TEMENOS

THE BANKING SOFTWARE COMPANY

Temenos AG

Annual Report and Accounts 2020

MAKING BANKING **BETTER, TOGETHER**

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 **1.2 billion** banking customers.

At a glance

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

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.

1.2bn

Individuals, families and businesses rely on Temenos. That's 30% of the world's banked population

41

Our 3,000 banks include 41 of the top 50 global banks

#1

They rely on the world's #1 cloud-native intelligent banking platform

Cloud-native and SaaS-ready

Temenos solutions are cloud native and SaaS-ready. This means that the software can run natively on cloud infrastructure, taking full advantage of cloud-native capabilities like dynamic scalability and in-built resilience. This materially reduces the operational cost of running the technology infrastructure, allowing the bank to scale operations up or down as needed. Our software is also cloud-agnostic meaning it can run on all major cloud platforms, providing our clients with choice, flexibility and vendor risk mitigation. In addition, banks increasingly need a simple alternative to accessing enterprise-level IT without the associated costs and risks. By using Temenos SaaS, our clients can benefit from our expert-managed services that provide full mission-critical service delivery, enabling them to focus on their core business rather than the software and technology.

For more information turn to pages 12, 15 and 16

Microservices and Open APIs

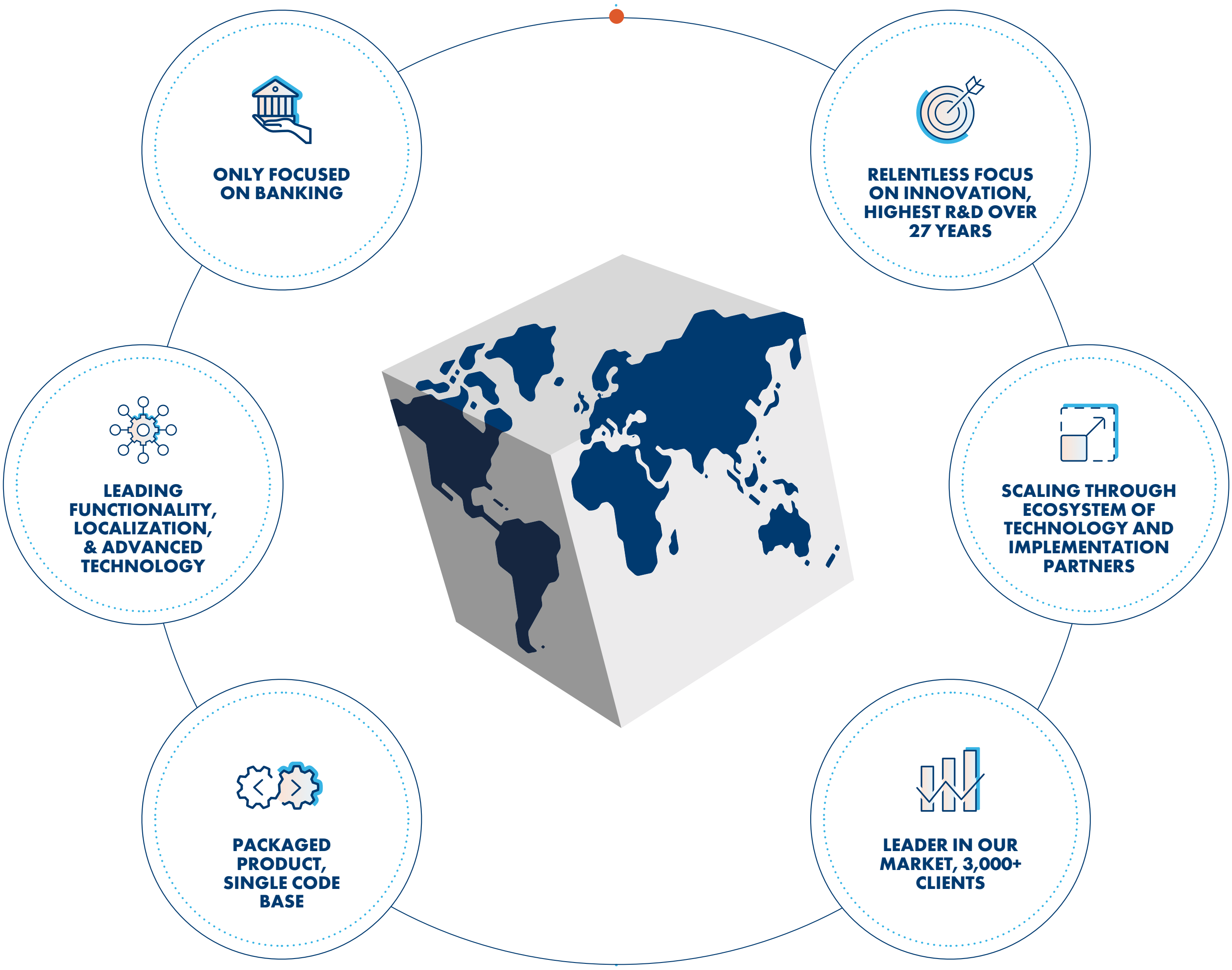
Temenos transforms the traditional approach by breaking down the software into independently scalable banking domain-based Microservices that can be deployed rapidly, enabling our clients to make high-impact changes frequently, predictably and seamlessly with reduced implementation risk. By exposing 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. 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. Some banks with legacy systems struggle to decompose and modernize their core banking solutions. Those banks can utilize Temenos' domain Microservices to continually deploy banking capabilities outside of their core to efficiently move into a modern architecture in a continuous renovation approach.

For more information turn to pages 12 and 18

Explainable Artificial Intelligence (XAI)

Temenos is the first to bring transparency and explainability of AI automated decision making to 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. Temenos also offers pre-packaged machine learning banking models for specific business functions helping banks accelerate their AI adoption significantly instead of starting from scratch.

For more information turn to page 19



Temenos offers the winning combination of advanced cloud-native, SaaS-ready and API-first technology and the richest packaged banking functionality to help banks transform faster with the lowest cost of software deployment.

Contents

Temenos' vision is to provide financial institutions, of any size, any sector and anywhere in the world, the software **to thrive in the digital banking age.**

OVERVIEW

PERFORMANCE

OPERATING RESPONSIBLY

GOVERNANCE

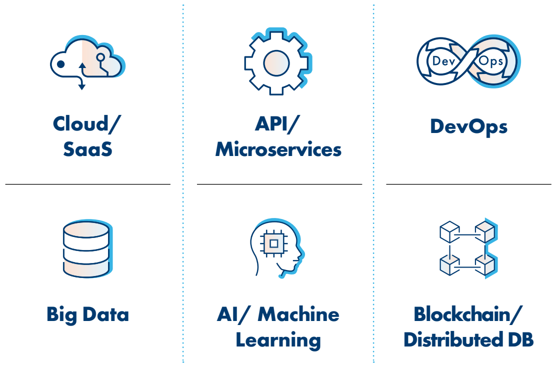
FINANCIAL STATEMENTS

GROWING OUR **GLOBAL OPPORTUNITY**

EUROPE	THE AMERICAS	MIDDLE EAST & AFRICA	ASIA PACIFIC
21 Offices in the region	16 Offices in the region	7 Offices in the region	19 Offices in the region
38% Total revenue	27% Total revenue	18% Total revenue	17% Total revenue
32% Total software licensing revenue	34% Total software licensing revenue	17% Total software licensing revenue	17% Total software licensing revenue

Industry context

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



Disruptive technologies are intensifying the pressures the industry has always faced:

- Demanding, less loyal customers that shop around for the most relevant, convenient and responsive banking services
- Regulation intended not just to ensure risk and compliance but to actively drive innovation and competition in the industry like Open Banking/PSD2, as well as to ensure resilience and availability of mission-critical IT systems
- Nimble new entrants such as payment providers, e-commerce and technology giants as well as neobank and fintech challengers.

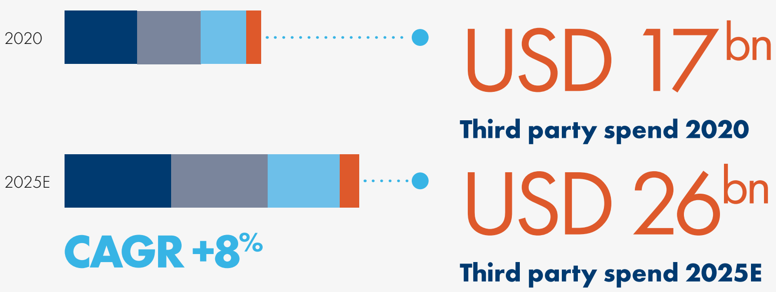
In addition, the industry has been struggling with historically low interest rates and margins caused by prolonged recessionary conditions, the debt crisis and increased geopolitical volatility for several years now. The Covid-19 pandemic has worsened the macroeconomic environment in which banks operate. At the same time, it is rapidly changing consumer mindsets and circumstances driving banks to both accelerate and scale their digital transformation and customer experience.

This presents a big opportunity for the banking industry and Temenos, with its market leading software fueled by industry-leading investments in R&D.

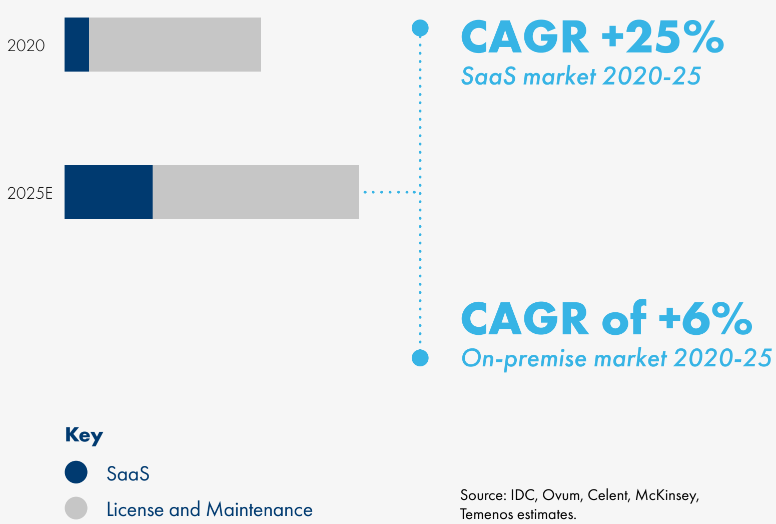
Market growth driven by structural industry drivers

Total addressable market

Third party spend



Third party spend (SaaS vs license and maintenance)



Source: IDC, Ovum, Celent, McKinsey, Temenos estimates.

Chairman's statement

"2020, dominated by the Covid-19 pandemic, was a tale of two stories, with our resilient business model enabling us to weather the first six months of the year followed by a strong return to a new normal by the end of the year.

It is with great pleasure that we present our Annual Report for 2020 to our shareholders.

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

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

Historic total shareholder return

Below is the historical growth compared to key indices and to the average of our peer group:

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

> *"Our culture, unrelenting focus on what counts and our long term investment mindset has meant that we always come out of each crisis stronger than before. This is the case with Covid-19. Our products are well invested, our people fully focused with a unique set of values and a sense of purpose which has propelled us to success all these years.*

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

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

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

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

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

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

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

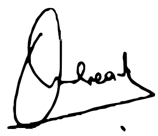
Temenos has successfully navigated different crises in our 27-year history, whether this was the 2001 dot-com market collapse, the 2008 financial crisis or the 2011-2013 Euro crisis. Our culture, unrelenting focus on what counts, and our long term investment mindset has meant that we always come out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

Values and sense of purpose

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

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

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



Andreas Andreades
Executive Chairman

Our strategy

KEY STRATEGIC INITIATIVES
TO DRIVE GROWTH

Profitable SaaS acceleration

- Leverage cloud-native and SaaS-ready product
- Leverage the sales organization for customer success
- Hyper-scale operations.

Game-changing strategic partnerships

- Invest in a global integration and technology partner program to drive strategic growth:
  - Partnership with Salesforce based on integration of Temenos Infinity and Salesforce CRM platforms to create new Digital Workspace
  - Partnership with DXC to accelerate digital transformation of DXC's existing large bank customers.

Product growth engines

- Maintain market leadership across our growth engines:
  - Temenos Infinity
  - Temenos Transact
  - Temenos Payments
  - Temenos Fund Administration.

Accelerating our North America growth

- Invest in sales leadership across all key segments
- Proven localization of software with US regulations
- Scale cloud operations
- Build successful references.

Highlights of the year

EMERGING EVEN STRONGER FROM AN UNPRECEDENTED YEAR

SaaS Annual Contract Value

2020	USD 35m
2019	USD 21m

+65%

Total software licensing

2020	USD 356m
2019	USD 445m

-20%

Total revenue

2020	USD 900m
2019	USD 981m

-8%

Operating cash flow conversion

2020	USD 406m
2019	USD 364m

+112%

Dividend per share

2020	CHF 0.90
2019	CHF 0.85

+6%

SaaS & subscription revenue

2020	USD 96m
2019	USD 67m

+44%

Maintenance

2020	USD 381m
2019	USD 358m

+7%

EBIT margin

2020	35.6%
2019	32.4%

35.6%

Earnings per share

2020	USD 3.43
2019	USD 3.47

-1%

2020 non-IFRS financial highlights

- SaaS Annual Contract Value (ACV) growth of 65%
- SaaS & subscription revenue growth of 44%
- Total software licensing revenues decreased 20%
- Maintenance revenue growth of 7%
- Total revenue decline of 8%
- EBIT growth of 1% with non-IFRS EBIT margin reaching 35.6%, up 3 percentage points
- Operating cash flow of USD 406 million up 12% and representing an operating cash conversion of 112%
- DSOs down nine days year-on-year to 111 days
- Profit and cash flow strength support proposed 2020 dividend of CHF 0.90, a 6% annual increase.

2020 operational highlights

- After an initial impact on sales in the first half of the year from the pandemic, there was a strong sequential improvement in the second half of the year
- Sales closure rates improved from the third quarter, in particular in Europe, with banks returning to conducting significant strategic transformation projects
- The predictability of our business reached near pre-Covid levels by year end
- Tier 1 and 2 clients contributed 36% of total software licensing in the year
- We continued investing in R&D and key sales positions throughout the year, and our flexible cost base ensured profit protection
- Temenos won a total of 64 new customer in the year
- We had 307 go-lives across all clients in 2020
- Pipeline generation was strong giving confidence in the outlook for 2021.

Industry recognition

A MARKET **LEADER**

Gartner[1]

- Recognized as a Leader eleven times in 'Magic Quadrant for Global Retail Core Banking.'

Forrester[2]

- Leader in Forrester Wave for Digital Banking Processing Platforms (Corporate Banking), Q3 2020 Leader in Forrester Wave for Digital Banking Processing Platforms (Retail Banking), Q3 2020 Leader in Forrester Wave for Digital Banking Engagement Platforms, Q3 2019
- Classed as "Global Power Seller" for new business for the 14th consecutive year and "Top Global Player" for new and existing business deals for 8th consecutive year
- Leader in Forrester Wave for Low-Code Development Platforms for AD&D Professionals (Q1, 2019).

Omdia (formerly known as Ovum)[3]

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

IBS Intelligence[4]

- Ranked best-selling core banking system for the 15th time 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, Varo Bank, received the Model Bank of the Year Award at the 2021 Celent Model Bank Awards
- Temenos' client, EQ Bank, received the Celent Model Bank 2020 Award for Banking in the Cloud.

IDC (International Data Corporation)[6]

- Recognized as a 'Leader' for Worldwide Integrated Payment Platforms
- 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[7]

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

FStech Awards 2020

- Awarded 'Technology Provider of the Year'.

Aite Group[8]

- Recognized as 'Best in Class' (the highest ranking) for Investment and Fund Accounting Systems.

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

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 Interim 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, 05 August 2020. (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.)

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11 times

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

14 years

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

15 times

Ranked best-selling core banking system[4]

UNLOCKING BUSINESS VALUE FROM IT INVESTMENT

Banking value chain

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

The Temenos Value Benchmark (TVB) is a **strategic advisory program** offered to our clients and prospects to help them understand, accelerate and optimize the tangible business value created by their investment in IT. By leveraging our 27 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.

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 enables banks to identify opportunities for operational improvements in their business in order to derive even more value from their IT investment, by further leveraging Temenos as not just a software provider but as a trusted partner, committed to our clients' success.

Originally intended as a two day on-site **consultative engagement**, Temenos strategy advisors have adapted to Covid-19 by conducting workshops with the banks' senior business and IT stakeholders through a series of Zoom or Teams calls flexibly scheduled over one to two weeks.

Today, we have over **70 banks** as part of our community across **47 countries** and **three verticals** (Retail, Corporate, Wealth), we have collected over **30,000 data points** and met nearly **900 senior business and IT executives** as part of this initiative.

The C-level endorse the Temenos Value Benchmark

ansa
MERCHANT BANK LIMITED

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

Gregory N. Hill
Managing Director
Ansa Merchant Bank Limited

Julius Bär

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

Thomas Fehr
COO EMEA and Americas
Julius Bär Group AG

CWB Canadian Western Bank

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

Azfar Karimuddin
SVP, Information Services
Canadian Western Bank

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 deployed as domain 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, reducing the time to implement and the associated risks. 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 delivers benefits more quickly. It also allows banks to retain key items of in-house technology and to manage upgrades on a partial ("module level") basis going forward.

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 to benefit from a shorter time to market.

Products

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

Read more page 14

Technology platform

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.

Read more page 18

Sector specific solutions

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

Read more page 20

Temenos Infinity

Temenos Infinity is an independent digital banking product built on a market leading multi-experience digital platform. It 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. During the pandemic, banks were forced to move more of their branch services online, and this meant a significant number of digital features rolled out in short durations. By avoiding complex point-to-point connections, Temenos Distribution Services future-proof 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.

Temenos Infinity 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 27 years which, when allied with our 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 domain 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 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 SaaS-ready capabilities which underpin the product also enable banks to operate at scale in an elastic and agile manner.

Our solutions continued

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. 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, can be decided by the client, ensuring that the software supports their business and commercial goals in an optimal manner.

Temenos Infinity

Temenos Infinity is the platform for business transformation that helps financial institutions to accelerate their digital transformation initiatives, bringing world-class front and middle office transactional capabilities.

It enables financial institutions to reimagine the way that they engage with their customers – through both digital and physical channels – creating a consistent and seamless experience.

Temenos Infinity is core agnostic and available as SaaS, in the cloud, or on-premise, offering tools and templates to accelerate adoption. It removes the complexity of integrating digital banking services with multiple back office systems – enabling banks to launch engaging digital solutions, fast, across all banking sectors.

Whether onboarding new accounts, providing an omnichannel experience, offering exceptional service, or a combination of all, Temenos Infinity provides digital banking capabilities that can adapt to any market or strategic change. It's digital banking without limits.

Temenos Infinity digital banking platform

The Temenos Infinity digital banking platform is an open and flexible solution that can power any banks' digital transformation through re-usable front-end components, visual workflow and rules editors, and a robust API orchestration layer. It empowers bank employees with customer admin tools, end-to-end analytics and embedded AI capabilities. The platform is built for change and enables banks to change their front-end every day and stay always on.

Temenos Infinity apps

Temenos Infinity offers a set of pre-built applications for all banking segments (Retail, Business, Corporate, Wealth) as well as solutions for business areas such as Onboarding & Origination, digital customer engagement (Engage) and Real-time Campaigns.

Temenos Distribution Services

Temenos Distribution Services make it easier for banks to connect their channel delivery solutions to the core product engines which process the underlying transactions. This approach enables banks to more easily make changes to both their front office and back office systems, by reducing the number of hardwired connections between the two. Distribution services include capabilities around customer onboarding and product origination, marketing catalog provision, centralized customer holdings and arrangement and payment initiation.

The platform enables our clients to:

- **Increase agility:** Get to market fast with an extensive repository of ready-to-go features. Have the freedom to align the open and flexible platform of Temenos Infinity to their digital banking architecture. Use any cloud platform of their choice and elastically scale on demand. Simplify the connectivity to any core banking system and implement changes fast while managing application development time and costs. Leverage advanced micro-services and APIs to create banking apps.
- **Create smart digital experiences:** Create frictionless, personalized and secure banking experiences to increase customer satisfaction. Use data analytics, AI and smart banking capabilities to provide actionable customer insights. Drive stronger customer engagement and loyalty through a multi-channel strategy from native mobile apps, web apps, branch to advanced interfaces like conversational banking and wearable devices.
- **Go beyond banking:** Thrive in a world of Open Banking and fintechs by easily integrating to third party systems or leverage pre-built integrations from the Temenos Marketplace. Banks can create their own digital ecosystem and aggregate data from external providers to deliver value added services and open innovation to their clients.

Temenos Infinity enables financial institutions to future-proof their customer relationships by facilitating rapid delivery of exceptional digital banking experiences that keep pace with changing customer needs.

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 cloud-native microservice architecture which enables progressive and agile transformation programs which deliver personalized and intelligent banking.

Temenos Transact is the market leading core banking product. Designed 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 27 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, SaaS-ready 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 delivered as a series of Microservices which enables discreet functional elements to be used independently either on an ongoing basis or as part of a longer transformation.

Recently delivered Microservices include Temenos Enterprise Pricing which enables banks to make use of the Temenos Transact's market leading product design and pricing capabilities without needing to replace their existing core systems.

This approach uses the extensive set of Open APIs to connect to other systems quickly and in an agile manner, enabling 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 Delivery of new software and configurations.

The product offers support to almost all sectors of banking, including Retail, SME, Corporate, Wealth 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 the increasingly important Instant Payments schemes around the world.

Temenos Payments Hub is a uniquely flexible payment offering that not only gives banks full, real-time control but also an integrated customer service experience and is centralized for cost efficiencies and risk management. Our Payments Hub is designed to process domestic and international payments in one product in any region, and is supplied with extensive tooling to enable new payment channels to be addressed easily and quickly.

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

Our Payments clients benefit from increased efficiency and profitability through:

- A complete, single solution
- Wide range of payments products supported, including Instant Payments
- 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
- Flexible deployment as a stand alone product or fully embedded within Temenos Transact.

Our solutions continued

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

Temenos Multifonds

A single, global platform to help the world's leading fund administrators, asset managers, insurance companies and pension funds achieve increased operational efficiency, whilst reducing risk.

Temenos Multifonds is used by nine of the top 15 global fund administrators, as well as other leading institutions around the world to administer, service and value assets, as well as support the full investment lifecycle.

Our unique, cloud-native, explainable AI (XAI) enabled solution helps our clients consolidate fragmented, legacy systems and deliver operational efficiency, improve control and oversight, and reduced operational risk.

- **Investment accounting:** supports traditional and alternative funds, as well as combine key asset servicing, position keeping, valuation and accounting functions for all structures of pooled vehicles and funds, across multiple jurisdictions
- **Investor servicing and transfer agency:** brings together functions such as investor onboarding and due diligence, cash management, distribution fees and retrocessions, performance fees, data protection and tax under a single platform, to increase operational efficiency, reduce risk and deliver a consistent client experience.

Temenos SaaS

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

Temenos has been an industry leader in providing solutions on public cloud infrastructure since 2011, and has built on this by the consistent growth in our SaaS business. The SaaS capabilities of Temenos have been accelerated by the cloud-native capabilities of the software, the extensive set of Open APIs which enable integration, and the DevOps-based Continuous Delivery service which Temenos offers to ensure that innovative product features are delivered on an ongoing basis to clients.

SaaS is a key change permeating the financial services technology industry, and Temenos is focused on 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

Temenos Data Lake and Temenos Analytics are market leading big data, analytics and Business Intelligence solutions for banks.

We provide banks with modern, real-time, cloud-native solutions which allow them to be more efficient and profitable by providing truly embedded financial, customer, product, profitability and digital analytics. Our solutions include robust data and analytics platform capabilities, and also accelerate time to value with hundreds of pre-integrated and out of the box capabilities such as dashboards, key performance indicators, reports, analytics and APIs which apply to all verticals of banking that Temenos services.

2020 was a year of exciting advancement and growth for our Data and Analytics products with several significant product releases. One of the major releases was Transact Data Hub, which is a fully embedded big data platform for Transact running on the Temenos Data Lake platform. Transact Data Hub serves to further extend Transact's leadership position in the core banking market by providing real-time data event streaming, in-memory data engineering, and purpose-built optimized banking data stores allowing banks to accelerate their digital and data-driven initiatives.

Temenos Analytics leverages robust data from the Temenos Data Lake platform and allows Temenos clients to overcome some of their key business and technology challenges:

- Providing real-time customer analytics to enable personalization of financial services to individual customers
- Real-time insights into financial movements allowing for faster risk and liquidity management processes
- Integrating analytics into banking processes and decisions, ensuring maximum process efficiency and more fact-based decision-making
- Providing self-service analytics capabilities, banks can transform their staff into citizen data analysts, which will increase analytics adoption. Users can explore complex banking data using intuitive self-service tools, which can also be embedded directly into core banking, digital, CRM, and other operational systems
- Enables Digital Transformation through a real-time solution that is leveraging the latest big data and analytics technologies in the cloud
- Overcoming silos in conjunction with Temenos Data Lake and Temenos Data Hub to enable banks to federate and analyze multiple banking data sources.

Financial Crime Mitigation

A uniquely flexible range of intelligent and versatile solutions covering watchlist screening, anti-money laundering, fraud prevention and KYC, to help banks enhance detection and reduce cost.

Temenos' award-winning Financial Crime Mitigation enables banks and financial institutions of any size and in any region to avoid regulatory fines, detect fraud and mitigate reputational risks whilst improving throughput and optimizing Total Cost of Ownership all in line with the banks' risk based approach.

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

- Supporting a risk-based approach to compliance
- Improved customer protection and trust
- Protection against fines and fraud loss
- Reduced risk
- World-class performance and throughput
- Industry-leading levels of detection and false positives
- Improved operating cost through investigator efficiency.

With our solution, banks can secure their reputation against financial crime, affording their customers the best service and protection at the same time as reducing overheads and cost.

Risk and Compliance

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

Our Risk and Compliance product enables 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:

- IFRS 9
- CRS
- Financial Risk Management
- FATCA compliance.
- Open Banking (PSD2)
- Customer Data Protection GDPR
- Compliance advice
- Audits
- Social media monitoring.

With our products, organizations are able to reduce exposure to risk and minimize losses while enabling compliance 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.

Our solutions continued

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 Delivery 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, Microsoft Azure and Ali Cloud. We are also the only platform 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 independently and 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. Each component functions in a self-sufficient manner, meaning that they can be deployed on a standalone basis either as part of a phased implementation process or for long term independent operation.

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

Temenos' Open APIs enable banks to execute strategies to thrive in an age of Open Banking. Temenos' approach enables banks to meet regulatory requirements such as PSD2, through predefined APIs that meet published specifications such as Berlin Group, STET, etc. We enable 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 explain clearly, in plain language, to 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 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. This means that 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.

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

Continuous Delivery

Extending 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 continuous integration 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 testing.

Temenos Continuous Delivery 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 Delivery creates environments within minutes, rather than weeks, accelerating development and ongoing change projects. This amplifies feedback loops and find and fixes 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 Delivery 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.

Our solutions continued

SECTOR SOLUTIONS

Retail Banking

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

Every retail bank is focusing on the acquisition of new customers and the growing of wallet-share for existing customers. This requires a front-to-back focus, complete with high levels of AI-driven customer insight to enable banks to utilize a flexible product engine to offer customers a personalized, relevant experience at the right time.

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

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

The solution helps our clients to:

- Increase cross-selling with an integrated product catalog that helps to target products and new customers
- Get to the market first with new products that are created quickly
- Create product offers and reward schemes that are personalized and flexible
- Cover all retail banking product areas with broad functionality
- Combine comprehensive capabilities easily to create innovative and focused products
- Use data and analytics to understand clients and business better and produce relevant offers.

Temenos Enterprise Pricing has recently been launched as a separate pricing and product engine which leverages the capabilities which have been built in Temenos Transact over time to allow banks to launch new and personalized products quickly, regardless of the underlying core systems and digital channel solutions. It can be deployed on a completely standalone basis to help banks better leverage their existing technology landscape, or as part of a phased transformation program, Temenos Enterprise Pricing enables our clients to:

- Create new products and offers for retail customers
- Leverage the capability of existing core platforms, whilst also extending the product design capabilities in the bank
- Create personalized products which bundle capabilities spread across multiple systems, including those outside of the bank
- Improve customer wallet share by responding to market opportunities quickly with 'package' products
- Manufacture products designed to appeal to previously unaddressed market sectors, hence enabling customer acquisition campaigns.

Temenos Infinity Retail removes the complexity of day-to-day banking activities and puts people in control of their financial lives. It provides a complete digital platform for retail banks covering the entire customer lifecycle from customer onboarding, account opening and digital servicing. It delivers digital applications and outstanding customer experiences across every channel such as native mobile apps, web apps and wearables.

The solution helps our clients to:

- Connect and engage with customers and deliver valuable personalized insights
- Provide exceptional omnichannel experiences to their customers
- Accelerate retail banking growth by acquiring new customers and increasing share of wallet via digital sales
- Get to market fast and contain costs while accelerating growth with an open and flexible platform built for change
- Create frictionless, personalized and secure banking experiences to increase customer satisfaction
- Thrive in a world of Open Banking and fintechs with digital ecosystems and open innovation.

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

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 solution is divided into three main areas:

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

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

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

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, digital solution without the need for cumbersome paper-based processes.

Wealth Management

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

Temenos has a long-standing focus on the Wealth Management area. The solution covers all parts of the industry, from High Net Worth Individuals to Mass Affluent and is designed to be deployed by all participants in the sector, ranging from Wealth Managers to Private Banks and Retail Banks.

Our solution Temenos Wealth is a complete offering which empowers relationship managers to provide smarter, compliant investment advice. It enables portfolio managers to easily implement and tailor any investment strategies. Temenos Wealth is also the platform of choice for banking and securities back-office staff to efficiently manage all operations, based on enhanced market and reference data. Its new intuitive apps for mobile and web are designed to cater to the needs of the new generations of clients.

In a sector undergoing considerable changes, Temenos Wealth keeps evolving to cater to the needs of the most successful firms:

- Higher customer engagement in a digital world
- Growing revenue from efficient portfolio management and differentiating investment services
- Lower costs with highly automated back office operations
- Risk mitigation with enhanced data quality and regulatory modules.

Fund Administration

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

- Supports investment book of record (IBOR) and fund accounting (ABOR) activity with a single, global platform
- Sophisticated, highly automated workflow, to drive enhanced scalability and efficiency
- Unique Explainable AI (XAI) enabled exception management, to reduce false positives and enable accounting team to clear exceptions more efficiently
- Leveraging the latest cloud-native, cloud-agnostic technologies to provide a complete front-to-back offering, which scales with demand and can be continuously upgraded and independently deployed.

Islamic Banking

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

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

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

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

Inclusive Banking

Enabling financial institutions to rapidly deploy a packaged and integrated solution meeting the requirements of the un- and underbanked members of the community.

Temenos' Financial Inclusion offering is an integrated banking solution that provides financial institutions of all sizes, active in traditional microfinance and community banking, the means to support the requirements of their markets; be it group, unsecured or collateralized types of lending, fixed and notice deposits as well as savings accounts.

Being a configuration of Temenos' products, it provides world-class banking capabilities, that are usually only accessible to larger commercial banks with significant IT budgets. Financial Inclusion, which can be deployed on the cloud as SaaS or on-premise, 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, interest rebates and money management capability. Highly pre-configured with the end user in mind, the solution is a good starting point for challenger banks; deploy quickly, stabilize and then grow products and services as the market requires.

Financial Inclusion enables institutions to significantly reduce operating costs even when their business is growing fast and to pass these efficiencies on 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.

Research and development

INVESTMENT IN **INNOVATION**

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

Revolutionary investment in technology and architecture
In order to keep pace with the rapid rate of change in information technology, Temenos continues to invest significantly to ensure that its software takes advantage of the latest innovations. What is revolutionary at one point becomes standard in the following years, and this is why it is important to continue with this investment approach. We are currently focusing on Artificial Intelligence and the ongoing enhancement of our cloud technology and automation capabilities. Both of these enable banks to reduce their overall platform costs and to design and launch innovative products more quickly and efficiently. In addition, Temenos' SaaS and cloud offerings reduce banks' impact on climate change by using energy saving technologies and downsizing data centers.

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 27 years reflects this. We enable our existing clients to add new functionality to what they use already through regular updates, whilst also releasing the latest software for new clients. We also actively invest in growing our country specific functionality. This enables banks to go-live quickly and to focus on the capabilities which will differentiate them from their competitor. It also provides Temenos with a clear differentiation in the market, successfully blending globally innovative banking capabilities with pre-configured regional and national solutions.

Respond to changing industry regulation and trends
Banking, being a highly regulated industry, is subject to the continuous changing of requirements by regulatory agencies. At Temenos, we actively follow changes in banking regulation, in order to build relevant solutions into the software and thus support our clients using the regular upgrade mechanism. This program runs on a global basis, allowing us and our clients to quickly respond to changing regulations. Current examples include global data privacy regulations (including GDPR), Accounting Standards such as IFRS 9, the replacement of LIBOR, ongoing SWIFT standard changes, CBPR+ transformation and the ongoing introduction of Open Banking and Open Finance initiatives.

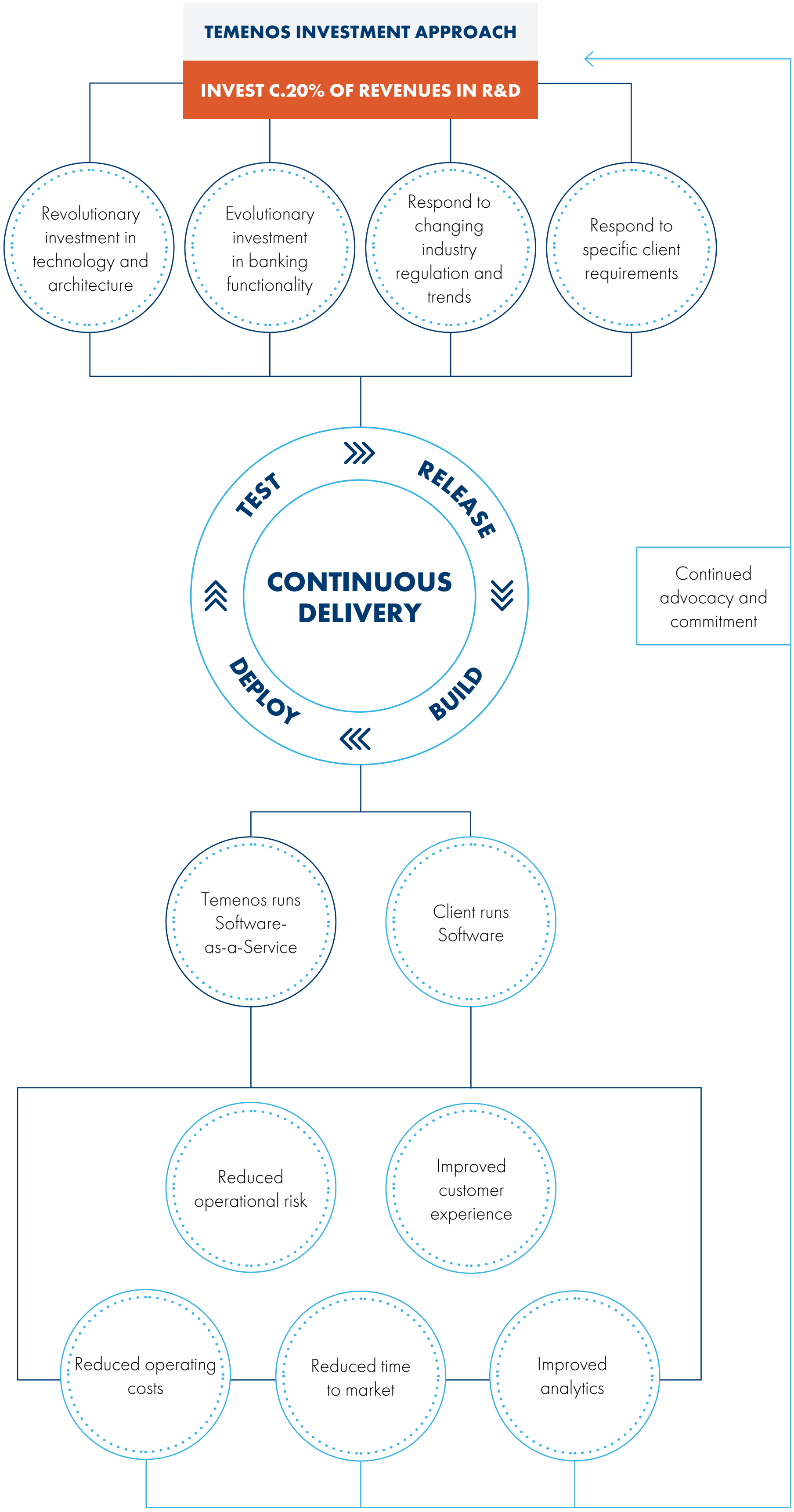
Covid-19 response
Covid-19 has caused the rapid acceleration of a series of trends which were pre-existing in the industry. In particular, it has led to rapid acceleration of digital transformation in banks and created conditions for new business models and approaches to be adopted. We have responded by introducing new digital offerings to help banks to service their customers better, often driven by AI and data technology which allow for increasingly automated and personalized offers to be designed and rolled out. These same technologies help with operational efficiency and stability, and have been increasingly embedded across all of our solutions. Cloud adoption has also had a significant boost, with the benefits of scalability, lower cost and increased reliability. We have responded to this growing demand by optimizing the use of the disruptive technologies in our offerings.

