Borrowings (current/non-current)	53,175
Other liabilities (current/non-current)	(2,937)
Total liabilities	50,238
Equity	
Retained earnings	(1,826)

2. Accounting policies continued

2.1 Basis of preparation continued

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognized at 1 January 2019:

	USD 000
Total operating lease commitments net of sub-lease at 31 December 2018 as disclosed under IAS 17 (note 29)	56,953
Sub-lease add back	2,878
Operating lease commitments at 31 December 2018	59,831
Impact of discounting*	(4,432)
Recognition exemptions:	
Leases of low value assets	(1,029)
Leases with remaining lease term of less than 12 months	(917)
Other reconciling items	(278)
Total lease liabilities recognized under IFRS 16 at 1 January 2019	**53,175**

* On initial application of IFRS 16, the lease liabilities on pre-existing leases classified as operating leases under IAS17 were measured at the present value of the remaining lease payments and were discounted at the incremental borrowing rates as at 1 January 2019. The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 2.7%.

There is no significant impact on net profit in 2019, and on the cash flow statement, cash flow from operating activities is offset by a corresponding decline in cash flow from financing activities.

Following the adoption of the new standard, the Group has updated its accounting policies for leases (refer 2.12).

IFRIC 23 (interpretation) 'Uncertainty over Income tax Treatments', effective for annual periods beginning on or after 1 January 2019. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. This interpretation did not have a significant impact on the Group financial statements. The Group has applied this interpretation for the financial reporting period commencing on 1 January 2019.

IAS 19 (amendment) 'Employee benefit' effective for annual periods beginning on or after 1 January 2019. The amendment provides guidance in connection with accounting for plan amendment, curtailments and settlements. The amendment requires use of current assumptions to determine service cost and to remeasure its net defined benefit liability or asset when a plan event such as amendment, curtailments or settlement occurs. The Group has applied the amendment for the financial reporting period commencing on 1 January 2019.

IFRS 9 (amendment) 'Financial instruments', effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. This amendment enables entities to measure at amortized cost some prepayable financial assets with negative compensation. The Group has applied the amendment for the financial reporting period commencing on 1 January 2019.

2015-2017 cycle annual improvements (amendments), effective for annual periods beginning on or after 1 January 2019. The Group has applied these amendments for the financial reporting period commencing on 1 January 2019.

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 2020. Unless otherwise indicated, these publications are not expected to have any significant impact on the Group's financial statements:

IFRS 3 (amendment) 'Business combination', effective for annual periods beginning on or after 1 January 2020. The amendment clarifies the definition of a business and also permit a simplified assessment of whether an acquired set of activities and assets is merely a group of assets rather than a business. The Group will apply the new definition of business to assess any future acquisitions by the Group. The Group will apply this amendment for the financial reporting period commencing on 1 January 2020.

IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' (amendment), effective for annual period beginning on or after 1 January 2020. This amendment clarifies the definition of material and its application by aligning the wording of definition of material across all IFRS standards. This amendment would assist the Group to make materiality judgments going forward. The Group will apply this amendment for the financial reporting period commencing on 1 January 2020.

IFRS 9 'Financial instruments', IAS 39 'Financial instruments Recognition and measurement' and IFRS 7 'Financial instruments: Disclosures' (amendment), effective for annual periods beginning on or after 1 January 2020. The amendment provides guidance to assist in a smoother transition away from Interbank Offered Rate (IBOR). The amendment is split into a two-phase process, and phase one has been issued which is effective 1 January 2020. Phase one focuses on hedge accounting issues related to uncertainties arising in the period leading up to the replacement of IBOR. The amendment apply to all hedge relationship that are directly affected by interest rate benchmark reform. Since the Group does not currently hold any hedge relationship that refers to IBOR, this amendment is not expected to have a material effect on the Group's financial statements. The Group will apply this amendment for the financial reporting period commencing on 1 January 2020.

2.2 Basis of consolidation
The consolidated financial statements include the financial statements of Temenos AG ('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 IAS 39 'Financial Instruments: Recognition and Measurement'. 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 Group's presentation currency and 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 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 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 at the closing rate of the reporting period;
- 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.

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 includes 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 initially measured at fair value and subsequently measured at amortized costs.

Cash and cash equivalents are subject to the impairment requirements of IFRS 9. Since this asset is substantially held with reputable major institutions with an 'investment grade' or similar rating and the period over which the Group is exposed is very short, any impairment loss would be immaterial. The Group applies the low credit risk option and allocates this asset to the stage 1 of the credit loss model. Loss allowance is then measured at an amount equal to 12-month expected credit losses.

2. Accounting policies continued

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 a 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 represents consideration which is conditional upon factors other then passage of time.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses lifetime expected credit loss allowance for all trade receivable including trade receivable with significant financing components, and contract assets. The Group exercises judgment in determining expected credit loss allowance. In this judgment, the Group identifies default rate by analyzing the historical experience with credit losses, considering it to represent a reasonable approximation for future expected defaults and apply to the 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 expected credit loss allowance as well as from credit impaired debtors is recognized in 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 expected 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 costs. Interest income, foreign exchange gain or loss and impairment are recognized in profit or loss within 'Finance costs-net'.

When the impact of applying the effective interest method is not significant, the gross carrying amount equals to the contractual amount or the fair value at initial recognition.

Balances to be collected after 12 months from the reporting period are presented as non-current.

The Group applies the same impairment policy that are used to measure the expected credit loss for its Trade receivables.

Other assets (non-financial assets) primarily represent prepayments, contract costs according to IFRS 15 and statutory accruals. They are reported as current assets.

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

* Computer software separately acquired (excludes software technologies acquired through business combination) is depreciated over the shorter of the license term and four years.

Leasehold improvements are depreciated over the shorter of the remaining lease term and useful life (ten years).

The assets' 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 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 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. The carrying amount is allocated to the cash-generating unit (CGU) that is expected to benefit from the synergies of the business combination. CGU to which the Goodwill is allocated 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 the 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 cost 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.

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 life 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 asset have useful life between five and 16 years.

Internally generated software development

The Group follows a strategy of investing a substantial part of its revenues in research and development work 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 the 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 levels 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. Accounting policies continued

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 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 in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax 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.

2.10 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.

A provision for onerous lease is recognized when the expected benefits to be derived from a lease are lower than the unavoidable costs of meeting the obligations under the contract.

2.11 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. They are subsequently measured at amortized cost.

Effective interest costs are recognized within 'Finance costs' in 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.

Interests accrued on drawn portion of the banking facilities are reported as other payable within trade and other payables.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Roll-over of loans drawn under a facility agreement is reported net in the statement of cash flows.

2.12 Leases

Identification of a lease

The Group now assesses whether a contract is or contains a lease based on the new 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;
- 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 policy is applied only to contracts entered into or changed on or after 1 January 2019. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.

The Group has elected to separate non-lease component and they are accounted as an expense in profit or loss.

In few cases, where 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 sub-lease is classified as a finance lease the future discounted cash flow is recognized as a receivable with a corresponding decrease of the right-to-use asset.

Recognition and measurement of a lease

At 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 use the incremental borrowing rate which consist of 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, 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 dismantle and remove the asset 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-cancelable period of a lease and includes period covered by an option to extend or option to terminate. An option to extend or terminate the lease is included to the lease period either at the commencement of lease or during the lease period when exercising such option is reasonably certain.

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 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 on the statement of cash flows.

Re-measurement of a lease

The lease liability and right of use assets initially recognized are re-measured on occurrence of below events:

- Change in lease term (renewal or termination options taken into consideration) – Re-measured using discount rate at the time of re-measurement;
- Change in index rate affecting future lease payments – Discount rate is unchanged (initial recognition)

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or other instruments are reported within share premium (note 25), net of tax, from the proceeds.

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 costs using the effective interest method. The related interest expense is recognized in profit or loss within 'Finance costs'.

2. Accounting policies continued

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 the 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;
- 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 or re-issues treasury shares. The consideration received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium and capital reserves.

2.16 Employee benefits

Pension obligations

The Group operates various pension schemes including both defined benefit and defined contribution plans. A defined contribution plan is a pension plan 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 all employees the benefits relating to the employee's service in the current and prior periods. A defined benefit plan is a pension plan 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 recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligations at the end of the reporting period less the fair value of 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 adjustments and changes in actuarial 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.

For defined contribution plans, the relevant contributions are recognized as personnel costs when they are due. Once the contributions have been paid, 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.

Other post-employment obligations

Some subsidiaries provide other post-retirement benefits to their retirees (e.g. gratuities). The entitlement of those 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 following four main sources:

Software License

Software license revenues represent all fees earned from granting customers licenses to use the Group's software, either through an initial license or through the purchase of additional modules or user rights, but excludes any amounts that are related to maintenance. For software license arrangements that do not require significant modification or customization of the underlying software, revenue is recognized at the point the software is delivered, functional and control has been passed to the customer. Temenos includes software that is either sold on a term basis or perpetual basis and includes software licenses that are sold on a subscription payment basis. Software developments and customizations, either licensed or owned by the customer once complete, are included within this revenue line and are recognized when they meet the same criteria as the licensed software.

SAAS

Software as a Service (SaaS) revenue is earned through the use of Temenos software to provide a service to the customer, whereby the customer does not have the ability to take infrastructure of the software under a licensed arrangement. This includes the support and development of the software as well as the hosting infrastructure. The hosting infrastructure in the arrangement may be Temenos own infrastructure or that of a third party hosting infrastructure that Temenos has engaged with.

Maintenance
Software maintenance is included in most software license arrangements and is generally priced as a percentage of the initial software license fees. Maintenance provides customers with rights to unspecified software product upgrades, maintenance enhancements and access to the help desk during the term of the support period and is recognized rateably on a straight-line basis over the term of the arrangement.

Services
Software implementation and support services represents income from consulting, training and implementation services sold separately under services contracts. Fixed-price arrangements are accounted for over time on a percentage-of-completion basis using the inputs method. Time and Material contracts are recognized as utilized by the client.

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
Temenos often enters in to 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 through out their term. At each point a contract is modified, Temenos asses the contract under the standard to determine if modifications are treated as a modification or a separate contract.

Temenos makes an assessment initially to determine if the customer has the ability and intent to pay the consideration in the contract. Should Temenos determine the customer doesn't meet either of these criteria then Temenos does not believe it is in a position to recognize revenue from this contract until such a time as the customer has both the ability and intent or Temenos has been paid in full and has meet all of the performance obligations.

Identifying Performance Obligations
Temenos 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 Temenos must determine if these significantly alter the functionality of the software licensed initially. If Temenos concludes the developments or customizations significantly modify the software licensed the performance obligations will be bundled as one performance obligation and recognized when the combined performance obligation is functional and complete.

Temenos often grants options to purchase additional products or services in its contracts with customers. These can be additional usage rights, renewals, products, modules or premium maintenance. Temenos assess each option to see if it provides that customer a material right. If a material right has been granted Temenos will identify this as a separate performance obligation and later in the revenue accounting process, allocate the appropriate consideration to the performance obligation.

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 uses internal historical experiences as well as external factors in making the necessary estimates.

Allocating the Consideration to the Performance Obligation
Temenos applies the consideration based on a standalone alone selling price hierarchy. This hierarchy is based on priority being given to performance obligations that have a high level of externally observable inputs and not highly variable in price, such as implementation services. Low priority in the hierarchy is given to items that have little to no external comparability and have a highly variable selling price. Finally once all other performance obligations have been valued the residual is allocated to the licenses.

In addition, management exercises judgments with respect to the determination of the appropriate method to estimate the standalone selling price for the various performance obligations in a contract which eventually impacts the amount of revenue recognized in the consolidated financial statements for each performance obligation.

Temenos also use renewal rates, historical data and cost inputs to determine the standalone selling price and its position in the allocation hierarchy.

Standalone selling price of a material rights factor in the judgments about the likelihood of the customer taking up the option using historical data and the nature of the material right.

Timing of revenue recognition
Temenos recognizes all licensed software (available products, development or customizations) at a point in time when the software is delivered, functional and the customer has control. Control is primarily seen as the customer can take possession of the functional software and use it within the licensed usage rights.

SaaS is recognized over time starting from the point the service is made available to the customer to access the service.

Maintenance services are recognized over the period the service is provided on a straight line basis. 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. Customer simultaneously receive and consume the benefits of these support services as performed.

Professional services are recognized over time using a percentage of completion based on mandays input method for the fixed price service offering. The input method assures we are aligned to milestone and the consideration recoverable.

Payment terms
In the majority of contracts with customers Temenos will look for payment upfront for the licensed software, payment annually in advance for the maintenance and SaaS contracts and Professional Services paid on set project milestones with a portion paid on contract signature.

2. Accounting policies continued

2.17 Revenue recognition continued

Incremental Costs of Obtaining Customer Contracts

The assets recognized for the incremental costs to obtain a contract are predominantly made up of sales commissions earned by Temenos sales force in obtaining SaaS contracts. The asset is amortized over the life of the contract committed for by the customer as the commissions are driven by the commitment period.

Cost to fulfill a contract

The cost to fulfill 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 cost will recognized in line with the revenue.

Contract balances – Assets and Receivable

The Group classified the right to consideration in exchange for products or services transferred to a client 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 represents revenue where the right to consideration is subject to future performance being satisfied such as the completion of milestones on service fixed price contracts or satisfaction of maintenance for future periods.

Deferred revenues

Deferred revenues (referred as 'Contract liabilities' as per IFRS15 terminology) represents prepayment from clients for wholly unsatisfied or partially satisfied performance obligations mainly in relation to maintenance and SaaS contracts.

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 are 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 Chief Operating Decision Maker, 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, convertible notes and equity investments.

Other financial assets are initially recorded at fair value. Any transaction costs are expensed in 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 derecognized 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;
- Not designated and effective hedging instrument.

While the objective of holding these assets was 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 a current assets.

Derivative assets used for hedging

Derivatives used for hedging are subsequently measured at fair value. Subsequent changes in fair value are accounted according to the provisions for hedge accounting in IFRS 9. They are reported as non-current assets when they are expected to be settled more than 12 months after the reporting period.

Equity investments

Equity instruments are subsequently measured at fair value with movements recorded either in profit or loss or in other comprehensive income for securities held as strategic investment that the Group irrevocably elects to classify as fair value through other comprehensive income (FVOCI) on the acquisition date.

For securities measured at FVOCI, there is no reclassification of the accumulated changes in fair value to profit or loss when the instrument is sold. Any distribution of dividend is recognized in profit or loss.