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 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. We do this using an advanced agile methodology which ensures that we deliver solutions which work to solve client needs in the shortest time possible. 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. This results in the following benefits to our clients:

Reduced operating costs
Only a small percentage of bank IT spend is on growth and innovation for banks running legacy platforms; the majority is spent on business as usual activities. In contrast, Temenos clients spend significantly less on maintenance IT, and 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 market leading solutions which cover digital channel interactions with customers, digitally enhanced in-person interactions, origination and onboarding key processes and product manufacturing and servicing across all banking segments. These offer improved customer service, based around personalization, product agility and AI-driven insights and actions. Although they deliver market leading capabilities independently, we firmly believe that banks gain the most leverage and commercial benefit if they adopt a front-to-back approach, and we are proud to have a set of solutions which provide all of the tools and technology to accomplish this.

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. At Temenos we have particularly focused on a multi-cloud strategy, enabling our clients to use highly resilient deployments across multiple clouds, and the provision of secure online upgrades and migrations to reduce system downtime. We believe that this approach enables our clients to reduce the risk of downtime significantly and to provide a market leading reliable business processing environment.

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, reusable content, as well as user-friendly configuration, design and testing tools.

Improved analytics

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.

Research and development continued

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. The increasing componentization of our solutions also creates the possibility of upgrading different elements at different frequencies, allowing for innovations to be more quickly adopted.

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

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

Highest R&D in the industry

USD 2.1bn

Cumulative 1990-2019

USD 1.1bn

Projected 2020-2024

THE TEMENOS **MARKETPLACE**

Driving innovation through a thriving fintech ecosystem.

The Temenos MarketPlace continues to play a key role for our customers. By bringing together a curated set of leading fintech solutions which complement our technology, we are able to address the unique and extended needs of banks as they select and implement their new banking solution, whilst helping our existing clients to continue to innovate and differentiate by leveraging the latest MarketPlace additions.

We scour the market to identify the best in fintech to not only enable our clients to easily plug into these cutting-edge solutions, but also to feed into our identification of banking-specific use cases, employing these latest technologies, with the resulting creation of differentiated combined solutions. Crucially, by pre-integrating MarketPlace solutions, we provide a risk-free means for our clients to access the latest in exciting fintech innovation, efficiently and with a rapid time-to-value.

By leveraging the broader fintech ecosystem to complement our own market leading investment in R&D, Temenos MarketPlace delivers a compelling proposition for banks as they pursue their strategies of innovation and differentiation through the adoption of the latest in technology.

Research and development continued

Banking's largest collaborative community empowering the developer ecosystem.

The Temenos Developer Community plays an essential role in connecting Temenos to the Developers that power our customers, Partners, MarketPlace providers and the wider ecosystem. Our rapidly-growing Developer Community is united by a common desire to learn and innovate – a desire that we foster through our award-winning Base Camp community platform, through our expert support and learning programmes, and through a calendar of interactive events designed to help our members scale with the technical skills and know-how to meet challenges and opportunities head on.

Our developer portal is the cornerstone of the Developer Community, enabling developers to discover our technology first-hand, to employ our API-first architecture to power rapid integrations and innovations with our software, and to learn how to use our technology to its full potential.

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

Delivering client success

A SUCCESSFUL SWITCH TO **REMOTE DELIVERY**

2020 was an unprecedented year that provided Temenos Services and our Services Partners with a challenge that had never been experienced previously. With the pandemic resulting in a global lockdown, the Temenos Delivery Ecosystem had to quickly switch to a remote delivery model within a short time frame to ensure that our clients' implementation and upgrade projects continued to go live on a regular basis.

Historically, the Temenos Delivery Ecosystem comprising over 6,500 Temenos and Partner consultants had provided a blend of on-premise and remote resources for projects to implement and upgrade the Temenos suite of products for our clients. Typically many consultants were deployed to work at our customer's site. Given the restrictions because of the Covid-19 virus, Temenos and our Partners had to build trust amongst our mutual clients that projects could continue to be successfully delivered via a remote model.

By deploying the innovative use of technology, Temenos and our Services Partners were able to quickly build virtual alignment on projects. As an example, by using the training and certification available from the Temenos Learning Community (TLC) Online service and by connecting our Centers of Excellence, Temenos and our Partners continued to develop the capacity and capability required to resource the remote projects to implement and upgrade Temenos software successfully. The fact that many projects relied on Temenos Cloud services, that are in nature remote, substantially contributed to a smooth continuation of ongoing projects.

Given the agility of the Delivery Ecosystem and the proactive support of our clients, Temenos and our Services partners successfully delivered 307 go-lives in 2020, comparable with the performance in 2019. In fact there was a year-on-year increase for those clients turning on Temenos software for the first time.

IMPLEMENTATION EXCELLENCE FOR **WORLD CLASS CLOUD SERVICES**

The demand for Temenos Cloud services to run the production environments for our clients has experienced unparalleled growth, with many new customers going live on the platform in 2020.

The number of clients moving to Temenos Cloud and allowing Temenos to run their production environments grew dramatically in 2020, with an increasing number preparing to transition in 2021.

This demand has led to the need for a different implementation model for Temenos and our partners. To support this, Temenos has developed a cloud version of the Temenos Implementation Model (TIM) to highlight the variances in roles and responsibilities between an on-premise and cloud implementation project.

In addition, further focus has been given to protecting our operational cloud services to our clients, by introducing a strict process for projects to comply with operational demands such as availability and performance. The Operational Readiness Board will confirm that all stakeholders are prepared and in agreement to move from project to production. A specialist certification path for Cloud Implementation Partners will be rolled out in 2021, to provide our Partners with the knowledge, skills and training to deliver future success implementation projects to be hosted on the Temenos Cloud.

Delivering client success continued

In 2017, we created the Temenos Learning Community in order to answer the increasing demand for Temenos experts, we achieved that by making the process of knowledge-transfer easier, faster, and more cost-effective for our clients and Partners. During 2020, we have driven continuous growth despite being a year marked by a global health crisis that induced very different training behaviors in our industry. By levering on the structure built on the previous years we have cemented TLC as the number one provider for all Temenos' educational needs, creating experts at the heart of the Temenos Ecosystem.

TLC Online
In 2020, TLC Online continued to grow, and specifically, the number of paying subscribers has grown by almost 37% to reach more than 3,000 paying members. It is now the most popular form of training for Temenos Partners and customers. Also, at the end of 2020, we gave access to TLC Online to all our Temenos employees. Now TLC Online is the go-to Temenos approach to provide accessible knowledge transfer to the entire Temenos ecosystem including Temenosians, clients, Partners, and independent consultants. Subscribers enjoy access to our latest content, sandboxes, learning paths, and to the only recognized Temenos certification available.

TLC Online proved a dependable training companion during the times of Covid-19. In May 2020, in order to provide an accessible learning experience to everyone involved in the stay-at-home effort, TLC launched the Working Together initiative. This allowed all Temenos customers to access our TLC Online courses free of charge for up to eight weeks. The initiative had global success, onboarding more than 3,200 individual learners from over 600 banks and other financial institutions.

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

Once installed, TLC Engine is the perfect solution to support any Temenos clients' change and transformation programs, enabling the creation and documentation of client-specific, end-to-end standard operating processes, including all manual and system steps, and processes related to non-Temenos products.

TLC Engine's tools provide training through recorded screen simulations, tutorial sessions and testing. The combination of process documentation and training functionality provides a rapid and comprehensive upskilling solution to our clients.

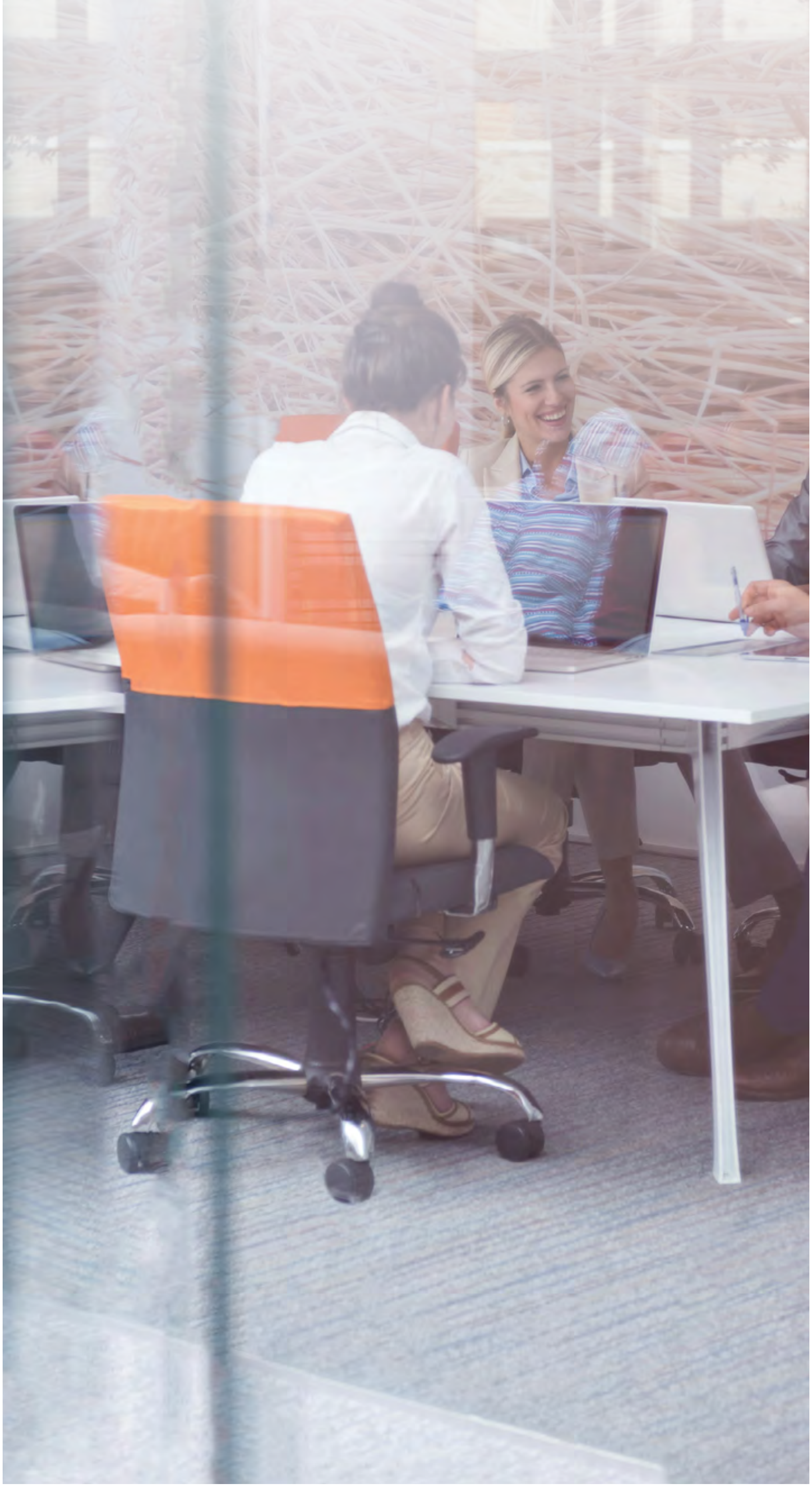
In 2020, the TLC Engine's coverage of Temenos' standard business process flows, describing how our products deliver solutions to our clients, continued to grow. Finally, we continued to evolve the proposition, making TLC Engine accessible for our clients and partners both on-premises and provided as Software-as-a-Service. As a result, we were able to double the Temenos TLC Engine installed base.

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

In 2020, to ensure a more timely update of the courses as new releases of our software become available, we increased the effort to maintain and develop new courses by 15% compared to 2019. The Classroom modular approach, which focuses the learning on our client's priorities and the organization of the course by job profiles (in order to ensure relevance to the learner), was further enhanced by the launch of the new Temenos Learning Pathways.

TLC Classroom remains a popular product with Temenos' clients and partners, but because of the travel restrictions related to Covid-19, in 2020 the vast majority of the Classroom training was delivered remotely. Despite the sudden switch from on-site to remote Classroom delivery, we were able to maintain the same Classroom experience and trainees' feedback remains very positive.

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 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.

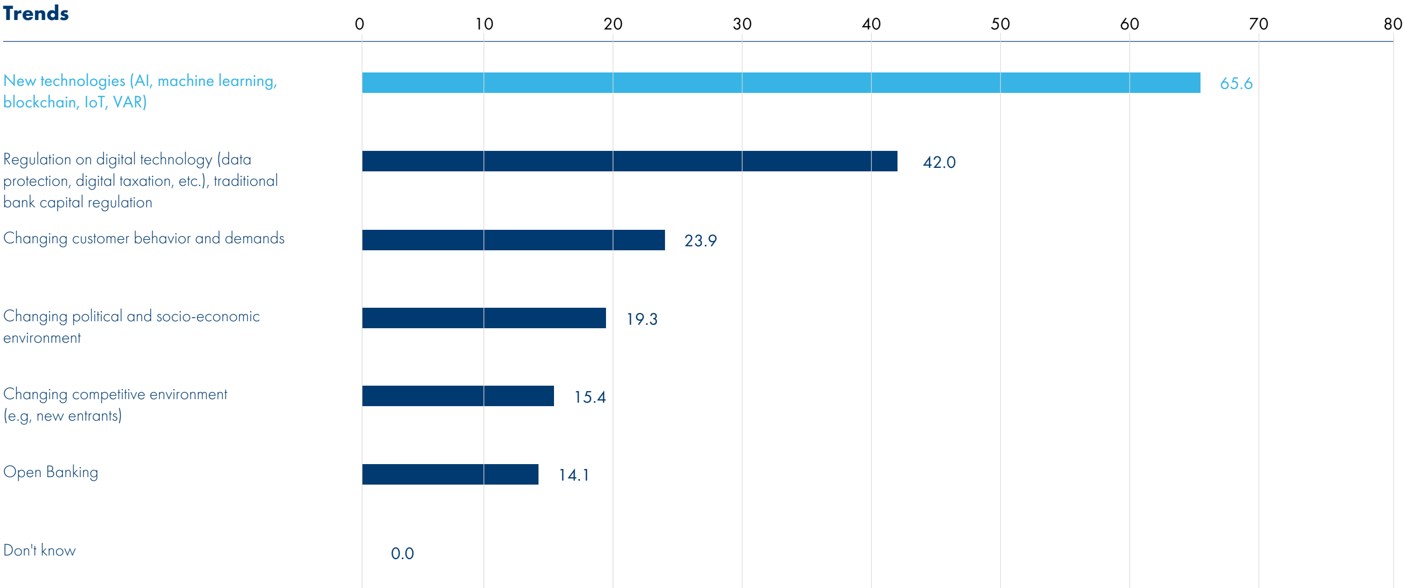
Working with the TLC Division, our Temenos Services Teams take ownership in supporting our Partners in strengthening their Temenos skills base and staying up to date on the latest releases of Temenos software.

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.

Insights

BANKING TRENDS – ECONOMIST INTELLIGENCE UNIT REPORT RELEASED BY TEMENOS

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



An industry in transition
Retail, corporate and private banks were already under pressure to deploy new technologies and reshape their company cultures in order to compete with big tech firms and payment players. As digital banking surged due to Covid-19, this task is now more pressing than ever.

The Economist Intelligence Unit (EIU) on behalf of Temenos, surveyed over 300 global banking executives, 49% of whom are C-suite, on the changes they see taking place in their industry by 2025, their organizational response, and the longer-term impact on their strategic development. This global independent report, which is now in its seventh year, highlights the following trends:

Advanced technologies will revolutionize banking
Two-thirds of banking executives believe that new technologies such as Artificial Intelligence (AI), machine learning and cloud will continue to have the greatest impact on the global banking sector in the next five years. This represents a rise of 57% in a year compared to 42% in 2019. Covid-19 is likely to accelerate the digital transformation of banks, which already face intense competition from payment players, big tech and e-commerce firms.

Digital banking acceleration
Banks are developing digital strategies to move away from their current operating models and promote greater agility. Improving product agility and the ability to launch new products is cited as the third most important strategic priority (26%), after improving customer experience and engagement (32%), and mastering digital marketing (31%). Migrating client usage to digital from physical channels tops the list of priorities for retail banks (35%, compared with 31% globally). Moreover, a majority of respondents (59%) agree that "the traditional branch-based banking model will be dead" by 2025, up from 44% in 2019.

AI will separate winners from losers
AI will undoubtedly play a key role in accelerating this digital shift. Over three-quarters (77%) of respondents agree that unlocking value from AI will be a key differentiator between winning and losing banks. Furthermore, improving user experience through greater personalization ranked highest (28%) among the most valuable uses for AI.

Cloud acceleration
Banks are focusing their technology investment on cloud-based technologies (27%) which is the third most important area of investment after AI platforms such as digital advisors and voice assisted engagement channels (33%), and cybersecurity (35%). The focus is shifting towards enterprise agility with DevOps, which brings together software development and IT operations using modern cloud-based platforms. In fact, 84% of respondents agree that DevOps will drive transformation in core banking, while 81% of banking executives believe a multi-cloud strategy will become a regulatory prerequisite.

Open Banking creating new business models
An overwhelming majority of respondents (83%) believe that platformization of banking and other services through a single entry point will steer the market. This is driving banks toward transforming their existing business models into true digital ecosystems according to 45% of respondents. This aim to integrate self-built digital services and third party offerings was cited more than any other response and has increased from 41% of respondents in 2019.

Future of banking

66%

Two-thirds of bankers say new technologies will continue to drive global banking compared to 42% in 2019

Artificial Intelligence (AI)

77%

AI will separate winners from losers, say 77% of bankers surveyed during Covid-19

Core banking transformation

84%

of bankers believe that DevOps and modern cloud platforms will drive core banking transformation

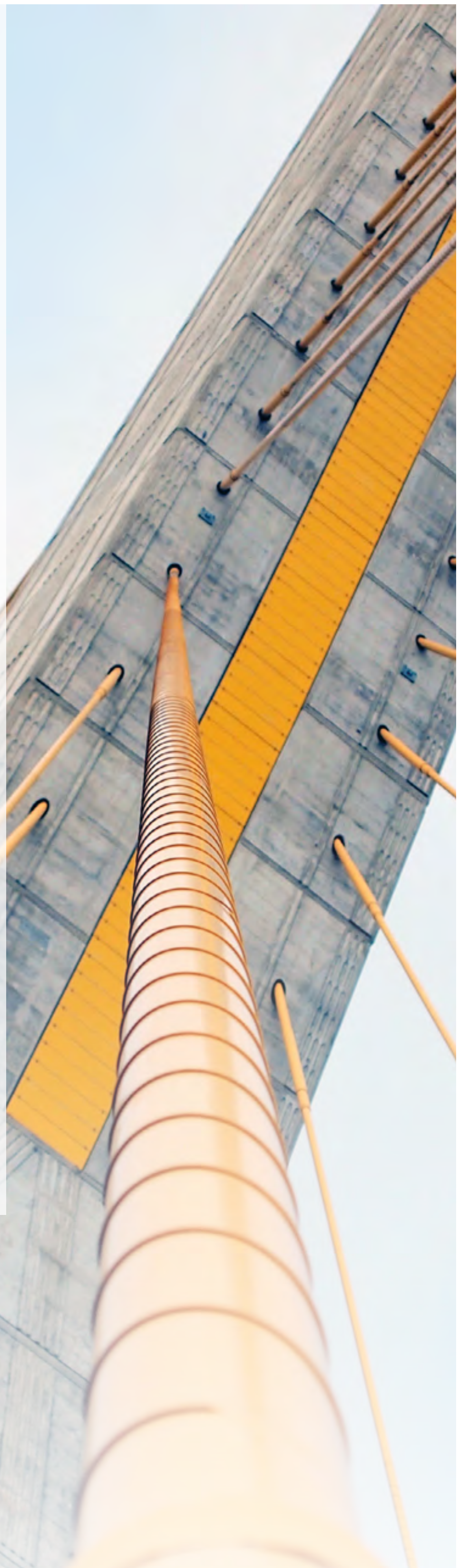
Digital ecosystems

45%

of global banking executives are set on transforming their business models into digital ecosystems to enhance customer experience and create new revenue streams

"Banks were under huge pressure due to new competitors, ongoing regulation and slowing profit growth – these pressures have intensified as a result of the pandemic. The report highlights that senior banking executives believe that new technologies such as AI will have the greatest impact in banking in the coming years. As the digitization of banking continues, these new technologies can help banks fend off competitors and gain competitive advantage. Temenos' cloud-advanced, AI technology and rich, localized banking functionality can help banks deliver value to their customers immediately and accelerate their digital transformation to build sustainable growth in the future. In the new normal, the need for modern banking technology will be greater than ever.

Max Chuard
Chief Executive Officer of Temenos



300+

Global banking executives surveyed on the changes they see taking place in their industry in the next five years

Business review

> *I am extremely proud of the way in which Temenos and all Temenosians responded – with commitment, dedication and empathy – supporting each other, our clients and partners through these unprecedented times.*

Introduction

Looking back on 2020, it has been an exceptional year in every sense of the word. No one could have predicted the impact of the pandemic, both socially and economically. And I am acutely aware of the many losses that so many people and communities have suffered over the last 12 months. I am extremely proud of the way in which Temenos and all Temenosians responded – with commitment, dedication and empathy – supporting each other, our clients and partners through these unprecedented times. Through the crisis, our employees demonstrated our core values of Temenosity. These are tenacity, velocity, responsibility, authenticity and a constant focus on community. This enabled us to make great progress in 2020, despite the crisis, and emerge even stronger.

We entered the pandemic in a very strong position, with record sales and profit in 2019 providing significant momentum at the start of 2020. We also benefit from a large recurring revenue base, which means that a significant portion of our profit for the year was already locked in. When the global financial impact of the pandemic became clear in the second quarter, we launched a solidarity program, with the Executive Committee and Leadership team taking salary reductions. 85% of the global workforce also voluntarily agreed to a salary reduction for 2020, to protect the company's ability to invest in key areas, in particular Research and Development. This commitment from our employees demonstrates the dedication to the success of Temenos among our workforce.

Over Temenos' 27-year history, our business model has demonstrated many times that it can withstand crises and emerge even stronger which we showed again in 2020. We did this by focusing on our unique value proposition of packaged software, industry-leading levels of R&D, leading functionality and technology and a broader ecosystem of partners. We won a large number of new clients globally, moved all our implementations to remote methodologies and made excellent progress with our product roadmap. In addition, we saw a dramatic acceleration in demand for SaaS and cloud. This was something we were well prepared for, through a decade of investment in our SaaS and cloud capabilities and being the first to run a core banking client in the cloud in 2011.

Covid-19 has significantly accelerated the demand for digitization in banking. There has been a massive increase in use of digital channels by end-customers, which has in turn increased the pressure on banks to invest in their digital capabilities. This has only added to the pressures on banks that existed before the pandemic, including costs, regulation and the move to Open Banking. Our addressable market reached USD 63 billion in 2020, of which only USD 17 billion is spent with third party software vendors. The third party spend is expected to grow at a CAGR of 8% per annum, and within this, the spend on SaaS is expected to grow at 25% per annum versus on-premise spend which is expected to grow at 6%. At this rate of growth, SaaS will constitute 30% of overall spend by 2025. Temenos clearly continues to benefit from a large and growing market, underpinned by sustainable longer term structural growth trends.

Within this market, we have been able to maintain our high win rates through 2020 and have continued to take market share across our key products and geographies. The on-premise competitive environment has remained relatively stable, and in the SaaS core banking space we have seen the emergence of a number of new vendors. With the significant investments we have made in our SaaS and cloud capabilities, we have even higher win rates in SaaS than our on-premise business. Through the pandemic, our pipeline of deals with existing customers was more robust than deals with new customers, contributing 72% of software licensing in the year. In the early stages of the pandemic, deals with larger banks slowed somewhat more than with smaller institutions. However, we saw spending with Tier 1 and 2 banks return in the third and fourth quarter, with these banks contributing 44% of total software licensing in the fourth quarter and 36% of total software licensing for the full year.

We maintained our very strong rankings and awards from third party analysts through 2020. IBS Intelligence Sales League Table has ranked us the #1 core banking vendor for the 15th time, as well as the #1 best-selling solution for digital banking and channels, payments, and risk and compliance. Similarly, Forrester recognized us the top global power seller for new-name clients for the 14th consecutive year. We were the only global power seller in the ranking, with a 30% increase in deals. We also continue to make significant steps forward in our ESG strategy which is reflected by our ongoing inclusion in three different sustainability indices, FTSE4Good, Dow Jones Sustainability Index and the Swiss Sustainability Index.

Through the pandemic, we continued to make significant investments in our business to emerge even stronger. It is through our focus on R&D and innovation that we are able to retain our market leading position, attract new talent, win new customers and expand within our existing customers. We continue to lead the industry in R&D, spending more than 20% of our revenue on product and technology every year.

> *"Over Temenos' 27-year history, our business model has shown many times that it can withstand crises and emerge even stronger. In 2020, we ended the year in a even stronger position.*

Sales – a strong recovery in the second half of 2020

The pandemic had a significant impact on sales in the first two quarters of 2020. The business environment was strong until early March, at which point the global acceleration of the pandemic caused significant disruption. Banks' initial response was to focus on business continuity, with a focus on more short-term, discreet projects with immediate benefits during the crisis. This created an initial slow down in bank IT spend for larger capex projects. In the second quarter, bank IT capex focused on client needs. There was an emphasis on digital channels, AI and financial crime mitigation platforms to address the exponential increase in demand for digital and the risks that comes with this. We reached a turning point in the third quarter, with banks embarking on strategic IT investment and refocusing on infrastructure and operational IT spend. In particular, Covid-19 accelerated demand for SaaS and cloud, to increase resilience and support remote operations going forward.

From a regional perspective, Transact demand in the US was driven by innovative banks looking for best-in-class solutions, as well as challenger banks and fintechs buying front and back office software. In Europe, we saw strong improvement in demand – in the fourth quarter in particular – with clients looking to address the massive growth in demand for digital by investing in front and back office platforms. In APAC, we saw strong demand for Infinity from both existing banks and new entrants, as well as increasing demand from neo-banks. Lastly, in MEA, demand for Transact was largely driven by new entrants and digital banks.

We had a very strong performance in our SaaS business in the year, with SaaS revenue up 44% and SaaS ACV up 65%. The US market was the strongest contributor of SaaS deals in 2020. Our modern technology and deep banking expertise resonates very well with US challenger banks and fintechs. Banks understand the operational and cost benefits to be gained from using SaaS and cloud, and there is increasing regulatory acceptance globally. Our clients recognize that using Temenos SaaS allows for faster updates, lower infrastructure costs, elastic scaling and increased resilience. The economics offered by SaaS solutions are opening the banking market to new entrants. This includes challenger banks and fintechs which provides us with a significant and largely incremental opportunity.

Business review continued

Key strategic initiatives to drive growth across SaaS and licences

At our Capital Markets Day in February 2021, we outlined our strategic initiatives to achieve our targets for 2025 of more than USD 1 billion of bookings, expanding our non-IFRS EBIT margin to at least 41% and generating more than USD 600 million of free cash flow. These focus on four key areas.

Profitable SaaS acceleration

We have invested in our SaaS and cloud capabilities for the last decade, and will capture the accelerating demand with our SaaS-ready, cloud-native products. We will also leverage our global sales teams with one sales organization selling our product – whether on-premise, cloud or SaaS. We will continue to invest in our sales capabilities to maintain our high win rates, as well as investing in our SaaS operations to drive automation and efficiency at scale. This will allow Temenos to achieve profitable SaaS growth.

Continued market leadership across all our growth engines

I am very proud of our market leadership position across all our product growth engines which we have consistently maintained for years. We are able to do this through our focus on R&D and innovation, with rich product and technology roadmaps led by our world class product directors and R&D teams. This keeps Temenos and our clients at the forefront of our industry. This year in particular, we have accelerated our investment in SaaS and cloud and continued to expand our Microservices capabilities.

Accelerating our North America growth

North America is the largest market globally, and we have made significant investments in the last five years to build our presence. North America was our largest region in 2020 and where we signed our largest ever ACV contract which was signed in the third quarter. We have a very sizeable opportunity for our products across many client segments in the US. We plan to accelerate our growth further by investing in people, in particular our sales leadership across client segments. We are strengthening our go-to-market strategy with new strategic partnerships.

We are building a very strong US SaaS pipeline, which is the largest contributor to our SaaS pipeline globally. We are investing in our US-specific SaaS offering, specifically around our customer experience and we are scaling our US cloud operations.

Game-changing Global Strategic Partnerships

The last strategic initiative is our game-changing strategic partnerships. Temenos has signed two groundbreaking partnerships in 2020, with Salesforce and DXC. In the partnership with Salesforce, the world's number one CRM company, we are taking the transactional strengths of Temenos Infinity and the relationship capabilities of Salesforce to create a new digital workspace. This will let banks reimagine the way they engage their customers and employees. The aim is for this to be the number one Digital Banking platform for all banking clients.

The second game-changing partnership we have announced is with DXC. This will enable DXC's large bank customers to accelerate their digital transformation on Temenos software. The partnership will combine the implementation and integration strengths of DXC with the power of Temenos' technology and functionality. The partnership opens up a new channel to market for Temenos with a proven transformation partner. It will also accelerate our penetration in the large banks segment, particularly in the US market.

Our unique value proposition

Temenos is uniquely placed to meet the demands of our clients – across all tiers and business models – through our unique value proposition.

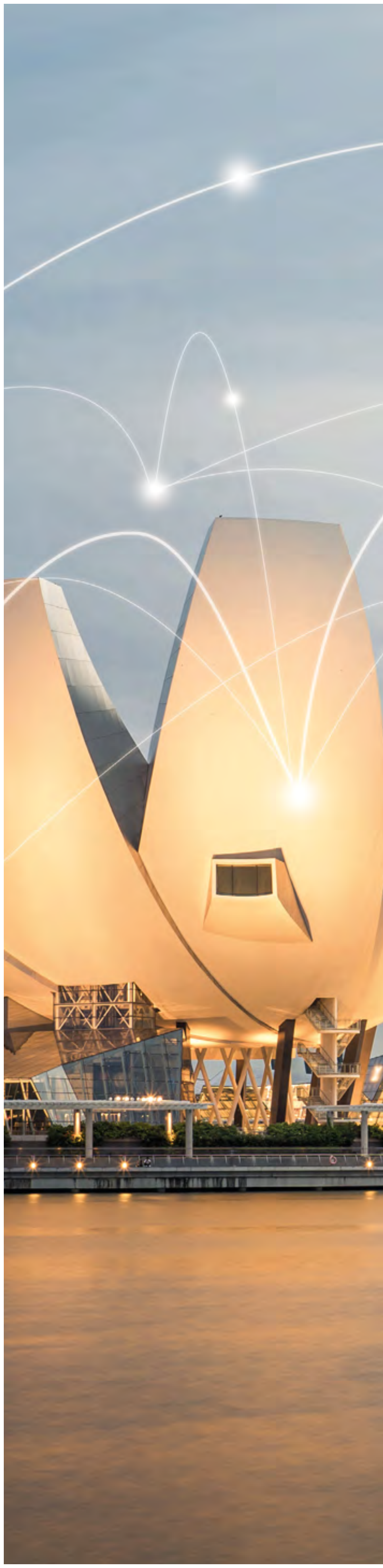
Firstly, banking is all we do. We have deep domain expertise, unrivalled in our market, which means we understand our clients' business and build our product and technology specifically to meet their needs in a rapidly evolving market. Temenos has the leading functionality, built on 27 years of focus on one sector, and we combine this with extensive localization capabilities for our clients in 150 countries. We have game-changing technology – our platforms are cloud native, cloud-agnostic and multi-cloud. That gives our clients efficiency, scalability and freedom to choose how and where they run our software. Our technology is API first, with Artificial Intelligence embedded across the platform. And crucially, in our regulated industry, Temenos AI is explainable. Our packaged products have a single code base, which means all our clients are running on the same platform and they can all benefit from our innovation and R&D, which is the highest in the industry. Finally, Temenos can scale through our incredible ecosystem of technology and implementation partners. This means our clients can chose who they work with when implementing and running our software.

Together, this makes us the leader in the market, with high win rates, high retention and over 3,000 clients across the globe.

Final remarks

I am incredibly proud of how Temenos and all Temenosians have responded to the crises in 2020. By focusing on our clients, supporting them through the crisis, rapidly moving to remote implementations and driving our R&D roadmap forward, we have emerged even stronger. With clear strategic initiatives in place, I am confident we will be able to deliver our 2025 targets. We will continue to be at the very forefront of our market.

Max Chuard
Chief Executive Officer



Our operating highlights

64

New customers in 2020

65%

Annual Contract Value of SaaS grew 65% in 2020

36%

Tier 1 and 2 banks contributed 36% of total software licensing revenue

For financial highlights turn to **page 7**

Financial review

Introduction

Opening thoughts

Despite the impact of the pandemic in 2020, we saw a strong recovery in the second half of the year. Our resilient business model enabled us to deliver non-IFRS recurring revenue growth of 13%. SaaS and subscription in particular saw a significant acceleration in demand, with non-IFRS SaaS and subscription revenue growth of 44%. Non-IFRS total software licensing declined 20% and non-IFRS total revenue declined 8%. Our flexible cost base enabled us to protect profitability, with non-IFRS EBIT growth of 1% for the year.

Our DSOs reached 111 days by year end, and we closed the year with USD 110 million of cash on our balance sheet and leverage of 2.1x net debt to non-IFRS EBITDA.

IFRS vs non-IFRS

To ensure that the presentation of results reflects the underlying operating performance of the business, Temenos publishes its key metrics on a non-IFRS basis as well as on an IFRS basis. For key metrics on a non-IFRS basis where comparable IFRS measures are presented in the consolidated financial statements, a full reconciliation is published between IFRS and non-IFRS measures which highlights the adjustments. Non-IFRS adjustment definitions and reconciliations can be found on pages 40 and 41.

Highlights

Full year highlights (non-IFRS) include:

- SaaS Annual Contract Value (ACV) up 65% reported
- Non-IFRS SaaS & subscription revenue growth of 44% reported
- Total software licensing decline of 20% reported
- Maintenance growth of 7% reported
- Total revenue decline of 8% reported
- Services margin of 13.1%, representing a margin expansion of 2 percentage points
- EBIT of USD 320.4 million and margin of 35.6%, an increase of 3 percentage points
- EPS of USD 3.43, a decline of 1%
- Operating cash flow of USD 406 million up 12% year-on-year with cash conversion of 112% of EBITDA
- DSOs ended at 111 days
- Recommended annual dividend of CHF 0.90 per share, an increase of 6%.

"We delivered a strong end to the year, with continued sequential improvement in our license performance in the fourth quarter, and expect to return to strong growth in 2021 as bank spend increases on structural demand. The flexibility in our cost base meant that we were able to deliver EBIT growth of 1% in the year, however we will see some normalization of the cost base in 2021 as the business returns to revenue growth. We had strong cash generation, with operating cash inflow of USD 406 million for the full year, up 12%, and representing a cash conversion of 112%. We ended the year with DSOs at 111 days, and leverage at 2.1x.

Key figures 31 December

USDm, except EPS	2020	2019
Non-IFRS revenue	899.9	980.6
Non-IFRS EBIT	320.4	317.9
Non-IFRS EBIT margin	35.6%	32.4%
Cash generated from operations	406.2	364.3
Total assets	2,215.7	2,331.7
Non-IFRS earnings per share	USD 3.43	USD 3.47

Revenues

IFRS

IFRS group revenues were USD 887.4 million for 2020, a decrease of 9% versus 2020 on a reported basis.

IFRS total software licensing declined 21% in the year, with the most significant impact on licenses in the first half of the year, and a recovery in the second half of the year as banks returned to conducting significant strategic transformation projects . We saw very strong growth in demand for SaaS and cloud. SaaS Annual Contract Value increased 65% (reported) to reach USD 35 million by year end.

IFRS maintenance revenues grew 7% on a reported basis, and IFRS services revenues declined 8%.

Non-IFRS

Total non-IFRS group revenue in 2020 was USD 899.9 million, a decrease of 8% compared to 2019 on a reported basis. The USD 12.6 million difference between the IFRS and non-IFRS revenue is due to adjustments made for the write-down of deferred revenue linked to the acquisition of Kony.

Cost base

IFRS

Full year costs on an IFRS basis were USD 653.8 million, down from USD 736.6 million in 2019. The decrease in cost was driven by the flexibility in our cost base, with lower variable compensation and travel expenses due to the pandemic. In addition, we executed a restructuring program in Q2 and Q3. We continued to invest in critical areas of the business through 2020, in particular Research and Development and Sales and Marketing.

Non-IFRS

Full year costs on a non-IFRS basis were USD 579.5 million, down from USD 662.7 million in 2019. Of the USD 74.3 million difference between the IFRS and non-IFRS cost base, USD 65.6 million is due to adjustments made for the amortization of acquired intangibles costs and USD 8.7 million is due to the net adjustments made for restructuring costs and acquisition-related costs and charges.

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

IFRS

Full year IFRS EBIT was USD 233.6 million compared to USD 235.4 million in 2019. IFRS EPS for 2020 was USD 2.39, compared to USD 2.46 in 2019.

Non-IFRS

EBIT on a non-IFRS basis was USD 320.4 million, up from USD 317.9 million in 2019, an increase of 1% on a reported basis. EPS was USD 3.43, down from USD 3.47 in 2019, a decrease of 1%.

Non-IFRS EBIT margin was 35.6%, up from 32.4% in 2019, benefiting from the flexibility in our cost base and lower travel costs. Our services operating margin was 13.1% for the year, up from 11.0% in 2019, as partner involvement in implementations continued to increase and the use of remote implementation methodologies drove increased efficiency in our Services business.

Cash flows

We generated USD 406 million of operating cash in 2020, up 12% from 2019 and representing a cash conversion of 112% of EBITDA. We have maintained our guidance for 100%+ conversion of EBITDA into operating cash flow in 2021, 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 111 days, a decrease of nine days from 2019. We have moved our DSO target to less than 85 days by 2025. We generated free cash flow of USD 297 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 2020 with a leverage ratio of 2.1x 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.

	Non-IFRS			IFRS		
USDm, except EPS	2020	2019	Change	2020	2019	Change
Software licensing	259.5	378.4	-31%	259.5	378.4	-31%
SaaS and subscription	96.2	66.6	44%	83.6	57.9	44%
Total software licensing	355.6	445.0	-20%	343.1	436.3	-21%
Maintenance	381.2	357.7	7%	381.2	357.7	7%
Services	163.1	178.0	-8%	163.1	178.0	-8%
Total revenues	899.9	980.6	-8%	887.4	972.0	-9%
EBIT	320.4	317.9	1%	233.6	235.4	-1%
EBIT margin	35.6%	32.4%	3%pts	26.3%	24.2%	2%pts
EPS (USD)	3.43	3.47	-1%	2.39	2.46	-3%

Financial review continued

Dividend

We have announced a dividend of CHF 0.90 per share for 2020, representing an increase of 6%. This is subject to shareholder approval at the AGM on 20 May 2021. The shares will trade ex-dividend on 25 May 2021, and the dividend record date will be set on 26 May 2021. The dividend will be paid on 27 May 2021. Approximately one third of the dividend will be paid as a distribution of reserve from capital contributions, therefore exempted of withholding tax (share premium dividend), with the rest of the dividend taken from the retained earnings (cash dividend) and therefore taxable (WHT 35%). Temenos' policy is to distribute a growing dividend.

Looking forward

Guidance for 2021

Our 2021 non-IFRS guidance is as follows (in constant currencies):

- SaaS Annual Contract Value (ACV) growth of 40-50%
- Annual Recurring Revenue (ARR) growth of 10-15%
- Total software licensing growth of 14-18%
- Total revenue growth of 8-10%
- EBIT growth of +12-14% (USD 364-371 million), implying 37.2% margin
- 100%+ conversion of EBITDA into operating cash flow
- Expected FY 2021 tax rate of 16% to 18%
- DSOs to be below 105 days by year end.

2025 guidance

We have announced new 2025 targets as follows:

- Non-IFRS total software licensing growth 15%-20% CAGR 2020-2025
- Non-IFRS total revenue growth of 10-15% CAGR 2020-2025
- Non-IFRS EBIT margin of c.41% by 2025
- Total bookings growth of 17-22% CAGR 2020-2025, to reach more than USD 1 billion by 2025
- ARR of at least 15% CAGR 2020-2025
- Operating cash flow conversion of 100%+ EBITDA p.a.
- Free cash flow of at least 15% CAGR 2020-2025 to reach more than USD 600 million by 2025
- Tax rate of 18-20% from 2022 to 2025
- DSOs to reach c.85 days.

Engines of growth

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

Banking remains one of the most under-penetrated sectors for third party software spend globally. We estimate the total global spend we can address today with our products is USD 63 billion, of which only USD 17 billion is spent with third party vendors. The spend with third parties is estimated to be growing at a c.8% CAGR, with the spend in on-premise software and maintenance growing at a c.6% CAGR and SaaS growing at c.25% CAGR.

We continue to expect a significant contribution from Tier 1 and 2 clients, who have contributed 45% of total software licensing revenues on average from 2014 to 2020. Going forward we expect Tier 1 and 2 clients to contribute between 40 and 50% of total software licensing by 2025. We have significantly expanded our footprint in North America, which contributed 27% of total software licensing in 2020 and we expect this to grow to 40-45% of total software licensing by 2025. Lastly, we have seen a significant acceleration in demand for SaaS driven by the pandemic and expect SaaS to be c. 50% of total software licensing by 2025. SaaS ACV reached USD 35 million in 2020 and we are guiding for SaaS ACV growth of 40-50% in 2021.

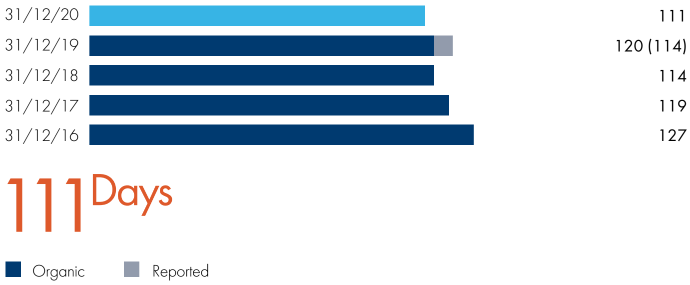
Final remarks

Our robust business model enabled us to deliver strong growth in recurring revenue and to protect our profitability in 2020. The pandemic is accelerating the digital transformation of banks and our market is returning to growth in 2021 with SaaS in particular seeing a significant increase in demand. I am confident in delivering our 2021 guidance and we have strong structural drivers underpinning our growth over the next five years.

Panagiotis "Takis" Spiliopoulos
Chief Financial Officer

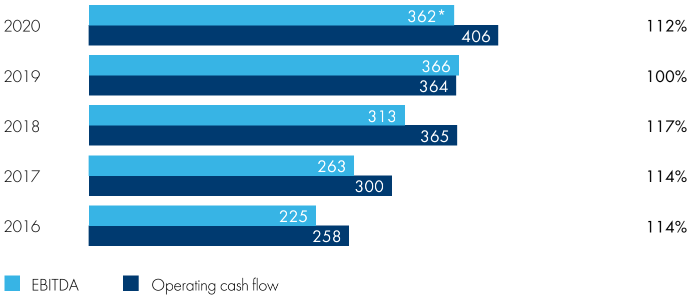
DSOs

Day



Cash conversion

USDm



* EBITDA has been adjusted for a non-recurring specific item, the Kony earn out reversal for cash conversion purposes.

Alternative performance measures (APM)

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

Annual contract value (ACV)

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

Annual recurring revenue (ARR)

Annual recurring revenue committed at the end of the period for both SaaS and Maintenance. Includes new customers, up-sell/cross-sell and attrition. Only includes the recurring element of the contract and excludes variable elements.

Total bookings

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

Days sales outstanding (DSO)

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

USDm	2020	2019
Trade receivables and contract assets – net	273.8	321.9
Non IFRS revenue	899.9	980.6
Number of days per year	365	365
Days sales outstanding (DSO) (days)	111	120

Free cash flow

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

USDm	2020	2019
Net cash generated from operating activities	383.0	347.1
Purchase of property, plant and equipment	(6.9)	(10.0)
Disposal of property, plant and equipment	0.1	0.4
Purchase of intangible assets	(2.8)	(4.0)
Capitalized development costs	(76.3)	(64.6)
Free cash flow	297.1	268.9

Financial review continued

Operating cash flow conversion

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

USDm	2020	2019
Cash generated from operations	406.2	364.3
IFRS EBITDA	382.6	366.0
Less: Kony earn out reversal (non-recurring specific)	(20.5)	–
Adjusted IFRS EBITDA	362.1	366.0
Operating cash flow conversion (%)	112%	100%

Leverage ratio

Net debt (excluding lease liabilities) divided by non-IFRS EBITDA (excluding IFRS 16 impact on net earnings).

USDm	2020	2019
Net debt	(878.6)	(1,033.7)
Less: lease liabilities	48.2	51.3
Adjusted net debt	(830.4)	(982.4)
Non-IFRS EBITDA	403.8	393.3
Less: IFRS 16 impact on net earnings	(19.1)	(15.9)
Adjusted non-IFRS EBITDA	384.7	377.4
Leverage (ratio)	2.1	2.6

EBITDA*

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

Services margin*

Services operating margin is calculated as operating profit divided by services operating segment revenue.

* Reconciled with comparable IFRS measures.

Reconciliation from IFRS to non-IFRS - EBIT/EBITDA

USDm	2020	2019
IFRS EBIT	233.6	235.4
Deferred revenue write-down	12.6	8.6
Amortization of acquired intangibles	65.6	55.2
Restructuring	29.0	14.7
Acquisition-related charges	(20.4)	4.0
Non-IFRS EBIT	320.4	317.9
IFRS EBIT	233.6	235.4
Depreciation and amortization	149.0	130.6
IFRS EBITDA	382.6	366.0
Deferred revenue write-down	12.6	8.6
Restructuring	29.0	14.7
Acquisition-related charges	(20.4)	4.0
Non-IFRS EBITDA	403.8	393.3

Reconciliation from IFRS earnings to non-IFRS earnings

USDm	2020	2019
IFRS EBIT	233.6	235.4
Finance cost – net	(29.4)	(22.9)
Taxation	(29.2)	(31.4)
IFRS net earnings (Profit)	175.0	181.1
Number of shares – Diluted (000)s	73,232	73,489
IFRS EPS (USD)	2.39	2.46
IFRS net earnings (Profit)	175.0	181.1
Deferred revenue write-down	12.6	8.6
Amortization of acquired intangibles	65.6	55.2
Restructuring	29.0	14.7
Acquisition-related (credits)/charges	(20.4)	4.0
Acquisition-related finance cost	–	0.9
Taxation	(11.1)	(9.4)
Non-IFRS net earnings (Profit)	250.7	255.1
Number of shares – Diluted (000)	73,232	73,489
Non-IFRS EPS (USD)	3.43	3.47

Services operating margin

Reconciliation IFRS vs Non-IFRS

USDm	IFRS 2020	IFRS 2019	Non-IFRS 2020	Non-IFRS 2019
Revenue	163.1	178.0	163.1	178.0
Operating costs	(130.5)	(144.9)	(130.5)	(144.9)
Operating contribution	32.6	33.1	32.6	33.1
Unallocated expenses and depreciation*	(19.3)	(14.1)	(11.3)	(13.6)
Operating profit	13.3	19.0	21.3	19.5
Services operating margin	8.2%	10.7%	13.1%	11.0%

* Unallocated expenses are costs not considered as direct operating costs, such as property related cost,software cost, professional fees and restructuring cost (including severance). The non-IFRS adjustment in the year was USD 8.0 million, up from USD 0.5 million in 2019, with the increase mainly driven by higher severance costs as part of the Group's cost saving program..

Definitions

Non-IFRS adjustments

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

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

Acquisition related charges
Relates mainly to advisory fees, integration costs and earn out credits or charges.

Acquisition related finance cost
Mainly relates to fees incurred on acquisition funding.

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 mainly on deferred revenue write-down and amortization of acquired intangibles, and on the basis of Temenos' expected effective tax rate.

Share-based payment charges
Adjustment made for shared-based payments and social charges, applicable only to non-IFRS numbers and guidance from 2021 onwards.

Other Definitions:

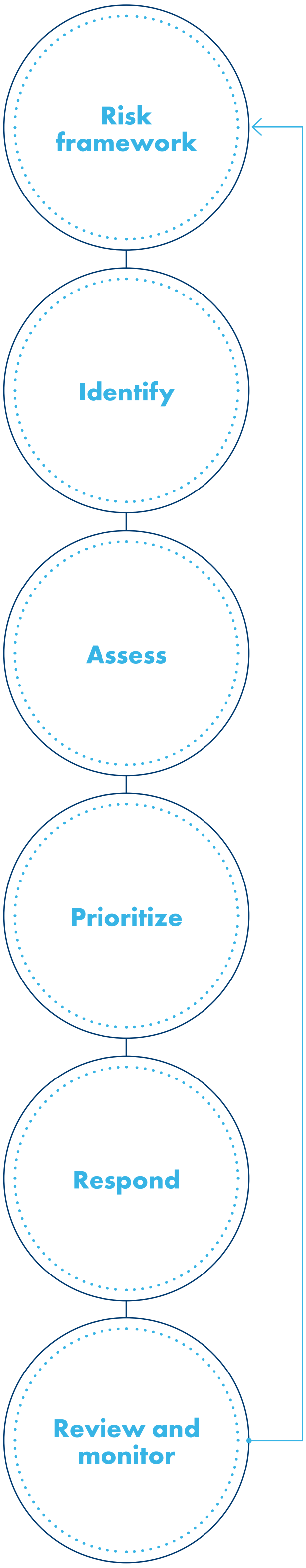
Constant currencies
Prior year results adjusted for currency movement.

Like-for-like (LFL)
Adjusted prior year for acquisitions and movements in currencies.

SaaS and subscription
Revenues generated from SaaS and subscription licenses.

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

RESPONSIBLE RISK MANAGEMENT



Risk management
Our risk management policy is aligned with ISO 31000: Risk management – 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 and ensuring that controls are operating effectively, through a dual structure: a corporate risk team that identifies general strategy risks and establishes centralized policy, and specialized functional teams that design and monitor policies and controls in consultation with local business teams. We have embedded risk experts within Temenos to monitor and influence the company's risk profile, working side by side with the line managers. Periodical risk assessments are performed within business units and summarized results reported to management along with mitigation plans where appropriate. The Audit Committee has the responsibility for monitoring and auditing risk management performance by overseeing the program and reviewing key risks of the Group.

There is also a robust internal control and risk management system in place for financial reporting and key operational and fraud risks that goes beyond statutory requirements. All relevant risks are identified, formally assessed and documented. For each risk we have implemented specific controls and mitigation plans, and these are documented in formal risk and control matrices. The effectiveness of the controls is regularly evaluated through a formal self-assessment process which is independently reviewed and tested by both internal and external audit. Internal Audit also conducts an annual Fraud Risk Assessment review to ensure that key fraud risks have been identified and adequately mitigated. The results of the self-assessment exercise and internal and external audit reviews are reported to management and the Audit Committee.

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 lifecycle. We have centralized our product security group and practices. Extensive testing is carried out to identify and resolve any issues which may adversely affect the functionality, security and other performance of our products and offerings.

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.

Principal risks and uncertainties continued

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 may require the opening of new offices, hiring new personnel and managing operations in widely disparate locations with different economies, legal systems, languages and cultures, and may require significant management attention and financial resources. Temenos' operations are also affected by other factors inherent in international business activities, such as:

- Differing or even conflicting laws and regulation of risk and compliance in the banking sector
- Difficulties in staffing including works councils, labor unions and immigration laws 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 regularly assesses client satisfaction and proactively seeks and responds to client feedback.

Mechanisms for tracking and oversight of contract clauses are utilized by the global contract team to provide additional comfort over the effective management of client contractual arrangements.

Temenos aims to build long term strategic relationships with clients in order to maximize the value provided to both parties. Through strong relationships, Temenos is able to further develop products according to industry needs and requirements.

Strategic Partnerships

Temenos delivers its products to clients directly and indirectly through distributors and through strategic alliances with IT service providers. Temenos' strategic Partners sell to clients and provide implementation services through a contract with the client, rather than with Temenos. These relationships with IT service providers and strategic Partners help to drive co-innovation of Temenos' products, profitably expand Temenos' routes-to-market to enhance market coverage and provide high quality services in connection with Temenos' product offerings. Any failure to maintain and expand these relationships could adversely affect Temenos' products and services which, in turn, would have an adverse effect on Temenos' ability to compete successfully with its competitors and therefore negatively affect the results of operations and financial condition.

Cloud and SaaS solutions
Cloud and SaaS technology is inherently complex and 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 an annually renewed SSAE18 SOC 1 and SOC 2 along with a CSA-CCM (Cloud Security Alliance – Cloud Control Matrix) compliance attestation, an ISO 9001, ISO 27001, ISO 27017, ISO 27018 and ISO 22301 certifications that provide a greater degree of assurance to clients. Temenos has further extended its independent compliance validation program by certifying the Azure Infrastructure against PCI-DSS standard for Temenos Australia clients. The acquired Kony business (2019) has been fully incorporated under the Temenos certification program thus providing the same level of assurance to our clients.

Software implementation project management
The implementation of Temenos' software and integration of various product components is a complex process requiring skilled and experienced personnel. The implementation of Temenos' software is often performed in part or wholly by service delivery Partners as well as committed resources of the client. The complex nature of the solutions makes it necessary to provide training and education on the operation of the product.

The reliance on third party capabilities, and the complex nature of product customization and installation requirements mean that there is a high potential for unforeseen events to occur delaying the progress of implementations.

Temenos focuses heavily on training the staff and Partners responsible for implementation of software to ensure a strong mix of qualified project managers and technical product expertise. Temenos ensures the adequacy of skills through requiring certification of staff and Partners in Temenos Implementation Methodology and products. Our provision of the Temenos Learning Community (TLC) shows our ongoing commitment to this area.

Implementation teams are also trained to identify and effectively manage any unforeseen events and a suite of risk management tools 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 and integration project management is utilized to ensure a smooth transition of operational activity, product offerings and services. Legal, financial, commercial, operational, personnel, IT and security matters are also considered prior to integration in order to limit exposure to unexpected losses or damage.

Principal risks and uncertainties continued

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.

Temenos has implemented a fully compliant ISO 27701 Business Continuity Management System (BCMS) to cover Business Continuity and Resilience requirements. The framework touches on all aspects of Business Continuity and Resilience and is tested and audited regularly.

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

Insurance
Temenos corporate insurance policies cover various organizational risks such as financial losses, theft, employee's health benefits and accident, travel protection.

Across the various local legal jurisdictions in which Temenos operates, we ensure that we are in compliance with the 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 services/products errors and omissions), Cyber Liability Insurance, Crime Insurance, Global Travel protection and Directors and Officers insurance.

As any large organization, the Company reviews periodically its insurance programs, in order to secure that our activity, offices and employees are adequately covered, in line with the most actual and comprehensive insurance products that the market offers.

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.

In response to increasing concern about the impact and risk associated with climate change, Temenos has aligned the climate risk assessment according to the recommendations of the Task Force on Climate Related Financial Disclosures. As part of this, we have conducted a qualitative scenario-based climate assessment to identify both climate-related risks and opportunities, in order to inform Temenos medium and long-term business strategy. Governmental actions to mitigate climate change could increase operating costs. Increased frequency of extreme weather (storms, floods, heat waves) could cause disruption of our operations. Failure to meet client, Partner, investor, other stakeholder expectations or globally recognized standards on sustainability and climate change strategy could have an impact on the demand for our products, our ratings in sustainable investment indices and our corporate reputation, resulting in reduced growth and profitability.

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 in accordance with our Internal Control System process and additionally by Internal Audit which serves as a third line of defense to provide assurance on the effectiveness of risk management and internal controls system.

In addition to the assurance provided by Internal Audit, Temenos engages a range of external assurance providers to provide industry standard certifications e.g. ISO accreditations and Systems and Organization Control (SOC) reports.

Message from the CEO

ACHIEVING EXCELLENCE **RESPONSIBLY**

"I am pleased to share our 2020 Corporate Responsibility and Sustainability Report, detailing our progress on how we continue to grow our business in a way that takes care of the world around us, delivering value to anyone associated with us.

As I am writing this, the world is changing. The Covid-19 pandemic has brought public health, economic and social challenges globally, affecting nearly every aspect of life, from work and school to everyday activities. It amplified already existing inequalities, while highlighting the urgent need for an inclusive and equitable society and the call for action to address climate change. We, as global leaders, the entire business community and each one of us must embrace the urgency to address these inequalities, commit to dialogue and action and bring positive change.

While being enormously disruptive and painful, a crisis can nurture the emergence of great common purpose, solidarity, creativity, resourcefulness and improvisation. At Temenos, we strongly believe that for every challenge, there is also new opportunity. Technology has taken center stage and online has become the lifeline. People are now connecting, working, learning, shopping, banking, interacting in entirely different ways.

As CEO, I have the moral duty to ensure that Temenos and our people are safe, resilient and adapt to the new reality and the changing expectations of all our stakeholders. Building two-way communication and maintaining the trust, connection and sense of community with our stakeholders, have never been more important. We are committed to being part of the solution and a purposeful and trusted partner, as the long-term transition to the new normal has already begun.

This crisis has highlighted the gaps in the digital journey for banks. It accelerated their need to rethink technology strategy as well as identify models that can drive customer value. Financial technology and digital finance can advance sustainable development and accelerate the achievement of global environmental and social goals. We continue to collaborate with our clients to develop solutions to new business and social challenges and help them transform into smart, sustainable organizations, supporting in turn their customers and communities in need.

The restrictions in travel have made us rethink the way we deliver our services to our clients, while at the same time they have accelerated our initiatives to address global environmental challenges. Remote implementation and green cloud will become the new normal.

Working from home is reinforcing our already strong work from anywhere business model. It enables us to offer more flexibility and agility to our employees and take our inclusive culture to the next level, by re-evaluating team dynamics and tools, increasing diversity across our teams, and providing us with an unprecedented window into embedding practices that are more efficient, effective and inclusive.

During this time of crisis, the focus on inclusion becomes ever more critical. Our Covid-19 propositions, as well as our Adopt-iT CSR program and committed Temenos volunteers continue to address social inequalities caused by the pandemic and support disadvantaged local communities towards financial and digital inclusion.

On behalf of all our Temenos employees and together with 1,000 CEOs from companies in over 100 countries, last September, I personally signed the Statement from Business Leaders for Renewed Global Cooperation, pledging to support the United Nations' mission of creating a more equitable, inclusive and sustainable world, highlighting the significant role the private sector plays in society.

On that note, I am pleased to share our 2020 Corporate Responsibility and Sustainability Report, detailing our progress on how we continue to grow our business in a way that takes care of the world around us, delivering value to anyone associated with us. It reflects our strong commitment to work towards our vision of an inclusive and sustainable world together with our stakeholders and the society, at large, while making banking possible for 1.2 billion people worldwide.

As a global company, we understand the responsibility that comes with that role, by being committed to supporting and enhancing the quality of life of all our stakeholders. Our operations, our products as well as our investments in innovation and the community have a wider positive impact on the global economy. By driving economic growth, creating jobs, finding smart, sustainable solutions for our clients, investing in R&D, offering financial support, sharing our business expertise and the talent, diversity and dedication of our employees and collaborating with clients and partners, we are making positive, measurable contributions to the communities where our stakeholders live and work, the broader society and our planet.

I am proud of our efforts and achievements so far and look forward to our future actions. After all, it is in the Temenos culture to take action, work across boundaries, overcome obstacles, find solutions that work and make the impossible possible; to provide financial institutions, of any size, any sector and anywhere in the world, the software to thrive in the digital banking age, to innovate with purpose and make banking better, together.

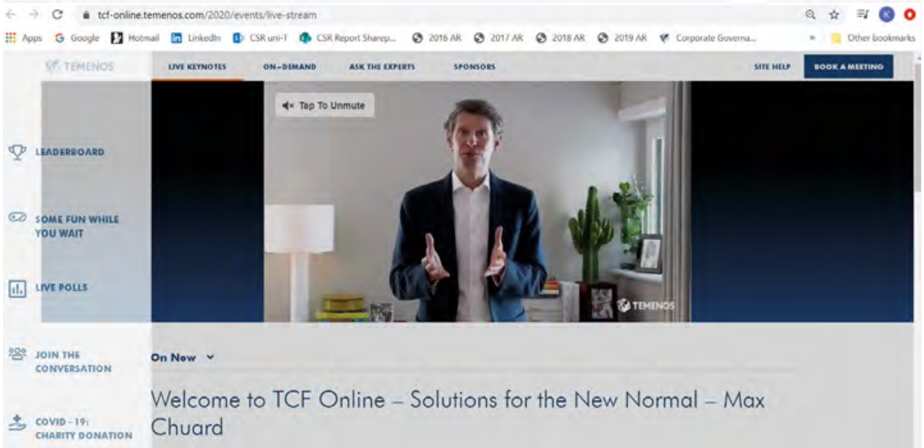
Max Chuard
Chief Executive Officer

Highlights

In the top 1%

Of the largest global companies listed in the 2020 Dow Jones Sustainability World and Europe Indices

Temenos' response to Covid-19



Case study:
2020: an acid test of Temenosity

While primarily a health crisis, the Covid-19 pandemic has also caused a global economic crisis. Banks are being called upon to help society recover, either by providing their customers with digital banking solutions or by helping governments to roll out financial rescue packages. Temenos' mission in 2020 was to help banks rise to this challenge by enabling them to digitally transform and gain the agility and resilience to deliver under pressure.

When the crisis first hit, the priority was to ensure the safety and wellbeing of Temenosians and the continuity of the business, so Temenos followed the restrictions put in place by the 38 countries in which we operate. Within a matter of days, 98% of teams were working from home, with access to a suite of remote working tools.

The product and marketing teams quickly created and delivered a highly interactive online event for the Temenos Community to replace the annual, in-person Temenos Community Forum (TCF) event. New Covid-19 propositions were designed for Temenos customers and showcased at the online event to help banks in their immediate response to the pandemic as well as to support the acceleration of digital transformation for the future. These included helping banks to rapidly offer loans to small businesses or to mitigate the increased risk of cybercrime. Banks' employees were also given free access to Temenos' online learning platform, comprising over 400 online courses.

Communication was also a key focus to maintain connectedness among employees and clients, and the CEO took a very active role in this. Practical communications were increased to guide employees through uncertainty, and broad messages were shared with the banking community to highlight Temenos' commitment to support them and to explain the dedicated Covid-19 propositions.

The culture of Temenosity has been the driving force behind the company's ability to weather the storm of Covid-19. Results continue to demonstrate Temenosians' commitment and their ability to deliver banking solutions with real and lasting impact. Early feedback on working remotely was highly positive with 82% of employees saying their ability to perform was slightly or not impacted at all, citing positive aspects such as no daily commute, and more flexibility. 97% of employees said they felt informed about Temenos' approach to Covid-19.

From a client perspective, Temenos implemented projects 100% remotely. In the first three months of 2020, project 'go lives' increased by 75% on the previous year. Working with Atlantic Union Bank (AUB), Temenos helped to build a brand-new digital loan portal to process Paycheck Protection Program (PPP) applications in just four days. This enabled the bank to approve 6,500 applications – totalling USD 1.4 billion small business funds – in just 13 days. As one leader commented: "I've worked in this business for over 20 years, and personally can't remember ever working with a vendor with such success... I'm equally proud of the fact that this effort was to support our small businesses and their employees get the funding to save their businesses and livelihoods."

Over 4,500 people, including 1,400 Temenosians, attended TCF Online in April, more than double the number usually reached with previous in-person events. There were also 4,755 registrations, from over 600 banks, for the TLC Online learning platform. Despite the disruptions of the pandemic, a seamless continuity of service has been achieved with many examples of employees going over and above to serve their communities. This is thanks to the culture of Temenosity, which has united Temenosians with a sense of purpose, dedication and togetherness. The Company is now undertaking a project to assess the 'future of work' at Temenos to incorporate takeaways from the crisis into the ongoing employee experience.

In recognition of these efforts and achievements, Temenos was named the winner of the 'Culture in a Crisis' award by the Business Culture Awards 2020.

For more details on how we handled the Covid-19 emergency, please see our business continuity section.

#TEMENOSITY

About Temenos
We exist to make banking better, together

Founded in 1993, Temenos is the world's leader in banking software. Over 3,000 banks 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 1.2 billion banking customers. Temenos offers cloud-native, cloud-agnostic and AI-driven front office, core banking, payments and fund administration software enabling banks to deliver frictionless, omnichannel customer experiences and gain operational excellence.

We make banking possible for 1.2 billion people worldwide – 30% of the world's banked population. 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. These clients also invest 51% of their IT budget on growth and innovation versus maintenance, which is double the industry average, proving the banks' IT investment is adding tangible value to their business.

Headquartered in Geneva, Switzerland, we currently have 63 offices in 38 countries and had non-IFRS revenues of USD 899.9 million for the year ended 31 December 2020. Temenos has been a public company listed on the SIX Swiss Exchange (TEMN) since June 2001. Temenos employs 7,828 people worldwide, including full-time employees and contractors.

Our CSR and sustainability approach

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
- Velocity
- Responsibility
- Authenticity
- Community

For more information on our Culture, please refer to our website.

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

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
- Contributing to the global efforts to address social and environmental issues
- Achieving both financial and non-financial value for our stakeholders.

Our priority areas
For 27 years, these commitments have guided the way we operate internally, innovate and deliver on our business mission. Our corporate responsibility and sustainability strategy focuses on mitigating risk and creating value across priority environmental, social and governance (ESG) areas towards five directions:

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

Our endorsements
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 our operations as well as our product portfolio are contributing to the global effort to achieve the UN SDGs.

In September 2020, our CEO, together with 1,000 Chief Executive Officers from companies in over 100 countries, pledged to support the United Nations' mission of creating a more equitable, inclusive and sustainable world by signing onto a powerful Statement from Business Leaders for Renewed Global Cooperation.

Temenos is also a member of the World Economic Forum (WEF). Temenos participates 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. 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 2020, 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 2020 Dow Jones Sustainability World Index (DJSI) for the second year running and in the DJSI Europe Index for the first time. Temenos ranked in the top 1% of the Software and Services category in the DJSI World. Temenos had the best industry score for information security, cybersecurity, privacy and system availability, environmental management and reporting, social reporting, human rights and corporate citizenship.
- Received the Bronze Class distinction by S&P for its excellent sustainability performance. In addition, Temenos was also awarded Industry Mover status, as the Company recorded the strongest year-on-year score improvement in its industry.
- Was included in the FTSE4Good Index Series.
- Received a Prime ESG rating by ISS and an A rating in the MSCI ESG Rating.
- Obtained a platinum medal level by EcoVadis for its CSR performance, placing Temenos among the top 1% of companies assessed by EcoVadis.
- Received ISO 14001:2015 certification for its Environmental Management System in the two Luxembourg offices, increasing the certified offices to six and reaching coverage at around 60% based on the total global employee headcount.
- Achieved carbon neutrality in accordance to PAS 2060:2014 and the ISO 20121 event sustainability certification for our global sales event, TKO, which took place in Spain, in January 2020.
- Received an honorable mention in the World Economic Forum New Champions Awards and recognized in the 'Excellence in Digital Disruption' category for helping banks to embrace digital transformation through Cloud, SaaS and AI, particularly during the Covid-19 pandemic.
- Was recognized for 'Best Business Culture in a Crisis' at Business Culture Awards 2020.

SXI Switzerland Sustainability 25® Index

FTSE4Good Index

Dow Jones Sustainability World & Europe Indices

Sustainability Award
Bronze Class 2021
S&P Global

Sustainability Award
Industry Mover 2021
S&P Global

MSCI A Rating

ISS ESG PIME Rating

ISS E&S Rating

EcoVadis Platinum

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 Learning Community (TLC) ▪ Temenos Mentoring Platform ▪ Internal communication: uni-T intranet, social media, marketing, HR and regional newsletters ▪ Townhall 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	▪ Employee experience ▪ 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 (TLC) ▪ Temenos MarketPlace ▪ Temenos Ambassador program ▪ 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 ▪ ESG indices and ratings	▪ 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 (AGM) ▪ Annual Capital Markets Day (CMD) ▪ 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 and ratings	▪ 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 (TCF) ▪ Annual Temenos Kick Off Meeting (TKO) ▪ Annual Partners' Meeting ▪ Temenos Learning Community (TLC) ▪ 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 Services 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

Our CSR and sustainability approach continued

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 ESG and sustainability 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 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 ESG 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.

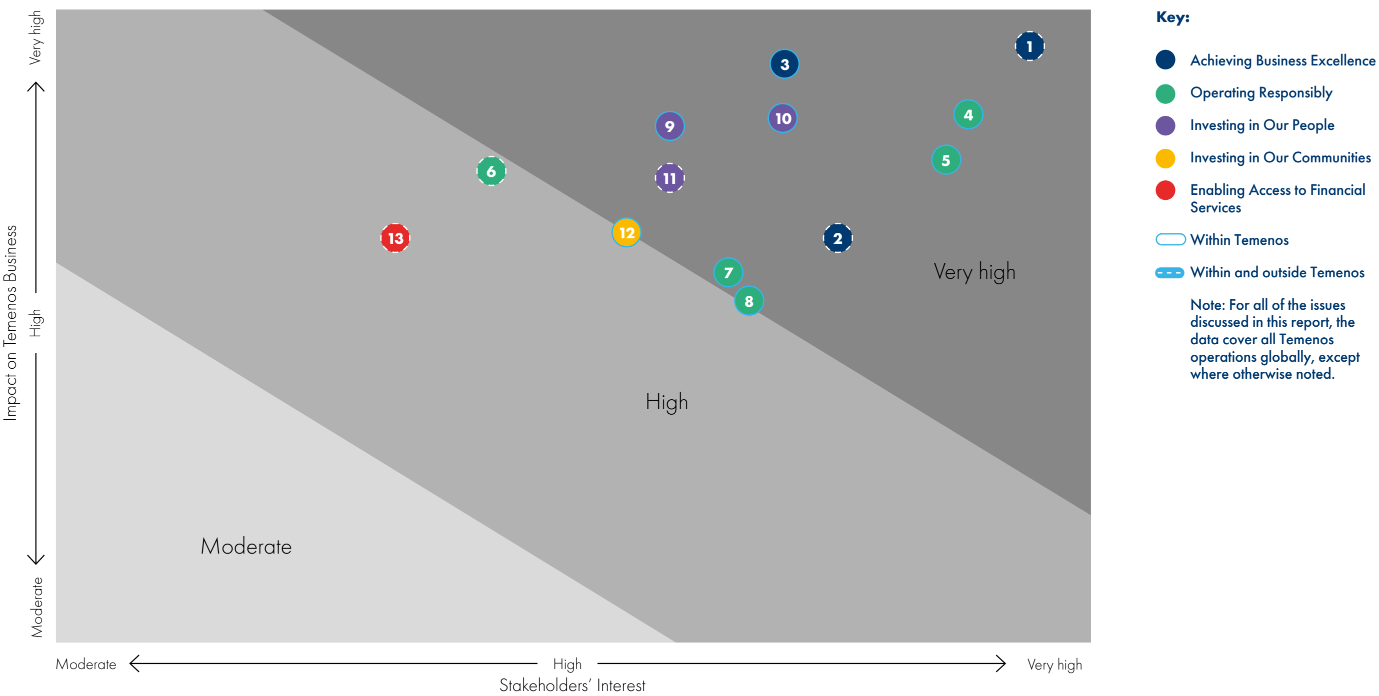
Materiality analysis

Our materiality analysis is in line with the GRI Standards' requirements and incorporates developments in our business, recent trends, regulatory changes and stakeholder expectations and views of our employees, clients, prospects, investors, suppliers, Partners, non-governmental organizations and media. We have aligned the material issues with the financially material sustainability factors proposed by the Sustainability Accounting Standards Board (SASB) for communicating our impacts and activities in a more comparable, consistent and structured manner. As part of our effort to report on topics that align with our business model and are important to our investors and other stakeholders, we have also disclosed our performance against the SASB Accounting Metrics included in Software and IT Services Sustainability Accounting Standard. We incorporate the feedback we receive from our clients through RFPs and supplier assessments and from our investors through engagement calls and meetings we have throughout the year. We also incorporate the areas against which we are rated and scored in ESG ratings and indices, such as the Dow Jones Sustainability Index, FTSE4Good, MSCI, ISS, EcoVadis, Sustainalytics, Vigeo Eiris among others.

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.

Materiality analysis matrix



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, Cybersecurity, Data Privacy and Business Continuity
6. Responsible Procurement
7. Environmental Management and Awareness
8. Climate Change and Carbon Neutrality

Investing in Our People

9. Diversity, Equity 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

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 and contributing to the global economy as well as the local economies where our clients conduct our business. In 2020, non-IFRS total software licensing decreased by 20% and non-IFRS total revenues by 8%. We achieved full year EBIT of USD 320.4 million and expanded our non-IFRS EBIT margin by 319 bps to reach 36%. Our proposed 2020 dividend is CHF 0.90, an increase of 6% over last year's dividend. We have a strong capital structure. Our leverage decreased to 2.15x net debt to EBITDA at the end of the quarter, and having generated USD 406 million of operating cash flow in 2020.

Achieving business excellence

The total monetary value of financial assistance received by Temenos from governments during 2020 was as follows:

Europe:

- Romania: Temenos Romania benefits from an income tax exemption for employees in software creation related roles. The amount of the exemption for 2020 was USD 412,930 (2019: USD 422,825). In addition, there is also a reduction of 20% of the annual corporate tax if this is redirected to charity. The 20% reduction of the annual corporate tax redirected to charity by Romania in 2020 was USD 67,970 (2018: USD 46,589).

Asia

- Singapore: Under Singapore's job support and wage credit scheme, Temenos claimed USD 720,760 in 2020 (2019: USD 3,114)
- Malaysia: Temenos received an exception of Human Resources Development (HRD) Levy for six months, amounted to USD 1,200.

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

Innovation and technology

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

The R&D spent inclusive of overhead allocations for 2020 was USD 195,618,869.19. 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.

Innovating with purpose

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

USD 2.1bn

Cumulative R&D investment 1990-2019

Financial technology and digital finance can advance sustainable development and accelerate the achievement of global environment and social goals

Our Non-IFRS Guidance metrics (c.c.) are:

Metric (Non-IFRS)	2025 Targets
Total software licensing	15-20% CAGR 2020-25
Total revenue	10-15% CAGR 2020-25
EBIT margin	C.41% by 2025
Total Bookings	17-22% CAGR 2020-25
ARR*	>=15% CAGR 2020-25
FCF	>=15% CAGR 2020-25 to reach > USD600m
Tax Rate	18-20%
DSOs	c.85 days

* ARR is the annual recurring revenue committed at the end of the period for both SaaS and maintenance. It includes new customers, up-sell/cross-sell, and attrition. It only includes the recurring element of the contract and excludes variable elements.

Targets are non IFRS,Tax rates estimates, FY21 Guidance at 16-18% ,18-20% for FY22-25

Economic contribution to various stakeholders	FY 2020 USD 000	FY 2019 USD 000
Revenue	**887,358**	971,970
Employee wages and benefits	**389,795**	454,554
Payment to provider of funds	**515,247**	611,592
Payment to government	**40,946**	31,715
Community investment (monetary donations only)	**270**	276

Environmental and social impact of product portfolio

Category	% on total revenue
Cloud/SaaS	11%
FCM	1%
Inclusive Banking	1%
TLC	1%

Achieving business excellence continued

Case study:
SaaS-TASTIC virtual Hackathon

In October 2020, Temenosians from around the world were given the opportunity to contribute to the Temenos microservices product portfolio by taking part in our SaaS-TASTIC virtual hackathon. With a focus on delivering SaaS-ready prototypes, the participants came together remotely to build demos capable of being productized and sold to our banking customers. "Uncertainty Tamers" were crowned the champions by our Executive team, who were happily surprised by the team's innovation and spirit of Temenosity. The winning team won the 2020 Hackathon competition with their AI-inspired idea to help banks deliver a more personal, secure and effective experience to their customers.