Convertible notes

Convertible notes are subsequently measured at fair value through profit or loss. They are reported as non-current asset when the final redemption date is more than 12 month 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 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;
- Not designated and effective hedging instrument.

While the objective of holding these liabilities was 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 recognised within 'Finance costs – net'. Related cash flows are reported as cash flows from investing activities.

Derivatives held for trading are reported as a current liabilities.

Derivative liabilities used for hedging
Derivatives used for hedging are subsequently measured at fair value. Subsequent changes in fair value are accounted according to the provisions for hedge accounting in IFRS 9. They are reported as non-current liabilities when they are expected to be settled more than 12 months after the reporting period.

2.22 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 or hedge of a net investment.

Cash flow hedge
In a cash flow hedge designation, 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 the forecast transaction do 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 carry 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 the cost or carry 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.

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.

2. Accounting policies continued

2.23 Fair value measurement continued

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;
- 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 the 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.

2.24 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported 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.

A enforceable right to offset financial assets and financial liabilities must not be contingent on future event 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.

2.26 Comparative information

The Group has re-presented comparative information to reflect the finalization of the initial accounting of Avoka Technologies Pty Limited (note 6). Given the effect of the re-presentation is not material, the Group has decided not to present a third statement of financial position as at 1 January 2018.

3. Financial instruments

3.1 Accounting classifications

The Group holds the following financial instruments to which the accounting policies according to IFRS7 'Financial Instruments: Disclosures' applies:

	2019 USD 000	2018 USD 000
Financial assets		
Financial asset measured at fair value through profit or loss (FVTPL)	8,331	4,215
Financial asset measured at fair value through other comprehensive income (FVOCI)	16,079	15,000
Derivatives instruments used for hedging	2,382	2,787
Financial asset measured at amortized cost	511,746	562,339
Total	538,538	584,341

	2019 USD 000	2018 USD 000
Financial liabilities		
Financial liabilities measured at fair value through profit or loss (FVTPL)	1,868	1,087
Derivatives instruments used for hedging	12,627	20,532
Contingent consideration	20,930	–
Financial liabilities measured at amortized cost	1,385,402	974,597
Total	1,420,827	996,216

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 overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial statements. The Group uses derivatives to hedge certain risk exposures.

Market risk

Market risk management is carried out by a central treasury team under policies and procedures approved by the management. The Group's risk policies are primarily set out to identify the source of the risks, to monitor them with clear sets of rules and controls and to establish strategies in order to protect the Group's financial statements against any adverse financial effect arising from these risks. The Group's policies and the related procedures are regularly updated to reflect changes in market conditions, Group 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 deficiency.

(i) Foreign exchange risk

The Group operates internationally and, therefore, is exposed to transactional foreign exchange risk in various currencies, primarily with respect to those described hereunder. Foreign exchange risk arises from:

- Forecast transactions denominated in a currency other than the entity's functional currency;
- Monetary assets and liabilities denominated in a currency other than the entity's functional currency.

The Group's policy is to protect its profit or loss from the variability in cash flows that is attributable to the movement in currencies associated with its forecast transactions and monetary assets and liabilities. This is implemented by 1) aligning the revenue streams to currencies that match the cost base and 2) using derivatives to offset the change in value of the exposure.

The Group risk strategy is to continuously maintained its 12-18 month projection of future transactions within predetermined coverage parameters with a higher hedging ratio for front-loaded quarters. The hedging strategy is executed in layers and only for currencies for which the combination of exposure and volatility could have a significant adverse effect in the financial statements. The Group uses forward exchange contracts and options as heading derivatives.

Except for maintenance revenue for which the effective portion of the hedge become part of the carrying amount reported in 'Deferred revenues' line, forecast transactions are expected to be recognized in profit or loss during the same period as the hedging instrument.

The Group hedges the EUR/CHF currency risk arising from a bond issued in 2015 with a cross currency swap and applies cash flow hedge accounting.

Unless already designated in a hedging relationship, the Group risk strategy is to hedge material currency exposure arising from monetary assets and liabilities using forward exchange contracts with maturities not exceeding three months. The Group does not apply hedge accounting for this economic hedging relationship.

For all the hedging relationships where hedge accounting is applied, the 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 does not perfectly match the terms of the hedged item. Possible source of ineffectiveness may arise from 1) increase in credit risk for the derivative counterparty or 2) change in the timing of the cash flow realization of the forecast transaction.

Since the critical terms of the hedging instruments closely match those of the hedge items, the Group applies a hedge ratio of 1:1.

The Group is also exposed to foreign currency risk arising from the translation of its foreign operations in USD dollars, but it does not hold any derivatives to manage the exposure as there is no intention to divest any of its subsidiaries.

The table below illustrates the Group's most sensitive currency exposures:

	Net exposure	
	2019 FCY* 000	2018 FCY* 000
Euro	**(9,161)**	3,891
UK pounds	**(5,892)**	(6,606)
Swiss francs	**9,381**	(8,788)
India rupee	**(119,925)**	(187,215)

* 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 another currency but measured in an entity whose functional currency is one of the above.

and that are not part of an existing cash flow hedge relationship.

However these do not include derivatives and recognized assets and liabilities that are part of an existing cash flow hedge relationship.

3. Financial instruments continued

3.2 Financial risk factors continued

Sensitivity analysis

The following table represents the effect of a reasonable shift in the currencies above against the US dollars.

2019	Euro USD 000	UK pounds USD 000	Swiss francs USD 000	India rupee USD 000
Sensitivity assumption	+10%	+10%	+10%	+10%
Profit or (loss)	(1,027)	(777)	969	(168)
Other comprehensive income:				
Cash flow hedging related to forecast transaction	(4,387)	1,078	2,202	3,926
Cash flow hedging related to long-dated liability	(1,747)	–	1,223	–
	(6,134)	1,078	3,425	3,926
Equity	(7,161)	301	4,394	3,758
Sensitivity assumption	-10%	-10%	-10%	-10%
Profit or (loss)	1,027	777	(969)	168
Other comprehensive income:				
Cash flow hedging related to forecast transaction	4,387	(1,078)	(2,202)	(3,926)
Cash flow hedging related to long-dated liability	1,747	–	(1,223)	–
	6,134	(1,078)	(3,425)	(3,926)
Equity	7,161	(301)	(4,394)	(3,758)

2018	Euro USD 000	UK pounds USD 000	Swiss francs USD 000	India rupee USD 000
Sensitivity assumption	+10%	+10%	+10%	+10%
Profit or (loss)	455	(827)	(884)	(268)
Other comprehensive income:				
Cash flow hedging related to forecast transaction	(4,574)	867	1,492	2,748
Cash flow hedging related to long-dated liability	(2,228)	–	1,568	–
	(6,802)	867	3,060	2,748
Equity	(6,347)	40	2,176	2,480
Sensitivity assumption	-10%	-10%	-10%	-10%
Profit or (loss)	(455)	827	884	268
Other comprehensive income:				
Cash flow hedging related to forecast transaction	4,574	(867)	(1,492)	(2,748)
Cash flow hedging related to long-dated liability	2,228	–	(1,568)	–
	6,802	(867)	(3,060)	(2,748)
Equity	6,347	(40)	(2,176)	(2,480)

Given the volatility of these currencies, 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

The Group is exposed to cash flow interest rate risks arising from cash and cash equivalents and borrowings at variable rates.

The Group is not exposed to fair value risk arising from its fixed rate borrowings since they are measured at amortized cost.

The Group's policy is to protect its profit or loss from the variability in cash flows that is attributable to the movement in interest rates from its financial instrument at floating rates. When the risk is deemed to be substantial, the Group enters into derivatives to hedge the exposure and hedge accounting is applied when all relevant conditions are met. At the reporting periods, no hedges were in place as the Group's exposure was not material.

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, Group's past experience.

If a company is unrated, 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 2019 and 2018, there is no geographical concentration of credit risk as the Group's customer base is internationally dispersed and no individual customer represents more than 10% of the Group's outstanding 'Trade receivables and contract assets' balances.

The Group performs impairment analysis using default rate to measure expected credit loss for all trade receivable including 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 apply to the 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 2019, the credit risk exposure on the Group's trade receivables and contract assets is as follows:

	2019 USD 000
Expected credit loss rate	0.75%
Gross carrying amount for trade receivables and contract assets	325,761
Provision for credit losses	2,439

The Group's exposure to credit risk from balances due from its customer 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 receivable and contract assets.

Financial instruments and cash deposits
The Group mitigates the counterparty risk related to cash and cash equivalents and derivative financial instruments by holding balances with major reputable financial institutions.

Credit risk related to derivative financial instruments is also mitigated by legally enforceable master netting agreements such as ISDAs 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.

The Group's policy is to maintain a level of liquidity that meets its present and future financial outcome expected to be settled in the short or near term, under both normal and stressed conditions. The net debt and liquidity position are monitored on the basis of actual liabilities to be settled as well as rolling forecasts for future transactions. Excess of cash is primarily used to repay any drawn borrowing facilities (note 18) and then invested in highly liquid instruments with maturities of three months or less.

Investment rules, cash concentration exposure and liquidity risk monitoring are managed by the Group's treasury department.

3. Financial instruments continued

3.2 Financial risk factors continued

Liquidity risk continued

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 2019					
Trade and other payables	172,438	15,712	1,540	–	–
Property provision	163	–	699	–	–
Borrowings					
Lease liabilities	10,075	9,939	29,670	11,166	8,563
Other borrowings	6,395	86,869	310,342	545,793	230,811
Total non-derivatives financial liabilities	189,071	112,520	342,251	556,959	239,374

	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 2018					
Trade and other payables (re-presented)	148,022	13,042	–	–	–
Property provision	58	323	261	–	–
Borrowings	310,648	3,380	9,655	380,953	155,104
Total non-derivatives financial liabilities	458,728	16,745	9,916	380,953	155,104

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, the amount disclosed has been determined by reference to quoted prices in active markets for identical instruments.

	Less than 3 months USD 000	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 2019						
Cross currency swaps	–	2,057	–	2,057	9,970	–
Outflow foreign exchange derivatives	105,112	8,963	22,810	2,307	–	–
Inflow foreign exchange derivatives	(103,282)	(8,894)	(22,612)	(2,287)	–	–
Net settled foreign exchange derivatives	120	320	–	–	–	–
Total derivatives	1,950	2,446	198	2,077	9,970	–

	Less than 3 months USD 000	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 2018						
Cross currency swaps	–	2,215	–	2,215	18,278	–
Outflow foreign exchange derivatives	80,584	4,686	5,708	–	–	–
Inflow foreign exchange derivatives	(79,566)	(4,524)	(5,292)	–	–	–
Net settled foreign exchange derivatives	493	62	115	221	–	–
Total derivatives	1,511	2,439	531	2,436	18,278	–

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. These covenants require the Group to remain within certain thresholds used for calculating financial ratios that are primarily based on financial indebtedness, EBITDA and interest expenses.

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.

3.4 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 2019	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial assets at FVTPL				
Foreign currency forwards (note 15)	–	2,184	–	2,184
Foreign currency options (note 15)	–	147	–	147
Convertible notes (note 15)	–	–	6,000	6,000
Derivatives used for hedging				
Foreign currency forwards (note 15)	–	2,314	–	2,314
Foreign currency options (note 15)	–	68	–	68
Financial assets at FVOCI				
Equity securities (note 15)	–	–	16,079	16,079
Total	–	4,713	22,079	26,792

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial liabilities at FVTPL				
Foreign currency forwards (note 15)	–	1,868	–	1,868
Contingent consideration (note 6)	–	–	20,930	20,930
Derivatives used for hedging				
Foreign currency forwards (note 15)	–	670	–	670
Cross currency swaps (note 15)	–	11,957	–	11,957
Total	–	14,495	20,930	35,425

Year ended 31 December 2018	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial assets at FVTPL				
Foreign currency forwards (note 15)	–	4,215	–	4,215
Derivatives used for hedging				
Foreign currency forwards (note 15)	–	2,787	–	2,787
Financial assets at FVOCI				
Equity securities (note 15)	–	–	15,000	15,000
Total	–	7,002	15,000	22,002

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial liabilities at FVTPL				
Foreign currency forwards (note 15)	–	1,087	–	1,087
Derivatives used for hedging				
Foreign currency forwards (note 15)	–	1,360	–	1,360
Cross currency swaps (note 15)	–	19,172	–	19,172
Total	–	21,619	–	21,619

3. Financial instruments continued

3.4 Fair value measurement continued

Valuation techniques and key inputs

Foreign currency forwards

Discounted cash flow method: The fair value represents the future cash flows that are discounted using a risk-free yield curve adjusted for credit risk. The future cash flows is determined using forward exchange rates at the balance sheet date.

Foreign currency option:
Black-Scholdes model

Cross currency swaps:
Discounted cash flow method: The future cash flows are discounted using the interest zero yield-curve attributable to each currency (including the currency basis spreads). The fair value of the leg measured in foreign currency is translated using the spot exchange rate.

There were no changes in valuation techniques during the period.

Assets and liabilities in level 3

Equity investments

Discounted cash flow model: The fair value represents the financial projection provided by the company discounted at a risk adjusted rate which represents an estimated weighted average cost of capital of the underlying company.

Reasonable change in the parameters and assumptions used in the financial projection would not significantly change the fair value of the investment.

Convertible notes

The fair value represents the lesser of the conversion value and the future cash flows (principal + interests) which is discounted at the incremental rate of the notes. At the reporting date both values were equal.

Reasonable change in the discounted rate or the price of the underlined equity securities would not materially affect the fair value at the reporting date.

Contingent consideration

The fair value represents the present value of the expected payments discounted at a risk-adjusted rate. The earn out consideration is determined by the expected future cash flow arisen from the targeted revenue and annual contract value based on most recent financial budget of the acquiree. The probability risk attributable to the financial budget is embedded into the discount rate (note 6).

Reasonable change in the forecasted revenue and annual contract value, as well as the discount rate will not materially affect the fair value at the reporting date.

Reconciliation from the opening balances to the closing balances:

	Equity Securities USD 000	Convertible note USD 000	Contingent Consideration USD 000
At 1 January 2018	–	–	–
Purchases (note 15)	15,000	–	–
Earn out true-up to 'Cost of Sales'	–	–	–
Unwinding of discount to 'Finance costs'	–	–	–
At 31 December 2018	15,000	–	–
Purchases (note 15)	–	6,000	–
Fair value change through OCI	1,079	–	–
Acquisition of business (note 6)	–	–	20,930
Unwinding of discount to 'Finance costs'	–	–	–
At 31 December 2019	**16,079**	**6,000**	**20,930**

3.5 Hedging

At the reporting dates, the Group did not apply any fair value hedge or hedge of a net investment.