The winning idea:

'Uncertainty Tamers' see a future where banks are empowered by AI to predict the spending patterns of their customers. Their 'AI Based Personalization Framework' leverages a set of highly optimized, continuous and online learning algorithms that can extract patterns of transactions for individuals and groups based on historic data.

This provides a powerful foundation for targeted marketing, personalized services, fraud detection and much more, which serve to improve customer service and engagement.

Case study:
Lab Chile Open House

Temenos LATAM employees took part in a week-long Women's Hackathon for the Laboratoria Chile. They sponsored and participated in the event by providing time and mentorship, as well as being part of the judging process. Their mission as mentors was to give the 10 women squads initial feedback and suggestions so that they could come up with a new app/innovation for the challenge. The challenge was to assist managers to monitor, view, and improve the workflow of their direct reports working remotely, so that teams become more efficient especially when working on major tasks and projects.

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.

Temenos Ambassador Program

We are committed to putting our clients at the core of our business while generating long-term value for them. To celebrate our clients' success, Temenos has created the Temenos Ambassador Program. The program enables all clients to present their success-stories, share their experiences and the benefits of using Temenos technology, as well as to enjoy networking opportunities and gather valuable insights from peers. The program includes a reward scheme and provides opportunities to Temenos ambassadors to gain visibility and recognition from peers, industry analysts and the press.

567
Customer references

834
Active customer ambassadors

20%
Increase in ambassadors in 2020

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 Cloud and Delivery 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 eleven survey waves, collecting over 8,800 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 2020, we set ourselves several goals including maintaining a strong response rate and improving in all satisfaction areas. We have seen this year our highest number of participations.

Customer success

We believe the most effective way to retain our clients and attract new ones is to make them successful in using our products and services. In an increasingly SaaS first environment, our clients increasingly expect consumer-like (B2B) experiences and combined with the growth in subscription-based models, we will continue to take a client journey-based approach to products and services — one that maps out the desired client experience and outcomes for the entire lifecycle. By taking this approach, we promote in every engagement a strong product adoption and value realization, which in the long-term drives more referrals, sales and increased client loyalty.

Being passionate about our clients' success is a key driver of our business. We are committed to investing in our people, technology and processes, to ensure we continue to understand our clients' needs, identify solutions that can help them achieve their goals and generate greater value.

Priority area	Objective	Indicator	2019 progress	2020 progress	2021 target	2025 target
Achieving business excellence	Client Engagement	Client Voice: number of participants from our clients compared to 2016 baseline (4,000)	7,000	8,800	10,150	**12,000**
	Client Engagement	Improve Client Satisfaction: percentage points in the Net Promoter Score, since the metric was launched	+50pp	+50pp	+55pp	**+55pp**

International Standards and Certifications

Temenos adopts 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 reinforces Temenos' commitment towards delivering high quality service.

	2018	2019-20 goals	Progress against 2019 goals
ISO/IEC 27001:2013 Information Security Management System with extensions: **ISO 27017** Cloud Information Security **ISO 27018** Protection of Personally Identifiable Information (PII) in Public Clouds	Temenos India offices and Temenos Australia are ISO 27001 certified	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 were obtained in November 2019 Newly acquired Kony were ISO 27001 certified for its offices located in India (Hyderabad) and US (Texas, Austin)
ISO 22301:2012 Business Continuity Planning	Assessment and gap analysis	To aim for certification 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
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 were certified	To extend the certification to US Model Bank and Cloud operations in Australia	The US Model Bank (US Orlando center) still underway
ISO 20121:2012 Sustainable Event Management and combined **ISO14064-1:2019 and PAS2060:2014** Verification		To aim for ISO 20121 Certification, and for Carbon Neutrality External Verification of our annual corporate events	
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
AICPA SOC Service Provider Security ▪ SOC 1 Type 2 ▪ SOC 2 Type 2	Temenos India offices, Temenos Romania and Temenos UK were certified for SOC 2 Type 2 Akcelerant Lifecycle business and Wealth Management were also SOC 2 type 2 certified Australia office was SOC 2 type 1 certified as of 31 December Temenos Avoka was SOC 1 Type 2 and SOC 2 Type 2 certified	To extend SOC 2 Type 2 certifications to include: Temenos Australia SOC 2 Type 2 in November 2019 LATAM location for SOC 2 Type 2 US Core banking for SOC 2 Type 1 and 2 Other processes such as product development and implementation	Control alignment for global SOC 2 reporting has been completed, including mapping with CSA-CCM requirements Global SOC 2 Type 2 and SOC 1 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 SOC 2 Type 2 certified for India and US operations. "Security" trust service criteria addressed
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
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 obtained the PCI-DSS certification for both Azure and Amazon platforms
ISO 20000-1:2018 IT Service Management certification			

Achieving business excellence continued

International Standards and Certifications continued

	Progress against 2020 goals	2021 goals	2025 goals
ISO/IEC 27001:2013 Information Security Management System with extensions: **ISO 27017** Cloud Information Security **ISO 27018** Protection of Personally Identifiable Information (PII) in Public Clouds	Temenos India Offices (Chennai, Bangalore), Kony Offices (Hyderabad), Temenos UK and Romania Offices, Temenos Australia (Sydney), and Kony US (Austin, Sanmateo) Offices are recertified for ISO 27001:2013 for three years (valid up to November 2023). Avoka Australia (Manly) and US (Broomfield) offices have been successfully certified for ISO 27001 in November 2020 In December 2020, Kony India (Hyderabad) and US (Austin) offices have successfully extended the ISO 27001 certificate with the sector specific ISO 27017 and ISO 27018 standards Australia (Melbourne) office closed. Operation transitioned to other delivery center	Sustain the existing certification and include new locations in the scope based on business needs	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	ISO 22301:2012 certification is maintained and all relevant BCP activities (BIAs/BCPs/Tests/Training) for the certified locations have been performed	Gap Analysis will be performed against ISO 22301:2019 and BCMS will be tweaked to be ready for ISO 22301:2019 certification upgrade. Additional locations will be added to the certification scope	To extend the certification to more cloud support and operations locations globally
ISO 9001:2015 Quality Management	Temenos India Offices (Chennai, Bangalore), Temenos UK and Romania Offices are recertified for ISO 9001:2015 for three years (valid up to November 2023) Temenos Australia (Sydney) has been descoped from the certification US (Orlando) was not required to be included in the scope	Kony (Hyderabad) will be included in the scope of certification in 2021	To extend ISO 9001 and CMMI certifications to new locations and remove locations from scope, as deemed appropriate for product reasons
ISO 20121:2012 Sustainable Event Management and combined **ISO14064-1:2019** and **PAS2060:2014** Verification	TKO, CMD and TCF received the ISO 20121 Certification and TKO was also externally verified as a Carbon Neutral Event, according to the International Standards	To extend the certification to the corporate events planned for 2021	To organize four sustainable and carbon neutral events
ISO 14001:2015 Environmental Management	Temenos Luxembourg offices in Bertrange and Strassen became ISO 14001 certified in December 2020	To extend the certification to the UK Fenchurch office in London	To obtain certification for eight Temenos offices based on headcount
AICPA SOC Service Provider Security ▪ SOC 1 Type 2 ▪ SOC 2 Type 2	Global SOC 1 Type 2 and SOC 2 Type 2 attestation report including compliance with CSA-CCM standard for January 2019 to December 2019 audit period was released in Q1 2020 "Privacy" trust service criteria readiness assessment completed with independent compliance validation to be carried out as part of 2020 SOC 2 Type 2 audit Kony readiness assessment and integration under Temenos SOC 1 and SOC 2 reporting completed The SOC 1 Type 2 and SOC 2 Type 2 including CSA-CCM compliance attestation for January 2020 to December 2020 audit period expected to be released in Q1 2021 ▪ Security, Confidentiality, Availability, Processing Integrity and Privacy trust service criteria included ▪ Newly added locations compared to 2019 report: Kony India (Hyderabad) and US (Austin), Temenos Costa Rica and Temenos Ecuador.	To continue the global SOC 2 Type 2, SOC 1 Type 2 reporting. Incorporate as necessary new delivery centers and, new acquisitions	To include "Privacy" trust service criteria under SOC 2 audit coverage To continue the global SOC 2 Type 2, SOC 1 Type 2 reporting Integrate and align newly acquired companies to Temenos standard set of Security and Privacy controls
CSA STAR Certificate/ Cloud Security Alliance – Cloud Controls Matrix	CSA-Star (Security Trust Assurance and Risk) "Level 1" achieved. Temenos standard response of compliance with CSA- CAIQ requirements publicly available on the CSA (Cloud Security Alliance) website	To obtain CSA-STAR Certificate Level 2 and Level 3	To obtain CSA-Star Certificate, Level 3 for Temenos and newly acquired companies
PCI DSS level 1 Payment Card Industry – Data Security Standard	PCI-DSS certificate obtained for Temenos Australia, Azure infrastructure. Kony PCI-DSS annual recertification obtained for both Azure and Amazon platforms	To complete the readiness assessment against PCI – Secure Software Lifecycle and PCI – Secure Software standards and get it prepared for certification	To further extend PCI-DSS certificate To complete the readiness assessment against PCI – Secure Software Lifecycle and PCI – Secure Software standards and get it prepared for certification
ISO 20000-1:2018 IT Service Management certification		Cloud Operations and Support functions in Temenos India, Romania, Australia, North and South America Offices will be included	To sustain and expand the scope based on business needs

Operating responsibly

DOING BUSINESS THE RIGHT WAY

Highlights

99.8%

Of our employees have acknowledged the Temenos Business Code of Conduct

81%

Of our focus suppliers underwent sustainability assessments

60%

ISO 14001:2015 certification coverage

Quick links

For 27 years we have been proud of our reputation for professionalism and the strong relationships we have built up with our clients. We believe that sound and ethical business conduct and governance is critical to earning and maintaining the trust of our clients, investors, Partners and suppliers. Integrity, honesty and transparency are at the heart of what we do. Our commitments to ethical business practices and strong corporate governance structures are designed to promote the long term interests of our shareholders, maintain internal checks and balances, promote accountability at all levels of our organization and foster responsible decision-making.

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

Corporate governance

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

Ethical business conduct and governance

CSR, Sustainability and Ethics Governance

To ensure the effective implementation of our CSR and sustainability strategy, Temenos has a Global Sustainability and Social Responsibility Department, responsible for managing the Group strategy, interacting with stakeholders and driving the CSR and sustainability policies, programs and reporting. The members of the Board of Directors and the Executive Committee have the highest level of executive oversight for the company's CSR, Sustainability and Ethics Framework.

Temenos CSR and sustainability 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 Committee represents different Temenos functions and departments, ensuring all the voices of internal and external stakeholders are taken into account. The Committee membership is as follows:

- Chief Executive Officer (Chairman)
- Chief Legal Officer (Deputy Chairperson)
- Director of Sustainability and Social Responsibility (Secretary)
- Chief Human Resources Officer
- Chief Information and Security Officer
- Finance Director
- Chief Marketing Officer
- Group Head of Internal Audit.

The Committee meets quarterly; quorum is required for actions to be taken. Written minutes are kept and maintained by the Committee Secretary for all formal meetings of the Committee and are communicated to the external statutory auditor. In 2020, the Committee held five meetings.

Business Code of Conduct

The Temenos Business Code of Conduct with the linked corporate policies is the foundation of our commitment to ethical business practices and legal compliance. The Code defines the standards for business conduct everywhere we operate and provides guidance in addressing the business, legal and ethical issues encountered while performing daily work or making decisions on behalf of Temenos. We operate in accordance with our Code, including where local legislation is less strict, or there is absence of legal and/or regulatory frameworks. Our Code and policies are aligned with the ten principles of the UN Global Compact on the four issue areas of Human Rights, Labor, Environment and Anti-Corruption and the OECD Guidelines for Multinational Enterprises. The members of the Board of Directors and the Executive Committee have endorsed the Code.

Our Code is available in English and French on our intranet and our corporate website. It applies equally to full-time, part-time, temporary employees and contractors globally. It is a key part of the employment contract and contractor agreement. All employees are required to read and acknowledge the Code and linked policies within the first three months of their employment. They are also required to complete the mandatory trainings upon joining and to repeat every 12 months. The CSR and Ethics Committee is charged with monitoring the compliance with the Code and Ethics Framework.

The compliance requirements of the Code are also part of our Partners and Suppliers Program. Specific compliance provisions are included in the Services Partner agreement and all new suppliers are required to comply with the Code as well as the Temenos Supplier Code of Conduct. In addition, the roll out of the Suppliers Program includes existing suppliers, as they incrementally need to comply with the Code and related policies and to verify compliance by providing respective information when requested.

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 required to complete training on the Code and the areas of Anti-Corruption and Bribery, Data Protection and Security Awareness.

Global Temenos 2020 training completion percentage	%
Business Code of Conduct Acknowledgment	99.8
Information Systems Security Acknowledgment	99.8
Business Code of Conduct training	99.8
Anti-Corruption and Bribery training	99.5
Data Protection training	99.5
Security Awareness training	99.7

Operating responsibly continued

Compliance Program

In 2020, we continued to enhance our Compliance Program, to deliver a robust Compliance Framework based on the principles of assessment, prevention, detection and correction, ensuring that Temenos continues to:

- Operate in accordance with applicable laws and regulations
- Maintain a culture of honesty, integrity and compliance
- Meet high ethical and professional standards
- Prevent fraud and abuse and other compliance issues
- Detect compliance issues at earlier stages, and prompt corrective actions
- Build employee trust and confidence.

Anti-Trust and Anti-Competitive Practices

Temenos values customer and market trust and strongly believes that it is fundamental to ensure Temenos safeguards its reputation. Complying with Anti-Trust and Anti-Competition laws throughout the world is part of our commitment to operating in an effective, fair and free market economy. This commitment includes contracts with clients and any third party, ensuring Temenos competes independently from other market players and does not seek to control the commercial policy and practices of its re-sellers or distributors in any illegal or inappropriate manner. The most significant amount of our revenues derives from direct dealings with our clients ensuring Temenos is in a strong position for enforcing its sales and contracting processes. As we expand our relationships with third parties, we will include specific policies on Anti-Trust and Anti-Competitive practices as part of our Code in 2021.

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, always following and complying with the strictest legal and regulatory framework. 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.

As a testament to our commitment to ethical business practices, in 2020, Temenos has not incurred any fines or settlements, nor was it involved in any investigations related to Anti-Competitive business practices, bribery or corruption.

Quick links

Anti-corruption and Bribery policy

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 training that all employees should take when joining Temenos and to repeat annually during their employment with Temenos. By 31 December 2020, 99.5% of our employees (including Executive Chairman, Executive Committee and Leadership team members) completed the training. 244 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.

We continue to develop our Partners and Suppliers Program, further elaborating on the mandatory requirements for screening and ongoing due diligence for Partners and Suppliers and enhancing our internally developed and dedicated risk assessment tool for our suppliers to identify the level of risk associated with bribery and corruption, ensuring that we only engage with those that are legitimate businesses with a reputation for integrity.

The Code addresses our policies on 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 nor does it engage in any lobbying activities.

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. In 2020, as part of our commitment to continuous evolution and improvement in the compliance arena, we examined our Introducer Scoring Model and based on the results and analysis fine-tuned the model's assessment factors, in order to further strengthen its predictability and risk assessment evaluation methodology. Our Introducer scoring mechanism is based on three assessment Factors. More specifically:

1. Quantitative Factors

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.

Anti-Corruption and Bribery training dashboard

By function	No.	Employees trained %
General administration	635	99.4%
R&D	3,614	99.8%
Sales & marketing	591	98.5%
Services	1,636	99%
Cloud	191	99.5%
Grand total	6,667	99.5%

By region	No.	Employees trained %
APA	392	99.8%
Europe	1,187	98.8%
India	4,305	99.9%
MEA	187	100%
NAM	425	96.6%
LATAM	171	100%
Grand total	6,667	99.5%

* The tables above cover the entire 2020.

Priority Area	Objective	Indicator	2020	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	99.8%	>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 Factors
- 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.

Export Controls and Sanctions
Temenos complies with all applicable export control laws and sanctions worldwide and meets obligations under sanctions regimes of the jurisdictions in which it does business. To support the Compliance Program, and in order to meet the challenges and complexities of the regulatory requirements when operating in a global scale, Temenos will seek, when required, the advice of external legal counsel with expertise in the relevant fields. Temenos will 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 2020, Temenos updated its Sanctions and Export Controls Compliance program in order to take into account the export of US technology software modules (following the Kony acquisition in 2019, and the new line up in its product offerings). Temenos Financial Crime Mitigation (FCM) solution has been further customized to cover the relevant business needs and requirements. The respective parameterization enables us to examine the country where the software will be exported as well as the underlying entity. In that way, we assess if additional export control requirements and authorizations as per the BIS Commerce Country Chart and the Entity List need to be considered. Furthermore, Temenos continues to assess sanctions risk as follows:

- **Primary targets:** Opportunities (prospects) including distribution channels such as re-sellers and sub-licensors, licensing and services, existing clients
- **Secondary targets:** suppliers, Partners, introducers, sub-contractors, marketplace/complementary solutions provider accounts
- **Auxiliary targets:** TLC subscribers.

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.

Due Diligence and Risk Assessment
In 2020, a dedicated due diligence scoring model was introduced for the sub-licensing deals that Temenos engages in. The Model quantifies the risk for both parties (sub-licensor and sub-licensee), following a risk-based approach taking into consideration the below parameters:

- Country level perceived corruption
- Contract Value
- Adequacy of Anti-Money Laundering regulations
- State owned company
- Financial Analysis
- Adequacy of information provided
- Corruption Allegations
- Sanction Checks
- Involvement of politically exposed persons (PEP).

Originally, the model was introduced in the APAC region (as the majority of the relevant deals are signed in the respective region), and is expected to become operational in all regions in 2021.

Anti-Money Laundering
At the present time, Temenos assesses it has limited exposure to money laundering risk, based on the nature of its business activities (banking and financial services software) of not dealing with retail customers and that the majority of the clients are financial institutions subject to stringent regulatory requirements. To this end, Temenos is following a risk-based counterparty due diligence approach, in terms of assessments and controls in order to mitigate any money laundering risk. It is based on the "Know Your Client" approach and it is formalized into two distinct phases: a) pre-onboarding assessment and b) on going and systematic monitoring of high risk counterparties.

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

2021-2023 Targets
- Further improve the AML Framework, in order to:
  - identify the key risk areas/processes and implement dedicated corrective measures and controls
  - launch dedicated training for the designated stakeholders
  - elevate staff awareness and reporting
- Operationalize the due diligence risk assessment for Sub licensors in all regions
- Enhance the compliance culture and awareness
- Strengthen our Anti-Trust and Anti-Competition Compliance framework, by incorporating specific policies on Anti-Trust and Anti-Competitive practices in our Code of Conduct
- Further automate our Sanctions and Export Controls Program.

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 and guidelines, 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 involving Temenos people, contractors, partners, and suppliers. Temenos is committed to promoting and maintaining highest ethical standards in all our work, and ensuring that where concerns are raised, they are investigated and resolved, preserving the anonymity and confidentiality of anyone raising a concern. In addition, an appeal process to the CSR and Ethics Committee is in place, whose decision is final and binding. All disclosures are reported to the Audit Committee. All filed cases have been successfully resolved in 2020.

Quick links

Operating responsibly continued

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.

Our risk management policy is aligned with ISO 31000: Risk management – 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 and ensuring that controls are operating effectively, through a dual structure: a corporate risk team that identifies general strategy risks and establishes centralized policy, and specialized functional teams that design and monitor policies and controls in consultation with local business teams. We have embedded risk experts within Temenos to monitor and influence the company's risk profile, working side by side with the line managers. Periodical risk assessments are performed within business units and summarized results reported to management along with mitigation plans where appropriate. The Audit Committee has the responsibility for monitoring and auditing risk management performance by overseeing the program and reviewing key risks of the Group.

In addition, there is also a robust internal control and risk management system in place for financial reporting and key operational and fraud risks that goes beyond statutory requirements. All relevant risks are identified, formally assessed and documented. For each risk we have implemented specific controls and mitigation plans and these are documented in formal risk and control matrices. The effectiveness of the controls is regularly evaluated through a formal self-assessment process, which is independently reviewed and tested by both internal and external audit. Internal Audit also conducts an annual Fraud Risk Assessment review to ensure that key fraud risks have been identified and adequately mitigated. The results of the self-assessment exercise and internal and external audit reviews are reported to management and the Audit Committee.

While it is management's responsibility to design, implement and operate effective risk management practices and controls, it is the role of Group Internal Audit, to evaluate effectiveness of risk management and internal controls, assess compliance with policies and procedures and provide assurance to senior management and Board of Directors on their overall effectiveness.

To ensure the independence and objectivity of Internal Audit, the Group Head of Internal Audit reports functionally to the Audit Committee. The role, responsibilities and authority of the Group Head of Internal Audit and the function are set out in the Internal Audit Charter, which is reviewed and approved annually by the Committee. All Temenos employees, contractors, Partners and suppliers are required to cooperate fully with Group Internal Audit when requested and to provide access to all records, property and personnel, as required.

In addition to the assurance provided by Internal Audit, Temenos engages a range of external assurance providers to provide industry standard certifications e.g. ISO accreditations and Systems and Organization Control (SOC) reports.

Information Security, Data Privacy and Business Continuity

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

Information Security

Governance

Temenos operates sound governance and oversight over its Information Security program. The Board of Directors oversees and approves the Group's IT strategy and is responsible for all aspects of security, risk management and internal controls systems. Temenos Board of Directors has sound experience in strategy, finance, and technology. To further enhance its security-oriented approach and oversight, a new Board member with substantial experience in Cyber Security was elected in 2020.

The Board, especially its Audit Committee, meets at least four times each year. Heads of business lines (including IT, Security, Cloud Security) are invited to present at the Audit Committee meetings on a regular basis on strategy, status of projects and key performance indicators (framework review and details).

Temenos Executive Committee is responsible for developing and monitoring the three-year strategic plan of the Group. Information Security, Privacy, and Product are part of the preparation of the three-year strategic plan. Monthly Executive Committee meetings are held with wide business line representation and Information Security is represented within this Executive Committee by the CFO.

Enforced governance is ensured by the Security and Privacy Committee that oversees management effort in implementing global Information Security and Privacy compliance programs within the Company and ensures that Temenos has established written policies, guidelines and standards in compliance with the laws, rules and regulations of the countries in which we operate and in accordance with internationally recognized standards. The Security and Privacy Committee meetings are chaired by the Chief Information Security Officer (CISO) and are held quarterly at minimum. The membership of the Security and Privacy Committee has been elected in such a way, to provide a broad connection across the functions and departments of Temenos (Security and Privacy, Cloud and Corporate: Legal, HR, Finance, CSR and Internal Audit).

CISO organization

The Chief Information Security Officer oversees the wider Temenos Security agenda, including cloud and IT security, compliance, and business continuity. The Chief Information Security Officer organizational structure ensures that specialized functions such as Cyber Security (encompassing Corporate and Cloud environments, Security Operations), Business Continuity, and Governance Risk and Compliance continuously support delivery of organization agreed strategic plan.

Risk Management

The information security program is administered under a global risk framework. Regular risk and security posture assessment and reporting are provided to relevant management committees, including as applicable any actions and compliance findings, which are then tracked from the Board level down. Maintaining an understanding of the risks associated with security of information assets is central to the Temenos information security management program. To further enhance its risk management program, Temenos has formed a Risk Board Committee dedicated to Cloud business whose responsibility among others include:

- Review and approval of the Cloud risk management strategy, policy and framework ensuring alignment with Temenos Group Risk Management policy
- Review results and quality of risk assessments performed
- Ensure that all material risks have defined owners, treatment plans and implementation progress is monitored
- Review and approve initiatives to implement risk management practices within existing operations, provide insight, guidance and sponsorship for delivery of such initiatives
- Periodically evaluate adherence to the risk management program and asses its effectiveness.

The standing members of Risk Board Committee consist of Temenos Cloud global management team such as the Chief Cloud Officer, Global Delivery Director, Global Head of Cloud Operations, Global Cloud Security Director, the Regional Cloud Heads including Security, Product Security, Legal, Governance Risk and Control teams. The Risk Board Committee, chaired by the Chief Information and Security Officer, meets quarterly at minimum, with additional interim meetings as required.

Employee concerns 2020	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)	0	0	0
Fraud, theft, bribery or other ethical misconduct	1	1	0
Health and safety or perceived damage to the environment	0	0	0
Violation of the Temenos Business Code of Conduct	3	1	2
Actual, potential or perceived conflict of interest	0	0	0
Total	**4**	**2**	**2**

Cyber Security
Within the CISO organization, Temenos has established a holistic Cyber Security capability with four interdependent functions, IT Security covering corporate systems and networks, Cloud Security covering Temenos SaaS services, Security Operations and Security Assurance.

IT Security
The IT Security team is responsible for securing the Temenos global network and all related devices, applications and systems. It is primarily charged with the identification and implementation of appropriate security controls to address the security risks that are inherent in modern technology businesses.

Cloud Security
The Cloud Security team ensures that the Temenos cloud environments provide and maintain prescribed controls and tools to maintain the confidentiality, integrity and availability of our clients' applications and data, as defined in the Temenos Cloud Security and Privacy Framework.

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

Security Operations Center
The Temenos Security Operations Center (SOC) performs 24/7/365 security monitoring of the security controls and programs and is the first responder to security incidents. It covers both corporate systems and Temenos cloud systems used in our SaaS services. Established in 2018, SOC has grown in capacity to include threat intelligence, i.e. the monitoring of threat intelligence data to identify threats that have the potential to impact Temenos, and providing actionable advice and guidance to affected system owners.

Incident Response
A Security Incident Management program has been in place to cover the steps to be taken when an incident is identified. A Standard Security Response Team includes IT, Cloud, Legal, HR, Operations, and the security team itself, to enable a swift response to minimize the impact of the incident and ensure the root cause is addressed to prevent reoccurrence.

Assurance
Temenos systems are continually assessed for vulnerabilities through the vulnerability and threat management program. This program includes assessing Temenos systems, networks, and applications for security vulnerabilities through vulnerability scanning and penetration testing. These tests are conducted by an in-house team of security experts, who provide assurance for Temenos IT systems and the cloud systems and applications used to provide service to Temenos Cloud clients.

Security Training and Awareness
Temenos operates a mandatory Security Awareness training program that includes modules covering multiple topics such as phishing, data security, privacy and physical security. All Temenos employees and contractors should complete the training upon joining Temenos and repeat it annually. In 2020, Temenos achieved a 99.7% completion rate for the Security Awareness training. All Partners – included in the Services Partner agreement – are required contractually to provide Security Awareness and Data Protection trainings to all their employees, working on Temenos projects. Specialized training is provided for employees or contractors working in more sensitive areas, such as Cloud Operations, Product Development, and Security teams. Other security awareness activities include regular phishing simulation exercises, email communications, and Intranet posts describing recent developments both internal and external to Temenos.

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

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

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

- Potential flaws or vulnerabilities are identified at initial phase of design and development, before coding process
- Code is developed securely and that the security controls identified during the design phase are implemented
- Secure coding practices are applied and adhered to
- Unit testing of security features of the application are applied, security audit and code reviews performed, automated code review tools used
- Ensure security recommendations are implemented and approved.

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

Product security testing is performed by the PSA team prior to product deployment into production. Based on the product environment, the following security testing is performed:

- Secure Code Review
- Static Code Analysis (SAST)
- Open Source Library Analysis (OSL)
- Malicious Code Detection
- Dynamic application security testing (DAST)
- Internal and External Penetration Testing.

Vulnerability report along with recommendations are shared by the PSA team with the development team for actions. All identified issues are recorded in the Incident Management tool. Critical applications are subject to malicious code review performed by the PSA team that includes system backdoors, application backdoors and cryptography backdoors.

Privacy
Privacy Organization
The Chief Privacy Officer (CPO) has responsibility for privacy throughout the Company, including our cloud, product and corporate business units. The CPO reports directly to the Audit Committee. Temenos operates an enterprise-wide privacy framework to drive and monitor privacy compliance. Important components of this framework include:

- governance and oversight from the Security and Privacy Committee
- annual updates of our records of processing
- annual benchmarking exercise
- privacy policies that are shared with and apply to all stakeholders including staff and third parties
- privacy training for all staff and contractors
- privacy by design reviews
- operation our enterprise-wide privacy management software
- privacy certifications (ISO 27018) where applicable
- privacy compliance audits and reviews are carried out by our Internal Audit function on a regular basis.

GDPR
More than two years after EU General Data Protection Regulation (GDPR) came into force in May 2018, GDPR principles have been embedded in Temenos' processes, including the application of "Privacy by Design" and using appropriate technical and organizational measures to ensure security of personal data. Given Temenos international client base and distributed operating model, GDPR impacts on Temenos business in various respects. Temenos observes developments to the GDPR regulatory environment, such as the Schrems II decision issued in 2020 and updates concerning approved data transfer mechanisms. Temenos continues to monitor and respond to these developments.

Operating responsibly continued

How Temenos uses data

Temenos processes personal data only for the purpose it was originally collected as per the applicable legal basis of processing. Personal data is not processed for any other secondary purpose. Access to that data is restricted to the people responsible for the specific processing activities. Temenos has never received any requests for customer information from government or law enforcement agencies. In addition, the Company has neither received any substantiated complaint concerning breaches of customer privacy and losses of customer data in 2020, nor has there been any monetary losses as a result of legal proceedings associated with user privacy.

E-Privacy

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

Business Continuity

Temenos is a firm believer that innovation can be found at all aspects of the Company and not just the products and their delivery. As such, it has introduced a novel way of looking at Business Continuity and Resilience that goes beyond the aspect of risk and looks at Business Continuity Management (BCM) through the prism of ethics. BCM is practiced not only because Temenos wants to be able to continue its activities in an unfortunate incident but also because we have an ethical responsibility towards all our stakeholders. We have responsibility towards:

- our employees by exercising our duty of care towards them
- our clients that they always enjoy our products and services uninterrupted
- our Partners that we continuously and seamlessly provide our services to them
- our shareholders, investors and all interested stakeholders by protecting our products, intellectual property, people, premises and supply chain.

Planning for interruptions that hamper the ability of the organization to function are key into designing and operating our BCM system. Our planning covers four basic pillars of interruptions/risks which are interruptions due to:

- unavailability of premises, like our offices and key locations where we operate from
- unavailability of infrastructure, like our data centers, hardware or software IT services
- unavailability of personnel, like epidemics, pandemics etc.
- and unavailability of third party suppliers, like cloud platform providers and key vendors.

For this purpose, the BCM system is run by a dedicated Group Business Continuity and Risk team that takes into consideration our internal structure and by planning for the above interruptions, mitigates the risks of the above type of incidents in two ways: proactively: by having proper BCM planning and processes in place, and; reactively: by following proper emergency response plans if the above risks materialize in order to minimize their effect. Regular annual updates – or whenever significant business change occurs – guarantee that plans are fit-for-purpose and relevant if the need to use them arises.

Within 2020, Temenos evolved its ISO 22301:2012-certified Business Continuity Management System, by moving away from traditional word processor and spreadsheet-based tools, into the full deployment of one of the best cloud-based business continuity management systems. The work entailed the full training of teams from all offices into: the usage of the new tool, new way of performing business impact analysis to identify impact of the discontinuation of critical processes, updated structure and details of the business continuity plans, new testing methodology to assure that business continuity plans are fit for purpose and updated plan accountability and signoff processes.

Finally, in terms of Temenos certification of its cloud support and operation locations against ISO 22301:2012, more locations have been prepared in order to be included in the scope. In 2021, a gap analysis will be performed in order to run a project to update our certification to the newest available ISO 22301:2019 standard.

How we handled the Covid-19 emergency

During 2020, the primary focus of our business continuity efforts was on the preparation and handling of the current pandemic by enhancing our Crisis Management Response plan to include a pandemic event. The Business Continuity and HR teams swiftly responded by creating a dedicated Pandemic Crisis Management Response plan in early January 2020 that covered response and management of the incident, preparation of necessary IT and IT Security capabilities to handle expected increased demand and setting up a dedicated structure for the flow of information. More specifically, the actions focused on:

- creating a Covid-19 Crisis Management Task Force chaired by the Temenos CEO, convening weekly to monitor situation and coordinate response. The Task Force is still in place to this day
- informing our employees on Temenos response, best practices to follow, guidelines for all major health institutions and government agencies, availability of employee assistance programs, availability of our offices and infection reporting procedures, including the creation of a dedicated internal portal for continuous status updates and information sharing
- sending out communication to our clients through various channels, describing Temenos' adequate capacity and capability to maintain service levels and contractual requirements
- creating new Covid-19 propositions build on Temenos software to meet immediate client needs
- making our online learning platform and sandbox environments (Temenos Learning Community) freely available to all clients
- moved our corporate annual events and conferences fully on virtual platforms increasing sanitization capabilities and hygiene measures in all our premises including the purchase and distribution of Personal Protective Equipment (PPE)
- enhancing remote IT and IT Security capabilities that allowed over 98% of Temenos employees to work remotely
- strengthening the Security team organization to adapt to the new normal of increased cyber attacks
- raising awareness about increased cyber threats as a result of remote working
- contacting over 86 critical suppliers and 40 critical Partners to ensure that they have similar plans in place and to guarantee that end-to-end services are delivered
- continuing delivering to clients for as long as travel and country bans were in effect and fully transitioning to remote delivering with no drop in performance
- creating of a succession plan for the most critical employees to ensure headcount resilience
- creating a return-to-work plan once situation allowed, taking into consideration and following all social distancing guidelines and best practices
- creating and running employee HR workshops on remote working tools, maintaining a healthy balance while working from home as well as virtual team social events
- running employee surveys to get feedback on our present and future pandemic response actions.

A result of the above actions was a successful handling of the current pandemic, with a very low infection rate at Temenos and a zero drop-in client operational support, maintenance and global services performance.

Responsible Procurement

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

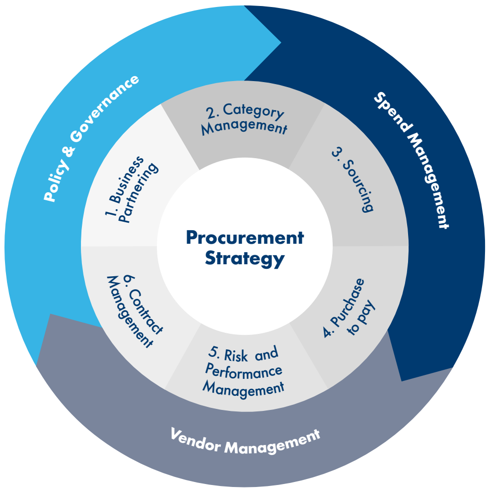
We employ a responsible strategic sourcing process for categories of supply considered critical for our business (focus suppliers). The suppliers that are critical for our business are:

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

Sustainability and operational risk assessments are part of the supplier selection process and the annual supplier performance and risk assessment activities. For the risk assessments, we use a Supplier Questionnaire that covers areas such as business and ethical conduct, environment, human and labor rights, impact on society, client privacy and information security, financial and legal compliance requirements. Our Supplier Questionnaire is aligned with the 10 principles of the UN Global Compact and the EU General Data Protection Regulation 2016/679. In 2021, we are planning to incorporate supplier diversity as a weighted criterion in the supplier selection and renewal processes.

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

Integrated end-to-end responsible procurement lifecycle



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.

The Temenos Strategic Procurement and Vendor Management team provides a centralized governance structure organized around supply categories actively focusing on value creation from spend management and value maximization vendor performance management.

Spending on local suppliers

We recognize that a supply chain composed of diverse suppliers promotes competition and quality from our vendors, drives innovation and helps us better reflect the diversity of our clients. We are proud to work with a range of diverse and dynamic 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:

Top 15 countries based on headcount*	% purchases from local suppliers
India	90%
USA	70%
United Kingdom	69%
Romania	93%
Australia	62%
Luxembourg	53%
Singapore	63%
UAE	60%
Switzerland	37%
Canada	82%
Greece	58%
Germany	74%
Ecuador	17%
China	100%
France	64%

* Highest: 4,455, lowest: 53.

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

Responsible Procurement framework 2020-2025

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

Area	2020		2021	2025 target
	Objective	**Achievement**	**Objective**	**Objective**
People	Key staff involved in procurement activities to receive training on sustainable procurement principles	100%	Sustainable procurement to be included as part of all staff induction program	Maintain 100%
Policy & strategy	Extend the responsible sourcing process to other categories of suppliers, beyond focus categories of suppliers	83%	Ensure the internal sustainable procurement policy is reviewed regularly as part of the CSR strategy	Reach 100%
Procurement process	Sustainability assessment as part of the qualification and annual performance and risk assessment implemented to all focus categories of suppliers	81%	Sustainability assessment for most supplier categories	Reach 100%
Engaging suppliers	Further augment the new or renewed suppliers providing goods or services with Supplier Code of Conduct applicable clause	31%	Supplier engagement program in place, promoting continual sustainability improvement and CSR audits if required	Reach 100%

Operating responsibly continued

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 2020.

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.

The Temenos Environmental Roadmap is structured around four areas: Environmental Policy and Management System, Climate Change Strategy, Environmental Monitoring and Reporting and People Awareness.

Environmental Policy and Management

Temenos has 63 offices in 38 countries. All Temenos offices are located in large leased office buildings close to city centers and outside protected lands and habitats. 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.

Green Buildings

At the end of 2020, approximately 20% of the large leased office buildings were certified for their environmental performance to a sustainable/ green building standard on their own initiative, accounting for a total area of 15,528m^2. Looking forward, we are working on implementing the Better Building Partnership, alongside our property owners in our UK offices, and planning to install sub metering with real-time data to continuously improve operational efficiency.

Green Building Certificate/Standard	Location Office
BOMA 360	Americas: Miami, Lake Mary
BOMA Best Gold	Canada: Surrey
LEEDS Gold	Canada: Mississauga, Americas: Miami, Broomfield, Mexico, India: Hyderabad, Europe: Madrid
LEEDS Silver	Americas: Boston
Energy Star	Americas: Miami, Boston
BREEAM	Europe: Bucharest, Netherlands
Green Star	Africa: South Africa
HQE building	Europe: Paris
UIC building/Green Mark Gold Plus	Asia: Singapore

Environmental Management System

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, reduce our carbon emissions and transition to a low-carbon economy. 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, in our office in Romania in 2019 and in our two offices in Luxembourg (Bertrange and Strassen) in 2020 while receiving ISO 14001:2015 certification for all six offices. These six offices account for approximately 60% of the total global employee workforce, including all acquisitions*. We aim to increase ISO 14001 coverage, certifying the most populated offices, continuing with our UK offices in 2021.

Our Global EMS and the local ISO 14001 certifications, apart from supporting our commitment of minimizing our impact on the environment, provide us with a framework to avoid the risk of non-compliance with regulations and stakeholder requirements, as well as an opportunity to gain new market share as ISO 14001 certification is increasingly requested by clients.

In all ISO 14001 certified offices, we set annual local targets, roll out action plans, implement operational controls and monitor performance (energy, water, waste and GHG emissions). The local EMS Teams, led by dedicated and trained office managers, are responsible for achieving these targets and for continuously improving Temenos environmental performance.

In 2020, we worked closely with the property owners and we set specific optimization guidelines on the use of electricity to avoid unnecessary energy consumptions. As a result, in the ISO 14001 certified offices, all intensity KPI metrics decreased, reflecting the efficient use of energy and water. Our 2019 target, of a 10% decrease in Scope 2 energy was overachieved. Waste generation and Scope 3 GHG emissions were the most highly impacted KPIs, proving how individuals have the ability to create impact on the environmental performance of an organization. This year, we have also cascaded the GHG emission target to each certified location.

* % coverage appears to be less than last year, as this year we have included employees from Kony acquisition.

Apart from the operational controls already implemented in 2019, such as upgrades of A/C systems, use of LED lamps, consolidation of critical rooms (data centers, server rooms and switch rooms) for effective operations, we continued in 2020 to implement further controls, such as:

- installation of motion sensors and dimming systems in common areas
- use of ID secure printers
- installation of pedestal, tapping and motion sensor systems on water fixtures
- monthly preventive maintenance of office facilities
- use of electricity from renewable sources
- awareness campaigns and targeted trainings to promote eco-friendly practices and behavior.

2021 Goals

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

The table below demonstrates the % reduction of the intensity environmental KPIs per ISO14001certified location vs 2019 performance:

	% decrease vs 2019 performance				
	Energy Intensity (kWh per capita)	Water Intensity (L per capita)	Waste Intensity (kg per capita)	Scope 1 and 2 GHG emissions (tCO_2e per capita)	Scope 3 GHG emissions (tCO_2e per capita)
India	19.7	59.2	66	10.8	85
Romania	11.7	30.2	57.7	14.2	80
Luxembourg	43	17.4	67.4	n/a (renewable energy)	64

Event Sustainability Management System

Operating responsibly is part of our culture and a fundamental of how we conduct our business. Integrating sustainability into our corporate, sponsored or other types of events, and ensuring that our event planning operates with the same high sustainability standards, as our core business, proves our commitment to respect the principles of sustainable development. We always aim at actively minimizing the environmental impact of our operations, while striving for continual improvement by putting in place policies, management systems and targets to improve our performance. Therefore, we have a Sustainable Event Planning policy, linked to the Global Environment policy, as part of the Temenos Code of Conduct and the Temenos Supplier Code of Conduct.

Temenos organizes annually, a number of external corporate and regional events. The biggest corporate events include the TKO sales (Temenos Kick off sales) and Temenos Community Forum (TCF). Temenos employees, partners and clients attend our external events. Our goal was to organize these two events as ISO certified sustainable events, in order for Temenos to minimize its negative environmental impact in the areas of waste, water, energy and air quality and to maximize its positive social and economic impacts of the events.

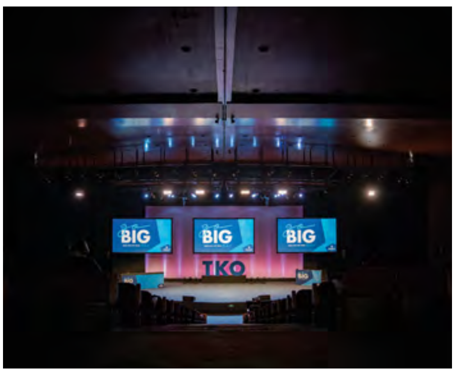
ISO 20121 Sustainable Event Planning Certification and Carbon Neutrality

In January 2020, our Company achieved the ISO 20121 event sustainability certification for TKO event, which took place in Spain, 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 positive impacts through improved planning and processes. As described in the Qualifying Explanatory Statement (QES and carbon footprint report), Temenos managed to quantify and report the carbon footprint from all the emission sources of TKO event, as well as achieve carbon neutrality, by offsetting a total amount of 1,287 tonnes of CO2 emissions through the purchase of Certified Emission Reductions (CERs), issued by UNFCC in accordance with CDM registry. The methodology used was based on International Standards:

- ISO 14064-1:2018 Greenhouse gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals.
- Greenhouse Gas Protocol, WRI (GHG Protocol Corporate Accounting and Reporting Standard, Revised Edition, and GHG Protocol Project Quantification Standard).
- PAS 2060: 2014 Specification for the demonstration of carbon neutrality.

Virtual Event Planning

Due to the evolving situation around Covid-19, the physical TCF 2020 event was cancelled. However, in just five weeks, working 100% remotely, Temenos put together its first ever virtual event, TCF Online. With over 5,000 people from across the world logged in, Temenos managed to bring our community together and share how we are supporting the banking industry at this challenging time and beyond. This transition from physical to virtual had a significant positive impact on the environmental footprint, as KPIs related to water, waste, transport were zero.



Case study:
TKO 2020 in Madrid

Temenos held its annual kick-off event (TKO) in Madrid with more than 1,000 attendees from across the world. Temenos Kick-Off 2020 was held at The Madrid Marriott Auditorium Hotel & Conference Center. The Temenos Kick-Off is the one time of year for the global teams in Sales, BSG, Services, Marketing and Product, as well as our Partners and Marketplace Providers, to come together for networking and to strategize on how to meet our targets in the year ahead.

Prior to the event specific objectives and targets were set, in order to monitor and control the social, economic and environmental impact of the event planning, in the following areas: Catering, Waste, Materials, Energy and Water Usage, Communication and Engagement, and Mobility/Transport.

During the event, a number of green initiatives were implemented for reducing the waste footprint:

- Compostable cutlery, bamboo plates and napkins, use of as much china plates, glassware and cups from the hotel as possible, (1st dinner: restaurant dishes and cutlery and 2nd dinner and coffee break: bamboo dishes, cutlery, napkins and porcelain)
- Water fountains with bamboo cups
- Tetra Pak cartons of water for bottled water
- Big letters plan (TKO) to be reused at other events in years going forward
- Temenos branded lanyards (with eco-friendly ink that washes away) to be returned end of event, to be reused throughout the year.
- New sustainable badges across the event so these can all be shredded and recycled.
- Digital signage and monitors. No pop ups allowed, no flyers, etc.
- Use of an app to have digital agenda and sustainability information.

Operating responsibly continued

In 2020, we incorporated the recommendations from the Financial Stability Board's Task Force on Climate-related Financial Disclosures into our environmental strategy to identify and manage climate-related risks and opportunities, in order to ensure business decisions, strengthen our company's resilience, while minimizing our impact on the environment.

Climate Change Strategy

Temenos considers climate change as a business imperative. We believe that how we address climate risks matters to our business, to the community and to the planet. We also recognize the importance of the shareholder value of managing the energy associated with the increasing growth of cloud-based service offerings. We are committed to contributing to the reduction of GHG emissions, investing in energy efficiency measures including a progressive transition to purchasing renewable electricity.

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 have identified our main climate related Risks and Opportunities, according to the TCFD recommendations. Based on the risk assessment, we set action plans and 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.

In addition, Temenos has committed to gradually and whenever possible migrate from carbon-based electricity (generated by fossil fuels) to low-carbon electricity (renewable and decarbonized energy). The goal is to increase the use of renewable energy in our operations, and hence reduce our Scope 1 and Scope 2 GHG emissions, in a rate compatible with the Science-Based Targets Initiative methodology, by 2030, with 2019 as the base year.

Temenos has identified three key areas to drive its climate change strategy towards a net-zero economy, based on the TCFD Recommendations: Renewable Energy, Strategic Planning of the Data Centers and Eco-Efficiency.

Renewable Energy

Offices

Our offices in Luxembourg, Switzerland, Netherlands and Belgium utilize renewable energy sources for electricity, accounting for 4.2% of our total energy consumption. Temenos is planning to transition, wherever possible given the challenge of leased property, to energy suppliers with renewable energy, starting with Germany in 2021, towards our journey to a low-carbon economy.

Data Centers

The majority of our IT infrastructure is located in facilities managed by third party companies, specialized in Data Center services, where we do not procure the energy, or control the operations of the buildings, the so-called collocated Data Centers. We work very closely with these Data Centers on our sustainability journey. To best mitigate the risks of climate change, we aim to collaborate with collocated Data Centers, which have sustainability goals and monitor their performance.

In Europe, our collocated Data Centers operate under 100% of renewable energy (Germany and Switzerland), corresponding to ~59% of total energy use of our collocated DCs globally.

In the Americas, the Data Centers depending on their location use different types of renewable energy:

- Canada: power from Ontario Power Generations includes renewable energy from nuclear plant and hydroelectricity power by Niagara Falls falling water.
- USA: 8% of electricity generated in Atlanta is from renewable sources like hydropower, solar energy and biomass resources and 21.5% of electricity generated in Texas is from renewable sources like wind turbines, hydropower, solar energy and biomass resources.

The Australian collocated Data Center operates with a minimum 20% load coming from renewable sources, same as all power consumed in New South Wales.

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

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

Our goal regarding the energy efficiency and the use of renewable energy both at our collocated and owned Data Centers is to reduce the intensity of our energy use and to increase the use of renewable energy.

Collocated Data Centers

Since 2015, we are running a consolidation project with a goal to keep only two collocated Data Centers per continents (two in India, two in Europe, two in Americas, and one in Canada). We highly recognize the value added in allowing experts with green initiatives in place to manage the IT environment, including air-cooling, grey water usage, power usage effectiveness ratio, renewable energy use etc. Last year we shut down our own Data Centers in Brussels and Luxembourg. This year we are planning to decommission one of the two Data Centers in Hyderabad, India, taking into account the high-risk water stress of the area, based on the WRI's Water Risk Atlas Tool, Aqueduct. We are reducing our Data Center footprint by carefully considering our platform design, leveraging our multi-tenant architecture, and have started to monitor our Data Center performance.

In regions, with stringent regulations regarding carbon emissions and energy efficiency mitigation plans, we select to partner with collocated Data Centers which operate with high standards. In Europe, our Data Center partners utilize 100% renewable energy. Especially our Data Center in Germany, Equinix is already compliant with the European Code of Conduct for Data Center Energy Efficiency, one year ahead of the EU Taxonomy Regulation.

Owned Data Centers

Regarding our own Data Centers in India, Chennai/Bangalore/Hyderabad, we are in the process to install sub-metering, in order to better monitor energy consumption, PUE and investigate energy efficiency, as well as renewable energy opportunities. Until November 2020, the energy consumption of these Data Centers is included in the overall energy consumption of Temenos India facilities.

Public Cloud

Temenos recognizes the environmental benefits of cloud computing and has strategically selected to employ a cloud-agnostic approach for its Cloud and SaaS products. Our three public cloud providers GCP (Google), WAS (Amazon) and Azure (Microsoft), have strong environmental agendas, and are committed to sustainability goals on using 100% renewable energy, as well as on improving the efficiency of the infrastructure. By moving to flexible cloud-based infrastructure, we are expecting to reduce our energy use, increase the renewable energy use and as a consequence the rate of carbon emissions. Migrating to cloud means also fewer infrastructure, hence fewer e-waste.

Eco-Efficiency

The progress made in the normalized KPIs since 2017, as per capita, is a direct impact of the progress made to reduce consumption of the natural resources (numerator), to the changes in the number of employees (denominator) and to the evolution of the conversion. Key contributors to our strategy of efficient use of natural resources are our ISO14001 management system, as we aim to continuously improve our environmental performance and our responsible procurement process, setting specific criteria for the selection of key supplies. Most of Temenos procured office IT equipment is compliant with internationally acknowledged standards, such as Energy Star, EPEAT, TCO and our collocated Data Centers are monitoring their own efficiency. For 2020, we estimated, based on reports from our providers that their average Power Usage Effectiveness ratio (PUE) was 1.53.

As a result, we have managed to decrease our intensity of energy and water consumption vs 2019. The exact reductions through energy-saving initiatives and optimization programs can be found in the KPI tables of the Environmental Monitoring and Reporting section.

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, including clean technology to conserve resources in select locations globally with the largest employee concentration.

Energy

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. Since 2019, we measure and report 99% of the total energy consumption and GHG emissions, excluding only a few individual small offices with limited headcount (ten people or less). We are in the process of setting internal targets on energy consumption per location, in order to align our performance with our climate change strategy.

Case study:

Geneva Data Center: A sustainable heat source for the Plan-les-Ouates industrial zone (ZIPLO)

Our Collocated Data Center in Geneva, Safe Host, recovers the low temperature thermal waste from the cooling of its servers, which would otherwise vent into the air and lost, and transfers the heat to the CADZIPLO organization, which is in charge of operating the heating requirements of the surrounding industrial and residential buildings.

Energy Efficiency Audits

Our European offices in Germany, Luxembourg and Romania, which qualify under the guidelines set by the EU Energy Efficiency Directive, are undergoing energy efficiency audits every four years. The general objective of the energy audit work is to identify and evaluate the use of energy resources and substantiate measures to save energy resources and modernize, if necessary, facilities to increase energy efficiency and reduce pollutant emissions. During the energy audits, various criteria are taken into account, such as: wall thickness, type of masonry, type of roof, condition of basement, condition of heating columns, performance of heating or ventilation system. All this information is obtained by on-site research of an authorized auditor, from specific documents, from information from the building owner or by specific measurements.

At our UK offices, as a part of Energy Savings Opportunity Scheme 2015 (ESOS) 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. By the end of 2020, our UK offices achieved a 24.3% reduction in energy use, by optimizing use of the facilities in collaboration with the building management companies. Now, our offices in UK are already in the ESOS Phase 2, the mandatory energy assessment scheme, according to which large organizations are required to assess their energy usage every four years and to find new ways to save energy. UK offices are also in the process of complying with the new Streamlined Energy and Carbon Reporting (SECR) scheme, the mandatory annual reporting of energy consumption, of GHG Scope 1 and 2 emissions, and energy efficiency initiatives.

Data Centers

In 2020 we installed a sub-metering system in our Data Center in Bangalore, and we are in the process of installing sub-meters in our Data Center in Chennai, in order to start monitoring separately the energy consumption and improve energy efficiency. We are also setting up a global procedure to report on the total energy consumption and PUE of our collocated Data Centers in Europe, USA, Canada and Australia, as well as our carbon emissions from cloud computing. The energy consumption from our collocated Data Centers in 2020 was 753,139kWh, accounting for 9.1% of Temenos total energy use, (excluding our collocated Data Center in Canada). Whenever needed, we opt for mitigation measures such as replacement of existing aging servers, selection of the most efficient power supply on server, optimum airflow management and cooling and decommission of underutilized servers to avoid waste of power/cooling, thus reducing our CO_2 footprint.

Business travel

As an IT software company, we rely on our people who travel to deliver our services. Business travel by air constitutes our biggest environmental impact that cannot be easily reduced. We measure our environmental footprint in relation to business air travel for all the countries we operate, representing 100% of the total employee concentration. In 2020, due to Covid-19 travel restrictions we noted a 78% reduction in our Scope 3 emissions from business travel. We implement internally carbon emission reduction initiatives, such as travel and global mobility policies, internal carbon pricing, increased internal communication and environmental training, efficient meeting management that requires travel around big corporate events, use of other lower-carbon modes of transport for travel within Europe and further investment in virtual collaboration and communication technologies. Finally, since 2018, we have been investing in carbon emissions offsets for all our air travel globally.

Employee commute

In 2020, due to Covid-19, the majority of our employees were advised to work from home, following country specific regulations. To facilitate the return in the offices, and to comply with restrictions put in place by each country, we have implemented a return to work plan and separated the workforce into teams, in order to safeguard the health and safety of everyone. Therefore, we did not conduct a survey this year, and estimated our GHG emissions from employee commute, based on the 2019 internal employee commute survey and taking into account that on average 98% of the workforce was working on and off from home since March 2020.

Contribution to the SDGs

SUSTAINABLE DEVELOPMENT GOALS

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

17 PARTNERSHIPS FOR THE GOALS

Carbon footprint: the journey towards Carbon Neutrality and Net Zero

The primary sources of our emissions are natural gas, on-site electricity generation, purchased electricity, fugitive emissions, employee commute and business travel. The total energy consumed during 2020 is 32,849 GJ, including all types of energy (renewable and non- renewable purchased grid electricity, natural gas, on-site generation). The direct energy consumption by primary energy source is 3,034GJ, with natural gas consumption accounting for 7.5% of the total energy use, in our offices in Romania, Netherlands and USA, Malvern and Colorado. The indirect energy consumption by primary source is 29,815GJ, which has been reduced by 1.2% compared to 2019 (base year). This percentage corresponds to reduction of purchased grid electricity (renewable and non- renewable) absolute consumption, as an outcome of our energy conservation programs. Our annual absolute greenhouse gas emissions (GHG) are at 9,648.4 tCO_2e.

We are also establishing reliable systems to monitor fugitive emissions from HCFCs, HFCs, and Ozone Depleting Substances (ODS). As part of the ISO14001 EMS, in India we are already monitoring the quantity, which is used in the air conditioning systems. In 2020, 512.2 tCO_2e from the use of HCFC-R22 and 16.9 tCO_2e from the use of HFC-R407, were emitted in our offices in India, Chennai and Bangalore. Regarding NOx, SOx, VOCs and HAPs emissions, we do not consider being significant to our operation, as we are a software company. We are also in the process to implement a global process to monitor and report the energy consumption from our collocated Data Centers.

Case study:

Ammonia-based system for cooling

In Luxembourg office, we use an ammonia-based system for cooling. Ammonia is 3-10% more efficient refrigerant than CFCs, so an ammonia-based system requires less electricity, resulting in lower operating costs. Also, ammonia is safe for the environment, with an Ozone Depletion Potential (ODP) rating of 0 and a Global Warming Potential (GWP) rating of 0.

2021 Goals

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

Operating responsibly continued

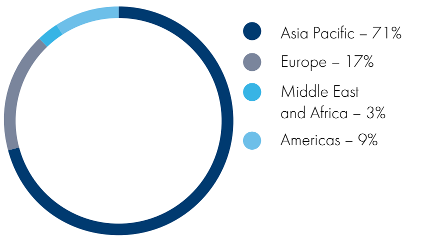
Priority Area	Objective	Indicator	2025 target	2020 performance
Operating Responsibly	Environment policy & Management	Roll out EMS to additional locations and increase the ISO 14001:2015 certification coverage	8 offices	6 offices (addition of 2 offices In Luxembourg, Bertrange and Strassen)
	Climate Change & Carbon Neutrality	Organize sustainable and carbon neutral corporate events	4 events	1 event (TKO Madrid)
		Decrease of Scope 2 GHG emissions per capita for certified ISO14001 offices, compared to 2018 baseline (first certification)	20%	13%
		% Renewable Energy use in our offices	10%	4.2%

Emissions activities	Scope	Emission source
Natural gas consumption	Direct (Scope 1)	Natural gas supply
On-site electricity generation – diesel fuel	Direct (Scope 1)	Diesel-operated generator sets
Fugitive Emissions (HCFCs, HFCs, ODS)	Direct (Scope 1)	Air-conditioning equipment
Purchased electricity	Indirect (Scope 2)	Electricity grid
Employee commute	Other indirect (Scope 3)	Employees' private vehicles*
Business travel	Other indirect (Scope 3)	Commercial airlines

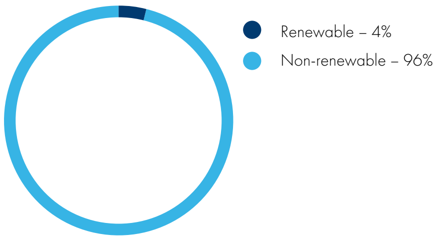
* Vehicles owned by our employees – the Company does not have any Company cars.

2020 Electricity Use

% by region

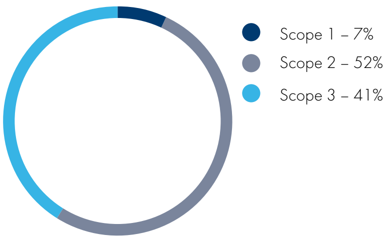


% renewable energy use



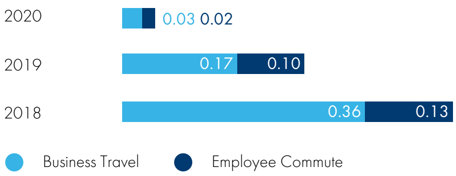
2020 GHG emissions

% by Scope



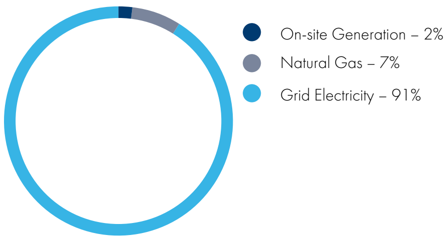
Scope 3 GHG emissions

Monthly AVG tCO_2e per capita



2020 Total Energy

% by activity



GHG emission (% per Scope)	2018	2019	2020
Scope 1	2	2	**7**
Scope 2	14	22	**52**
Scope 3	84	76	**41**

2020*	**Energy consumption and GHG emissions**					
Region	Total annual electricity use (kWh)	Total annual natural gas use (kWh)	On-site Electricity Generation (kWh)	Scope 2 – Electricity (tCO_2e)	Scope 1 – Natural gas (tCO_2e)	Scope 1 – Diesel (tCO_2e)
APAC	5,854,950	0	147,046	4,149	0.00	39.54
EUROPE	1,423,811	232,468	0	337	42.81	0.00
AMERICAS	733,222	455,431	0	361	92.79	0.00
MIDDLE EAST/AFRICA	270,099	0	7,920	144	0.00	2.13
TEMENOS	8,282,082	687,899	154,966	4,991	135.60	41.67

* Including offices and owned Data Centers.

Energy		**2019**	**2020**
GRI 302-1	Total Energy Consumption (MWh)	9,163	**9,125**
SASB TC-SI-130a.1	Total Energy Consumption (GJ)	32,986.4	**32,849.8**
	Natural Gas Consumption (GJ)	1,501.5	**2,476.4**
	On-Site Electricity (GJ)	1,317.9	**557.9**
	Purchased Electricity (GJ)	30,167	**29,815.5**
GRI 302-4	Reduction of Total Energy Consumption (GJ)*		**136.6**
SASB TC-SI-130a.1	% of Total Energy Consumption that is Grid Electricity	91.4	**90.8**
SASB TC-SI-130a.1	% of Total Energy Consumption that is Renewable Energy	3.2	**4.2**

* Corresponds to reduction of absolute total energy consumption (base year: 2019). For more information on calculations, please refer to About this Report.

GHG emissions ($t\ CO_2e$)		**2018**	**2019**	**2020**
GRI 305-1	Scope 1: Natural Gas Consumption	0	78.1	**135.6**
GRI 305-1	Scope 1: On-site electricity Generation	607	304.4	**41.7**
GRI 305-1	Scope 1: Fugitive Emissions (HCFCs, HFCs, ODS)			**529.1**
GRI 305-1	Scope 1: Total	607	382.5	**706.4**
GRI 305-2	Scope 2: Purchased Electricity (location based)	4,985	5,737.6	**4,991**
GRI 305-3	Scope 3: Employee Commute	7,620	6,655	**1,465**
GRI 305-3	Scope 3: Business Travel by Air*	21,443	11,527	**2,492**
GRI 305-3	Scope 3: Total	29,063	18,182	**3,957**
	Scope 1, 2 and 3: Total	34,655	24,302	**9,654**
	Emissions offset	21,442.5	14,587	**1,287**

* Business travel by air data is 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.

	Normalized metrics (per capita*)	2017	2018	2019	2020
GRI 302-3	Energy consumption (MWh)**	164	146	132	**108**
GRI 305-4	Scope 1 and 2 Emissions	0.105	0.095	0.088	**0.067**
GRI 305-4	Scope 3 Emissions	0.347	0.492	0.262	**0.047**
GRI 305-4	Scope 3 Emissions (Business Travel)		0.363	0.166	**0.030**
GRI 305-4	Scope 3 Emissions (Employee Commute)		0.129	0.096	**0.017**
	Water consumption (KL)		0.67	0.71	**0.22**
	Waste generation (tn)		0.043	0.046	**0.020**

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

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

Operating responsibly continued

Water

Climate change and a growing population are putting increasing pressure on the global water supply. Although we use water only as part of our offices' operations, Temenos recognizes the need to use water in a sustainable way focusing on water consumption, water efficiency and water protection from contamination, with zero incidents of non-compliance related to water quality or quantity permits, standards and regulations:

(a) Water Consumption: Since 2019, we are measuring and reporting on our water consumption at our offices. We are in the process of enhancing our data collection, in collaboration with the building owners, analyzing data and implementing efficiency measures. Globally, we have withdrawn and consumed 14,212,180 liters of municipality water, 2,926,825.4 liters of purchased non-potable water and 354,768 liters of ground water, representing 88% of the total Temenos population (excluding population working in serviced offices with less than ten employees). Using the WRI's Water Risk Atlas tool, Aqueduct, we have identified that 39.4% of our water use is withdrawn and consumed in locations with Extremely High (>80%: Belgium, India Chennai and Hyderabad, and Mexico), and 27.9% in locations with High (40-80%) Baseline Water Stress.

(b) Water Efficiency:

- Our office in Chennai, KG 360° building, operates in an IT Business park, where all wastewater is being treated in a sewage treatment plant (STP). It is then reused for toilet flushing and horticulture, in accordance with all legal requirements: Chennai Metropolitan Water Supply and Sewage Board and Chennai Metropolitan Development Authority. As a result, in 2020, the consumption of fresh water was reduced and1,315,871 liters of domestic wastewater were treated and reused, without contaminating both water and land, accounting for 8.1% of the total water consumption
- To prevent unnecessary water use, we have fit water pedestal, tapping and motion sensor systems on water fixtures, and we follow a preventive maintenance schedule to fix dripping taps in our offices.

(c) Water Protection: We have put in place several initiatives for prevention of water pollution:

- In locations where diesel generators are under our control, we have implemented Spill Prevention Plans, including specific training of responsible personnel, and the provision of spill kits, as well as adequate secondary containers in case of a spillage of diesel
- Regarding the effluent from the STP in Chennai, we monitor quality on a regular frequency through authorized laboratories
- To further minimize any adverse impact on the quality of the water we also opt for ecological detergents for the cleaning of our offices.

Waste and e-Waste

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 special waste (used batteries and lamps), and of hazardous waste generated from the use and maintenance of owned diesel generators in India.

Sources of water*		Volume in m³
Purchased water	Municipality water	14,212.180
	Purchased water (non-potable)	2,926.825
Ground water	Ground water	354.768
Surface water	Surface water (River/Lake/Sea)	0
Harvested rain water	Rainwater collected and stored (water consumed from RWH tanks)	0
Recycled water		1,315.871
Total water withdrawal SASB TC-SI-130a.2) (GRI 303-3)		**16,177.902**

Water Consumption per region	Volume in m³
APAC	7,141.739
EUROPE	6,732.274
AMERICAS	1,237.534
MIDDLE EAST/AFRICA	1,066.354

Water Consumption profile*	Percentage (%)
% Recycled water (SASB TC-SI-130a.2)	8.1
% Water in Regions with High Baseline Water Stress (SASB TC-SI-130a.2)	27.9
% Water in Regions with Extremely High Baseline Water Stress (SASB TC-SI-130a.2)	39.4

* For more information on the calculations, please refer to About this Report.

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 to minimize landfill disposal by recycling. In the countries where such an option is available, we are collaborating directly with authorized vendors. Used IT equipment is cleaned of all data and software and it is either donated to non-governmental organizations or disposed through an authorized and certified recycler, following local and international guidelines for disposal of electronic waste.

To enhance our efforts to reduce waste, we have designated environment champions, responsible to roll out environmental initiatives to our offices globally. These initiatives include segregation per waste category, recycling programs, buyback schemes of UPS batteries, environmental awareness campaigns to ban plastic and promote reuse and recycling, use of ID printers to minimize use of paper, training of employees on recycling and environmental volunteering activities and community service. Finally, as already mentioned, in all ISO14001 certified offices, we have set specific reduction targets to monitor the generation of total non-hazardous waste and of total waste directed to disposal.

Waste*	Quantity (tn)
Total Waste generated	99.53
Total Waste diverted from disposal	67.83
Total Waste directed to disposal	31.70
Per category	
Food Waste (compost)	10.71
Paper/Carton/Plastic/Tin/ (recycle)	56.76
Domestic (landfill)	31.70
Hazardous Waste** (recycle)	0,26
E- Waste (recycle)	0.10

* For more information on the calculations, please refer to About this Report.

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

Case study:
Waste audits in Luxembourg

Our office in Luxembourg, Bertrange undergoes on an annual basis a waste audit and is awarded by the label 'SuperDrecksKëscht fir Betriber'. This label is a recognized quality label granted to businesses that have adopted an environmentally friendly waste management plan. The operators at the SuperDrecksKëscht offer free assistance and guidance to businesses in setting up an ecological waste management plan for their waste produced on-site by stressing on waste prevention methods; preliminary preparations with the aim to reuse, recycle, recover or eliminate waste. The label is granted by the Environmental Agency (Administration de l'environnement), the Chamber of Skilled Trades and Crafts (Chambre des Métiers) and the Chamber of Commerce (Chambre de Commerce).

Environmental Awareness

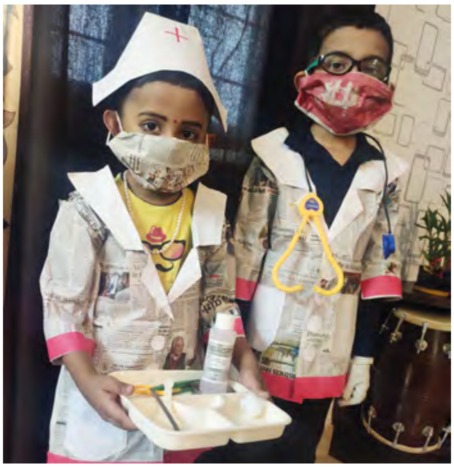
In order to reduce our environmental footprint and address climate change, we are committed to raising environmental awareness of our employees through training opportunities and voluntary environmental initiatives. We invest in our employees environmental training and encourage them to integrate sustainable practices in their work as well in their everyday life to help minimize our environmental impact. We also provide our employees with voluntary opportunities to contribute to a more sustainable planet.

Our CSR strategy, regarding raising environmental awareness is based on two pillars: Environmental Voluntary Initiatives and Environmental Awareness Training.

Environmental Awareness Training

As our EMS system is one of the main areas that Temenos Environmental Roadmap is structured around, we invest in the continuous education and empowerment of our EMS Core Team members. Temenos has committed to develop ISO 14001 certified internal auditors in all certified locations, by the end of Q2 2021.

In addition to our annual targeted ISO14001 environmental trainings to specific EMS team members, we will launch in Q1 2021, an annual mandatory training for all employees in ISO14001 certified locations. This training is already available in our internal platform, as a voluntary training module for all Temenos employees. Through continuous environmental education, our aim is to empower our employees to become changemakers.



Environmental Voluntary Initiatives

In order to educate ourselves through action and spread environmental awareness, we are organizing voluntary activities around the world, with the aim to encourage our employees to contribute to a greener, more sustainable future. Our latest Initiative is the TGI: Temenos Green Initiative, a series of targeted annual environmental events, in India.

Beach cleanup activity-Miami

For the International Coastal Cleanup 2020 Day, employees from the Miami team joined Miami Waterkeeper and Biscayne Nature Center for a Beach cleanup activity. They collected 57 pounds of garbage from the local beach.

Internal campaign to stop plastic

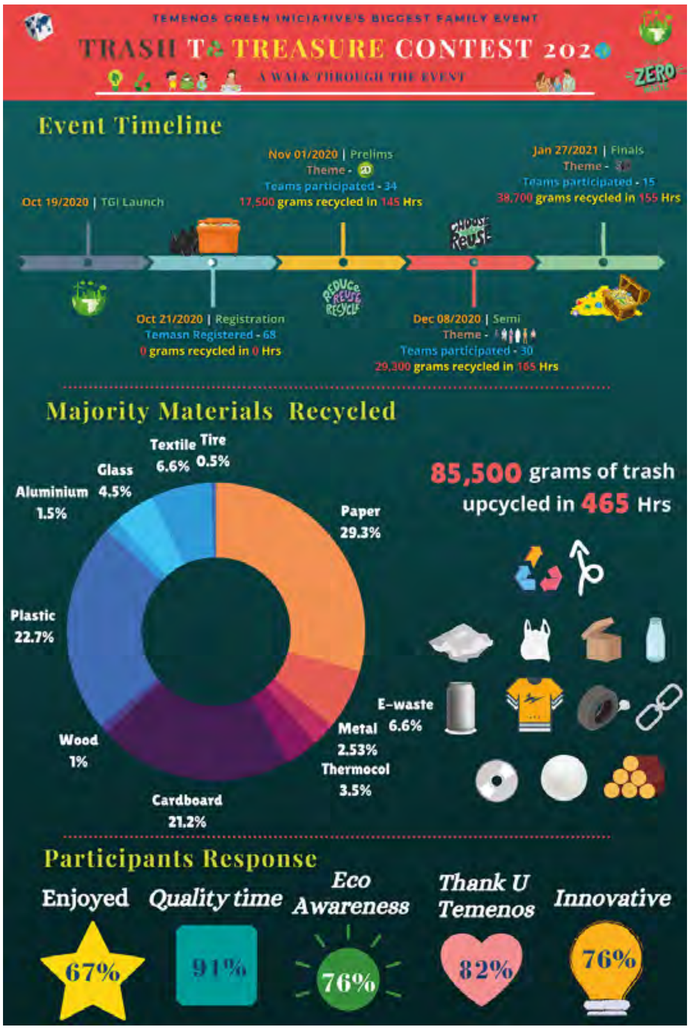
This year, our Temenos India employees in Chennai participated in an internal campaign to raise awareness about the impact of plastic use on the environment.

Upcycle Contests in Romania and Luxembourg

To further promote the concept of Upcycling, our offices in Romania and Luxembourg, organized themed craft contests during Halloween and Christmas, as fun activities to do with the family and at the same time raise awareness about waste reduction through reusing of waste materials.

Earth Day 2020

On Earth Day 2020, we organized an internal as well as social media environmental awareness. Our colleagues in LATAM have shared a video with tips to go green.



Case study:
Trash to Treasure Contest 2K20 "Biggest Virtual Family Event" in India

Temenos organized in India, its biggest ever virtual family event, during which Temenosians teamed up with their families, to transform waste into artistic and impactful crafts, shifting from the action of Recycling to the higher action of Upcycling. In total, 68 Temenos India employees spent 465 hours and used 85.5 kg of trash to create beautiful crafts, from 2D to 3D art, to themed costumes of frontline Covid-19 support workers, using waste materials, such as paper, plastic, aluminum, carton etc. Employees reached out to thank the management for coming up with this contest engaging their family members.

MAKING THE **DIFFERENCE**

Highlights

7,828
Employees

63
Offices

38
Countries

83
Nationalities

48%
Females under 30

43%
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 local, regional and global level, with policies in place attuned to global as well as local conditions. The team includes groups focused on HR operations, employee experience, business partnering, compensation and benefits, mobility, data and systems, talent and development, talent acquisition and executive search, HR communication and employer branding. Temenos 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 2020, Temenos employed 7,828 people worldwide, including both full-time employees, business partners and contractors of Temenos. Our partnerships increasingly allow us to deliver a complete range of implementation and support services to our clients and complement our growth strategies. Most of our employees work as full-time, permanent employees. In 2020, we had 64 part-time employees (41 women and 23 men) and seven fixed-term employees (five women and two 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. We are committed to avoiding causing or contributing to adverse human rights impacts through our own activities and seeking to prevent and mitigate adverse human rights impacts that are directly linked to our operations, products or services by our business relationships, even if they have not contributed to those impacts. Our Human Rights commitment is an integral part of our Business Code of Conduct, mandatory related training, ethical business conduct program, as well as the Supplier Code of Conduct and supplier performance and risk assessment processes of our Global Procurement policy and procedure, clearly outlining the requirements for our own operations (employees, direct activities, products or services), for our suppliers and partners, as well as the actions and procedures we undertake to meet our commitment. We expect our employees, Partners, suppliers and clients to share this commitment to ensure that IT and our business respects and promotes human rights.

Temenos has developed a due diligence process to proactively and systematically identify potential issues relating to respecting human rights issues and where they could occur in our own operations, our value chain or activities related to our business and managing them. Our cross-functional Human Rights Working Group oversees our human rights strategy, helping to coordinate our efforts to identify and mitigate human rights risks in our own operations and our value chain. The results of these efforts, as well as those taken by the CSR and Sustainability team, are shared with the CSR and Ethics Committee, the Executive Committee and the Audit Committee of the Board of Directors.