At 31 December, the Group held the following derivatives as hedging instruments.

Year ended 31 December 2019

			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)	36,585	25,191	13,037
USD/CHF VWAP	0.972	0.960	0.955
GBP/USD VWAP	1.327	1.307	1.277
USD/INR VWAP	74.085	75.641	76.126
USD/RON VWAP	4.254	4.294	4.382
Sale of foreign currency forwards:			
Nominal amount in USD equivalent (in thousands)	18,409	23,402	2,287
EUR/USD VWAP	1.151	1.142	1.143
Foreign currency options:			
Nominal amount expressed in USD equivalent (in thousands)	1,920	–	–
GBP/USD strike	1.28-1.209	–	–
Cross currency swaps			
Nominal amount in CHF	–	–	150,000
EUR/CHF VWAP	–	–	1.033

Since the critical terms of the hedging instrument closely match those of the hedge items, the Group applies a hedge ratio of 1:1.

Year ended 31 December 2018

			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)	28,474	19,881	6,055
USD/CHF VWAP	0.97	0.93	0.96
GBP/USD VWAP	1.35	1.41	–
USD/INR VWAP	70.23	72.45	77.06
USD/RON VWAP	3.99	3.98	4.17
Sale of foreign currency forwards:			
Nominal amount in USD equivalent (in thousands)	24,279	19,899	3,604
EUR/USD VWAP	1.23	1.22	1.20
Cross currency swaps			
Nominal amount in CHF	–	–	150,000
EUR/CHF VWAP	–	–	1.03

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

Year ended 31 December 2019	Carrying amount: Assets USD 000	Carrying amount: Liabilities USD 000	Line item in the statement of financial position	Period change in value used to determine hedge ineffectiveness USD 000
Foreign exchange risk				
Cash flow hedges				
Foreign currency forwards	2,314	670	Other financial assets and liabilities (note 15)	1,447
Foreign currency options	68	–	Other financial assets and liabilities (note 15)	58
Cross currency swaps	–	11,957	Other financial assets and liabilities (note 15)	7,215

Items designated as hedge item

Year ended 31 December 2019	Period change in value used to determine hedge ineffectiveness USD 000	Cash flow hedge reserve USD 000	Costs of hedging reserve USD 000
Cash flow hedges			
Foreign exchange risk			
Forecast transactions	1,505	1,721	9
Borrowings	7,215	(3,878)	–

Year ended 31 December 2018	Carrying amount: Assets USD 000	Carrying amount: Liabilities USD 000	Line item in the statement of financial position	Period change in value used to determine hedge ineffectiveness USD 000
Foreign exchange risk				
Cash flow hedges				
Foreign currency forwards	2,787	1,360	Other financial assets and liabilities (note 15)	4,740
Cross currency swaps	–	19,172	Other financial assets and liabilities (note 15)	8,449

Year ended 31 December 2018	Period change in value used to determine hedge ineffectiveness USD 000	Cash flow hedge reserve USD 000
Cash flow hedges		
Foreign exchange risk		
Forecast transactions	4,740	1,427
Borrowings	8,449	(5,428)

Note 26 provides details on change in fair value and amount reclassified to profit or loss by risk category.

There was no ineffectiveness recognized during the period (2018: USD nil).

The Group does not have any forecast transaction for which cash flow hedge accounting had been used in previous period, but which is no longer expected to occur.

3.6 Offsetting financial assets and financial liabilities

Derivatives transactions entered into by the Group are governed by ISDAs or equivalent. Such agreements permit the Group for net settlement with the same counterparty in the normal course of business and, also, give the right to set-off exposure with the same counterparty in the event of default, insolvency or bankruptcy of either the entity or the counterparty.

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 2019

	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)	**327,794**	**(4,472)**	**323,322**	**–**	**323,322**
Derivatives financial assets (note 15)	**4,713**	**–**	**4,713**	**(1,085)**	**3,628**
Total	**332,507**	**(4,472)**	**328,035**	**(1,085)**	**326,950**
Financial liabilities					
Trade payables (note 18)	**47,015**	**(4,472)**	**42,543**	**–**	**42,543**
Derivatives financial liabilities (note 15)	**14,495**	**–**	**14,495**	**1,085**	**13,410**
Total	**61,510**	**(4,472)**	**57,038**	**1,085**	**55,953**

Year ended 31 December 2018

	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)	265,627	(3,158)	262,469	–	262,469
Derivatives financial assets (note 15)	7,002	–	7,002	(2,342)	4,660
Total	272,629	(3,158)	269,471	(2,342)	267,129
Financial liabilities					
Trade payables (note 18)	34,041	(3,158)	30,883	–	30,883
Derivatives financial liabilities (note 15)	21,619	–	21,619	2,342	19,277
Total	55,660	(3,158)	52,502	2,342	50,160

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are 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 the 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 (note 17).

If the future sales and the size of the 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 2019 the carrying amount of the goodwill amounts to USD 1,079.4 million (2018: USD 635 million (re-presented)).

Purchase Price Allocation (PPA)

The Group recognized acquired intangible assets applying acquisition method of accounting, of USD 247 million (excluding goodwill) resulting from acquisitions, principally Kony Inc. Purchase Price Allocation (PPA) was performed by independent valuers in order to determine the fair value of the intangible assets such as intellectual property (IP) and customer relationship where certain assumptions and estimates were taken into consideration based on information available. The PPA further determined the useful lives of the intangible assets acquired. These acquisitions and the fair values recognized for the acquired intangible assets are set out in note 6.

Revenue recognition

As detailed in note 2.17, the Group is required to make an assessment for each new software licence contract as to whether the underlying software requires significant modification or customization by the Group in order to meet the customer's requirements. If significant modification or customization is required, then the licence fee is recognized at the point in time when all developments and customizations are complete, functional and delivered to the customer. However, the majority 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 doesn't believe the customer has the ability or intent to pay the consideration promised for the performance obligations then Temenos is not in possession of a contract and revenue recognition can not commence. If there is doubt about the sum of consideration to be paid then this is assessed under variable consideration guidance. Both of these require judgment to be applied by Temenos.

In addition, management exercises judgments with respect to the determination of the appropriate method to estimate the standalone selling price for the various performance obligations in a contract which eventually impacts the amount of revenue recognized in the consolidated financial statements for each performance obligation.

In respect of service revenue, the management exercises judgment in determining the percentage of completion, specifically with regards to the 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 at what stage a project meets the criteria outlined in the Group's accounting policies. Such 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. The total development expenses for the period was USD 269.7 million (2018: USD 229.5 million) and the total capitalized development costs was USD 64.6 million (2018: USD 52.6 million).

5. Group companies

The consolidated financial statements include the accounts of Temenos AG and the following entities as of 31 December 2019:

Company name	Country of incorporation	2019 Ownership interest	2018 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%
Stargate Information Systems Pty Limited	Australia	100%	100%
Temenos Australia 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 Services Pty Limited	Australia	100%	100%
Temenos Australia Technology Solutions Pty Limited	Australia	100%	100%
Temenos Solutions Australia Pty Limited	Australia	100%	100%
Sky Technologies Pty Limited*	Australia	100%	0%
Sky Technologies Consulting Pty Limited*	Australia	100%	0%
Sky Technologies Holdings Pty Limited*	Australia	100%	0%
Temenos Belgium SA	Belgium	100%	100%
Odyssey Financial Technologies 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	100%	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	100%	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%
Temenos France SAS	France	100%	100%
Temenos Holdings France SAS	France	100%	100%
Viveo Group SAS	France	100%	100%
Viveo France SAS	France	100%	100%
Igefi France SARL	France	100%	100%
Avoka (Germany) GmbH	Germany	100%	100%
Odyssey Financial Technologies GmbH**	Germany	0%	100%
Temenos Deutschland GmbH	Germany	100%	100%
Igefi Deutschland GmbH**	Germany	0%	100%
Temenos Hellas SA	Greece	100%	100%
Avoka Hong Kong Limited***	Hong Kong	0%	100%
Temenos Finance Hong Kong Limited****	Hong Kong	100%	0%
Temenos Hong Kong Limited	Hong Kong	100%	100%
Igefi Hong Kong Limited	Hong Kong	100%	100%
Temenos India Private Limited	India	100%	100%
hTrunk Software Solutions Private Limited*	India	100%	0%
Kony India Private Limited*	India	100%	0%
Kony IT Services Private Limited*	India	100%	0%
Kony Marketing Services Private Limited*	India	100%	0%
Kony Services India LLP*	India	100%	0%
Temenos Systems Ireland Limited	Ireland	100%	100%
Igefi 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%
Temenos Finance Luxembourg SARL	Luxembourg	100%	100%
Temenos Luxembourg SA	Luxembourg	100%	100%
Temenos Software Luxembourg SA	Luxembourg	100%	100%
Odyssey Group SA	Luxembourg	100%	100%
Igefi Group SARL	Luxembourg	100%	100%
Temenos (Malaysia) Sdn Bhd	Malaysia	100%	100%

5. Group companies continued

Company name	Country of incorporation	2019 Ownership interest	2018 Ownership interest
Temenos Mexico SA de CV	Mexico	100%	100%
Temenos North Africa LLC	Morocco	100%	100%
Temenos (Nl) BV	Netherlands	100%	100%
Temenos Holland BV	Netherlands	100%	100%
Temenos Investments BV	Netherlands	100%	100%
Kony Solutions BV*	Netherlands	100%	0%
Temenos Panama SA	Panama	100%	100%
Temenos Philippines Inc.	Philippines	100%	100%
Temenos Polska Sp.z.o.o	Poland	100%	100%
Finch Software Limited***	Republic Of Mauritius	0%	100%
Kony Solutions Limited*	Republic Of Mauritius	100%	0%
Temenos Romania SRL	Romania	100%	100%
Temenos Singapore Pte Limited	Singapore	100%	100%
Igefi Singapore Pte Limited	Singapore	100%	100%
Temenos Singapore Ft Pte Limited	Singapore	100%	100%
Kony Singapore Pte Limited*	Singapore	100%	0%
Temenos Africa (Pty) Limited	South Africa	100%	100%
Dbs Global Solutions (Pty) Limited	South Africa	100%	100%
Temenos Hispania Sl	Spain	100%	100%
Temenos Headquarters SA	Switzerland	100%	100%
Temenos Cloud Switzerland SA	Switzerland	100%	100%
Temenos (Thailand) Co. Limited	Thailand	100%	100%
Temenos Eurasia Banka Yazilimlari Ltd Sirketi	Turkey	100%	100%
Temenos USA, Inc.	USA	100%	100%
Trinovus Systems LLC	USA	100%	100%
Igefi US LLC**	USA	0%	100%
Temenos Cloud Americas LLC	USA	100%	100%
Avoka (USA), Inc.	USA	100%	100%
Temenos Holdings USA, Inc.****	USA	100%	0%
Kony, Inc.*	USA	100%	0%
Kony Services, Inc.*	USA	100%	0%
Temenos Ukraine LLC	Ukraine	100%	100%
Temenos UK Limited	United Kingdom	100%	100%
Avoka Europe Limited	United Kingdom	100%	100%
Fe Mobile Limited	United Kingdom	100%	100%
Financial Objects Limited	United Kingdom	100%	100%
Financial Objects (UK) Limited	United Kingdom	100%	100%
Financial Objects International Limited	United Kingdom	100%	100%
Wealth Management Systems Limited	United Kingdom	100%	100%
Temenos FOFL Limited*****	United Kingdom	100%	100%
Temenos FOGT Limited*****	United Kingdom	100%	100%
Igefi UK Limited	United Kingdom	100%	100%
Lydian Associates Limited***	United Kingdom	0%	100%
Fino Software Services Limited***	United Kingdom	0%	100%
Wealth Management Software Limited***	United Kingdom	0%	100%
Odyssey Financial Technologies Plc	United Kingdom	100%	100%
Edge Ipk Limited	United Kingdom	100%	100%
Temenos Holdings UK Limited***	United Kingdom	0%	100%
Logical Glue Limited*	United Kingdom	100%	0%
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); Moscow (Russia); Taipei (Taiwan); Islamabad (Pakistan); Jakarta (Indonesia); New York (U.S.A); Tunis (Tunisia); Nantes (France); Helsinki (Finland); Colombo (Sri Lanka); Malmo (Sweden); London (UK) and Renens (Switzerland).

* Companies acquired as part of acquisition of business in 2019.

** Merger of companies: Merger of ODYSSEY FINANCIAL TECHNOLOGIES GMBH and IGEFI DEUTSCHLAND GMBH with TEMENOS DEUTSCHLAND GMBH/Merger of IGEFI US LLC with TEMENOS (USA), INC. in 2019.

*** Companies struck-off in 2019.

**** Companies set up in 2019.

***** Change of company name – FAIRS LIMITED changed to TEMENOS FOFL LIMITED/GENISYS TECHNOLOGY LIMITED change to TEMENOS FOGT LIMITED.

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.

6. Business combinations

Prior year acquisition

Avoka Technologies Pty Limited

The following tables summarize the financial effect of the finalization of the initial accounting as at 31 December 2019.

	2018 Initial Accounting USD 000	Accounting adjustment USD 000	Total USD 000
Purchase consideration			
– Cash consideration	253,997	688	254,685
Fair value of net asset acquired	119,932	(5,731)	114,201
Goodwill	134,066	6,419	140,485

As required by IFRS 3 : 'Business combinations', comparative information has been re-presented to reflect the finalization of initial accounting.

Subsequent adjustment by category

	2018 Initial Accounting USD 000	Accounting adjustment USD 000	Total USD 000
Cash & cash equivalents	11,535	–	11,535
Trade and other receivables	9,271	(200)	9,071
Property, plant and equipment	825	–	825
Intangible assets (note 17)	141,548	(5,347)	136,201
Trade and other payables	(5,919)	(1,184)	(7,103)
Provision for other liabilities	(430)	–	(430)
Deferred tax liabilities	(27,550)	600	(26,950)
Deferred revenues	(9,349)	400	(8,949)
Total	119,932	(5,731)	114,201

Current year acquisitions

hTrunk Software Solutions Private Limited

On 5 March 2019, the Group acquired 100% of the share capital of hTrunk Software Solutions Private Ltd a fast growing company providing big data and analytics solutions to the banking industry.