In 2020, 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

Case study:
Promoting Human Rights awareness at Temenos

On 10 December 2020, we celebrated the International Human Rights Day and remembered once more why respecting human rights is a core element of the Temenos vision, culture and purpose. As a global company, we are committed to doing what we know best and creating sustainable value for all our stakeholders, in a way that takes care of the world around us, both globally and locally. Human Rights are embedded in our business practices, our Business Code of Conduct and our culture of Temenosity. We are committed to creating an inclusive work environment that inspires all of us to contribute fully regardless of our race, ethnicity, color, religion or beliefs, sex, age, sexual orientation, language, political or other opinion, national or social origin, property, birth or other status. This diversity of thought, freedom of expression and the right to privacy are crucial to Temenos. It helps us make banking better for the billions of people who rely on our software around the world. So, Human Rights must be at the center of the post-Covid-19 world. Only measures to close the gaps created by Covid-19 and advance human rights can ensure we fully recover and build back a world that is better, more resilient, just, and sustainable. To mark this important day, we asked Temenosians from around the world to share their thoughts and aspirations.

For more information on our Human Rights commitments, please read our blog.

Diversity, inclusion and equal opportunity

At Temenos, Diversity, Equity and Inclusion are at the core of how we innovate and operate our business, which channels from our founding philosophy of 'people are the key' and the Temenosity culture principles. As we continue to modernize the global banking landscape at a dynamic pace, we also recognize the significance of supporting a diverse community of clients, by thriving to foster a culture of 'everyday inclusion' for our people to bring their best to work.

The key factors that will influence our ability to achieve our objectives include:

- Promote Diversity & Inclusion (D&I) practices and awareness through learning and communication
- Foster our diversity story by celebrating and embedding an 'everyday inclusion' culture
- Tackle any misalignment by measuring the D&I index and anti-discrimination practices.

We take pride in ourselves for continuing to build our diverse workforce at all levels in Temenos from 83 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 that encourages diversity of thought, culture and background and all employees can contribute their unique knowledge and experience to make a real impact on the world around us.

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

Our business philosophy as well as our organizational structure are based on cultural diversity, as we operate in 63 offices across 38 countries globally. Temenos 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, whilst maintaining a central processes approach on core activities and decision-making.

Temenos 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 synergy 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 an 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, less 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, signalling 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:

1. New generation recruitment, encouraging young women to choose a career in the IT industry, resulting in female participation of 35% (in 2014) to 48% (in 2020) in the under 30 year old age segment of our workforce. Our goal is to identify and attract talent from a diverse pool and range of sources, beyond usual talent pools and traditional recruitment processes;
2. Advancement and representation of women in senior management positions, resulting in female representation of 22% (in 2014) to 43% (in 2020) in the 1st line female senior managers reporting to the CEO. We offer priority to our employees to internal openings and promotions, as well as incentives to refer their new colleagues.

At the Company level, the female representation in the total Temenos headcount is currently at 34%, i.e. 9% higher than the average in the IT industry in terms of male to female ratios. 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.

Investing in our people continued

By 31 December 2020, our leadership team (excluding the Executive Committee) consisted of eight men and two women. Our Board of Directors consisted of six men and one woman, while the Executive Committee consisted of five men and two women. In 2021, the Executive Committee membership changed and as of February 2021, consists of seven men and four women, while the leadership team (excluding the Executive Committee) consists of five men and two women. More information on our 2020 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 37% 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 aims at improving the Temenos employee experience, 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, an active Women@Temenos network of 300+ women ambassadors provides 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 are organized annually by Women@Temenos include:

- Celebrating: Men and 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 EachforEqual
- 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 and 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	2020	2025 target
Gender diversity	Percentage of women in the Temenos total headcount	22%	33%	34%	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.

Achievements:

- Award for 'High Growth in Women Employment' in India
- CSR Award in Luxembourg for our India CSR program, Adopt-iT that builds computer labs and girls' restrooms in India, promoting gender equality and access to inclusive education for all
- Recognition for our Gender Gap project in Luxembourg.

2021 Goals

- To become a preferred employer for women globally (by 2025)
- To target international standards and business benchmarks relevant to gender diversity.

2020 Key highlights:

International Women's Day

On 8 March, Temenos offices across the world celebrated the International Women's Day by organizing special events and activities for our employees. As this year's worldwide theme was #EachforEqual, many Temenosians around the world gathered together and took pictures while striking the #EachforEqual pose, to motivate others and spread the message of gender equality. Some of the events conducted in our offices to celebrate the day included awareness sessions and speeches on empowering women at work and in technology, team bonding and fun activities, such as breakfast at the office, workshops, yoga classes, cooking contests, dance performances, gifts' distribution and donations to NGOs.

International Men's Day

On 19 November, we celebrated International Men's Day by exploring men's roles as champions and allies of underrepresented groups, while raising awareness on men's health and well-being issues. We celebrated our first International Men's Day at Temenos, as part of our continued effort to foster our diverse and inclusive workplace culture. We organized a global webinar, where we explored the positive role that men can play in building a better society and a better Temenos through 'Leading by Example'. The emphasis was on raising awareness of the significant roles men hold in our society today and how they can leverage their knowledge and experiences to stand-up as allies for Employee Resource Groups (ERGs) at Temenos. The webinar also focused on the experiences and challenges faced by men from diverse backgrounds to discuss important topics such as physical and mental health issues and the stigma around seeking out relevant support.

National Inclusion Week 2020 – UK

Temenosians across UK celebrated the National Inclusion Week (NIW) 2020, between 28 September to 4 October. This week was designed to celebrate 'everyday inclusion' in all its forms as part of organizational culture. The theme for NIW 2020 was 'Each One, Reach One'. It was about connecting and inspiring each other to make inclusion an everyday reality. We launched a series of lunch & learn webinars where our employees could participate and share their opinions in a variety of subjects such as: Introduction to the National Inclusion Week (NIW) and understanding what inclusion means in a workplace, Mental health awareness, Allyship, Equality Act 2010 – The protected characteristics and understanding intersectionality.

Black history month – UK and Europe

October marks Black History Month, the annual celebration of the history, achievements and contributions of black people.

Our colleagues in UK launched the first edition of 'Let's talk about race'. A newsletter was created to encourage brave and open conversations on equality of race, ethnicity and cultural heritage. The grassroots team behind the newsletter aims to inspire colleagues with messages of 'hope and change', while working hard to create opportunities to broaden their understanding of race issues and take positive action enabled by open-source change at Temenos.

In addition to the newsletter, we hosted a virtual conversation between our Chief HR Officer and Detective Sergeant Janet Hills. Janet is an inspiring and instrumental figure on race matters and has made it her life's mission to challenge stereotypes and prejudice. Janet is the Chairperson of the Metropolitan Black Police Association and a serving police officer for over 28 years. She is a powerful voice against institutional racism and shared her story and her perspective on racism in society today and in the police force. They both talked about the lessons that we can take and how we can foster 'hope and change' at Temenos.

International Sign Language Day

On International Sign Language Day and International Week of the Deaf in 2020, our Temenos LATAM team had a session with deaf Prof. Nelly Martínez, who taught them a few basic words in Sign Language, and most importantly, showed them how they can create an inclusive culture for people with disabilities in today's diverse world. In total, 37 employees participated to learn and raise awareness about accessibility in workplace.

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 Code, 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 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 covered by collective bargaining agreements may be seen below:

In France, Germany and Luxembourg, 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.

Country	No. of employees covered under collective bargaining agreements	%
Brazil	8	0.12%
France	53	0.76%
Spain	22	0.32%
Romania	285	4.10%
Total no. of employees	368	
Percentage	5.30%	

Freedom of expression and privacy

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

Against forced and child labor

At Temenos, we condemn forced or compulsory labor practices. We comply fully with local minimum age laws and requirements and do not employ children. We ensure this through our global and local 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. For more on our Global Mobility, health and safety program, visit our website.

Health and wellness

At Temenos we are committed to supporting our employees' wellbeing and creating a work environment that helps employees maximize their physical and social wellness. The significance of health and wellness focus at work for our people became even more important as we faced global challenges due to Covid-19. In 2021, we plan to continue raising awareness on mental, physical and financial health, while enabling learning and allyship efforts by Mental Health First Aiders (MHFA).

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 (WFH) 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
- Learning and development programs focusing on wellbeing at work
- Multiple channels of internal communication and engagement with our employees across countries and at all levels
- Recognition of their work and contribution, opportunities to learn more about Temenos and spend time with the leadership team
- Employee engagement in community service and volunteering projects.

During the Covid-19 lockdowns in different countries, Temenos supported all WFH employees with a diverse range of remote learning opportunities from digital working best practices to soft-skills workshops to support them to adapt better in setting up a WFH environment.

Investing in our people continued

2020 Key highlights

Employee Assistance Program

- As part of employee welfare, we have Employee Assistance Programs (EAP) in India, Australia, USA, Canada and the UK. This is an employee benefit program that assists employees with personal and/or work-related problems that may affect their job performance, health, mental and emotional well-being. EAP may offer support through counselling, therapy, coaching or practical tips depending on the circumstances. The US program supports employees with financial, legal, identity theft, travel assistance and bereavement services as well.

Wellbeing apps

- In September 2020, we introduced in Canada, the Manulife Vitality app, a digital wellness program that rewards employees for making positive health choices. Employees can earn points for tasks such as going for walks, working out or getting a flu shot.
- To ensure our employees' wellbeing in Ecuador, we put in place a WellOne app that helps employees keep track of their health, nutrition, stress level, track sport activities and challenge each other while doing them.

Workshops and webinars

- In July 2020, our employees in Canada attended a webinar on overcoming burnout. The hour-long session was presented by our Temenos Canada EAP provider. They explained what burnout is and identified ways to prevent it from happening. The attendees were provided a participation guide to help them understand how burnout affects them and how they can improve the effects.
- As a part of the Mental Health Awareness month, our employees in Hyderabad, India organized a session for women employees on “Emotional Wellbeing” by Subha Pandian, Founder Director - AGUA Women’s Leadership to spread awareness on managing stress and leading a healthy lifestyle. 95 women participated in this initiative.
- In Hyderabad, India, we organized a session on Ergonomics, highlighting the fact that sitting and standing with proper postural alignment will allow our employees to work more efficiently with less fatigue and strain on their body.
- In December 2020, we hosted an interactive workshop about the new norm and world we live in due to the WFH situation in most countries under Covid restrictions. The workshop covered personal stories, our Temenosity culture, and positive psychology (PsyCap).

Wellbeing activities

- In September 2020, our employees in Australia launched wellbeing Wednesdays, planning for different wellbeing activities every Wednesday. They organized mindfulness and meditation sessions and a variety of wellbeing webinars during lunchtime. This was done in partnership with our EAP provider in Australia. Some of the topics covered were food and mood, men’s health and wellbeing, women’s health and wellbeing, stress, awareness and building resilience, constructive conversations and domestic and family violence awareness.
- Our employees in Latin America came up with a new challenge that helped them focus more on their wellbeing. They created 30 mini challenges aiming to complete one challenge every day. The main areas of improvement in the challenges were health, mind, social and learning. The employees, who were keen on a leveled-up challenge, could try each day to repeat all the challenges from the previous days. Some of the mini challenges included meditation for 10 minutes, cooking a healthy meal, giving a genuine compliment.

- Our employees in India came up with an innovative initiative during lockdown, in order to get motivated and at the same time stay healthy and fit. They organized an indoor walking challenge, divided in three seasons. The first season took place in May 2020, where more than 120 employees covered 15,034,319 steps. In the second season, they could choose to take part either in a walking challenge in categories of 6K, 8K, 10K and 15K steps or in 1, 1.5 or 2 hours of physical exercises such as aerobics, skipping, badminton or any other form of physical workout.
  About 50+ employees participated and covered over 5 million steps and recorded more than 90 hours. During November and December 2020, 304 employees participated in the third season of indoor walking challenge, in categories of 3, 6 or 9kms, while in association with “Impact”, for each km they walked, they raised funds for a charity of their choice. They raised in total, around USD 1,100.
- On International Yoga Day, a virtual event for all employees was organized globally. We had two big virtual sessions practicing Yoga, facilitated by Vijaya Kalyan, a certified yoga practitioner, with 306 employees worldwide participating in this event. Additional yoga sessions were organized in Paris, Luxembourg and the LATAM offices.
- During Breast Cancer Awareness Month in October 2020, our employees in Miami decided to join the socially distanced ‘More Than Pink Walk’, the Susan Komen signature fundraising event dedicated to raise awareness about breast cancer, share stories and raise money in order to save lives. Unfortunately, the walk was canceled due to bad weather forecast, but our employees raised USD 400. In addition, our employees in Greece promoted the free screening tests offered to our female employees over 40 years of age as part of the annual check-up and encouraged employees to wear pink and share their pictures, thus raising awareness of this important issue.
- A “How to survive the weekend in lockdown” webinar was organized in the UK, Spain, Ireland and LATAM offices, providing tips and activities for physical and mental health.

- In May and June 2020, our employees in India organized a 'Fun time for kids' designed to support working parents with young children, to give them a short break considering the new ways of juggling between WFH and home-schooling that could bring challenges from wellbeing perspective. These online sessions engaged children through fun learning activities, which were well received by the entire family.

Case study:
Temenos Got Talent

In August 2020, our employees in India launched the ‘Temenos got Talent’ initiative, as Temenosians never fail to surprise us with their super talents and enthusiasm. While working remotely and despite Covid-19 challenges, they conducted a virtual dance and singing competition across our teams in India, in order to stay motivated and connected with their colleagues. 106 employees in India registered to participate in this competition – 58 chose dancing while 48 employees registered for the singing competition. The participants shared their performances’ videos through our intranet to spread the enthusiasm and get their colleagues inspired. Six finalists were announced and received a gift voucher for their excellent performance.

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.

Our 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 and Microsoft Teams software, which serves as the basic communication tools within Temenos globally.

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, townhalls 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 Leadership Live updates from the CEO and the Executive Committee members, as well as other regional and global updates by Regional Directors, HR, Legal, CSR, Finance, etc.

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 Survey – A long term engagement monitor to capture feedback on key areas from employees with one 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 was 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 identified career management, business communication, learning and development as some of the key areas, and these were addressed through strategic action plans over the years.

Temenos management not only believes that employee engagement and feedback is significant, but also shows support in embedding the Temenosity culture through this organizational investment. As Temenos continues to grow, we also enhance our employee engagement practices by aligning with the dynamic and progressive changes in work environment and our 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, we redefined our MyVoice survey execution from 2020 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.

	Unit	FY 2016*	FY 2017*	FY 2018*	FY 2019*	FY 2020**
Employee engagement	% of actively engaged employees	54	54	62	62	67
Data coverage	% of total employees	79	79	85	85	51

* The survey was conducted every two years until 2020, so the value of the previous year is duplicated.

** Data coverage is not comparable due to survey format change from annual to always-on in 2020. Average response rate confirmed by Gartner is 50%.

MyVoice 2020 review:

- Frequency – Always-on survey triggered by work anniversary date of employees on a monthly basis
- Survey design – 43 questions in 17 categories offered in English, French, German, Spanish and Mandarin (simplified Chinese)
- Analysis and Reporting – Received 3,250 responses (65% from male and 35% from female employees) by end of 2020
- Actions career management workshops for all employees enable learning and progressions, manager workshops to reinforce the values of regular check-ins in remote working, creating learning and knowledge sharing opportunities inter-departmentally.

Top favourability areas

- D&I: People at Temenos respect diversity and encourage an inclusive culture
- Culture/values: Commitment to upholding our Temenosity corporate values
- Discretionary effort: People look forward to going to work and enjoy their assignments.

Top opportunities

- Culture of check-in: People would like more regular check-in/feedback time with managers, even while working remotely
- Communication: Optimize inter-departmental communication in remote working set-up.

Investing in our people continued

New hire survey

Gartner guided us in testing the 90-day New Hire survey in 2019, 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 supported us in expanding on the achievements in India and plan two key onboarding initiatives for graduates and new managers.

New Hire survey 2020 review:

- Frequency – Survey is sent as new employees complete their 90 days at Temenos
- Survey design – Survey questions in 4 categories offered in English
- Analysis and reporting – Received 734 responses (63% from male and 37% from female employees) by end of 2020; with top favourability area: recruitment effectiveness and top opportunity area: onboarding
- Actions – Onboarding process and systems upgrade to enhance the onboarding experience globally.

Talent and development

Every employee brings their unique skills and knowledge to work, and with continuous learning and development opportunities, we help them 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 are directed towards the enhancement of our products. We also invest significantly in offering 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 employees to execute their individual or team development by using a style that suits their needs and personality.

In 2020, due to the challenges brought by the Covid-19 situation, we scaled up to a virtual training delivery and offering of diverse topics. We had 4,149 participations across 57 topics for soft-skills trainings and 241 participations for wellbeing sessions on 8 topics, in addition to all other learning opportunities. Across Americas and India, 25 managers completed their two day-management development program remotely.

By December 2020, we achieved 101 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 2020, 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

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 Pathfinder behavioral competency framework is now aligned with our Temenosity culture principles and offers guidance for the talent review process.

The innovation in our product development and integration of newly acquired companies, have 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, TLC and Data science.

Career and performance management (compass)

As Temenos continues its digital acceleration and growth journey, in order for us to align with new industry trends and address the changing organizational needs, we needed to change the way we report on performance and career development activities.

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 and managers could simultaneously update business priorities throughout the year and have regular check-in feedback. Regional and departmental objectives were embedded in the system to better communicate across teams and support individuals on their role expectations.

The enhanced talent review process is moderated by HR engaging groups of team managers to share feedback on individual team members' contribution; this approach opens healthy discussions with other participating managers to maintain fairness and accuracy of the outcome. These sessions helped:

- 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 towards 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.

The overall process and practice will significantly be 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 2020 and was based on the headcount in September 2019, with 4,674 eligible employees who joined by end of August 2019. The number of employees who received career progression during the talent review process as well as the number of employees whose performance has been reviewed is reported by gender and employee category with department below, while Temenos offered the remaining people with career developmental feedback/learning opportunities. In addition, throughout 2020, there were out of cycle career progression done as shown below, which reflects our investment in our employees' career growth.

During talent review cycle – 2020
Talent Review Communication

By gender

Female	1,555
Male	2,856

By employee category (department)

Cloud	83
Services	1,232
Sales & Marketing	432
R&D	2,188
General Administration	476

Career Progress

By gender

Female	375
Male	899

By employee category (department)

Cloud	48
Services	477
Sales & Marketing	236
R&D	425
General Administration	88

Out of talent review cycle – 2020
Talent Review Communication

By gender

Female	200
Male	541

By employee category (department)

Cloud	23
Services	174
Sales & Marketing	144
R&D	349
General Administration	51

Career Progress

By gender

Female	177
Male	441

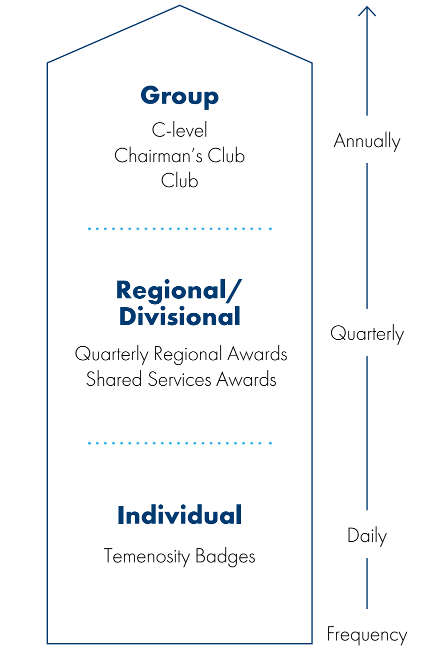
By employee category (department)

Cloud	19
Services	159
Sales & Marketing	98
R&D	301
General Administration	41

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



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

The C-Level award recognizes Temenosians outside sales who had significant business impact and are a role model of our 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 January 2020, there were 20 winners (15 men – five women) vs. 23 winners (16 men – seven women) in 2019.

In addition, a "person of the year" is nominated for significant contribution to the Company during the year.

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. Due to travel restrictions caused by Covid-19, the travel award was replaced by a monetary award.

Investing in our people continued

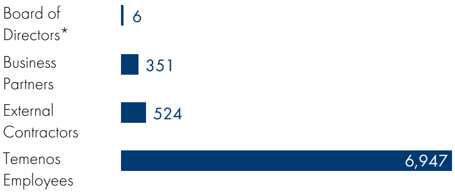
DIVERSITY DASHBOARD

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

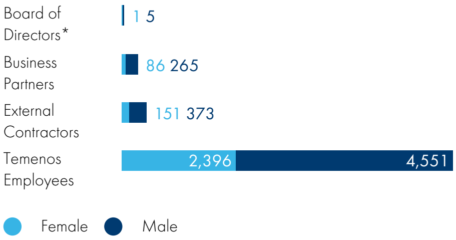
Total headcount

Last five years

By employee type



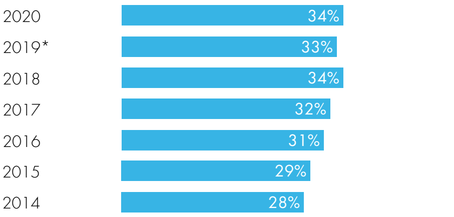
By employee type and gender



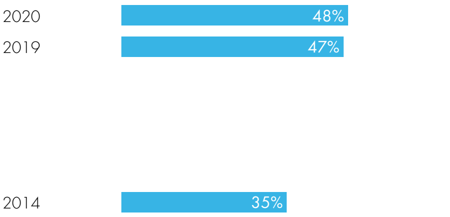
* Independent and Non-Executive Directors only.

Workforce diversity

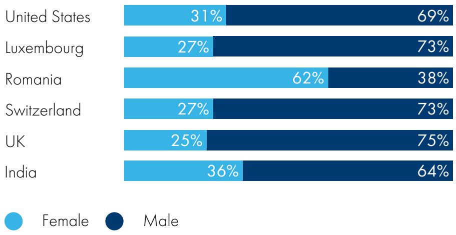
% women in the total Temenos workforce



% women less than 30 years old

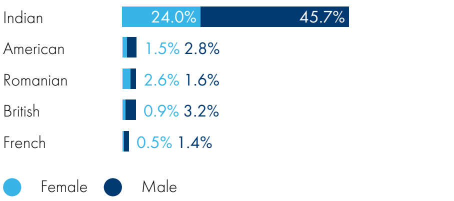


By gender in certain regions

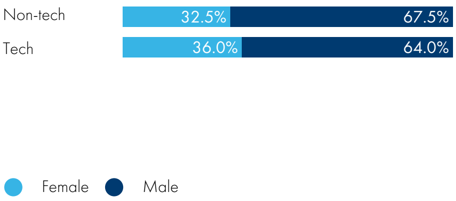


* In September 2019, before the Kony acquisition, the ratio of women at Temenos was 35%. With the Kony acquisition, the ratio was reduced since the percentage of women at Kony was 27%.

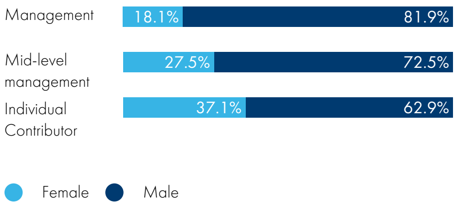
By gender and nationality



By gender and employee category

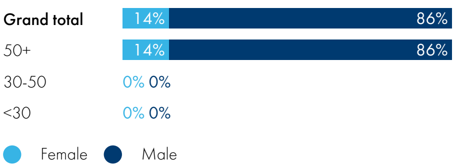


By gender and management level

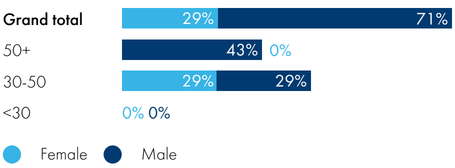


Board, Executive Committee and Leadership Team diversity

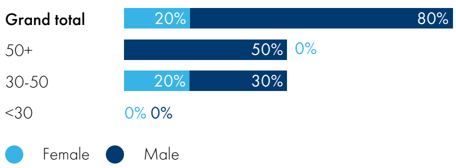
% Board of Directors by gender and age



% Executive Committee by gender and age

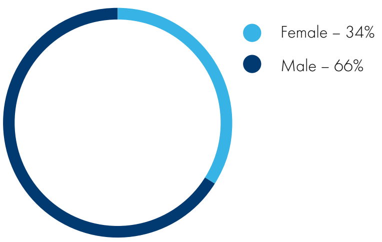


% Leadership Team by gender and age

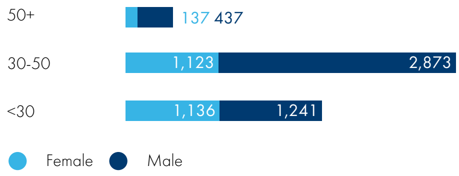


Temenos employees

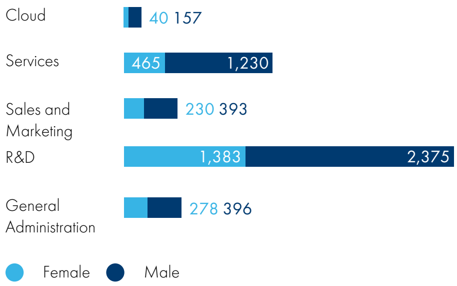
% by gender



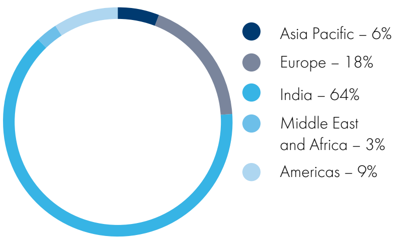
By gender and age



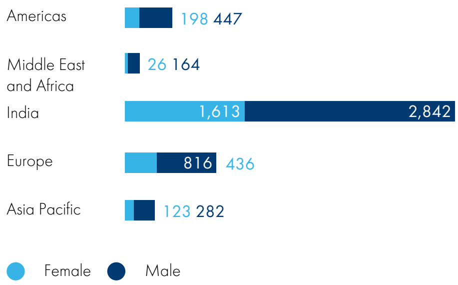
By function and gender



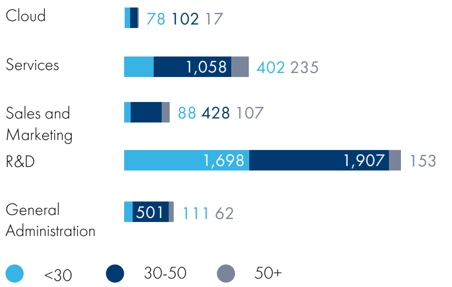
% by region



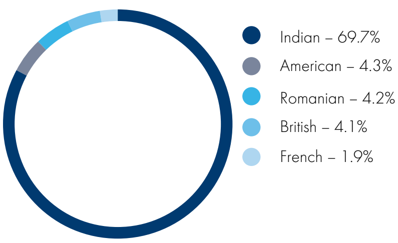
By region and gender



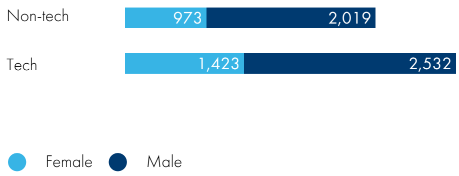
By function and age



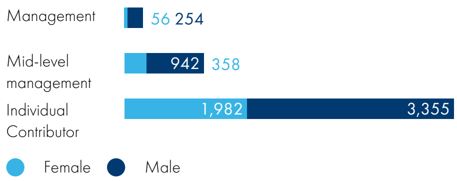
% by nationality



By gender and employee category



By gender and management level



Our targets at a glance: to have a consistent increase of at least 1% across all areas shown below

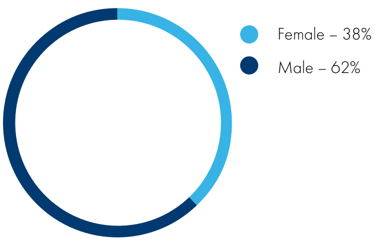
Objective	Indicator	2019 %	2020* %	2025 target %
Gender diversity	Women in the Temenos total headcount	33	**34**	**36**
	Women in all management positions, including junior, middle and senior management (as % of total management workforce)	29	**26**	
	Women in junior management positions, i.e. first level of management (as % of total junior management positions)	34	**33**	
	Women in top management positions, one level away from the CEO or comparable positions (as a % of total top management positions)	45	**43**	
	Women in top management positions, two levels away from the CEO or comparable positions (as a % of total top management positions)	28	**29**	
	Women in management positions in revenue-generating functions (e.g. sales) as a % of all such managers (i.e. excluding support functions such as HR, IT, Legal, etc.)	27	**28**	
	Women in STEM-related positions (as % of total STEM positions)	33	**34**	

* Includes the impact of the integration of the 2019 acquired companies.

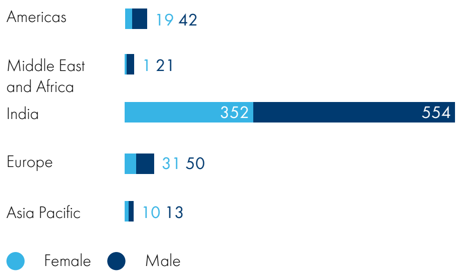
Investing in our people continued

New employee hires

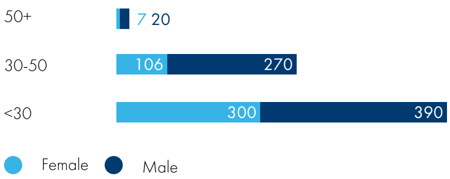
% by gender



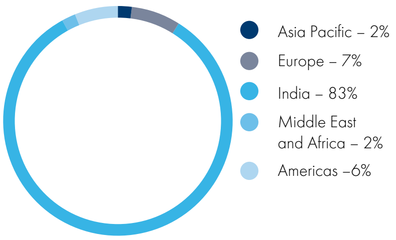
By region and gender



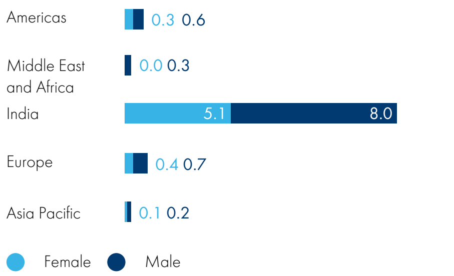
By gender and age



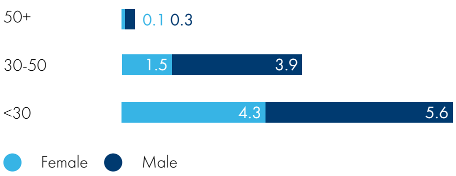
% by region*



% rate by region and gender



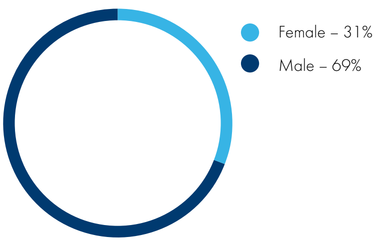
% rate by gender and age



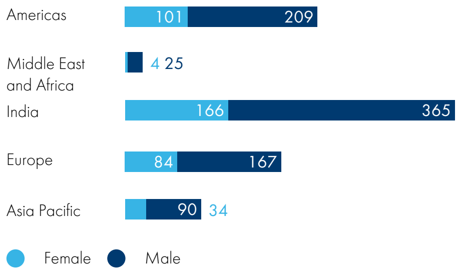
* New employee hires at a region/total number of employee hires.

Employee turnover

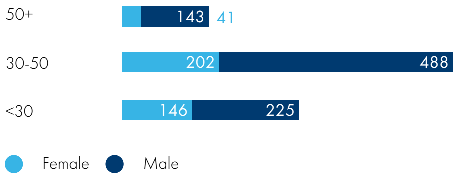
% by gender



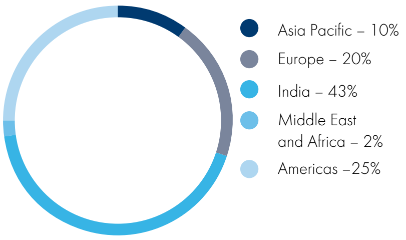
By region and gender



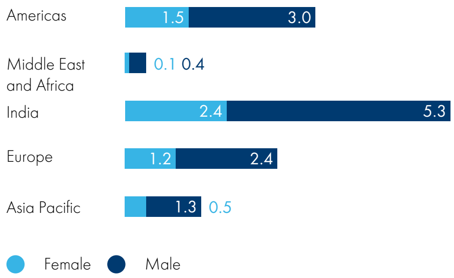
By gender and age



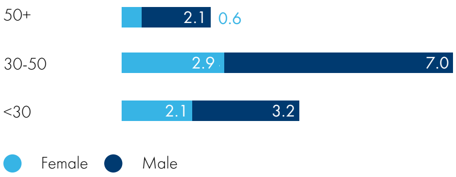
% by region*



% rate by region and gender

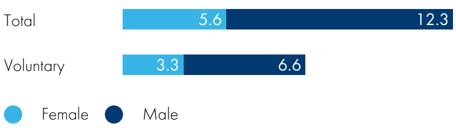


% rate by gender and age



* Leavers at a region/Total number of leavers as per GRI. Refers to the proportion of employees who leave over a set period (often a year), expressed as a percentage of the total workforce.

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020*
Total employee turnover rate	17.6	11.2	11.7	11.1	**17.9**
Voluntary employee turnover rate	11.2	7.5	8.3	8.5	**9.9**



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

Enabling access to financial services

OPENING DOORS

Strengthening local financial intermediation

According to the World Bank, economic inclusion programs help boost the income and assets of the world's poorest individuals and households with a "big push" of coordinated interventions – usually a combination of cash or in-kind transfers, skills training or coaching, access to finance and links to market support. A recent State of Economic 2021 Report reveals that economic inclusion programs are on the rise in 75 countries around the world, reaching approximately 20 million households and benefiting nearly 92 million individuals. This trend is set to continue, especially in areas affected by conflict, climate change and shocks due to the Covid-19 pandemic.

The World Bank Group, one of the largest resources of funding and knowledge for developing countries, is taking broad, fast action to helping developing countries strengthen their pandemic response. It is supporting public health interventions, working to ensure the flow of critical supplies and equipment, and helping the private sector continue to operate and sustain jobs.

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 ten 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 five 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 serve. The internet and the mobile phone are the tools, and Temenos will continue to lead with financial technology to continue the mission.

Our response to the global pandemic

Temenos recognizes the strain experienced by all, from the reduction in remittances to the increase in non-performing loans, the current and projected sharp increase in extreme poverty. To enable financial institutions to provide access to affordable financial services we continue to design, develop and deploy solutions with the end user in mind, on the Cloud as SaaS, as a single platform for distribution across all digital and assisted channels as the global community strives to rebuild our world.

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 provide the local communities with access to the benefits and opportunities technology creates and the skills to deploy it, thus making positive, measurable contributions to 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 2017-2020, we awarded around USD 800,000 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.

Our strategic priorities

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

Poverty alleviation and local economic development remains a key priority area for our community investment. The need to strengthen our spirit of solidarity towards the most vulnerable and enhance our efforts to eradicate poverty is more critical than ever during the Covid-19 pandemic. To maximize the social impact of our community investment, we focused on this area, with all of our community investment towards empowering underserved and poor communities and Covid-19 emergency relief actions. Our goal is to provide young students from disadvantaged local communities with digital skills and capabilities – promoting gender equality and inclusive education for all, especially now that Covid-19 has led to a severe disruption of education – and enhance their lives and their communities, by contributing to their financial literacy, education, improved health and economy.

2020 Community investment in USD

Monetary donations	269,752.26
Employees' fundraising	31,181.83
Employees' volunteering cost	67,561.00
In-kind donations	40,872.00
Total	**409,367.09**

In line with our poverty alleviation and local development CSR strategic priority, we focus on the following areas:

- Poverty Alleviation and Financial Inclusion
- Digital Inclusion and Innovation
- Diversity, Equity and Inclusion
- Employee Volunteering and Community Service.

Contributing to the UN 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.

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.

In 2020, Temenos donated 24 used computers to the Professional Technical College of San Isidro de Heredia, Institution (CTP) in Costa Rica. CTP specializes in professional technical education in various areas such as Accounting and Finance, Executive for Service Centers, Administration, Logistics and Distribution, Graphic Design, Digital Design, Industrial Electronics, Network Informatics, and Business Informatics within eight years of experience. The CTP has approximately 450 students, who due to the Covid-19 pandemic started having their lessons virtually. The donation has made possible for the college to support students who could not afford having a computer, to continue their studies and progress their lives.

In addition, we donated four laptops and four monitors to Outdoor Lab Foundation in Colorado, US to replace outdated equipment, while assisting Lab staff moving their vision forward.

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. Since 2019, we set a target to evaluate our volunteering program and the impact of our volunteers. Our key aims were:

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

To be able to better monitor, track and report the number of volunteers, volunteering hours and the impact of these activities not only to the community, but also to Temenos, we have created an 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.

In 2020, there is a decrease in on-site employee volunteering activities, due to Covid-19 restrictions.

Employee volunteering by CSR strategic priority areas	**Employee time in USD**	**Employee time in hours**
Environment	6,778	470
Poverty alleviation and local economic development	4,556	548
Technology & innovation	56,227	4,158
Total	**67,561**	**5,176**

Employee volunteering by regions	Employee time in USD	Employee time in hours
Americas	9,356	182
Middle East and Africa	8,204	162
India	35,932	4,562
Europe	5,319	90
Asia Pacific	8,750	180
Total	**67,561**	**5,176**

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

Investing in our communities continued

Supporting local communities

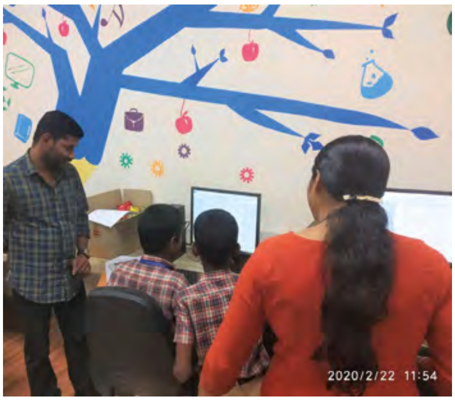
India CSR School program

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 64% 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 gain access to finance, healthcare and jobs.

During 2017 to 2020, through the Temenos Adopt iT project, we built computer labs in seven schools in India:

1. MCN school in Chennai: computer lab, turned into solar-powered computer lab
2. St Columbus Higher Secondary school in Chennai: computer lab and girls' restrooms
3. Government Kannada Higher Primary School in Bangalore: computer lab and girls' restrooms
4. RBANC School in Chennai: solar-powered computer lab
5. Prakash Nagar Government High School in Bangalore: solar-powered computer lab
6. Madras Progressive Higher Secondary school in Chennai: solar-powered computer lab
7. Mary Clubwala Jadhav Girls Higher Secondary School in Chennai: solar-powered computer lab.



Contributing to the UN SDGs

We aim to encourage innovation and sustainable economic growth, gender equality and economic inclusion and women's empowerment through technology. Our Adopt iT program not only benefits communities outside our business, it reinforces our core values of operating responsibly and using our technology, expertise and resources for good within Temenos, inspiring many to dedicate their time to helping others. In addition, India is a material location for Temenos as it represents 64% of our total employee concentration, at the heart of Temenos' product organization.

As a leading IT software company, Temenos is committed to finding ways to use technology to enable social change, by supporting disadvantaged local communities, with a special focus on girls. Education is one of the most powerful instruments for reducing poverty and inequality. We focused our actions on encouraging gender equality and inclusive education for all, by building girls' restrooms in government schools in India, helping girls stay in school, provide them with access to the benefits and opportunities technology creates and the skills to deploy it and subsequently equal access to more opportunities in life. In addition, by expanding the Adopt-iT program to University students, we are aiming to help girls choose the field of engineering and technology, by providing them with scholarships, promoting innovation and digital skills and creating employment opportunities for them.

In line with SDG Targets 4.4, 4.5 and 4.b, as well as 5.1 and 5.b, the Temenos India CSR Program – Adopt iT has reached 10,200 students so far, with a target to reach 20,000 students by 2025. The program includes the construction of (completed): seven solar-powered computer labs in Government Schools in Chennai and Bangalore, girls' restrooms in two schools, one solar-powered Temenos Innovation Lab at Anna University in Chennai and the establishment of a scholarship program for 2^{nd}, 3^{rd} and 4^{th} year students at Anna University College of Engineering in Chennai for the next six years. For the 2019-21 academic years, 138 need and merit-based scholarships were awarded to 2^{nd} and 3^{rd} year students (60% girls -40% boys). Our Temenos India employees volunteered their time and expertise in tutoring the students. The time spent was more than 2,000 Employee volunteering hours the past two years.

Case study:
Temenosity, coupled with technology for social change, in the fight against Covid-19, for digital inclusion and against homework gap

Since 2017, our employees in India volunteer their time through the Adopt-iT program to teach and coach students coming from underprivileged backgrounds. This year, Temenos Adopt-iT volunteering took a new dimension as our employees, despite the challenges of the Covid-19 pandemic, continued coaching and teaching the students virtually. Adapted to the new normal, our people dedicated more than 500 hours to be next to the students of the Adopt-iT schools, to close the digital divide and eliminate the homework gap and to continue to inspire these students to pursue their dreams and progress in their lives.

During lockdowns: Covid-19 Preventative kits – India

> *"Through the Adopt-iT employee volunteering program, we distributed Covid-19 preventative kits to the students of the schools that we support in India, while continuing to coach them virtually."*

Covid-19 pandemic has created a severe disruption in education while affecting enormously students' lives with closure of schools and universities. Our spirit and culture of Temenosity, alongside technology, contributed to support children from disadvantaged communities progressing in their lives. During the lockdowns, in alignment with WHO precautionary guidelines, Temenos donated an immunity booster and hygiene kit. Through the Adopt-iT employee volunteering program, we distributed these Covid-19 preventative kits to the students of the Adopt-iT schools that we support in India, in order to ensure they stay healthy and safe.

Transitioning back to school

As educational institutions started to reopen at the end of December and in compliance with the Covid-19 protocol, Temenos provided additional kits to ten more Government schools and two Government Education Headquarters in India, to more than 4,500 students and 400 staff in Chennai and Bangalore to facilitate the smooth reopening of educational institutions. The kits contained masks, sanitizers, sanitizer stands, oximeters, temperature scanners, hand wash, disinfectant and dispensers.

Case study:
Adopt iT program expands... beyond India

In St Lucia, Caribbean: Computer lab in Anse La Ray RC Infant School (ALRIS) – Caribbean

In December 2020, the Adopt iT program expanded in the Caribbean. Temenos created a computer lab of eight laptops in Anse La Ray RC Infant School (ALRIS) in St. Lucia to support with the education of elementary school children. The new computer lab will provide access to the necessary technological tools and facilities for the young students from the local community to receive an educational experience enabled through technology, especially during challenging times like Covid-19; where normally a laptop and good Wi-Fi connectivity would be unaffordable for them. This opportunity was made possible and the school can start a 'coders club' as extra-curricular activity for the 87 school students, train teachers on how to integrate technology into new ways of teaching in classrooms and remotely, teach kids basic computer skills and technology enabled learning exploration through fun and creativity of quizzes and games.

In Romania: Children with Hearing Disabilities

For over 16 years, Temenos Romania has been supporting the Special Technological High School for Children with Hearing Disabilities in Bucharest. The children generally come from poor families and live in the boarding house during the school year.

With the current situation, education has been even more challenging for this particular group of students, as learning was conducted exclusively online. The kids needed specific computers to participate in online classes, which would facilitate their understanding by receiving information in sign language through video streaming. Temenos donated 28 laptops and peripherals to help the children continue their education uninterrupted.

In Romania: Children's computer science club – Romania

Temenos also supported the Children's Computer Science Club in Bucharest, by creating a computer lab of 32 laptops.

The Children Club is an extracurricular education institution, aiming to provide educational activities for students of age six to 18 from different backgrounds, in order to enrich and broaden their educational horizon through:

- permanent implementation of modern educational methods
- developing students' creative skills
- correlating the activity to the European educational systems
- encouraging students to pursue a career in IT which will increase their chances at a better standard of living
- increase interest in Computer Science in general, which can contribute to a higher number of IT trained professionals in the future.

Investing in our 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 gave students the opportunity to learn about the fintech sector, partner with Temenos employee volunteers and provide opportunities to learn through hands-on experience. Temenos offered its Temenos Learning Community online platform and sandbox environments and customized it in such a way, so as to create a curriculum tailored to the needs of the Temenos Innovation Lab users. Temenos plans to expand the collaboration with Anna University in 2021 to cover additional areas (R&D, recruitment, hackathons, etc.) while continuing to grow the Adopt-iT University program to reach other higher education institutions in Bangalore and Hyderabad, India.

In 2019, 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 six years – with the option to extend it – and provide employment opportunities to outstanding performance graduates. As part of its gender diversity program, Temenos is allocating 60% of the scholarships to young women, encouraging them to choose a career in the IT industry. In 2019, we launched the scholarship program by providing 46 need and merit-based scholarships to 2nd year Anna University College of Engineering in Chennai, while in 2020 we provided 92 need and merit-based scholarships to qualifying 2nd and 3rd year students. In 2021, we will offer scholarships to qualifying 2nd, 3rd and 4th year students. The program will be continued and expanded in other Universities and Colleges in India.

To date, the Temenos Adopt iT program has assisted nearly 10,200 students, by providing them with IT equipment, training and mentoring and by helping create safe, clean environments in which they can learn. In 2019-2020, Temenos India employees volunteered for more than 2,000 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.

2021 Goals

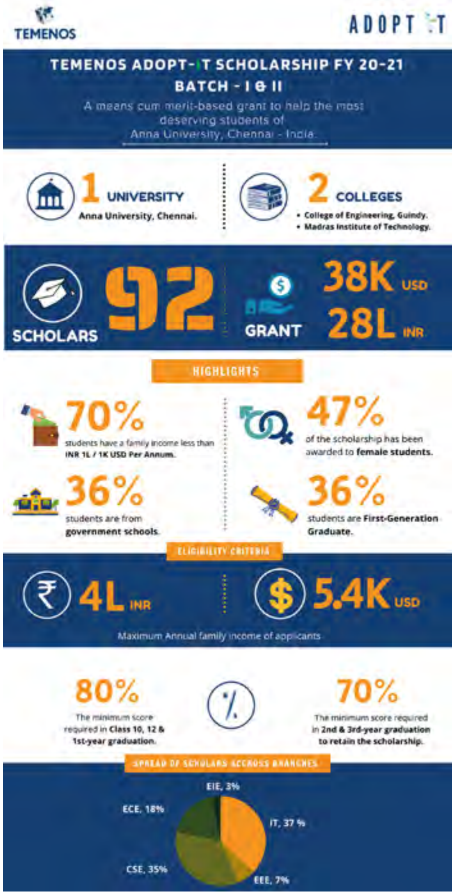
- To expand the Adopt iT school program to more schools and Universities in India
- To continue to award need- and merit-based scholarships to qualifying 2nd, 3rd and 4th year students of Anna University for the next three years
- To create more volunteering opportunities for our employees in line with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

92

need and merit-based scholarships to Anna University students

70%

of the students have a family income less than 1K USD per year



Priority Area	Objective	Indicator	2020	2025 target
Investing in our communities	Digital Inclusion and Innovation	Number of students reached/benefited through the Adopt iT CSR India program, since the program was launched	10,200	20,000
	Poverty Alleviation and Financial Inclusion	Kenya CSR program: Number of members mobilized, enterprises and jobs created in Kivandini village in Machakos County, Kenya by end of program in 2021	161 (47%) 91 (38%) 122 (39%)	345 members 241 enterprises 314 jobs
	Volunteering and Community Service	Percentage of volunteers (percentage of the total headcount of that year)	10.5%	10%
	Employee Fundraising and Corporate Matching	Percentage of India employees' funds raised and Company matched – Adopt a Kid program	0%	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.

This program aims to lift the entire community in this village including 345 people out of poverty in 27 months. This program includes the creation of community self-help groups of trainee entrepreneurs, who are recruited 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. 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. 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.

The program in Kenya was suspended between March and May due to the Covid-19 pandemic. During this time, the business trainers kept in touch with the network of trainee entrepreneurs nationwide over phone calls and SMS. They provided them with guidance on how to avoid the spread of Covid-19 and how to pivot to alternative income generating opportunities, with supply chains disrupted. Training resumed in June, but with severe damage done. 34% of the supported enterprises were forced to close due to Covid-19 restrictions. Across Kenya, the project members saw a 67% drop in business income. We also observed a 69% drop in savings, as members turned to their reserves to cope.

The team resumed providing the people of Kivandini with training in the essential skills to launch a business and generate a much needed boost in income. They have been undergoing training modules in subjects such as market linkages and value chain management. They are also undergoing training in climate-resilient practices, so that they may launch enterprises that can thrive in the semi-arid terrain of Machakos County, which is increasingly hit by climate change.

To help the members get their enterprises back up and running, our team has been providing "asset loans". These are business tools, equipment and animals and are provided through Hand in Hand's credit facility in Kenya, the "Enterprise Incubation Fund". Items provided include dairy goats, irrigation kits and 'chaff cutters' (to cut straw and make it suitable for animal fodder).

In 2020, 15 months into the project, we have achieved:

What's next?

We will work hard to recruit the remaining 184 people into the project. To increase the recruitment of community members for training, "Community Trainers" were hired, local individuals of good standing with the influence to attract their peers to join the project. Kivandini's business trainer can then focus on delivering training in essential business skills.

Case study:
Meet Joyce Nyamai, Beekeeping entrepreneur

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

Joyce used to grow different crops, including beans, cow peas and green grams. However, persistent drought in her area left her with little success. Through Hand in Hand, Joyce has received training on how to launch climate resilient income generating activities. After receiving training with her Self-Help Group on how to build beehives, she launched a beekeeping enterprise in January 2020.

With her group's support, she built and installed five beehives. She harvested them for the first time in June, yielding 15 kilograms of honey. She sold it to a local dealer, earning KSH 9,000 (USD 90).

Furthermore, as beekeeping improves pollination on farms, Joyce's apiary has improved her crop yields, providing another boost to her income. Having been trained by Hand in Hand on financial management, Joyce has been able to track the profitability of her enterprises.

Moving forward, Joyce plans to add ten more hives to her apiary to increase her yields. She also plans to venture into other honey-based products to increase her family's income even further.

Activity	Results	End of project target	% Achievement against end of project target
Members mobilized	161	345	47
Enterprises created	91	241	38
Jobs created in the community	122	314	39

161
Members mobilized

91
Enterprises created

122
Jobs created in the community

Contributing to the UN SDGs

Digital and financial inclusion are key enablers to reducing poverty and boosting prosperity. Digital is creating world-changing innovations, but also disrupting industry and how people work. At Temenos, we understand the need for sustainable financial inclusion and the development of healthy sustainable local financial markets and community based banking with the use of modern digital technology and services. Our approach to support the development of healthy and productive local economies is to provide them with the necessary tools and skills to overcome poverty. 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.

1 NO POVERTY

In line with SDG Target 1.4, the CSR Kenya program aims to lift the entire community of Kivandini village, Kenya, including 345 people out of poverty in 27 months. Our aim is to enhance the community's financial literacy and improve access to financial services. Through this program, community self-help groups of trainee entrepreneurs, mainly women, receive business training through bi-weekly training sessions, learning basic business skills as: saving; bookkeeping; business planning and registration; pricing; market demand and supply; and borrowing and repaying from banks. Finally, we help members to grow their business by connecting them with larger markets, enabling them to source cheaper suppliers and more. By 2020, together with Hand in Hand Intl, we mobilized 161 members, created 91 enterprises and 122 jobs in the community. By the completion of the program, we plan to have supported the creation of 241 businesses and 314 jobs.

Investing in our communities 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.

Case study:
Covid-19 Emergency Relief

In lieu of money that would have been spent on end of year celebrations, Temenos donated USD 50,000 to the International Red Cross' Covid-19 Emergency Fund. This fund supports relief efforts in war-torn countries, where the impact of the virus is proving to be another threat to people already living in fragile situations.

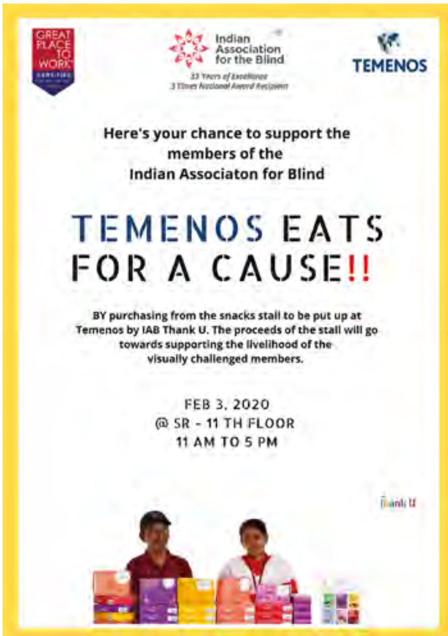
In addition,

Temenos along with Temenos India employees donated USD 44,000 to the India Prime Minister's Relief Fund – PM Cares –

that is helping people in India who are particularly vulnerable to the impact of the virus due to their living circumstances. This was made possible thanks to 400 Temenos India employees who donated a day's salary and with matching from the Company.

Case study:
Eat for a cause – India

Throughout 2020, our India employees supported the Indian Association for the Blind, by purchasing products at the office as well as for their families, to support the livelihood for visually challenged youth to become independent and self-reliant.



Case study:
Diwali celebration at Kumaran School – India

Our Temenos India employees raised funds and contributed to the Diwali celebration at Kumaran School for children with special needs. They bought new dresses for 15 children and food for all 45 children.

Case study:
Rice donation to Irular Community Thiruvallur, Tamil Nadu and Kerala, India

Our Temenos India employees visited the rural community and donated food, supporting 20 families and 30 children.

Case study:
Adopt a kid – India

"

True Temenosity in action! "

Temenos India employees continue to support for the fourth consecutive year the Temenos Education Sponsorship program, Adopt a Kid. This program enables access to education to children with single or no parents and children below poverty line, who could not afford a decent education. Over the years, our India employees have expanded the program. In 2020, they supported 69 children, 57 more compared to the program's launch. Since 2017, thanks to our employees' fundraising activities, USD 26,245 have been raised, enabling 156 children (74 boys and 82 girls) to go to school and escape poverty.

Adopt a Kid – India 2017-2020 highlights

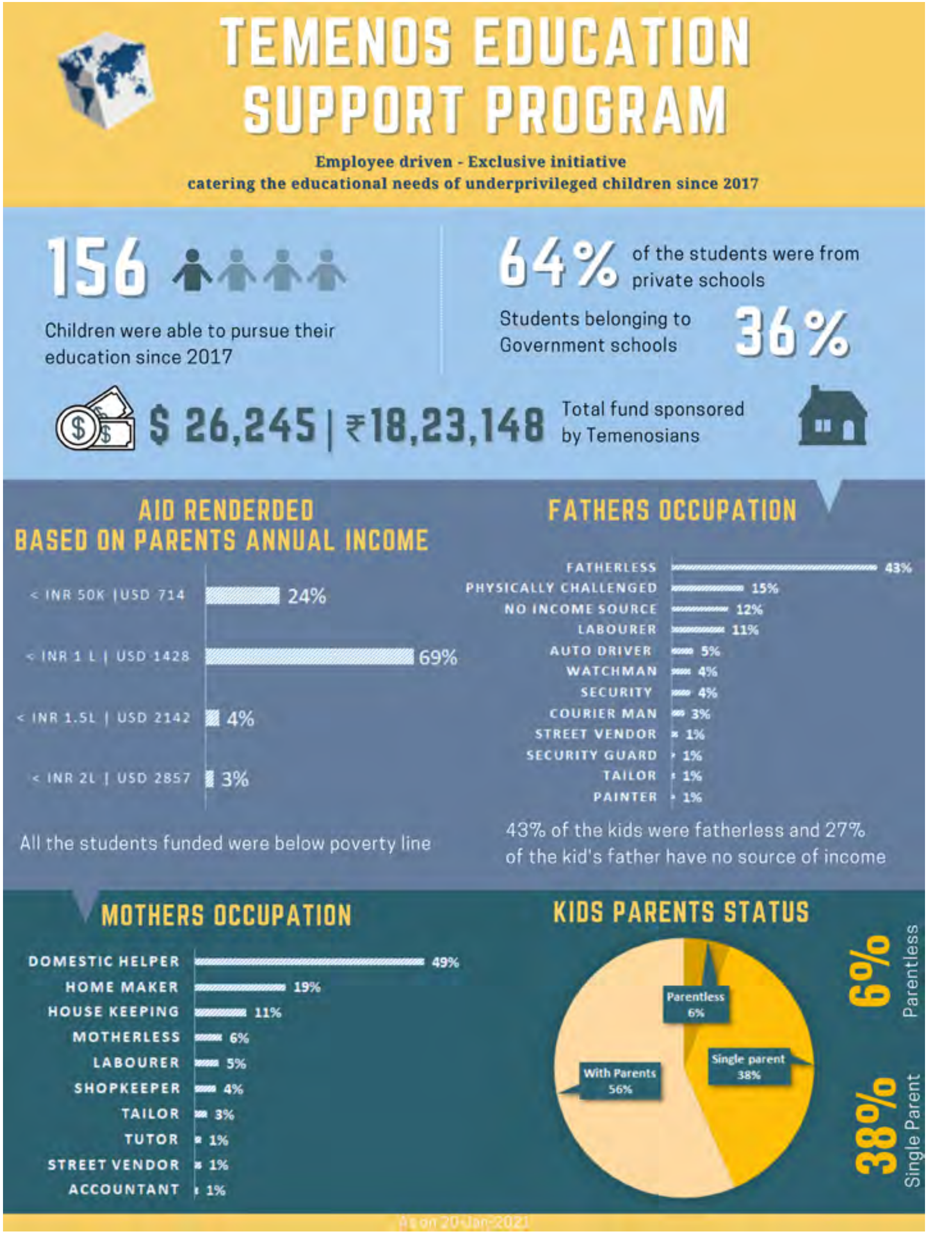
USD 26,245

Raised by employees

156

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
2020	38	31	69
Total	74	82	156



Funds raised in USD by Temenos India employees/year	Total USD
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
2020	8,913
Boy	3,632
Girl	5,281
Grand total	26,245

Our targets at a glance

Priority area	Objective	Indicator	2019	2020	2025 target	2030 target
Achieving Business Excellence	Client Engagement	Client Voice: Number of participants from our clients compared to 2016 baseline (4,000)	7,000	8,800	12,000	
		Improve Client Satisfaction: Percentage points in the Net Promoter Score, since the metric was launched	+50p	+50p	+55p	
Operating Responsibly	Ethical Business Conduct and Governance	Percentage of completion of Ethical Business Code of Conduct and mandatory trainings compliance	98.4%	99.8%	>97%	
	Responsible Procurement	Sustainability assessment as part of the qualification and annual performance and risk assessment implemented to all focus categories of suppliers	73%	81%	100%	
		Percentage of new or renewed focus categories of suppliers, providing goods or services with Supplier Code of Conduct applicable clause	15%	31%	100%	
	Environment policy and Management	Roll out EMS to additional locations and increase the ISO 14001:2015 certification coverage	4 offices	2 additional offices	8 offices	
	Climate Change and Carbon Neutrality: Business Ambition for 1.5°C	Percentage of absolute Scope 1 and 2 GHG emissions reduction, compared to 2019 baseline			25.2%	46.2%
		Percentage of per capita Scope 2 GHG emissions for certified ISO 14001 offices, compared to 2018 baseline (first certification) reduction	2.3%	13%	20%	
		Percentage of per capita Scope 3 GHG emissions reduction, compared to 2019 baseline			12.1%	22.2%
		Percentage of annual sourcing of renewable energy (RES), including offices, owned and collocated Data Centers and Cloud			80%	100%
		Percentage of annual sourcing of renewable energy use in our offices	3.2%	4.2%	10%	
		Get validation of Science Based Targets (SBTi) for the reduction of GHG emissions			Target for FY2022	
		Organize sustainable and carbon neutral on-site events		1 event	4 events**	
Investing in our People	Gender Diversity	Percentage of women in the Temenos total headcount	33%	34%	36%	40%
	Employee Engagement & Recognition	Recognitions in Great Place to Work competitions (since first recognition)	5 recognitions	5 recognitions	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	8,300	10,200	20,000	
	Poverty Alleviation & Financial Inclusion	Kenya CSR program: Number of members mobilized, enterprises and jobs created by program end in 2021	67 (19%) 30 (12%) 41 (13%)	161 (47%) 91 (38%) 122 (39%)	345 members 241 enterprises 314 jobs	
	Volunteering & Community Service	Percentage of volunteers (% of the total headcount of the year)	3.9%	10.5%	10%	
	Employee Fundraising & Corporate Matching	Percentage of India employees' funds raised and company matched – Adopt a Kid program	0%	0%	100%	

* Canceled due to Covid-19.
** To be re-evaluated upon resuming of on-site events.

About this report

Unless otherwise indicated, the information provided in this report reflects the situation as of 31 December 2020 and covers all Temenos operations globally during the financial year 2020. The report is prepared in accordance with the Global Reporting Initiatives (GRI) Standard Core option and is mapped to the Sustainability Accounting Standards Board (SASB) Software & IT Services Sustainability Accounting Standard. Please see our online GRI Standards Index for detailed data and additional information. In addition, it serves as Temenos' annual Communication on Progress under the United Nations (UN) Global Compact. This is our fifth 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 2020. 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 63 offices in large, leased, multi-tenant buildings in 38 countries (including acquisitions). Temenos' energy reporting and corresponding Scope 1 and 2 emissions cover the time period from 1 December 2019 to 30 November 2020. In 2020, we measured and reported 99% of the total energy consumption and GHG emissions, excluding only a few individual small offices with limited headcount (ten people or less). The energy consumption of these offices includes all types of energy (renewable and non-renewable purchased grid electricity, natural gas, on-site generation) and represents actual consumption as reported on invoices from utility providers and management companies. Our Scope 1 emissions are due to direct natural gas consumption for heating from diesel fuel consumption for on-site electricity generation and from fugitive emissions from the air-conditioning equipment. Our Scope 2 emissions are a result of the consumption of purchased electricity from local grids.

Calculation is based on building electricity invoices and includes offices, common areas and owned Data Centers. Our Scope 3 business travel related emissions from flights cover the financial year 2020 and all the countries where Temenos operates, representing 100% of the total employee concentration. The data were collected from the Company travel management system as well as travel agency providers.

In 2020, we performed an estimation of our Scope 3 employee commute-related emissions, based on the 2019 value. We did not conduct a survey due to Covid-19 restrictions, as on average of 98% of the workforce was working on and off from home, beginning March 2020. In 2019, 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 GHG emissions figures are in tons of carbon dioxide equivalents (tCO_2e). Renewable energy, which corresponds to 4.2% of total electricity consumption, is valid only with an official certificate or written confirmation from the electricity supplier. Our water consumption covers 88%, and the generated waste covers 70% of the total Temenos population (excluding population working in serviced offices with less than ten employees). The intensity ratios were calculated, based on monthly average consumptions of energy/water per average monthly employee headcount for the period December 2019 to November 2020.

Our headcount related figures and diversity dashboard are based on the GRI and SASB Standards' and S&P Global CSA 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.

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

All references to currency are in USD unless otherwise stated.

Some of the pictures used in this report date back in early 2020 before the Covid-19 social distancing measures.

Contact

The 2020 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 S.A. (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 December 31, 2020 ("selected data"), in accordance with the Global Reporting Initiative (GRI) Standards ("GRI-Standards"), developed by the Global Sustainability Standards Board (GSSB), GRI's independent standard-setting body, and the Sustainability Accounting Standards Board (SASB) Software & IT Services Sustainability Accounting Standard. For the purposes of this Report, Temenos encompasses the 63 offices which operates in 38 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 the provisions of "International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"). The Company engaged us to provide limited assurance on:

- the preparation of the section "Operating Responsibly" of the Temenos Annual Report 2020 in accordance with all General Disclosures prescribed by the "Core" option of the GRI Standards.
- the accuracy and completeness of qualitative data relate to GRI General Disclosures and to Sustainability Accounting Standards Board (SASB) – where referred – in respect of the following quantitative indicators, linked to the Company's material issues and presented in the section "Operating Responsibly" of the Temenos Annual Report 2020:

✓ 201-1 Direct economic value generated and distributed
✓ 203-1 Infrastructure investments and services supported
✓ 204-1 Proportion of spending on local suppliers
✓ 205-2 Communication and training about anti-corruption policies and procedures
✓ 302-1, SASB TC-SI-130a.1 Energy consumption within the organization
✓ 302-3 Energy intensity
✓ 302-4 Reduction of energy consumption
✓ 303-1, SASB TC-SI-130a.2 Total water consumption
✓ 303-3 Water withdrawal
✓ 305-1 Direct (Scope 1) GHG emissions
✓ 305-2 Energy indirect (Scope 2) GHG emissions
✓ 305-3 Other indirect (Scope 3) GHG emissions
✓ 305-4 GHG emissions intensity
✓ 308-1 New suppliers that were screened using environmental criteria
✓ 401-1 New employee hires and employee turnover
✓ 404-1 Average hours of training per year per employee
✓ 404-3 Percentage of employees receiving regular performance and career development reviews
✓ SASB TC-SI-330a.2 Satisfaction level of employees
✓ 405-1 Diversity of governance bodies and employees
✓ 414-1 New suppliers that were screened using social criteria
✓ Temenos KPI1 Percentage of revenue spend on R&D
✓ Temenos KPI2 Client Satisfaction: improvement by % points and Client Voice: Number of participants annually and Net Promoter score.

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

Management Responsibility

The Temenos Management is responsible for the preparation and presentation of the selected sustainability data provided to us, as incorporated in the Annual Report 2020, 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 December 31, 2020, as these were included in the Temenos Annual Report 2020.

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

Limitations

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

Work conducted

The procedures followed with regard to the selected data included:

- Interviewed key personnel responsible for the preparation of the "Operating Responsibly" section of the Annual Report 2020, in order to understand key governance structures, systems, processes, controls and their level of understanding of the information included in Temenos Annual Report 2020;
- Identified existing internal processes related to application of ESG policies;
- Applied assurance procedures, on a sample basis, in order to collect and review evidence;
- Reviewed the GRI Content Index, as well as the relevant references included therein, against our scope of work.

Independence

Grant Thornton implements the requirements of International Standard on Quality Control 1. Based on this, Grant Thornton maintains an integrated quality control system that includes policies and procedures for compliance with moral principles, professional standards and relevant legal and regulatory requirements. We comply with the independence requirements and other ethical standards of the IFAC Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, impartiality, professional adequacy, confidentiality and professional conduct. In this context, the assurance team is independent from the Company and has not participated in the preparation of the Temenos Annual Report 2020.

Conclusions

Based on the procedures conducted and evidence obtained, nothing has come to our attention that causes us to believe that the specific key performance indicators included in the Temenos Annual Report 2020, as described in the section "Scope", are materially misstated and the section "Operating Responsibly" of the Temenos Annual Report 2020 does not meet the requirements of all the General and Specific Disclosures prescribed by the GRI Standards, in accordance with the "Core" option.

Thanasis Xynas
Athens, 26/3/2021
The Chartered Accountant
CPA (GR) Reg. No.34081
Grant Thornton

Contribution to the UN Sustainable Development Goals

1 NO POVERTY	Enabling Access to Financial Services; Investing in Our Communities
4 QUALITY EDUCATION	Investing in Our Communities
5 GENDER EQUALITY	Investing in Our People; Enabling Access to Financial Services; Investing in Our Communities
6 CLEAN WATER AND SANITATION	Investing in Our Communities
7 AFFORDABLE AND CLEAN ENERGY	Investing in Our Communities; Operating Responsibly
8 DECENT WORK AND ECONOMIC GROWTH	Investing in Our People; Enabling Access to Financial Services; Investing in Our Communities
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Operating Responsibly; Enabling Access to Financial Services
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Operating Responsibly; Investing in Our People
13 CLIMATE ACTION	Operating Responsibly
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Operating Responsibly
17 PARTNERSHIPS FOR THE GOALS	Operating Responsibly; Investing in Our Communities

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.

SUSTAINABLE DEVELOPMENT GOALS

	Temenos material issue	Relevant SDGs	Relevant SDG target	Relevant SDG indicator	Description
1	Business performance	8 Decent Work and Economic Growth 9 Industry, Innovation and Infrastructure 12 Responsible Consumption and Production	8.2 9.4 9.B 12.6	8.2.1 9.4.1 9. B 12.6.1	Revenue, Value added, Net value added Number of companies publishing sustainability reports
2	Technology and Product Innovation	9 Industry, Innovation and Infrastructure	9.5	9.5.1	Total amount of expenditures on research and development by the reporting entity during the reporting period in percentage terms
3	Client Engagement	n/a			
4	Ethical Business Conduct and Governance	16 Peace, Justice and Strong Institutions	16.5	16.5.2	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)
5	Information Security, Cybersecurity, Data Privacy and Business Continuity	16 Peace, Justice and Strong Institutions	16.10	n/a	Total number of substantiated complaints received concerning breaches of customer privacy
6	Responsible Procurement	9 Industry, Innovation and Infrastructure	9.3	9.3.1	Proportion of procurement spending of a reporting entity at local suppliers in percentage terms Proportion of spending on local suppliers at significant locations of operation
7	Environmental Management and Awareness	12 Responsible Consumption and Production 13 Climate Action	12.2 12.5 13.3 13.B	12.2.1 12.5.1	Environmental policy, Awareness and Management, Energy Efficiency and Carbon Neutrality, Sustainable and Carbon Neutral Event Planning, Energy Intensity, Total weight of waste by type and disposal method
8	Climate Change and Carbon Neutrality	7 Affordable and Clean Energy 12 Responsible Consumption and Production	7.2 7.3 12.2	7.2.1 7.3.1 12.2.1	Energy consumption, Energy Intensity and GHG emissions Location-specific data: Water consumption

Contribution to the UN Sustainable Development Goals continued

Temenos material issue	Relevant SDGs	Relevant SDG target	Relevant SDG indicator	Description
9 Diversity and inclusion	5 Gender Equality	5.5	5.5.2	Number of women in managerial positions to total number of employees (in terms of headcount or FTE) Total number and rate of new employee hires during the reporting period, by employment type, age group, gender and region
10 Talent and Development	4 Quality Education	4.3	4.3.1	Training and development – Training hours by gender and departments Average hours of training that the organization's employees have undertaken during the reporting period, by: i. Gender; ii. Employee category
11 Human Rights	5 Gender Equality	5.5	5.5.2	Number and percentage of women Board members
	8 Decent Work and Economic Growth	8.8	8.8.2	Number of employees covered by collective agreements to total employees (in terms of headcount or FTE)
12 Community Investment and Employee Volunteering	17 Partnerships for the Goals	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 Initiatives to enhance financial literacy by type of beneficiary
13 Financial inclusion	1 No Poverty 9 Industry, Innovation and Infrastructure	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 Initiatives to improve access to financial services for disadvantaged people

UN Global Compact Index

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

Principle	Description	Report section	GRI standards/ SASB metrics
Human rights			
1	Businesses should support and respect the protection of internationally proclaimed human rights; and	Investing in Our People	412-2
2	Make sure they are not complicit in human rights abuses.	Investing in Our People	406-1
Labor			
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Investing in Our People	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	408-1
6	The elimination of discrimination in respect of employment and occupation.	Investing in Our People	401-1, 404-1, 404-3, 405-1, 406-1/ TC-SI-330a.3
Environment			
7	Businesses should support a precautionary approach to environmental challenges;	Operating Responsibly	302-1, 302-3, 302-4, 303-3, 305-1, 305-2, 305-3, 305-4, 306-3, 306-4, 306-5/ TC-SI-130a.1, TC-SI-130a.2, TC-SI-130a.3
8	Undertake initiatives to promote greater environmental responsibility; and	Operating Responsibly	302-1, 302-3, 302-4, 303-3, 305-1, 305-2, 305-3, 305-4, 306-3, 306-4, 306-5, 308-1/ TC-SI-130a.1, TC-SI-130a.2, TC-SI-130a.3
9	Encourage the development and diffusion of environmentally – friendly technologies.	Operating Responsibly	302-1, 302-3, 302-4, 303-3, 305-1, 305-2, 305-3, 305-4, 306-3, 306-4, 306-5, 308-1/ TC-SI-130a.3
Anti-corruption			
10	Businesses should work against corruption in all its forms, including extortion and bribery.	Operating Responsibly	102-16, 102-17, 205-2, 205-3, 206-1

GRI content index

The report is prepared in accordance with the Global Reporting Initiatives (GRI) Standard Core option and is mapped to the Sustainability Accounting Standards Board (SASB) Software & IT Services Sustainability Accounting Standard.