The fair value of purchase consideration transferred at acquisition date comprises of:

	USD 000
Cash consideration	1,384
Deferred consideration	1,064
Contingent consideration	689
Total	3,137

Consideration paid in cash	1,384
Cash and cash equivalents acquired	(12)
Cash outflow on acquisition	1,372

The fair value of identifiable net asset which includes software technology is USD 0.8 million, resulting in goodwill of USD 2.3 million.

The goodwill arising from the acquisition is mainly attributed to cross selling opportunities and strengthening the Group's big data expertise and presence. The goodwill recognized is not tax deductible for income tax purposes.

The initial accounting has been provisionally completed at 31 December 2019.

6. Business combinations continued

Current year acquisitions continued

Logical Glue Limited

On 17 July 2019, the Group acquired 100% share capital of Logical Glue Limited ('Logical Glue'), a London based provider of a patented, award winning Explainable AI (XAI) platform with financial clients in the UK and Europe.

Logical Glue was co-founded in 2012 by Professor Hani Hagras, who is an award-winning, global expert in Fuzzy Logic and XAI systems and the most highly cited researcher in the area of XAI. Logical Glue's patented XAI platform, which is based on Fuzzy Logic, has won numerous awards, including the Lord Stafford Achievement in Innovation Award and the Most Innovative Cloud Product by the Computing Excellence Awards. It has built a team of highly skilled individuals with deep expertise in AI and Machine Learning.

The acquisition accelerates Temenos' AI roadmap by bringing together a patented, proven, industry-first XAI platform, AI credit scoring models as well as deep AI and Machine Learning expertise.

The goodwill arising from the acquisition is mainly attributed to opportunities to cross-sell the Logical Glue platform and strengthening the Group's AI capabilities.

The goodwill recognized is not tax deductible for income tax purposes.

Fair value of the consideration transferred at acquisition date	USD 000
Cash consideration	13,142
Deferred consideration	1,583
Total	14,725

Fair value of the identifiable assets acquired and liabilities assumed	Total USD 000
Cash & cash equivalents	432
Trade and other receivables	314
Property, plant and equipment (note 16)	18
Intangible assets (note 17)	5,090
Trade and other payables	(822)
Deferred revenues	(278)
Deferred tax liabilities (note 21)	(869)
Total	3,884
Goodwill	10,841
Acquisition-related costs included in 'General and administrative' line in the statement of profit or loss	365
Net consideration paid in cash	13,142
Cash and cash equivalents acquired	(432)
Cash outflow on acquisition	12,710

The fair value of the trade and other receivables approximates its carrying value and it is expected to be fully recoverable.

The revenue and profit or loss contributed by the acquiree in the period between the date of acquisition and the reporting date is not significant.

Had the acquisition occurred on 1 January 2019, the contribution by the acquiree to the Group's consolidated revenue and profit or loss would not have been significant.

The initial accounting has been provisionally completed at 31 December 2019. The Group is still evaluating the fair value of the net assets acquired.

Kony Inc

On 20 September 2019, the Group acquired 100% share capital of Kony Inc, the fastest growing digital banking SaaS company headquartered in Austin, US.

Kony has achieved rapid growth with both top tier and mid-market banks in the US and internationally with its Kony Digital Banking Experience product (Kony DBX) which is recognized as a leader by top analyst firms such as Gartner, Forrester and IDC. With 1,500 employees and deep expertise in digital and cloud technologies, Kony has been helping banks transform the experience for their clients with digital banking applications and its market leading development platform, all of which are served through a cloud hosted SaaS model.

The acquisition significantly enhances Temenos' scale and capabilities in the US, adds significant digital expertise and accelerates Temenos Infinity, the breakthrough digital front office product, which has over 500 banking clients.

The combined strength of Temenos, Kony and the recently acquired Avoka, will further strengthen the Temenos Infinity product, covering all banking verticals offering customer acquisition and onboarding, omni-channel banking, customer retention and marketing, and modules supporting payments, wealth advisor, financial crime, risk and compliance and analytics.

The goodwill arising from the acquisition is mainly attributed to cross-selling opportunities and strengthening the Group's presence in digital front office.

The goodwill recognized is not tax deductible for income tax purposes.

Fair value of the consideration transferred at acquisition date	USD 000
Cash consideration	512,491
Contingent consideration	20,241
Total	532,732

Fair value of the identifiable assets acquired and liabilities assumed	Total USD 000
Cash & cash equivalents	5,774
Trade and other receivables	24,639
Property, plant and equipment (note 16)	4,841
Intangible assets (note 17)	241,125
Deferred tax assets (note 21)	40
Trade and other payables	(20,854)
Borrowings (including lease liabilities)	(55,413)
Income tax liabilities	(15,743)
Deferred revenues	(18,003)
Deferred tax liabilities (note 21)	(64,500)
Retirement benefit obligations	(2,504)
Total	99,401

Goodwill	433,331

Acquisition-related costs included in 'General and administrative' line in the statement of profit or loss	3,733

Consideration paid in cash	512,491
Debt repayment on acquisition date*	51,602
Cash and cash equivalents acquired	(5,774)
Cash outflow on acquisition	558,319

* Kony Inc outstanding term loan repaid on acquisition was triggered by a change of control.

The fair value of the trade and other receivables approximates its carrying value and it is expected to be fully recoverable.

The revenue and profit or loss contributed by the acquire in the period between the date of acquisition and the reporting date are USD 24.2 million and USD 14.6 million loss, respectively.

Had the acquisition occurred on 1 January 2019, the Group's consolidated statement of profit or loss would have reported a pro-forma revenue of USD 1,042.5 million and a pro-forma profit of USD 160.2 million.

The contingent consideration arrangement requires the Group to pay in cash an earn-out contribution based on the achievement of annual contract value targets over the fiscal year 2020 ('FY 2020') of the acquiree. The maximum undiscounted consideration value is USD 21 million and was deposited into an escrow account at the acquisition date and reported under other receivables (note 14).

The fair value of contingent consideration was estimated the present value of future expected cash flows.

The initial accounting has been provisionally completed at 31 December 2019. The Group is still evaluating the fair value of the net assets which includes acquired intangible assets.

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 representation 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 of restructuring costs, termination benefits, acquisition-related costs, share-based payment expenses, offices-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 liability acquired in business combination and hence total revenues allocated to the two segments exceed the IFRS reported figures.

Assets attributed to the reporting segments represent the net trade receivables and the contract assets (note 14).

The table below summarizes the primary information provided to the CODM:

	Product		Services		Total	
	2019 USD 000	2018 USD 000	**2019 USD 000**	2018 USD 000	**2019 USD 000**	re-presented 2018 USD 000
Revenues	**802,644**	687,279	**177,950**	153,688	**980,594**	840,967
Operating contribution	**407,553**	352,941	**33,090**	30,571	**440,643**	383,512
Total assets	**224,934**	197,970	**98,388**	64,299	**323,322**	262,269

All revenues are derived from external customers. The Group has a large number of customers and no individual customer contributed more than 10% of the total Group's revenue in the current and 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 liability acquired in business combination.

Intersegment transactions are recognized as part of the allocated expenses. They are based on internal cost rates that excludes any profit margin.

For goodwill impairment testing purposes, goodwill of USD 1,079.4 million (2018: 635 million (re-presented)) was allocated to the product segment.

Reconciliation to Group's consolidated financial statements	**2019 USD 000**	2018 USD 000
Total operating contribution from the reportable segments	**440,643**	383,512
Fair value adjustment on acquired deferred income liability	**(8,625)**	(106)
Depreciation and amortization (note 9)	**(130,608)**	(92,746)
Unallocated expenses	**(65,990)**	(71,890)
Finance costs – net (note 11)	**(22,867)**	(23,369)
Profit before taxation	**212,553**	195,401

Total assets	**2019 USD 000**	re-presented 2018 USD 000
Total assets allocated to the reportable segments	**323,322**	262,269
Unallocated items:		
Other receivables	**73,242**	31,913
Cash and cash equivalents	**152,785**	287,439
Other financial assets	**26,792**	22,002
Property, plant and equipment	**67,283**	18,021
Intangible assets	**1,659,822**	1,009,945
Deferred tax assets	**19,155**	17,663
Total assets per the statement of financial position	**2,322,401**	1,649,252

Geographical information

Revenues from external customers	2019 USD 000
Switzerland (country of the Group's domiciliation)	**34,893**
United States of America	**129,420**
Luxembourg	**61,735**
United Kingdom	**58,501**
Australia	**54,272**
Ireland	**44,756**
Total – material countries	**383,577**
Rest of Europe	**210,499**
Middle-East & Africa	**150,593**
Rest of Asia	**135,420**
Rest of America	**91,881**
Total revenues	**971,970**

Revenues from external customers	2018 USD 000
Switzerland (country of the Group's domiciliation)	29,859
United States of America	94,115
Luxembourg	61,711
United Kingdom	52,840
Australia	51,814
Ireland	43,722
Total – material countries	334,061
Rest of Europe	184,096
Middle-East & Africa	148,350
Rest of Asia	108,774
Rest of America	65,580
Total revenues	840,861

Revenues are based on the location where the license and maintenance is sold or the service is provided.

Non-current assets other than financial instruments and deferred tax assets	2019 USD 000
Switzerland (country of the Group's domiciliation)	**148,372**
United States of America	**732,077**
Australia	**322,867**
Luxembourg	**286,960**
United Kingdom	**73,856**
France	**61,417**
Other countries	**101,556**
Total	**1,727,105**

	re-presented 2018 USD 000
Switzerland (country of the Group's domiciliation)	133,236
Australia	327,726
Luxembourg	315,907
United States of America	62,563
France	61,365
United Kingdom	53,165
Other countries	74,004
Total	1,027,966

8. Revenue from contracts with customers

Future performance obligation

The following amounts of transaction prices allocated to the performance obligations that are partially unsatisfied or wholly unsatisfied as at reporting period:

	2019			2018		
	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	**499,218**	**1,182,396**	**1,681,614**	432,450	996,840	1,429,290

The remaining performance obligations expected to be recognized within one year and more than one year mainly relates ongoing maintenance support contracts.

Contract balances

	2019 USD 000	2018 USD 000
Contract assets	**51,211**	37,488
Deferred revenues	**287,325**	262,861

The amount of revenue recognized for the period ended 31 December 2019 from the deferred revenues balance at the beginning of the period is USD 191.4 million (2018: USD 180.2 million).

The amount of revenue recognized for the period ended 31 December 2019 from performance obligations satisfied (or partially satisfied) in previous periods is USD 6.7 million (2018: USD 6.5 million) . This is mainly due to movement in variable consideration where any variability related to transaction pricing and allocation of consideration has been removed.

Contract Costs

The group has recognized an asset in relation to cost to obtain and fulfill the contract. This is presented within other receivables in the balance sheet.

	2019 USD 000	2018 USD 000
Asset recognized from cost incurred to fulfill a contract:		
– Customization developments capitalized as work in progress	**641**	2,319

Cost associated with customization developments is recognized to statement of profit or loss when delivery is performed. In 2019, the amount recognized to profit or loss was USD 2.1 million (2018: USD 3.8 million).

	2019 USD 000	2018 USD 000
Asset recognized from cost to obtain the contract:		
– Sales Commission on SaaS contracts	**4,352**	988

Capitalized commission is amortized over the life of contract committed for by the customer as commission are driven by commitment period. In 2019, the amount amortized to profit or loss during the reporting period was USD 0.4 million (2018: USD 0.1 million).

The Group applies the practical expedient in paragraph 94 of IFRS 15, which allows to expense the cost to obtain the contract if the amortization period of the assets that the Group would have recognized is one year or less.

9. Expenses by nature

	2019 USD 000	2018 USD 000
Third party licences and commissions	**30,685**	23,257
Personnel costs and external consultants	**530,301**	450,845
Depreciation and amortization (notes 16 and 17)	**130,608**	92,746
Travel expenses	**37,622**	31,940
Rent and other occupancy costs	**8,971**	21,877
Marketing and other professional costs	**26,370**	24,150
Other costs	**36,642**	29,901
Capitalized development costs (note 17)	**(64,649)**	(52,625)
	736,550	622,091

10. Employee benefit expenses

	2019 USD 000	2018 USD 000
Wages and salaries	**331,948**	278,028
Termination benefits	**5,157**	2,283
Social charges	**64,606**	56,200
Defined contribution pension costs	**10,676**	8,672
Defined benefit pension costs (note 23)	**2,704**	3,014
Cost of employee share option scheme (note 27)	**39,463**	38,018
	454,554	386,215

Included in the employee benefit expenses, is the remuneration of the key management personnel as illustrated below:

	2019 USD 000	2018 USD 000
Key management personnel of Temenos AG		
– Short term cash compensation and benefits	**6,617**	6,897
– Post-employment benefits	**303**	236
– Share-based payment	**21,437**	19,126
	28,357	26,259
Non-executive directors		
– Short term benefits	**824**	824

Remuneration of the Board of Directors and the Executive Committee 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

	2019 USD 000	2018 USD 000
Finance income:		
– Interest income on short term bank deposits and investments	**1,506**	1,766
– Interest income on non-current trade and other receivables measured at amortized costs	**591**	204
– Foreign exchange gain, net	**9,046**	1,147
Total finance income	**11,143**	3,117
Finance costs:		
– Interest expense on financial instruments measured at amortized costs	**(22,438)**	(13,817)
– Other financing costs*	**(4,872)**	(10,605)
– Net loss on derivatives not designated as hedging instruments	**(6,700)**	(2,064)
Total finance costs	**(34,010)**	(26,486)
Finance costs – net	**(22,867)**	(23,369)

* Other financing costs include commitment fees attributable to the undrawn portion of the banking facilities, fees related to guarantees issued (performance/bid bonds and equivalents) and issuance fees related to the financing facilities that is not recorded as an interest expense (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.

	2019	2018
Profit attributable to equity holders of the Company (USD 000)	181,121	168,228
Weighted average of ordinary shares outstanding during the year (in thousands)	70,392	69,361
Basic earnings per share (USD per share)	2.57	2.43

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 period ended 31 December 2018 and 31 December 2019, this category was fully dilutive.

	2019	2018
Profit used to determine diluted earnings per share (USD 000)	181,121	168,228
Weighted average of ordinary shares outstanding during the year (in thousands)	70,392	69,361
Adjustments for:		
– Share options and restricted shares (in thousands)	3,097	3,596
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	73,489	72,957
Diluted earnings per share (USD per share)	2.46	2.31

13. Net debt analysis

	2019 USD 000	2018 USD 000
Cash at bank and in hand	102,070	189,915
Short term deposits	21,279	89,896
Other short term liquid investments	29,436	7,628
Cash and cash equivalents*	152,785	287,439
Borrowings – repayable within one year (note 19)	(100,595)	(107,797)
Borrowings – repayable after one year (note 19)	(1,073,972)	(706,278)
Cross currency swaps – cash flow hedges (note 15)	(11,957)	(19,172)
Net Debt	(1,033,739)	(545,808)

* Included in the cash and cash equivalents, is USD 5.2 million (2018: USD 6.8 million) that are held in jurisdiction where regulatory exchange controls exist and, therefore, are not available for general use by the Group outside of such jurisdiction at the reporting date.

	Cross currency swaps – Principal USD 000	Other liabilities* USD 000	Lease liabilities USD 000	Other borrowings USD 000	Total USD 000
	Changes in liabilities from financing activities				
At 31 December 2017	(27,621)	(1,234)	–	(440,184)	(469,039)
Cash flows from financing activities	–	–	–	–	–
– Net proceeds	–	–	–	(374,326)	(374,326)
– Interest payments	–	4,233	–	8,430	12,663
– Other financing costs	–	8,953	–	–	8,953
Fair value and foreign exchange movement	8,449	–	–	1,026	9,475
Other movements	–	(13,767)	–	(9,021)	(22,788)
At 31 December 2018**	(19,172)	(1,815)	–	(814,075)	(835,062)
Cash flows from financing activities					
– Net proceeds	–	–	–	(295,002)	(295,002)
– Interest payments	–	10,211	–	11,503	21,714
– Other financing costs	–	5,835	–	–	5,835
– Payments of lease liabilities	–	–	16,289	–	16,289
Adjustment on initial application of IFRS 16 (note 2.1)	–	–	(53,175)	–	(53,175)
Acquisition of business (note 6)	–	–	(3,811)	(51,602)	(55,413)
Repayment of acquiree's debt at acquisition date (note 6)***	–	–	–	51,602	51,602
Fair value and foreign exchange movement	7,215	–	290	(15,356)	(7,851)
Interest on lease liabilities (note 20)	–	–	(1,490)	–	(1,490)
Other movements	–	(16,419)	(9,421)	(10,319)	(36,159)
At 31 December 2019	**(11,957)**	**(2,188)**	**(51,318)**	**(1,123,249)**	**(1,188,712)**

* Included in 'Other payables'.
** Comparative table is represented to reflect change in format.
*** Classified as an investing activity in the statement of cash flows.

14. Trade and other receivables

	2019 USD 000	re-presented 2018 USD 000
Trade receivables	**274,550**	230,491
Contract asset (note 8)	**51,211**	37,488
Loss allowance	**(2,439)**	(5,710)
Trade receivables and contract asset – net	**323,322**	262,269
VAT and other taxation recoverable	**9,348**	9,296
Other receivables	**9,588**	6,961
Escrow deposit for contingent consideration (note 6)	**21,000**	–
Prepayments	**33,306**	15,656
Total trade and other receivables	**396,564**	294,182
Less non-current portion	**(12,338)**	(10,987)
Total current trade and other receivables	**384,226**	283,195

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 receivable with the objective to collect the contractual cash flows and therefore measures them 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.

14. Trade and other receivables continued

Fair values of the trade and other receivables qualified as financial assets and measured at amortized cost.

	Carrying amount		Fair value	
	2019 USD 000	re-presented 2018 USD 000	**2019 USD 000**	re-presented 2018 USD 000
Current trade and other receivables	**346,623**	263,713	**346,623**	263,713
Non-current trade and other receivables.	**12,338**	10,987	**12,206**	10,692
	358,961	274,700	**358,829**	274,405

The carrying amounts of the current trade and other receivables approximate their fair value. The fair value measurement of the non-current trade and other receivables is based on a discounted cash flow approach using a free-risk 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. The Group has not recognized any impairment on any other classes of assets.

	Trade receivables and Contract assets	
	2019 USD 000	2018 USD 000
Balance at 1 January	**5,710**	3,210
Increase in loss allowance	**1,205**	2,926
Used amounts	**(4,564)**	(356)
Recoveries	**–**	–
Unused amounts	**(2)**	(52)
Acquisition of business (note 6)	**92**	–
Exchange (loss) or gain	**(2)**	(18)
Balance at 31 December	**2,439**	5,710

Included in 'Sales and marketing', is USD 1.2 million (2018: USD 2.9 million) of impairment loss related to trade receivables and contract assets.

15. Other financial assets and liabilities

	2019		2018	
	Assets USD 000	**Liabilities USD 000**	Assets USD 000	Liabilities USD 000
Foreign currency forwards – cash flow hedges	**2,314**	**670**	2,787	1,360
Foreign currency options – cash flow hedges	**68**	**–**	–	–
Foreign currency forwards – held for trading	**2,184**	**1,867**	4,215	1,087
Foreign currency options – held for trading	**147**	**–**	–	–
Cross currency swaps – cash flow hedges	**–**	**11,957**	–	19,172
Convertible notes	**6,000**	**–**	–	–
Equity securities	**16,079**	**–**	15,000	–
At 31 December	**26,792**	**14,494**	22,002	21,619
Reported as follows:				
Current	**4,431**	**2,518**	6,579	2,234
Non-current	**22,361**	**11,976**	15,423	19,385
At 31 December	**26,792**	**14,494**	22,002	21,619

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets and convertible notes as reported in the statement of financial position.

Equity securities and convertible notes represent investment in NuoDB, a distributed SQL database provider headquartered in the US, which were acquired in December 2018 and December 2019, respectively. Equity securities are designated and measured at FVOCI as the Group intends to hold them for strategic purposes. Convertible notes are measured at FVTPL and intended to be held to maturity.

16. Property, plant and equipment

Year ended 31 December 2019	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
Cost						
At 1 January 2019	15,350	609	52,804	2,480	–	71,243
Adjustment on initial application of IFRS 16	–	–	–	–	45,085	45,085
Foreign currency exchange differences	22	(11)	(171)	(49)	(90)	(299)
Additions	3,340	126	6,759	–	11,718	21,943
Acquisition of businesses (note 6)	307	–	741	–	3,811	4,859
Retirements/Disposals	(371)	(67)	(1,553)	(506)	–	(2,497)
31 December 2019	**18,648**	**657**	**58,580**	**1,925**	**60,524**	**140,334**
Depreciation and impairment						
At 1 January 2019	12,851	400	39,516	455	–	53,222
Foreign currency exchange differences	30	(6)	(65)	(10)	89	38
Charge for the year	1,229	82	5,763	34	14,543	21,651
Retirements/Disposals	(261)	(55)	(1,480)	(64)	–	(1,860)
31 December 2019	**13,849**	**421**	**43,734**	**415**	**14,632**	**73,051**
Net book value						
31 December 2019	**4,799**	**236**	**14,846**	**1,510**	**45,892**	**67,283**

Year ended 31 December 2018	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
Cost						
At 1 January 2018	15,085	515	48,039	2,657	–	66,296
Foreign currency exchange differences	(515)	(24)	(2,361)	(177)	–	(3,077)
Additions	984	137	7,111	–	–	8,232
Acquisition of business	–	–	825	–	–	825
Retirements/Disposals	(204)	(19)	(810)	–	–	(1,033)
31 December 2018	15,350	609	52,804	2,480	–	71,243
Depreciation and impairment						
At 1 January 2018	12,493	374	36,602	442	–	49,911
Foreign currency exchange differences	(451)	(15)	(1,795)	(33)	–	(2,294)
Charge for the year	1,013	60	5,505	46	–	6,624
Retirements/Disposals	(204)	(19)	(796)	–	–	(1,019)
31 December 2018	12,851	400	39,516	455	–	53,223
Net book value						
31 December 2018	2,499	209	13,288	2,025	–	18,021

17. Intangible assets

Year ended 31 December 2019	Internally generated software development costs USD 000	Goodwill USD 000	Computer software USD 000	Customer related USD 000	Total USD 000
Cost					
At 1 January 2019	483,743	635,000	229,799	234,936	1,583,478
Foreign currency exchange differences	(1,610)	(2,098)	(1,825)	(2,627)	(8,160)
Additions	64,649	–	5,335	–	69,984
Acquisition of businesses (note 6)	–	446,507	159,327	87,700	693,534
Retirements/Disposals	–	–	–	–	–
31 December 2019	**546,782**	**1,079,409**	**392,636**	**320,009**	**2,338,836**
Amortization					
At 1 January 2019	333,283	–	140,475	99,775	573,533
Foreign currency exchange differences	(1,393)	–	(1,056)	(1,027)	(3,476)
Charge for the year	49,578	–	36,312	23,067	108,957
Retirements/Disposals	–	–	–	–	–
31 December 2019	**381,468**	**–**	**175,731**	**121,815**	**679,014**
Net book value					
31 December 2019	**165,314**	**1,079,409**	**216,905**	**198,194**	**1,659,822**

Year ended 31 December 2018	Internally generated software development costs USD 000	Goodwill USD 000	Computer software USD 000	Customer related USD 000	Total USD 000
Cost					
At 1 January 2018	435,373	521,671	185,555	157,899	1,300,498
Foreign currency exchange differences	(4,255)	(27,156)	(7,176)	(6,863)	(45,450)
Additions	52,625	–	4,115	–	56,740
Acquisition of business	–	140,485	52,301	83,900	276,686
Retirements/Disposals	–	–	(4,996)	–	(4,996)
31 December 2018 (re-presented)	483,743	635,000	229,799	234,936	1,583,478
Amortization					
At 1 January 2018	291,605	–	124,899	88,033	504,537
Foreign currency exchange differences	(3,197)	–	(4,871)	(4,062)	(12,130)
Charge for the year	44,875	–	25,443	15,804	86,122
Retirements/Disposals	–	–	(4,996)	–	(4,996)
31 December 2018	333,283	–	140,475	99,775	573,533
Net book value					
31 December 2018 (re-presented)	150,460	635,000	89,324	135,161	1,009,945

Amortization charge of USD 104.7 million (2018: USD 82.1 million) is included in the 'Cost of sales' line; USD 0.4 million (2018: USD 0.3 million) in 'Sales and marketing' line; USD 1 million (2018: USD 1 million) in 'Other operating expenses' line and USD 2.9 million (2018: USD 2.7 million) in 'General and administrative' line.

Impairment tests for goodwill
Goodwill is allocated to the 'Product' reportable segment.

	2019			2018		
	Carrying amount USD 000	**Growth rate %**	**Discount rate %**	Carrying amount USD 000 re-presented	Growth rate %	Discount rate %
'Product' segment	**1,079,409**	**1%**	**9.89%**	635,000	1%	10.75%
	1,079,409			635,000		

The recoverable amount of the cash-generating unit (CGU) is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the most recent financial budget approved by the management covering a four-year period (2018: 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 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 the future client signings of the Group's current pipeline. Budgeted gross margin is based on expectations of market development and efficiency leverage. Management believes that any reasonable change in any of the key assumptions 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 determinate the pre-tax rate as required by IFRS.

18. Trade and other payables

	2019 USD 000	re-presented 2018 USD 000
Trade payables	**42,543**	30,883
Accrued expenses	**127,678**	117,360
Contingent consideration (note 6)	**20,930**	–
Other payables	**31,068**	15,993
Total trade and other payables	**222,219**	164,236
Less non-current portion	**(2,272)**	–
Total current trade and other payables	**219,947**	164,236

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 to the contractual amount or the fair value initially recognized.

Contingent consideration is initially and subsequently measured at fair value.

Fair values of the trade and other payables qualified as financial liabilities and measured at amortized cost.

	Carrying amount		Fair value	
	2019 USD 000	re-presented 2018 USD 000	**2019 USD 000**	re-presented 2018 USD 000
Current trade and other payables	**188,150**	161,064	**188,150**	161,064
Non-current trade and other payables	**1,583**	–	**1,540**	–
	189,733	161,064	**189,690**	161,064

The carrying amounts of the current trade and other payables is considered to be at their fair value, due to their short term nature. The fair value measurement of the non-current trade and other payables is based on a discounted cash flow model using a free-risk yield curve adjusted for credit risk and is within level 2 of fair value hierarchy.

The carrying amounts of the items measured at fair value as well as their level in the fair value hierarchy are disclosed in note 3.4.

19. Borrowings

	2019 USD 000	2018 USD 000
Current		
Other loans	59	75
Bank borrowings	80,000	–
Unsecured bonds	4,574	107,722
Lease liabilities	15,962	–
	100,595	107,797
Non-current		
Other loans	130	86
Bank borrowings	297,094	200,000
Unsecured bonds	741,392	506,192
Lease liabilities	35,356	–
	1,073,972	706,278
Total borrowings	1,174,567	814,075

Fair values of the borrowings

	Carrying amount		Fair value	
	2019 USD 000	2018 USD 000	2019 USD 000	2018 USD 000
Other loans	189	161	164	172
Bank Borrowings	377,094	200,000	376,832	200,014
Unsecured bonds	745,966	613,914	764,029	608,435
	1,123,249	814,075	1,141,025	808,621

The fair value measurement of other loans and bank borrowing is based on a discounted cash flow method using the LIBOR interest curve adjusted for credit risk and is within level 2 of the fair value hierarchy. The fair value measurement of the bonds is derived from their quotation on the SIX Swiss Exchange and is within level 1 of the fair value hierarchy.

The carrying amounts of the borrowings are denominated in the following currencies:

	2019 USD 000	2018 USD 000
Swiss Francs	764,259	613,914
US dollars	368,245	200,000
Other currencies	42,063	161
	1,174,567	814,075

Unsecured bonds

The Group holds the following unsecured bonds:

- CHF 175 million with a coupon of 2% paid annually on 17 June. The bond will mature on 17 June 2022 at par and was issued in 2015.
- 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.
- 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 revolving facility of USD 500 million. The pertinent details are as follows:

- Interest at LIBOR plus variable margin, which is calculated by reference to financial covenants;
- The facility terminates on 5 July 2024 with an option to extend by two additional years; and
- Commitment fees are due on the undrawn portion.

As at 31 December 2019, a total of USD 297.1 million (2018: USD 200 million) was drawn under this new agreement.

The facility is subject to financial covenants which have been adhered to during the reported periods.

As part of its acquisition of Kony Inc, the Group holds a bridge facility agreement for an outstanding amount of USD 80 million. The facility will terminate on 28 August 2020.

20. Leases

The Group primarily leased properties (office space) in jurisdiction from which it operates. The Group also have few 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

	2019 USD 000	1 January 2019* USD 000
Right-of-use asset		
Property	**45,818**	45,085
Equipment	**47**	–
Vehicles	**27**	–
Total	**45,892**	45,085

	2019 USD 000	1 January 2019* USD 000
Lease liabilities		
Current	**15,962**	14,918
Non-current	**35,356**	38,257
Total	**51,318**	53,175

* Adjustment on initial application of IFRS 16 on 1 January 2019. The right-of-use assets are included in property, plant and equipment and the lease liabilities in borrowings in the statement of financial position.

Amounts recognized in profit or loss

Leases under IFRS16	2019 USD 000
Depreciation charge of right-of-use-assets	
Property	**14,503**
Equipment	**37**
Vehicles	**3**
Total depreciation	**14,543**
Interest on lease liabilities	**1,490**
Expenses relating to short term leases	**1,497**
Expenses relating to leases of low-value assets, excluding short term leases of low-value assets	**145**
Income from subleasing right-of-use asset	**22**

Leases under IAS 17	2018 USD 000
Lease expense	17,713
Sub-lease income	(1,618)
	16,095

Amount recognized in statement of cash flows

The total cash outflow for leases in 2019 was USD 17.9 million.

At 31 December 2019, the commitment on short term leases is USD 0.9 million which has not been included in measurement of lease liabilities.

At 31 December 2019 the Group had committed to a lease which had not commenced and the total future cash outflows for leases not reflected in lease liabilities is USD 13.6 million.

Extension and termination options

Some leases of office property 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 would reassess the reasonability of the option to extend or terminate if a significant event or significant change in circumstances occurs which is within its control.

21. Taxation

Tax expense

	2019 USD 000	2018 USD 000
Current tax on profits for the year	32,580	29,591
Adjustments in respect of prior years	(1,530)	(1,150)
Total current tax	31,050	28,441
Deferred tax – origination and reversal of temporary differences	382	(1,268)
Total tax expense	31,432	27,173

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 Swiss statutory corporate tax rate for the Group of 24.1% (2018: 24.1%), is as follows:

	2019 USD 000	2018* USD 000
Profit before tax	212,553	195,401
Tax at the domestic rate of 24.1%	51,225	47,092
Non-taxable income and expenses	(540)	9,691
Recognition of previously unrecognized deferred tax	–	8,883
Origination and reversal of temporary differences	5,180	(9,476)
Prior period adjustments	(1,530)	(1,150)
Movement in other unprovided deferred tax	2,099	944
Losses not recognized in period	18,537	11,587
Unprovided losses utilized	(1,663)	(6,531)
Effects of different tax rates	(53,384)	(37,229)
Overseas withholding tax	7,173	4,454
Other tax and credits	4,334	(1,093)
Total tax expense	31,432	27,173

* The 2018 comparatives have been restated to aid ongoing comparability and consistency under IAS12 'Income Taxes' for users of the financial statements.

There is no income tax expense or tax credit arising relating to components of other comprehensive income (2018: USD nil). Due to the adoption of the IFRS 16 standard, a net tax charge of USD 0.5 million is directly posted to equity.

During the period Switzerland enacted tax reform (TRAF) to simplify their tax regime which should apply from 2020. Whilst TRAF reduced the high level corporate income tax rate for companies, it also removed a number of regimes, such that TRAF will not significantly alter the effective tax rate for the business in Switzerland and is not anticipated to have a material impact on the Group tax rate.

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. Deferred tax assets and liabilities shown in the consolidated balance sheet are as follows:

	2019 USD 000	re-presented 2018 USD 000
Deferred tax assets – to be recovered after more than 12 months	14,686	17,562
Deferred tax assets – to be recovered within 12 months	4,469	101
Deferred tax assets	19,155	17,663
Deferred tax liabilities – to be recovered after more than 12 months	(101,238)	(35,033)
Deferred tax liabilities – to be recovered within 12 months	(2,427)	(1,961)
Deferred tax liabilities	(103,665)	(36,994)
Net deferred tax (liabilities)/assets	(84,510)	(19,331)

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 the future taxable profits is probable.

The Group has not recognized deferred tax assets of USD 95.8 million (2018: USD 34.4 million) in respect of losses amounting to USD 477.4 million (2018: USD 189.8 million) that can be carried forward against future taxable income. Losses amounting to USD 114.4 million (2018: USD 90.9 million) will expire within the next 5 years, USD 5.7 million (2018: USD 22.8 million) will expire within 5 to 10 years and USD 15 million (2018: USD 9.9 million) will expire within 10 to 20 years.

The Group has recognized deferred tax assets of USD 0.1 million (2018: USD 0.2 million) in respect of temporary differences arising on an intra-Group transfer of intellectual property.

At the balance sheet date the aggregate amount of the temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognized was USD 1,081 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 the temporary differences and the Group considers that it is probable that such differences will not reverse in the foreseeable future.

The gross movement on the deferred income tax account is as follows:

	2019 USD 000	re-presented 2018 USD 000
At 1 January	**(19,331)**	6,535
Income statement credit	**(381)**	1,267
Foreign currency exchange differences	**531**	(183)
Acquisition of business	**(65,329)**	(26,950)
At 31 December	**(84,510)**	(19,331)

The movement in deferred tax assets is as follows:

	Tax losses USD 000	Taxable intellectual property USD 000	Taxable goodwill USD 000	Other USD 000	Total USD 000
At 1 January 2018	17,080	204	288	4,371	21,943
Credited (charged) to the income statement	(2,237)	(42)	(475)	356	(2,397)
Acquisition of business	–	–	–	–	–
Transfer to deferred tax liability	–	–	187	(1,343)	(1,156)
Foreign currency exchange differences	(332)	–	–	(394)	(726)
At 31 December 2018	14,511	162	–	2,990	17,663
Credited (charged) to the income statement	(6,866)	(31)	1,889	4,600	(409)
Acquisition of business (note 6)	–	–	–	40	40
Transfer from deferred tax liability	–	–	–	953	953
Foreign currency exchange differences	–	–	–	908	908
At 31 December 2019	**7,645**	**131**	**1,889**	**9,490**	**19,155**

The movement in deferred tax liabilities is as follows:

	Intangible fair value adjustment USD 000	Other USD 000	Total USD 000
At 1 January 2018	(13,967)	(1,441)	(15,408)
Credited to the income statement	4,249	(584)	3,665
Acquisition of business	(25,200)	(1,750)	(26,950)
Transfer from Deferred tax asset	–	1,156	1,156
Foreign currency exchange differences	512	31	543
At 31 December 2018 (re-presented)	(34,406)	(2,588)	(36,994)
Credited to the income statement	8,226	(8,198)	28
Acquisition of business (note 6)	(65,369)	–	(65,369)
Transfer from Deferred tax asset	–	(953)	(953)
Foreign currency exchange differences	(377)	–	(377)
At 31 December 2019	**(91,926)**	**(11,739)**	**(103,665)**

22. Provisions for other liabilities and charges

	Legal provision USD 000	Property provision USD 000	Termination benefits USD 000	Total USD 000
1 January 2019	242	642	636	1,520
Foreign currency exchange differences	(4)	11	–	7
Increase in provisions recognized in profit or loss	28	245	700	973
Used during the year	(168)	(36)	(604)	(808)
Unused amounts reversed during the year	(70)	–	(32)	(102)
31 December 2019	**28**	**862**	**700**	**1,590**
Reported as follows:				
2019				
Current	28	163	700	891
Non-current	–	699	–	699
31 December 2019	**28**	**862**	**700**	**1,590**
2018				
Current	242	381	636	1,259
Non-current	–	261	–	261
31 December 2018	242	642	636	1,520

Legal provision

The amounts represent provisions for certain legal claims brought against the Group. The balance at 31 December 2019 is expected to be utilized in 2020. Management believes that the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2019.

Property provision

The amounts represent the net present value of the estimated future costs associated with onerous leases and dilapidations. Provision for onerous lease represents the lowest cost to exit the lease contract. Provision for dilapidations represents 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 0.699 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 amounts represent the benefits payable for the period with no future economic benefits to the Group. The carrying amount is expected to be fully utilized in 2020.

23. Retirement benefit obligations

The Group maintains defined contribution plans for its employees of which many are state-sponsored. The relevant contributions are charged to the statement of 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.

Pension plans in Switzerland

The Group currently holds two plans in Switzerland.

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 and contributes the most in the Group's reported balance.

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 the 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 company 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 and as a significant portion of the Group's obligation is contributed by the Swiss plans, the 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 are as follows:

	2019 USD 000	2018 USD 000
Present value of funded obligations	50,030	47,864
Fair value of plan assets	(46,904)	(41,612)
Deficit of funded plans	3,126	6,252
Present value of unfunded obligations	7,410	4,068
Net liability in the statement of financial position	10,536	10,320

23. Retirement benefit obligations continued

The movement in the net defined benefit liability (asset) 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 2019	**51,932**	**(41,612)**	**10,320**	**–**	**10,320**
Current service costs	**3,014**	**–**	**3,014**	**–**	**3,014**
Past service costs	**(609)**	**–**	**(609)**	**–**	**(609)**
Other cost	**–**	**64**	**64**	**–**	**64**
Interest expense/(income)	**914**	**(679)**	**235**	**–**	**235**
	3,319	**(615)**	**2,704**	**–**	**2,704**
Remeasurements (included in OCI):					
– Return on plan assets, excluding interest income	**–**	**(4,658)**	**(4,658)**	**–**	**(4,658)**
– Actuarial loss (gain) from:					
– demographic assumptions	**(1)**	**–**	**(1)**	**–**	**(1)**
– financial assumptions	**3,829**	**–**	**3,829**	**–**	**3,829**
– experience adjustment	**(365)**	**–**	**(365)**	**–**	**(365)**
	3,463	**(4,658)**	**(1,195)**	**–**	**(1,195)**
– Exchange differences	**563**	**(576)**	**(13)**	**–**	**(13)**
– Acquisition of business	**2,504**	**–**	**2,504**	**–**	**2,504**
Contributions:					
– Employers	**–**	**(3,784)**	**(3,784)**	**–**	**(3,784)**
– Plan participants	**854**	**(854)**	**–**	**–**	**–**
Payment from/to plans:					
– Benefit paid	**(5,195)**	**5,195**	**–**	**–**	**–**
	(1,274)	**(19)**	**(1,293)**	**–**	**(1,293)**
Balance at 31 December 2019	**57,440**	**(46,904)**	**10,536**	**–**	**10,536**
Balance at 1 January 2018	44,678	(36,942)	7,736	–	7,736
Current service costs	2,606	–	2,606	–	2,606
Past service costs	214	–	214	–	214
Other cost	–	38	38	–	38
Interest expense/(income)	608	(452)	156	–	156
	3,428	(414)	3,014	–	3,014
Remeasurements (included in OCI):					
– Return on plan assets, excluding interest income	–	1,126	1,126	–	1,126
– Actuarial loss (gain) from:					
– demographic assumptions	859	–	859	–	859
– financial assumptions	(863)	–	(863)	–	(863)
– experience adjustment	1,168	–	1,168	–	1,168
	1,164	1,126	2,290	–	2,290
– Exchange differences	(810)	672	(138)	–	(138)
Contributions:					
– Employers	–	(2,582)	(2,582)	–	(2,582)
– Plan participants	1,104	(1,104)	–	–	–
Payment from/to plans:					
– Benefit paid	2,368	(2,368)	–	–	–
	2,662	(5,382)	(2,720)	–	(2,720)
Balance at 31 December 2018	51,932	(41,612)	10,320	–	10,320

At 31 December 2019 (2018: nil), one Swiss plan reported a surplus with no asset ceiling.

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 used 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:

	2019	2018
Equity securities:		
– Quoted	**25%**	19%
– Unquoted	**0%**	0%
Fixed income securities:		
– Quoted	**29%**	15%
– Unquoted	**0%**	0%
Real estate	**24%**	12%
Insurance contracts	**14%**	48%
Other	**8%**	6%
	100%	100%

The governance of the plan schemes and the foundations annually performs an asset-liability assessment. The objective of such assessment is to select an appropriate asset allocation to match future cash outflows of the plan while maximizing the return and minimizing the risk.

Actuarial assumptions:
The defined benefit plans expose the Group to actuarial risks, such as currency risk, interest rate 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):

	2019	2018
Discount rate	**1.50%**	1.82%
Inflation	**0.79%**	0.78%
Future salary growth	**2.59%**	2.37%

Sensitivity analysis:
The sensitivity of the defined benefit obligation to changes in the principal assumption is:

			2019
	Change in assumption	**Increase USD 000**	**Decrease USD 000**
Discount rate	**50bps**	**(2,931)**	**3,265**
Future salary growth	**0.50%**	**731**	**(704)**

			2018
	Change in assumption	Increase USD 000	Decrease USD 000
Discount rate	50bps	(2,514)	2,794
Future salary growth	0.50%	588	(562)

The sensitivity analysis are 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 have been calculated using the same methodology as applied when determining the pension liability in the statement of financial position.

Expected contributions to post-employment defined benefit plans for the year ending 31 December 2020 are USD 3.3 million.

At 31 December 2019, the weighted-average duration of the defined benefit obligation was 11 years (2018: 10 years).

24. Share capital

As at 31 December 2019, the issued shares of Temenos AG comprised 72,757,466 ordinary shares of 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 2019 are summarized below:

	Number
Total number of shares issued, as at 31 December 2018	71,044,267
Treasury shares	(1,804,267)
Total number of shares outstanding, as at 31 December 2018	69,240,000
Creation of new ordinary shares out of conditional capital for share-based payment transactions	1,713,199
Disposal of treasury shares for share-based payment transactions	–
Acquisition of treasury shares (share buy-back)	–
Total number of shares outstanding, as at 31 December 2019	**70,953,199**

As at 31 December 2019, the number of treasury shares held by the Group amounted to 1,804,267 (2018: 1,804,267).

Temenos AG also has conditional and authorized capital, comprising:

Authorized shares available until 15 May 2021	7,100,000
Conditional shares that may be issued on the exercise of share-based payment transactions	5,092,458
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 2018	221,818	206,756	(546,405)	(68,456)	(186,287)
Cost of share options (note 27)	–	38,018	–	–	38,018
Exercise of share-based payment transactions	22,753	–	(162,498)	–	(139,745)
Costs associated with equity transactions	(1,081)	–	–	–	(1,081)
Balance at 31 December 2018	243,490	244,774	(708,903)	(68,456)	(289,095)
Cost of share options (note 27)	–	39,463	–	–	39,463
Exercise of share-based payment transactions	270,145	–	(278,786)	–	(8,641)
Costs associated with equity transactions	(111)	–	–	–	(111)
Balance at 31 December 2019	**513,524**	**284,237**	**(987,689)**	**(68,456)**	**(258,384)**

Share premium

The share premium primarily includes the following transactions:

- Premium on issuance of new shares at a price above the par value;
- The equity component determined at the issuance of the convertible bond in 2006 and the premium resulting from the early redemption occurred in 2010;
- Expenses associated with equity transactions; and
- Gains or losses on the sale, issuance or cancellation of treasury shares.

Share options reserve

As detailed in note 27, the Group has issued instruments to employees. The fair value of these instruments is charged to the statement of 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 fulfills 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.

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 39 thousand. The new shares in Temenos AG were issued at nominal value of CHF 5 which resulted in a negative premium of USD 113,538 thousand. 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 62,277 thousand was recorded to share premium 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 2018	(84,607)	–	(8,734)	(93,341)
Currency translation differences	(32,883)	–	–	(32,883)
Foreign currency risk				
Transfer to profit or loss within 'Personnel costs'	–	–	429	429
Transfer to profit or loss within 'Software licensing revenue'	–	–	(1,309)	(1,309)
Transfer to 'Deferred revenues'	–	–	(2,049)	(2,049)
Transfer to profit or loss within 'finance costs'	–	–	(5,527)	(5,527)
Changes in fair value of hedging instruments	–	–	13,189	13,189
Balance at 31 December 2018	(117,490)	–	(4,001)	(121,491)
Currency translation differences	(24,104)	–	–	(24,104)
Foreign currency risk				
Transfer to profit or loss within 'Personnel costs'	–	–	746	746
Transfer to profit or loss within 'Software licensing revenue'	–	–	(2,942)	(2,942)
Transfer to 'Deferred revenues'	–	–	(2,150)	(2,150)
Transfer to profit or loss within 'finance costs'	–	–	(5,635)	(5,635)
Changes in fair value of hedging instruments	–	9	11,825	11,834
Balance at 31 December 2019	**(141,594)**	**9**	**(2,157)**	**(143,742)**

Cumulative translation reserve

It comprises all the foreign currency differences arising from the translation of the financial statements of the foreign operations in US dollars.

Costs of hedging reserve

It represents fair value changes of the time value of options when designating the intrinsic value of the options as the hedging instrument in cash flow hedge relationship.

Cash flow hedge reserve

It comprises the effective portion of the cumulative net change in fair value of hedging instruments used in cash flow hedges that are not yet recognized in profit or loss or as part of the carry amount of a non-financial assets or a non-financial liabilities.

27. Share based payments

Share options

Share options are granted to executive board members and selected employees. Share options are conditional on the employee completing a specified period of service (the vesting period). The vesting period for the unvested options is a minimum of three years and the options have a contractual term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

A summary of the movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	3,000	$30.74	3,000	$31.94
Exercised during the year	(3,000)	$30.00	–	$0.00
Outstanding at the end of the year	–	–	3,000	$30.74

All of the outstanding options (2018: 3,000) were exercised in 2019. No options were exercised in 2018.

Share appreciation rights

Share appreciation rights 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 and non-IFRS product revenue targets. In case of over achievement of targets, certain share appreciation right grants may be increased by a maximum of 40% of the original grant. The vesting period for the 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 movements in the number of share appreciation rights outstanding and their related weighted average exercise prices are as follows:

	2019		2018	
	Number of rights	Weighted average exercise price	Number of rights	Weighted average exercise price
Outstanding at the beginning of the year	6,563,326	$63.82	7,006,275	$46.89
Granted during the year*	1,699,297	$127.00	1,644,992	$99.67
Forfeited during the year	(251,405)	$109.32	(35,868)	$56.08
Exercised during the year	(2,433,503)	$50.34	(2,052,073)	$34.78
Outstanding at the end of the year	5,577,715	$86.86	6,563,326	$63.82

* Including overachievement for share appreciation rights Plan 2017-2019 with the same conditions as the original share appreciation rights Plan grant.

1,748,117 of the outstanding share appreciation rights (2018: 621,893) were exercisable at the balance sheet date with a weighted average exercise price of USD 39.98 (2018: USD 25.68). The share appreciation rights exercised during the year had a weighted average share price at the time of exercise of USD 160.83 (2018: USD 131.96).

As described above, in case of overachievement of earnings per share targets, certain share appreciation right grants may be increased by a maximum of 40% of the original grant. As at 31 December 2019, 318,628 SARs (2018: 531,592 SARs) have been added to the 2017-2019 plan as a result of overachievement. There are 2,231,315 remaining share appreciation rights (2018: 5,409,841) that may be subject to the over achievement provisions in the future with a weighted average exercise price of USD 134.57 (2018: USD 70.15).

Share options and share appreciation rights outstanding at the end of the year have exercise prices and weighted average remaining contractual lives as follows:

2019 Exercise price (USD)	Number	Remaining contractual life (years)
0-9.99	215,466	2.82
10-19.99	14,494	0.01
20-29.99	357,260	5.08
30-39.99	991,684	6.14
40-49.99	158,388	6.56
50-59.99	10,825	6.93
60-69.99	1,557,577	6.76
70-79.99	3,591	7.31
80-89.99	17,959	7.46
90-99.99	19,156	7.70
100-109.99	53,500	8.98
110-119.99	814,380	8.13
120-129.99	938,285	9.13
130-164.00	396,150	9.67
	29,000	9.37
	5,577,715	7.21

2018 Exercise price (USD)	Number	Remaining contractual life (years)
0-9.99	15,529	0.17
10-19.99	274,165	3.87
20-29.99	38,501	1.19
30-39.99	770,718	5.96
40-49.99	2,341,019	7.12
50-59.99	240,457	7.47
60-69.99	19,382	7.88
70-79.99	1,628,155	8.12
80-89.99	3,000	8.31
90-99.99	109,000	8.55
100-109.99	16,000	8.70
110-119.99	81,500	9.98
120-129.99	1,019,900	9.13
130-164.00	9,000	9.69
	6,566,326	7.44

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 30.19 (2018: USD 23.53). The significant inputs into the model were: weighted average share price at grant date of USD 127.06 (2018: USD 99.96), weighted average exercise price of USD 127 (2018: USD 99.67), standard deviation of expected share price returns of 30% (2018: 30%), weighted average option lives of 3.53 years (2018: 3.57 years), weighted average annual risk-free interest rate of 2.19% (2018: 2.15%) and weighted average expected dividend yield of 0.66% (2018: 0.77%). 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

Short term incentive (STI) share plan

	2019 Number of shares	2018 Number of shares
Outstanding at the beginning of the year	47,710	14,521
Granted during the year	29,653	39,163
Forfeited during the year	(1,425)	(5,974)
Transferred during the year	(40,412)	–
Outstanding at the end of the year	35,526	47,710

STI share plan

For the year ended 31 December 2019 and 31 December 2018 the short term incentive plan in place for the senior management with specific bonus targets were offered a choice of receiving the final bonus in cash or 50% in cash and 50% in deferred shares with 20% uplift. In 2019, 3,311 (2018: 7,081) deferred shares were committed under this scheme. The shares committed in 2018 vest on 1 March 2020 and the shares committed in 2019 vest on 1 March 2021. In case of over achievement of earnings per share targets, certain short term incentive plan grants may be increased or decreased from the original grant. As at 31 December 2019, 1,296 short term incentive shares have been added to the STI 2017 plan as a result of overachievement for some senior management.

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 20% uplift. In 2019 25,032 deferred shares were committed under this scheme for the bonus relating to the financial year 2018. These shares will vest on 1 March 2020.

Expense

The total expense recorded in the income statement in respect of employee share options, share appreciation rights, performance and loyalty shares and the profit share plan is USD 39.5 million (2018: USD 38 million).

28. Dividend per share

Dividend is proposed by the Board of Directors and must be approved by the Annual General Meeting of the Shareholders. The dividend proposed for the 2019 financial year is amounting to CHF 60 million (CHF 0.85 per share) and it is not yet recorded as a liability. This amount may vary depending on the number of shares outstanding as of the ex-dividend date.

The dividend paid in 2019 related to 2018 financial year amounted to CHF 52.9 million (CHF 0.75 per share).

29. Commitments and contingencies

The future aggregate undiscounted minimum lease and sub-lease payments under non-cancelable lease agreement are as follows:

	2019* USD 000	2018 USD 000
No later than 1 year	–	15,695
Later than 1 year and no later than 5 years	–	37,299
Later than 5 years	–	3,960
Total	–	56,953

* With the adoption of IFRS 16, the Group is required to disclose a maturity analysis of its lease liabilities (refer note 3.2 Financial risk factors).

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, investigations and proceedings incidental to the normal conduct of its operations. These matters mainly include the risks associated with personnel litigation, tax claims and contractual disputes.

As at 31 December 2019, the guarantees in issue were USD 12.6 million (2018: USD 10.8 million).

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.

30. Related party transactions and balances

Remuneration of Executive and Non-Executive Directors is described in note 10. Equity compensation for executive and non-executive directors granted in the form of options, SARSs and shares is described in note 27.

There were no other significant transactions with related parties during the year ended 31 December 2019.

31. Events after the reporting period

On January 28 2020, the Group entered into an agreement to increase its current financing facility by USD 160 million. The total commitment is now USD 660 million.

Report of the statutory auditors on the unconsolidated financial statements

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, which comprise the balance sheet as at 31 December 2019, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at 31 December 2019 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 Auditing Standards. 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 entity 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 judgment, 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 13,700,000
How we determined it	0.5% of total assets, rounded
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 450,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgments 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 entity, the accounting processes and controls, and the industry in which the entity operates.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors 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 entity'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 entity 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 Swiss Auditing Standards 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 Swiss Auditing Standards, 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 entity'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 entity'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 entity 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of 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.

PricewaterhouseCoopers SA

Yazen Jamjum
Audit expert
Auditor in charge

Pierrick Misse
Audit expert

Geneva, 20 February 2020

Unconsolidated balance sheet As at 31 December

	2019 CHF 000	2018 CHF 000
Assets		
Current assets		
Liquid funds	**6,635**	8,446
Receivables from other group entities	**18,580**	141,260
Prepayments	**392**	355
Total current assets	**25,607**	150,062
Non-current assets		
Long term receivables from other group entities	**1,305,099**	202,610
Investments in subsidiaries (note 2)	**1,415,522**	1,415,522
Total non-current assets	**2,720,620**	1,618,132
Total assets	**2,746,228**	1,768,194
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	**966**	74
Payables to other group entities	**63,165**	388
Short term interest-bearing liabilities (note 7)	**4,426**	106,021
Other liabilities	**6,751**	1,046
Tax payable	**1,207**	1,366
Deferred unrealized exchange gain	**–**	1,816
Total current liabilities	**76,515**	110,710
Non-current liabilities		
Long term interest-bearing liabilities (note 7)	**717,408**	498,197
Long term interest-bearing payables to other group entities	**154,195**	154,100
Total non-current liabilities	**871,602**	652,297
Shareholders' equity		
Share capital (note 3)	**363,787**	355,221
Ordinary legal reserve (note 4)	**22,118**	11,913
Share premium (note 4)	**509,443**	71,044
General reserve from capital contributions (note 4)	**52,139**	105,051
Reserve for treasury shares from share premium (note 4)	**–**	170,817
Reserve for treasury shares (note 4)	**260,536**	90,510
Retained earnings (note 4)	**590,087**	200,629
Treasury shares (note 5)	**–**	–
Total shareholders' equity	**1,798,111**	1,005,187
Total shareholders' equity and liabilities	**2,746,228**	1,768,194

Unconsolidated income statement For the year ended 31 December

	2019 CHF 000	2018 CHF 000
Income from investments in subsidiaries (note 8)	583,787	215,000
Financial (expense)/income	(8,501)	(6,407)
Expenses associated with the maintenance of the Register of Shareholders and other expenses	(4,395)	(3,832)
Profit before taxation	570,890	204,761
Taxation	(1,201)	(660)
Profit of the year	569,689	204,101

Notes to the unconsolidated financial statements 31 December 2019

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.

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)).
For comparability reasons, certain amounts relating to the previous financial year have been reclassified in order to correspond to the presentation for the current year.

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 and geographical location.

Treasury shares are valued at historical acquisition value without subsequent valuation adjustment. Gains and losses from disposals of treasury shares are recorded directly in capital reserves.

Liabilities are valued at nominal value.

All assets and liabilities denominated in foreign currencies are translated according to the exchange rates applicable on 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) 2 shares of a nominal value of EGP 100 each.	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 UK Limited, United Kingdom (holding and operating company) 10,994,218 shares of a nominal value of GBP 0.20 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%

3. Share capital

As at 31 December 2019, the issued share capital amounts to CHF 363,787,330 and is composed of 72,757,466 shares with a nominal value of CHF 5.

The shares issued by the Company during the year are set out below:

	2019		2018	
	Quantity	Value in CHF	Quantity	Value in CHF
Total number of Temenos AG shares issued, as at 1 January	71,044,267	355,221,335	70,849,924	354,249,620
Shares issued and allotted under Employee Share Option Schemes	1,713,199	8,565,995	194,343	971,715
Total number of Temenos AG shares issued, as at 31 December	72,757,466	363,787,330	71,044,267	355,221,335

Temenos AG also has conditional and authorized capital, comprising:

	2019
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 15 May 2021)	7,100,000
Conditional shares that may be issued on the exercise of employee share options	5,092,458
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 December 31, 2019 are as follows:

Martin and Rosmarie Ebner	10.83%
The Capital Group Companies, Inc.	10.00%
BlackRock, Inc.	4.94%
T. Rowe Price Associates, Inc.	4.91%
Baillie Gifford & Co	4.14%
Amundi Asset Management	3.97%

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 from share premium CHF 000	Reserve for treasury shares CHF 000	Retained earnings CHF 000	Treasury shares CHF 000	Total CHF 000
Balance at 1 January 2018	354,250	11,749	70,850	150,842	149,449	46,275	40,927	–	824,343
Appropriation of available earnings:									
– to General legal reserve	–	164	–	–	–	–	(164)	–	–
Repayment of 'General Reserve from Capital Contributions' as per 2018 Annual General Meeting (AGM) resolution	–	–	–	(45,791)	–	–	–	–	(45,791)
Share capital and share premium on creation of conditional capital	972	–	21,562	–	–	–	–	–	22,534
Reserve for treasury shares movement of the year	–	–	(21,368)	–	21,368	44,235	(44,235)	–	–
Profit of the year	–	–	–	–	–	–	204,101	–	204,101
Balance at 31 December 2018	355,221	11,913	71,044	105,051	170,817	90,510	200,630	–	1,005,187
Appropriation of available earnings:									
– to General legal reserve	–	10,205	–	–	–	–	(10,205)	–	–
Repayment of 'General Reserve from Capital Contributions' as per 2019 Annual General Meeting (AGM) resolution	–	–	–	(52,913)	–	–	–	–	(52,913)
Share capital and share premium on creation of conditional capital	8,566	–	267,582	–	–	–	–	–	276,148
Reserve for treasury shares movement of the year	–	–	170,817	–	(170,817)	170,026	(170,026)	–	–
Profit of the year	–	–	–	–	–	–	569,689	–	569,689
Balance at 31 December 2019	**363,787**	**22,118**	**509,443**	**52,139**	**–**	**260,536**	**590,087**	**–**	**1,798,111**

The reserve for treasury shares decreased to CHF 260,536,155 in line with the value of treasury shares held by Temenos AG through a subsidiary as at 31 December 2019 (2018: CHF 261,327,209).

5. Treasury Shares, including shares held by subsidiaries (carrying value)
Temenos AG holds directly or through a subsidiary a total of 1,804,267 shares at 31 December 2019 (2018: 1,804,267) that entirely may be used in conjunction with M&A, for resale or for allotting to members of the Temenos Employee Share Option Schemes.

	2019		2018	
	Quantity	Value in CHF 000	Quantity	Value in CHF 000
Temenos AG				
1 January	–	–	–	–
Acquisitions	–	–	–	–
Disposals	–	–	–	–
31 December	–	–	–	–
Other consolidated companies				
1 January	1,804,267	261,327	1,775,516	195,725
Acquisitions	1,804,267	260,536	1,342,653	203,254
Disposals	(1,804,267)	(261,327)	(1,313,902)	(137,651)
31 December	1,804,267	260,536	1,804,267	261,327
Total balance as of 31 December	1,804,267	260,536	1,804,267	261,327

Following the restructuring of some Group entities, the totality of the treasury shares were transferred between two entities within the Group at the closing price of 11 December 2019 of CHF 144.40 for a total amount of CHF 260,536,155.

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 500 million.

7. Bonds issued by Temenos AG
In June 2015, the Group 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 will mature on 17 June 2022 at a redemption price of 100% of the principal amount.

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.

	2019 CHF 000	2018 CHF 000
Bond CHF 175,000,000 – 2.000% – 17 June 2015 – 17 June 2022	174,798	174,715
Bond CHF 150,000,000 – 1.750% – 5 April 2017 – 5 April 2024	149,532	149,424
Bond CHF 175,000,000 – 1.875% – 30 November 2018 – 30 November 2023	174,246	174,058
Bond CHF 220,000,000 – 1.500% – 28 November 2019 – 28 November 2025	218,832	–
Long term interest-bearing liabilities	717,408	498,197
Bond CHF 100,000,000 – 2.000% – 31 March 2014 – 31 January 2019	–	101,900
Accrued bond interests at year end	4,426	4,121
Short term interest-bearing liabilities	4,426	106,021
Total bonds issued by Temenos AG	721,833	604,218

8. Income from investments in subsidiaries
Temenos AG recognized an income from investments in subsidiaries of CHF 583.8 million following the decision of two of its direct subsidiaries to distribute a dividend in relation to the 2019 fiscal year. In June 2019: CHF 100 million and in December 2019: CHF 483.8 million.

9. Proposal for the appropriation of available earnings
Based on the approved and audited financial statements for the financial year 2019, the Board of Directors proposes to the General Meeting to distribute an ordinary dividend in cash amounting to CHF 0.85 per share, for a total amount of CHF 60,000,000 (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).

This distribution shall be declared 50% out of the retained earnings and 50% out of the disposable amount of the General reserve from capital contributions as at 31 December 2019, taking the legal form of an ordinary dividend in cash.

From a tax standpoint, this ordinary dividend distributed out of the General reserve from capital contributions constitutes a repayment of part of the General reserve from capital contributions.

As a result, the General reserve from capital contributions at 31 December 2019, amounting to CHF 52,138,779 will be reduced as follows:

	2019 CHF 000	2018 CHF 000
General reserve from capital contributions		
Balance before distribution	52,139	105,051
Repayment of General reserve from capital contributions*	(30,000)	(52,913)
Balance after distribution	22,139	52,139
Retained earnings		
Retained earnings brought forward	190,425	40,763
Transfer to Reserve for Treasury shares	(170,026)	(44,235)
Dividend distributed to shareholders	(30,000)	–
Net income	569,689	204,101
Retained earnings available for appropriation	560,087	200,630
Appropriation to legal reserves	(28,484)	(10,205)
Retained earnings to be carried forward	531,603	190,425

* 2018 comparative has been corrected from CHF 52,000,000 to CHF 52,912,637 to reflect the actual payment made in 2019. The dividend paid was CHF 0.75 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 22 May 2020 (Ex date). The dividend record date will be set on 25 May 2020 (Record date). The dividend will be payable as of 26 May 2020 (Payment date).

Temenos treasury shares are not entitled to dividends.

10. Number of full-time equivalent
Temenos AG does not have any employee as of 31 December 2019 and 2018 and consequently no pension liabilities.

11. 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.

12. Significant events after the balance sheet date
These financial statements were approved for issue by the Board of Directors on 12 February 2020 and will be submitted to the Annual General Meeting of shareholders for approval on 20 May 2020.

On 28 January 2020, the Group entered into an agreement to increase its current financing facility by USD 160 million. The total commitment is now USD 660 million.

There were no other significant events after the balance sheet date.

13. Disclosure of compensation and participations as per article 663c of the Swiss Code of Obligations (SCO)

Shareholdings and equity incentives

Non-Executive Directors

Name	Position	31 December 2019 Shares	31 December 2018 Shares
S. Giacoletto-Roggio	Vice-Chairman	**9,000**	9,000
I. Cookson	Member	**15,500**	15,500
T. de Tersant	Member	**3,000**	3,000
E. Hansen	Member	**11,000**	11,000
G. Koukis	Member	**15,000**	15,000
A. Yip	Member	**–**	–
P. Spenser	Member	**–**	–

Executive Chairman and Executive Committee members

		Shares		SARS					
Name	Position	2019	2018	Grant Year	Plan	Exercise price USD	Number of vested SARs 2019	Number of unvested SARs 2019	Number of unvested SARs 2018[1]
A. Andreades	Executive Chairman	**607,369**	582,369	2016	2016 scheme[1]	43.69	393,707	–	393,707
					2016 scheme[1]	49.12	55,725	–	55,725
				2017	2017 scheme[2]	70.87	–	349,469	291,900
				2018	2018 scheme	127.00	–	155,450	155,450
				2019	2019 scheme	136.94	–	138,600	–
D. Arnott[3]	CEO until 28 February 2019	**na**	35,000	2016	2016 scheme[1]	43.69	na	na	523,328
					2016 scheme[1]	49.12	na	na	79,953
				2017	2017 scheme[2]	70.87	na	na	354,000
				2018	2018 scheme	127.00	na	na	188,520
M. Chuard	CEO	**75,000**	65,000	2016	2016 scheme[1]	43.69	312,543	–	312,543
					2016 scheme[1]	49.12	42,399	–	42,399
				2017	2017 scheme[2]	70.87	–	304,454	254,300
				2018	2018 scheme	127.00	–	135,430	135,430
				2019	2019 scheme	136.94	–	168,085	–
P. Spiliopoulos	CFO	**–**	na	2019	2019 scheme	147.43	–	70,000	na
J. Hilsenkopf[4]	COO	**13,766**	–	2018	2018 scheme	127.00	–	92,000	92,000
				2019	2019 scheme	136.94	–	98,400	–
A. Loustau	CTO	**8,298**	3,673	2016	2016 scheme[1]	43.69	54,513	–	
				2017	2017 scheme[2]	70.87	–	35,198	45,000
				2018	2018 scheme	127.00	–	27,000	29,400
				2019	2019 scheme	136.94	–	37,000	27,000
M. Winterburn	CPO	**3,975**	3,975	2016	2016 scheme[1]	43.69	23,741	–	78,741
				2017	2017 scheme[2]	70.87	–	53,875	45,000
				2018	2018 scheme	127.00	–	37,000	37,000
				2019	2019 scheme	136.94	–	41,000	–
A. Guenoun[4]	CCO	**–**	na	2019	2019 scheme	136.94	–	37,000	na
T. Hogan	President North America	**–**	na	2019	2019 scheme	144.77	–	50,000	na

(1) The SARs granted under the 2016 scheme vested on 13 February 2019. The numbers above include the overachievement of 121%. 2018 has been restated to include the overachievement.

(2) The SARs granted under the 2017 scheme vested on 13 February 2020. The numbers above include the overachievement of 120%.

(3) Mr. Arnott stepped down from the Executive Committee on 28 February 2019. He did not receive any SARs in 2019 other than overachievement SARs for 2017-19 scheme since these vested during his notice period.

(4) The SARs shown above for Mr. Hilsenkopf and Mrs. Guenoun only include outstanding SARs granted since appointment to the Executive Committee.

No options and/or shares were held on 31 December 2019 and 2018 by persons related to the members of the Board of Directors or the Executive Committee.

Financial highlights (in millions of US dollars except earnings per share)

	2019	2018*	2017	2016	2015
Revenues	**972.0**	840.9	735.4	634.0	542.5
Operating expenses	**(736.6)**	(622.1)	(557.1)	(484.8)	(445.7)
Operating profit	**235.4**	218.8	178.3	149.2	96.8
Profit before taxation	**212.6**	195.4	160.9	132.1	78.1
Net profit after tax	**181.1**	168.2	138.4	115.8	66.3
EBITDA	**366.0**	311.5	263.3	225.3	171.2
Diluted earnings per share (in US$)	**2.46**	2.31	1.90	1.61	0.95
Cash generated from operations	**364.3**	365.1	299.7	257.6	227.2
Current assets	**541.4**	577.2	430.5	430.2	440.8
Non-current assets	**1,781.0**	1,072.0	844.8	741.3	788.2
Total assets	**2,322.4**	1,649.2	1,275.3	1,171.5	1,229.0
Current liabilities (excluding deferred revenues)	**386.9**	314.7	177.8	246.0	143.7
Deferred revenues (Contract liabilities)	**287.3**	262.5	232.5	216.3	213.2
Total current liabilities	**674.2**	577.2	410.3	462.4	356.9
Non-current liabilities	**1,203.1**	773.2	485.4	310.0	496.8
Total liabilities	**1,877.3**	1,350.4	895.8	772.4	853.7
Total equity	**445.1**	298.8	379.5	399.1	375.3
Total equity and liabilities	**2,322.4**	1,649.2	1,275.3	1,171.5	1,229.0

* Comparative information on the statement of financial position has been re-presented to reflect the finalization of the initial accounting of Avoka Technologies Pty Limited but there has not been any restatement of comparatives on adoption of IFRS 16 at 1 January 2019 based on transition method chosen by the Group.

Information for investors

Capital structure
The registered share capital is divided into 72,757,466 shares with a par value of CHF 5.

Appropriation of profits
Temenos expects to pay a dividend of CHF 0.85 in 2020.

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Annual general meeting
20 May 2020

Statistics on Temenos shares

Registered shares of CHF 5 nominal	2019
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 31.12.2019	72,757,466
Number of registered shares at 31.12.2019	71,044,267
Market price high/low (CHF)	183.35/108.80
Market Price 31.12.2018 (CHF)	117.90
Market Price 31.12.2019 (CHF)	153.20
Market Capitalization high/low (CHFbn)*	13.026/7.730
Share capital nominal value at 31.12.2019 (CHFm)*	355

* Based on the number of registered shares at the time.

Key figures per share	2019
Basic earnings per share (USD)	2.57
Diluted earnings per share (USD)	2.46
Non-IFRS earnings per share (USD)	3.47
Consolidated shareholders' equity (USDm)	445.1
Consolidated shareholders' equity per share (USD)	6.12

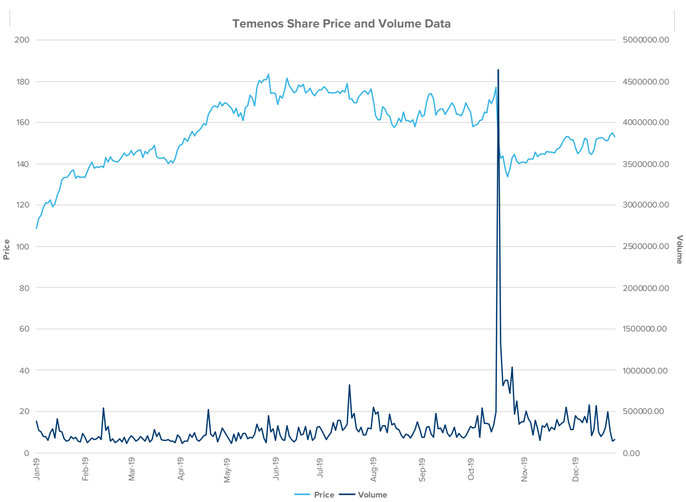
Major shareholders of Temenos AG* (as of 10.03.2020)

Name	Number of voting rights	Percentage of the share capital
Martin and Rosmarie Ebner	7,695,000	10.58%
The Capital Group Companies, Inc.	7,105,217	9.77%
BNP Paribas SA	4,517,567	6.21%
BlackRock Inc.	3,753,609	5.16%
T. Rowe Price Associates, Inc.	3,633,949	4.99%
Baillie Gifford & Co	2,943,011	4.04%

* On the basis of Temenos AG registered capital of 72,757,466 shares and based on the disclosure notifications received.

Please refer to page 103 for the status as of 31.12.2019

Development of Temenos share price



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1 Gartner, 'Magic Quadrant for Global Retail Core Banking', Vittorio D'Orazio, Don Free, July 2019. (This report was previously titled "Magic Quadrant for International Retail Core Banking" from 2009–2014. Temenos was recognized as Temenos Group from 2010-2013, and Temenos Group (T24) in 2009.)

Gartner, 'Magic Quadrant for Multiexperience Development Platforms,' Jason Wong, Van Baker, Mark Driver, Adrian Leow, Paul Vincent, 10 July 2019.

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* ACV: Annual value of incremental business taken in-year (Bookings). Includes New Customers, up-sell/cross-sell. Only includes the recurring element of the contract and exclude variable elements.

Notes

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