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/ SASB Metrics		Reference	External assurance
Organizational profile			
GRI 102: General Disclosures SASB: Recruiting and Managing a Global, Diverse and Skilled Workforce	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 TC-SI-000.A	About Temenos; About this Report; Annual Report: Overview, Governance, Financial Statements	V
	102-7 Scale of the organization TC-SI-330a.3 (gender only)	About Temenos; About this Report; Diversity, Inclusion and Equal Opportunity; Diversity Dashboard; Annual Report: Overview, Governance, Financial Statements	V
	102-8 Information on employees and other workers TC-SI-330a.3	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	Annual Report: Responsible Risk Management; Environmental Responsibility	V
	102-12 External initiatives	Our Endorsements	V
	102-13 Membership of associations	Our Endorsements	V
Strategy			
GRI 102: General Disclosures SASB: Data Security SASB: Managing Systemic Risks from Technology Disruptions	102-14 Statement from senior decision-maker	Message from the CEO	V
	102-15 Key impacts, risks, and opportunities TC-SI-230a.2 TC-SI-550a.2	Annual Report: Responsible Risk Management; International Standards and Certifications; Information Security, Data Privacy and Business Continuity; Environmental Responsibility	V
Ethics and integrity			
GRI 102: General Disclosures	102-16 Values, principles, standards and norms of behavior	Our CSR and Sustainability Approach; Ethical Business Conduct and Governance	V
	102-17 Mechanisms for advice and concerns about ethics	Ethical Business Conduct and Governance	

General disclosures/ SASB Metrics		Reference	External assurance
Governance			
GRI 102: General Disclosures	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	
	102-24 Nominating and selecting the highest governance body	Ethical Business Conduct and Governance; Annual Report: Governance; Website: Corporate Governance	
	102-25 Conflicts of Interest	Conflict of Interest and Related Party Transactions	
	102-32 Highest governance body's role in sustainability reporting	Ethical Business Conduct and Governance; Annual Report: Governance; Website: Corporate Governance	
	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	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	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 2020	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

GRI content index continued

Material topics		Reference	External assurance
Business performance			
GRI 103: Management Approach	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	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	203-1 Infrastructure investments and services supported	Community Investment	V
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	Responsible Procurement	V
Ethical business conduct and governance			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	Compliance Program; Elimination of Discrimination and Prevention of Harassment; Ethical Business Conduct Monitoring and Reporting; Environmental Responsibility	V
	103-2 The management approach and its components	Compliance Program; Elimination of Discrimination and Prevention of Harassment; Ethical Business Conduct Monitoring and Reporting; Environmental Responsibility	V
	103-3 Evaluation of the management approach	Compliance Program; Elimination of Discrimination and Prevention of Harassment; Ethical Business Conduct Monitoring and Reporting; Environmental Responsibility	V
GRI 205: Anti-Corruption	205-2 Communication and training about anti-corruption policies and procedures	Compliance Program	V
	205-3 Confirmed incidents of corruption and actions taken	No confirmed incidents	
GRI 206: Anti-Competitive Behavior SASB: Intellectual Property Protection and Competitive Behavior	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices TC-SI-520a.1	Compliance Program	
GRI 406: Non-Discrimination	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	419-1 Non-Compliance with laws and regulations in the social and economic area	Environmental Responsibility	

Material topics		Reference	External assurance
Tax Strategy and Governance			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	Corporate Website: Tax Strategy and Governance	
	103-2 The management approach and its components	Corporate Website: Tax Strategy and Governance	
	103-3 Evaluation of the management approach	Corporate Website: Tax Strategy and Governance	
GRI 207: Tax	207-1 Approach to tax	Corporate Website: Tax Strategy and Governance	
	207-2 Tax governance, control, and risk management	Corporate Website: Tax Strategy and Governance	
	207-3 Stakeholder engagement and management of concerns related to tax	Corporate Website: Tax Strategy and Governance	
Energy			
GRI 103: Management Approach	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 TC-SI-130a.3	Environmental Responsibility	V
GRI 302: Energy SASB Environmental Footprint of Hardware Infrastructure	302-1 Energy consumption within the organization TC-SI-130a.1	Environmental Responsibility	V V
	302-3 Energy Intensity	Environmental Responsibility	V
	302-4 Reduction of energy consumption	Environmental Responsibility	V
Water			
GRI 103: Management Approach	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 SASB Environmental Footprint of Hardware Infrastructure	303-3 Water withdrawal TC-SI-130a.2	Environmental Responsibility	V V

GRI content index continued

Material topics		Reference	External assurance
Waste			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	Environmental Responsibility	
	103-2 The management approach and its components	Environmental Responsibility	
	103-3 Evaluation of the management approach	Environmental Responsibility	
GRI 306: Waste	306-3 Waste generated	Environmental Responsibility	
	306-4 Waste diverted from disposal	Environmental Responsibility	
	306-5 Waste directed to disposal	Environmental Responsibility	
Emissions			
GRI 103: Management Approach	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	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
	305-4 GHG emissions intensity	Environmental Responsibility	V
Responsible procurement			
GRI 103: Management Approach	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 Environmental Assessment	308-1 Percentage of new suppliers that were screened using environmental criteria	Responsible Procurement	V
GRI 414: Supplier Social Assessment	414-1 New Suppliers that were screened using social criteria	Responsible Procurement	V

Material topics		Reference	External assurance
Talent & development			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	Talent and Development; Employee Experience	V
	103-2 The management approach and its components	Talent and Development; Employee Experience	V
	103-3 Evaluation of the management approach	Talent and Development; Employee Experience	V
GRI 404: Training and Education SASB: Recruiting and Managing a Global, Diverse and Skilled Workforce	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 TC-SI-330a.2	Talent and Development; Employee Experience	V V
Diversity & inclusion			
GRI 103: Management Approach	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	401-1 New employee hires and employee turnover	Investing in Our People; Diversity Dashboard	V
GRI 405: Diversity and Equal Opportunity SASB: Recruiting and Managing a Global, Diverse and Skilled Workforce	405-1 Diversity of governance bodies and employees TC-SI-330a.3 (gender only)	Diversity, Inclusion and Equal Opportunity; Diversity Dashboard	V

GRI content index continued

Material topics		Reference	External assurance
Human rights			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	Human Rights; Against Forced and Child Labor; Business Code of Conduct; Corporate Policies	
	103-2 The management approach and its components	Human Rights; Against Forced and Child Labor; Business Code of Conduct; Corporate Policies	
	103-3 Evaluation of the management approach	Human Rights; Against Forced and Child Labor; Business Code of Conduct; Corporate Policies	
GRI 408: Child Labor	408-1 Operations and suppliers at significant risk for incidents of child labor	Human Rights; Against Forced and Child Labor; Responsible Procurement	
GRI 409: Forced or Compulsory Labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Human Rights; Against Forced and Child Labor; Responsible Procurement	
GRI 412: Human Rights Assessment	412-2 Employee training on human rights policies or procedures	Human Rights; Business Code of Conduct; Corporate Policies	
Data privacy			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundaries	Information Security and Data Privacy; International Standards and Certifications	
	103-2 The management approach and its components	Information Security and Data Privacy; International Standards and Certifications	
	103-3 Evaluation of the management approach	Information Security and Data Privacy; International Standards and Certifications	
GRI 418: Customer Privacy SASB: Data Security	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data TC-SI-230a.1	Information Security, Data Privacy and Business Continuity	
SASB: Data Privacy and Freedom of Expression	Description of policies and practices relating to behavioral advertising and user privacy TC-SI-220a.1	Information Security, Data Privacy and Business Continuity	
	Number of users whose information is used for secondary purposes TC-SI-220a.2	Information Security, Data Privacy and Business Continuity	
	Total amount of monetary losses as a result of legal proceedings associated with user privacy TC-SI-220a.3	Information Security, Data Privacy and Business Continuity	
	1) Number of law enforcement requests for user information, (2) number of users whose information was requested, (3) percentage resulting in disclosure TC-SI-220a.4	Information Security, Data Privacy and Business Continuity	
	List of countries where core products or services are subject to government-required monitoring, blocking, content filtering, or censoring TC-SI-220a.5	Information Security, Data Privacy and Business Continuity	

Material topics		Reference	External assurance
Technology and innovation			
Temenos 1	% of revenue spend on R&D	Annual Report: Overview – Research and Development; Innovation and Technology	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

Board of Directors

FORWARD-LOOKING LEADERSHIP

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

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

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.

Ian Cookson
Independent and Non-Executive Director
Swiss, born in 1947

Mr. Ian Cookson has been active in the financial services sector for over 40 years and has built one of the most efficient IT operations in Private Banking worldwide.

Mr. Cookson 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
Vice-Chairman, Independent and Non-Executive Director
French, born in 1957

Mr. Thibault de Tersant was a member of the Board of Dassault Systèmes from 1993 and until July 2020 and he was CFO from 1988 until 2018. He has been also executive vice-president since 1988 and Senior EVP since 2006. He was named Senior executive vice-president and General Secretary in January 2018.

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

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

Erik Hansen
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.

Peter Spenser
Independent and
Non-Executive Director

British and American, born in 1954

Dr. Peter Spenser has over 40 years of experience in the financial services sector and technology.

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

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

Homaira Akbari
Independent and
Non-Executive Director

American and French, born in 1961

Dr. Homaira Akbari is President and CEO of AKnowledge Partners, LLC, a global strategy advisory firm providing services to leading private equity funds and large corporations in the sectors of Internet of Things, Cyber Security, Artificial Intelligence and Enterprise Software. She currently serves on the Board of Directors of Banco Santander S.A. (NYSE: SAN), Santander Consumer USA (NYSE: SC, a 80% subsidiary of Banco Santander S.A.) and Landstar System, Inc. (NASDAQ: LSTR), where she has been a member of Compensation Committee since 2013.

Dr. Akbari has held senior management roles in Fortune 1000 companies including Microsoft, Thales and Liberty Media subsidiary, Trueposition. She served as the President and CEO of SkyBitz, Inc., a leading provider of remote asset tracking and security solutions, winning the "Global Impact Award" as part of the Women in Technology (WIT) 2012 Awards. Under her leadership, the company had record performance. She successfully sold SkyBitz to Telular Corporation (NASDAQ: WRLS). She has extensive public company governance experience having previously served on the boards of Directors of Veolia Environment (EN: VIE USD 13+ billion revenues, a CAC40 company) from 2015 to 2019, Gemalto N.V. (EN: GTO) from 2013 to 2019 and Covisint Corporation (NASDAQ: COVS) from 2014 to 2016.

Dr. Akbari has been active in and a contributor to many non-profit organizations. She is currently a member of Business Board of Advisors for Carnegie Mellon University Tepper School of Business. She was the inaugural Chair of the Johns Hopkins University Physics and Astronomy Advisory Council from 2012-2018. She has established Homaira Akbari Fellowship Endowment at Carnegie Mellon University and Akbari-Mack Postdoctoral at the Johns Hopkins University. She is a member of Board of Trustees of FIAF.org, a not-for-profit organization with the mission to promote French culture, art and language.

Dr. Akbari holds a Ph.D. in particle physics from Tufts University and an MBA from Carnegie Mellon Tepper School of Business. She is the author of numerous scientific and business articles in international journals, has two patents in IoT/M2M and is a frequent speaker in industry conferences.

Maurizio Carli
Independent and
Non-Executive Director

Italian, born in 1958

Mr. Maurizio Carli served as strategy advisor to VMware until July 2020, a position he has held since stepping down as Executive Vice President, Worldwide Sales and Services for VMware early in 2020. Prior to this global role, he served as Corporate Senior Vice President and General Manager for two of VMware's three sales regions between 2008 and 2015. He was Senior Vice President and General Manager, EMEA at Business Objects prior to joining VMware. In his early career, he served in a number of leadership positions in sales, marketing, and global strategy at IBM between 1984 and 2002.

Mr. Carli currently serves as an independent Chairman for Board International and as an independent board member for Blueprism and previously served as an independent board member for Telecity Group from 2011 to 2016 and as a board member of the newly-launched European Software Association from 2005 to 2006.

Mr. Carli holds a Bachelor of Science in Electronic Engineering from Politecnico di Milano, Italy, where he graduated with honors.

Executive Committee

EXPERT MANAGEMENT

Max Chuard
Chief Executive Officer

Swiss, born in 1973

Mr. Max Chuard has been serving as Chief Executive Officer 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.

Mr. Chuard has been recognized as the #1 SaaS CEO in 2020, reflecting Temenos' leadership position in cloud and SaaS technology. In almost 20 years with the Company, he has been instrumental in positioning Temenos as the World's #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. Mr. Chuard chairs the company's Global CSR & Ethics Committee and is a strong advocate for CSR, diversity and the positive and sustainable impact business can have in society. Under his leadership, Temenos was named a leader in the Dow Jones Sustainability World (DJSI) and Europe Indices and also received in early 2021 the S&P Bronze Class distinction for its excellent sustainability performance.

Mr. Chuard joined Temenos in 2002 leading the company's mergers and acquisitions strategy. He successfully drove 15 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 circa USD 9 billion to become the third-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
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
Chief Product and Technology Officer

British, born in 1960

Mr. Mark Winterburn is Chief Product and Technology Officer. 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.

Alexa Guenoun
Chief Operating Officer

French, born in 1972

Ms. Alexa Guenoun is Chief Operating Officer. In her current role, she is responsible for global business operations and the services, delivery and support organization, with a focus on customer success. Ms. Guenoun is also leading the Temenos' Partner organization globally.

Prior to that, Ms. Guenoun was President, Americas and Global Head of Partners, where she was responsible for the strategy, customer success and growth acceleration of North and South Americas. She also held the position of Chief Client Officer at Temenos 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
Chief Cloud Officer

British, born in 1969

Dr. Colin Jarrett is Chief Cloud Officer. In his current role, he leads Temenos' SaaS and cloud business.

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 Accenture's 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.

Monica Rancati
Chief Human Resources Officer

Italian, born in 1970

Ms. Monica Rancati joined Temenos in 2020 as Chief Human Resources Officer (CHRO). In her current role, she is responsible for all aspects of Human Resources globally, driving the people agenda for future growth and success.

Ms. Rancati is a senior leader with more than 20 years of experience in HR management, talent management, executive talent acquisition and development, employee relations, M&A and other human resources disciplines. She joined Temenos from Microsoft, where for eight years she led the HR function for Western Europe, one of Microsoft's largest areas. Prior to Microsoft, she served in senior HR roles with EMC for 13 years with responsibility for various countries and regions, as well as talent acquisition and development.

Ms. Rancati holds a degree in business and administration from the Università di Pavia.

David Macdonald
President of Europe

British, born in 1964

Mr. David Macdonald joined Temenos in 2020 as the President of Europe. He is responsible for the growth, development and P&L of Temenos' business across the region.

Mr. Macdonald is an experienced leader who is passionate about cloud strategies and helping banks to transform digitally. He joined Temenos, after relocating from the US-based analytics software company SAS Institute Inc. where he worked for over 20 years from North Carolina, predominantly leading the global sales division. He started his career in sales with IBM before going on to co-found a marketing automation software business in the UK. In the US, he chaired numerous risk and financial services conferences and has also written a number of publications on regulatory compliance and open source analytics.

Mr. Macdonald holds a degree in civil engineering from Dundee University Scotland and was an officer in the Royal Air Force.

Jacqueline White
President of the Americas

American, born in 1964

Ms. Jacqueline White is President of the Americas. In her current role, she has full P&L responsibility, and leads strategy and customer success for both North and South America.

Ms. White has been a leader in enterprise technology software and IT consulting for the past 25 years. She has held global positions at DXC, SAP, Oracle and Accenture, always leading diverse, high performing organizations around the world.

She has led several large, complex system integration initiatives, and her passion is in developing and leading cross-functional teams that are focused on advising and delivering complex, mission-critical technical solutions that solve strategic business problems.

Ms. White was awarded the" Women in Technology Award" by the WTC Council in 2018 and is proud to represent women of all ages and stages in their tech careers. She was also named by Utah Business Magazine as "Top Executives to Watch" in 2020.

Ms. White holds a Bachelor's Degree from Brigham Young University.

Executive Committee continued

Jean-Paul Mergeai

President of Asia-Pacific and Middle-East & Africa

Belgian, born in 1961

Mr. Jean-Paul Mergeai is President of Asia-Pacific and Middle-East & Africa. He is responsible for the strategy, growth and P&L across both regions.

He was appointed Managing Director in charge of the Middle-East & Africa in 2014 and successfully led the sales and operations organizations in the region.

Mr. Mergeai joined Temenos' through the acquisition of Odyssey Financial Technologies in 2010 and was responsible for Temenos' Private Wealth global operations and led North American sales operations. Prior to Temenos, he held senior leadership positions at Odyssey, where he managed the firm's global accounts program as well as Odyssey's North American operations.

Mr. Mergeai started his career as an academic – specializing the fields of Machine Translation and Artificial Intelligence as applied to Natural Languages. He moved to the financial industry when he joined Reuters in Luxembourg in 1989. He is a seasoned executive, with over 28 years' experience in implementing, designing, supporting or selling IT solutions for banks and financial institutions.

Mr. Mergeai holds a Master's Degree in Linguistics and Information Technology from the University of Liège.

Deirdre Dempsey

Chief Legal Officer

Swiss and Irish, born in 1971

Ms. Deirdre Dempsey is Chief Legal Officer. Ms. Dempsey joined Temenos in 2001 as Legal Counsel and has been General Counsel of Temenos since 2008.

Prior to joining Temenos, Ms. Dempsey was Legal Director for Interbrand Wood in Switzerland, where she was responsible for the review of trademarks for pharmaceuticals and related regulatory matters. She also spent several years as a jurist working in law firms in San Francisco and New York, mainly in the litigation field.

Ms. Dempsey holds an LL.B. (Hons.) from Trinity College, University of Dublin (1994) and a Master's Degree in Law (LL.M.) from the University of San Francisco (1997). She was admitted to the New York Bar in 1999.

Philip Barnett

President of Strategic Growth

Irish, born in 1963

Mr. Philip Barnett is the President of Strategic Growth at Temenos. As part of his current role, he develops, drives and leverages Temenos' relationships with selected global technology partners and global IT services companies to generate new revenue streams and market growth opportunities. Mr. Barnett is also accelerating Temenos' growth by playing a leading role in the origination of mergers and acquisitions and bringing his deep knowledge of the banking technology industry and expertise to the M&A strategy and process.

Mr. Barnett joined the Company in 2003 and held a number of senior leadership positions in sales and business development across all major territories. He has also developed strong relationships with major clients and supported the success of their technology projects.

Mr. Barnett is a senior leader with over 30 years of experience. Prior to Temenos, he held leadership positions with international banking systems providers.

Corporate governance

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 117;
- 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.

Corporate governance continued

Introduction

This report has been prepared in compliance with the Directive on Information Relating to Corporate Governance (DCG) available at https://www.ser-ag.com/dam/downloads/regulation/listing/directives/DCG-en.pdf, its Guidelines available at https://www.ser-ag.com/dam/downloads/publication/obligations/guidelines/guideline-dcg-en.pdf and with the 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/.

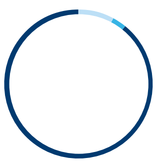
Unless otherwise indicated, the information provided in this report reflects the situation as of 31 December 2020.

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

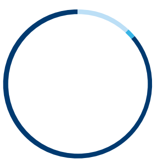


Executive Chairman remuneration mix

Fixed fee/salary	8%
Other compensation	3%
Variable short term incentives	0%
LTIP earned	0%
LTIP not yet earned	89%

Read more on page 134

Total compensation at risk 89%



Executive Committee remuneration mix

Fixed salary	12%
Other compensation	2%
Variable short term incentives	0%
LTIP earned	0%
LTIP not yet earned	86%

Read more on page 135

Total compensation at risk 86%

Meetings held in 2020

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
Chief Operating Officer

Jacqueline White
President of the Americas

David Macdonald
President of Europe

Jean-Paul Mergeai
President of Asia-Pacific and Middle-East & Africa

Deirdre Dempsey
Chief Legal Officer

Colin Jarrett
Chief Cloud Officer

Monica Rancati
Chief Human Resources Officer

Philip Barnett
President of Strategic Growth

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 9,175,604,791*
Security Number	1245391
ISIN number	CH0012453913
Symbol	TEMN
Reuters	TEMN.S
Bloomberg	TEMN SW

* Based on the issued share capital as of 31.12. 2020 composed of 74,206,266 shares.

Please refer to the Information for Investors' section on page 218 for statistics on Temenos shares.

1.1.3 Please find below the main non-listed companies belonging to the Group as of 31.12. 2020:

(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
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 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
Temenos Australia Symmetry Pty Limited	Sydney	Australia	261 AUD
Temenos (Malaysia) Sdn Bhd	Shah Alam	Malaysia	19,591,400 MYR
Temenos (NL) BV	Amsterdam	Netherlands	18,152 EUR
Temenos (Thailand) Co. Limited	Bangkok	Thailand	100,000,000 THB
Temenos Africa (Pty) Limited	Sandton	South Africa	100 ZAR

Corporate governance continued

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	100 units (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	London	United Kingdom	50,000 GBP
Temenos FOGT 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	234,820,098 MXN
Temenos Middle East Limited	Nicosia	Cyprus	17,100 EUR
Temenos New Zealand Limited	Auckland	New Zealand	1,000 shares (no par value)
Temenos North Africa LLC	Casablanca	Morocco	10,000 MAD
Temenos Philippines, Inc.	Makati City	Philippines	10,000,000 PHP
Temenos Polska Sp. 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	245,057,936 AUD
Temenos Systems Ireland Limited	Dublin	Ireland	4 EUR
Temenos UK Limited	London	United Kingdom	2,198,844 GBP
Temenos USA, Inc.	Wilmington	USA	1 USD
Temenos Vietnam Company Limited	Hanoi	Vietnam	890,000,000 VND
Viveo France SAS	Paris	France	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 3% or more of the voting rights as of 31 December 2020 as per information that has been published on the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange pursuant to Art. 120 ff. of the Financial Market Infrastructure Act.

Significant shareholders	Number of voting rights	Percentage of share capital
Martin and Rosmarie Ebner	7,695,000	10.58%
BNP Paribas SA	6,207,360	8.53%
Baillie Gifford & Co[1]	3,663,065	5.04%
BlackRock Inc.[2]	3,516,812	4.83%
Comgest Global Investors, SAS[3]	2,271,449	3.12%
UBS Fund Management (Switzerland) AG	2,205,990	3.03%

1 Out of this number, 3,663,065 voting rights are delegated by a third party and can be exercised at one's own discretion.
2 Out of this number, 677,265 voting rights are delegated by a third party and can be exercised at one's own discretion.
3 Out of this number, 260,132 voting rights are delegated by a third party and can be exercised at one's own discretion.

Based on the registered capital as of 31.12.2020 composed of 72,757,466 shares.

For more recent information on major shareholders, please refer to page 218.

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 2020, the registered ordinary share capital amounted to CHF 363,787,330 consisting of 72,757,466 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 25,462,290 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 takeover of another company or enterprise, of parts of an enterprise or of participations or for the financing of such transactions; or if (ii) the shares are to be used for the purpose of expanding the scope of shareholders in connection with the quotation of shares on national and foreign stock exchanges.

Conditional capital for employee participation

Pursuant to the Articles of Association (Article 3 quarter (1)) as at 31 December 2020, the share capital may be increased by an amount not exceeding CHF 25,462,290 by issuing up to 5,092,458 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.

Corporate governance continued

2.3 Changes in capital

	31.12.20 CHF 000	31.12.19 CHF 000	31.12.18 CHF 000
Issued Ordinary share capital	**371,031**	363,787	355,221
Remaining Conditional share capital	**51,258**	58,502	67,068
Authorized share capital	**35,500**	35,500	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.

As at **31 December 2017**, the registered share capital amounted to CHF 354,249,620 consisting of 70,849,924 registered shares, each with a par value of CHF 5 further to the registration on 15 February 2017 of 3,003,556 shares that were created out of conditional capital during 2016 and the registration on 19 October 2017 of 1,228,800 shares that were created out of conditional capital during 2017 (for Employee Share Option Schemes).

As at **31 December 2018**, the registered share capital amounted to CHF 355,221,335 consisting of 71,044,267 registered shares, each with a par value of CHF 5 further to the registration on 17 October 2018 of 194,343 shares that were created out of conditional capital during 2018 (for Employee Share Option Schemes).

As at **31 December 2019**, the registered share capital amounted to CHF 355,221,335 consisting of 71,044,267 registered shares, each with a par value of CHF 5. No change of capital occurred during 2019.

As at **31 December 2020**, the registered share capital amounted to CHF 363,787,330 consisting of 72,757,466 registered shares, each with a par value of CHF 5 further to the registration on 14 February 2020 of 1,713,199 shares that were created out of conditional capital during 2019 (for Employee Share Option Schemes).

Further to the registration on 25 February 2021 of 1,448,800 shares that were created out of conditional capital during 2020 (for Employee Share Option Schemes), the registered share capital currently amounts to CHF 371,031,330 consisting of 74,206,266 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 0.90 per share on 27 May 2021, subject to shareholders' approval at the Annual General Meeting of Shareholders on 20 May 2021. The dividend record date will be set on 26 May 2021 with the shares trading ex-dividend on 25 May 2021.

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.

There is no outstanding convertible bonds.

In **April 2013**, the Company issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2.75% paid annually on 25 July. The bond was repaid on 25 July 2017 at a redemption price of 100% of the principal amount.

In **March 2014**, the Company issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2.00% paid annually on 31 January. The bond was repaid on 31 January 2019 at a redemption price of 100% of the principal amount.

In **June 2015**, the Company issued a senior unsecured bond with a nominal value of CHF 175 million and a coupon rate of 2.00% paid annually on 17 June. The bond 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 2020, the Board of Directors comprised the following members:

Name	Position
Andreas Andreades	Executive Chairman
Thibault de Tersant	Vice-Chairman, Independent and Non-Executive Director
Ian Cookson	Independent and Non-Executive Director
Erik Hansen	Independent and Non-Executive Director
Peter Spenser	Independent and Non-Executive Director
Homaira Akbari	Independent and Non-Executive Director
Maurizio Carli	Independent and Non-Executive Director

As per the press release of 17 February 2021, James Benson will be proposed for election as a new member of the Board of Directors at the forthcoming AGM to be held on 20 May 2021.

Please refer to pages 106 and 107 for their biographies.

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
Ian Cookson	2012
Thibault de Tersant	2012
Erik Hansen	2013
Peter Spenser	2017
Homaira Akbari	2020
Maurizio Carli	2020

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 makes himself available to hear the shareholders' comments and suggestions and, where possible, answers their questions after consulting with the Executive Chairman.

In 2020, the Vice-Chairman acted as Lead Independent Director.

Corporate governance continued

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
Ian Cookson	Member	Member	Chairman
Thibault de Tersant	Chairman		
Erik Hansen			Member
Peter Spenser	Member	Member	
Homaira Akbari		Chair	
Maurizio Carli		Member	Member

Audit Committee

The Audit Committee is currently composed of three 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 122.

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 2020, the following meetings were held:

	Number of meetings	Attendance	Average duration
Board of Directors	5	95%	3.2h
Audit Committee	4	94%	3h
Compensation Committee	4	87.5%	1.3h
Nomination Committee	2	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 2020.

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 2020 evaluation results were discussed at the meeting held in October 2020 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 partnerships, changes in the Group's structure and share repurchase programs though its responsibilities are not limited to this. The Board of Directors oversees and approves the Group's IT strategy and is responsible for all aspects of security, risk management and system of internal controls.

Based on Article 17 of the Articles of Association and Article 3.5 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 2020, the Executive Committee comprised the following members:

Name	Position
Max Chuard	Chief Executive Officer
Panagiotis "Takis" Spiliopoulos	Chief Financial Officer
Mark Winterburn	Chief Product and Technology Officer
Jean-Michel Hilsenkopf	Chief Operating Officer
Alexa Guenoun	President of the Americas and Global Head of Partners
Colin Jarrett	Chief Cloud and Delivery Officer
Monica Rancati	Chief Human Resources Officer

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.

Ms. Monica Rancati was appointed as a member of the Executive Committee (Chief Human Resources Officer) effective 14 September 2020.

Mr. Jean-Michel Hilsenkopf resigned as Chief Operating Officer effective 13 January 2021.

Ms. Alexa Guenoun was appointed as Chief Operating Officer effective 13 January 2021.

Dr. Colin Jarrett was appointed as Chief Cloud Officer effective 13 January 2021.

Ms. Jacqueline White was appointed as a member of the Executive Committee (President of the Americas) effective 13 January 2021.

Mr. David Macdonald was appointed as a member of the Executive Committee (President of Europe) effective 13 January 2021.

Mr. Jean-Paul Mergeai was appointed as a member of the Executive Committee (President of Asia-Pacific and Middle-East & Africa) effective 13 January 2021.

Ms. Deirdre Dempsey was appointed as a member of the Executive Committee (Chief Legal Officer) effective 13 January 2021.

Mr. Philip Barnett was appointed as a member of the Executive Committee (President of Strategic Growth) effective 13 January 2021.

Please refer to pages 108 to 110 for their biographies.

4.2 Other activities and vested interests

Except those mentioned in the biographies section on pages 108 to 110, 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.

Corporate governance continued

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 122.

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 20 May 2020 for a period of one year (first elected in 2003).

8.1.2 Since 2019 the lead auditor for the Group audit is Mr. Yazen Jamjum.

8.2 Auditing fees

Included in general and administrative expenses is an amount of USD 2,139,601 representing audit fees charged to the Company by PricewaterhouseCoopers for (i) the audit of the Group consolidated financial statements and of statutory accounts in various jurisdictions (USD 2,009,601) 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 630,000 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	95
Transactions	100
Non Audit Fees – Audit related	**195**
Tax Advisory	419
Other Advisory	16
Non Audit related	**435**
Total Non Audit Fees	**630**

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 2021, Temenos will hold its Annual General Meeting.

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 quarterly results and Temenos conferences are published on the Company's website and updated regularly at https://www.temenos.com/about-us/investor-relations/#financial-calendar.

Compensation Report

"
Temenos' compensation philosophy and objectives are aligned with the company's strategy and stockholders' interests. To drive growth and innovation, we have a highly performance-driven compensation model with 87% of executive compensation being "at risk" and subject to achievement of financial performance criteria. While the external environment was challenging in 2020, the application of this model resulted in zero STI payout for the named executives and LTI 2018-2020 vesting in 2021 at 87% achievement, with overperformance in 2018 and 2019 years offsetting the lower performance in 2020. With the SAR compensation model, returns are only made when the share price increases, and as the share price was lower than the grant price of USD 127, no gain was realized on the vesting date. This reflects the strong link between pay and performance, and the strong alignment to shareholders. When shareholder returns grow, management can make high returns, when they do not, management returns are low.

Letter from the Chairperson of the Compensation Committee

Dear shareholder,

I am happy to share with you the Compensation Report for 2020. This report provides an overview of our compensation system and the outcomes for the year.

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;
- Compensation is competitive and drives motivation and retention of our key management.

Company Performance and Growth

2020 was one of the most challenging external environments for Temenos as it was for the world in general. Temenos shareholder return was low in 2020, which is reflected in the lower three year average of 4%, however, the five year growth remains strong. Below is the historical growth compared to some key indices and the average of our compensation peer group.

Total Shareholder Return (TSR)	3 years	5 years	5 year average
Temenos	11%	175%	35%
SMI	39%	61%	12%
Stoxx Euro 600	15%	46%	9%
NASDAQ	93%	173%	35%
Average of peer group	72%	158%	32%

Product Revenue Growth	2017	2018	2019	2020
Non-IFRS Product Revenues USD m	591	691	803	737
Growth year-on-year %	17%	17%	16%	-8%
CAGR growth 2017 to 2020				8%

EPS Growth	2017	2018	2019	2020
Non-IFRS EPS USD	2.45	2.95	3.47	3.43
Growth year-on-year %	18%	20%	18%	-1%
CAGR growth 2017 to 2020				12%

Employee Growth	2017	2018	2019	2020
Number of employees including externals	4,945	5,744	7,879	7,828
Growth year-on-year %	15%	16%	37%	-1%
CAGR growth 2017 to 2020				17%

Following the initial impact from the Covid-19 crisis, the Executive Chairman and CEO volunteered a fixed salary reduction of 50% for the period 1 May 2020 to 31 December 2020 and the remaining members of the Executive Committee forfeited 25% of their salary. These reductions in fixed salaries will not be reimbursed.

Shareholder Engagement

This season we have done an extensive set of shareholder meetings, speaking to many shareholder representatives. I would like to thank all the shareholders who participated for their constructive and useful feedback. In general, shareholders appreciate the high proportion of "at risk" compensation and appreciate the stretch targets that Temenos sets.

This year, we sought shareholder's feedback on a number of modifications that we are contemplating and that we will be setting forth as part of our AGM resolutions. Notably, the acceleration to SaaS revenues has prompted us to consider new performance metrics for 2021 LTI plan onwards. In consultation with our independent external compensation consultants and based on the feedback from shareholders, we are adopting two new metrics – Total Bookings and Free Cash Flow while retaining non-IFRS EPS. As announced in our Capital Markets day on February 18, 2021, we will be reporting on these metrics on quarterly basis. There is a detailed discussion on the new KPIs under the section "E.4. 2021 Long Term Incentive Plan Awards for Executives" of this report.

Benchmark

The Compensation Committee monitors compensation against our peer group, both in terms of quantum and structure of compensation. Temenos is at the midpoint 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. As a result, most of our competitors globally are US based companies, which traditionally reinforce entrepreneurial thinking of their employees with a significant variable (at risk) compensation 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 13% of their total compensation package in 2020 is fixed salary and benefits, 87% is performance driven incentives, which are subject to delivering stretch targets for 1 year for Short-Term Incentive (the "STI") and three years for Long-Term Incentive (the "LTI"), respectively. This compares to the average for the CEO's in the peer group of 55% at risk compensation.

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 Enhanced American Model, a standard model for valuing option contracts.

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. We are well within that target.

	CAGR 2017-2020
Dilution before buyback	0.7%
Non IFRS EPS	12%

From a balance sheet perspective, based on closing share price, dilution would be 0.9% of the total shareholding. Dilution cannot exceed 7% no matter how much the share price increases.

Simulations	No of shares million	No of SARs/ shares million	Average price USD	Assumed share price on exercise USD	No of shares to be created million	Dilution	No of SARs included in diluted EPS million
Closing share price	72.4	4.1	117.18	**140.1**	0.7	**0.9%**	**1.2**
15% growth	72.4	4.1	117.18	**213.1**	1.9	**2.5%**	**1.2**
30% growth	72.4	4.1	117.18	**307.8**	2.6	**3.4%**	**1.2**
Maximum dilution with full overachievement (infinite share price)	72.4	5.4	117.18	**na**	5.4	**7.0%**	**1.2**

Conclusion

Our compensation structure is built to retain and motivate the executive team to align with shareholders and deliver strong short- and long-term operating results and goals. The Compensation Committee remains committed more than ever to our dialogue with shareholders, and we welcome regular feedback on our compensation policies.

On behalf of the Compensation Committee, I wish to thank you for your trust, support and valuable feedback. We look forward to receiving your support at the AGM.

Dr Homaira Akbari
Chairperson of the Compensation Committee

Compensation Report continued

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.

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 2020 financial year are:

Board of Directors:

- Andreas Andreades, Executive Chairman.

Executive Committee:

- Max Chuard, Chief Executive Officer (CEO)
- Panagiotis "Takis" Spiliopoulos, Chief Financial Officer (CFO)
- Jean-Michel Hilsenkopf, Chief Operating Officer (COO)
- André Loustau, Chief Technology Officer (CTO) until 12 February 2020
- Thomas Hogan, President of the Americas until 12 February 2020
- Mark Winterburn, Chief Product Officer (CPO) until 12 February 2020 and thereafter Chief Product and Technology Officer (CPTO)
- Alexa Guenoun, Chief Client Officer (CCO) until 12 February 2020 and thereafter President of the Americas and Global Head of Partners
- Monica Rancati, Chief Human Resources Officer (CHRO) from 14 September 2020.

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 2020 financial year are:

- Sergio Giacoletto-Roggio, Vice Chairman, until 20 May 2020
- Homaira Akbari from 20 May 2020
- Maurizio Carli from 20 May 2020
- Ian Cookson
- Erik Hansen
- George Koukis until 20 May 2020
- Peter Spenser
- Thibault de Tersant, member for full year and Vice Chairman from 20 May 2020
- Amy Yip until 20 May 2020.

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 previous fiscal year performance achievements and pay-outs, and to approve the current fiscal year performance targets for variable short term incentive, and to approve the long term variable compensation grant including performance targets; and
- March/April – this meeting will be mainly to recommend prospective compensation to be submitted for approval at the Annual General Meeting of Shareholders.

Two additional meetings were held this reporting season:

- December – As the Compensation Committee was made up of three new members, two of whom were new to the Board also, a meeting was held for the purpose of familiarization and knowledge transfer
- January – Review of KPI's for 2021 LTI plan following SaaS acceleration in 2020.

As a result of these additional meetings, in 2020/21 season, the Compensation Committee will have met five times in total.

The Compensation Committee comprises four Independent and Non-Executive Directors:

- Sergio Giacoletto-Roggio, Chairperson until 20 May 2020
- Homaira Akbari, Chairperson from 20 May 2020
- Maurizio Carli from 20 May 2020
- Ian Cookson
- Erik Hansen until 20 May 2020
- Peter Spenser from 20 May 2020
- Amy Yip until 20 May 2020.

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 2020. The Comparator Group has been selected based on the following criteria:

- Competitors in banking software;
- Companies targeted for hiring talent into Temenos, but excluding those with market capitalization significantly higher than Temenos, such as SAP and Salesforce;
- 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.

Compensation Report continued

A. Compensation policy and principles continued

A.3. The role of the Compensation Committee continued

Benchmarking process continued

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 15 companies are those used for the benchmark:

Organization	Country	Organization	Country
ACI Worldwide	USA	Logitech International	Switzerland
Broadridge Financial Solutions	USA	Micro Focus International plc	UK
Citrix	USA	Simcorp	Denmark
Dassault Systèmes	France	Software AG	Germany
Fidelity National Information Services	USA	SS&C	USA
Fiserv	USA	The Sage Group	UK
Intuit	USA	Workday	USA
Jack Henry and Associates	USA		

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, we communicated by letter with our major shareholders outlining our compensation structure and inviting them to a meeting with the Temenos Compensation Committee Chairperson or other Temenos management or Board. The Chairperson of the Compensation Committee engaged in conference calls with a number of our shareholders and some shareholder advisory groups during January 2021, covering over 40% of the shareholder representation. The major topics discussed were the change in the KPI's for the LTI plan relating to the targets for the years 2021 onwards. Following the SaaS acceleration, the currently used non-IFRS Product revenue metric is no longer appropriate and the proposals for changes to Total Bookings, a lower weighting of EPS and rTSR (relative Total Shareholder Return) were discussed. Insightful feedback was received and as explained in the Letter to the Shareholders on page 122 we have taken on board the feedback received in the implementation of the KPI's, and are adopting Total Bookings, non-IFRS EPS and Free Cash Flow. The definition of these three metrics is discussed in detail in the Section "E.4. 2021 Long Term Incentive Plan Awards for Executives" of this report.

In addition, we sought shareholder feedback on amending the performance KPI metrics for 2019 and 2020 LTI's, for forward years only (i.e., years of 2021 and 2022), to align with our new performance KPI's. We have not yet finalized this decision but received overall supportive feedback from our discussions with shareholders.

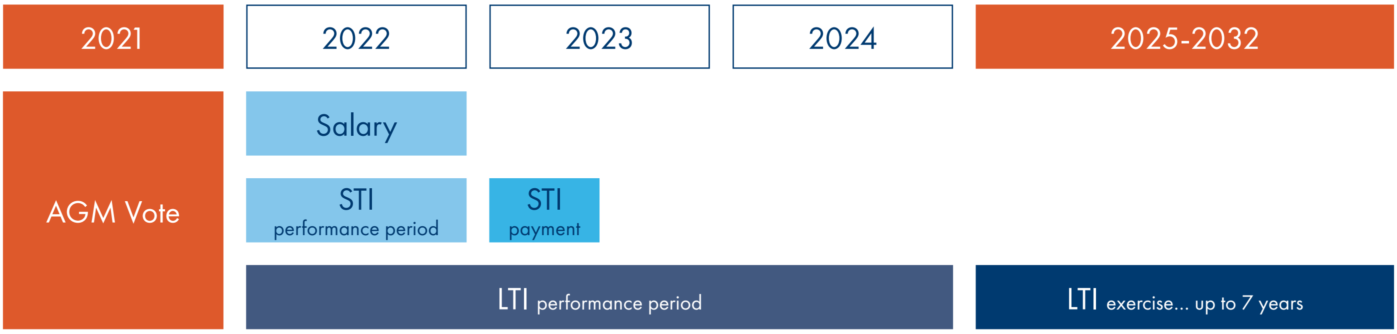
Finally, we sought shareholder views on our compensation for the independent and Non-Executive Directors which is no longer competitive compared to our peer group. In 2019, we performed an extensive compensation benchmarking against SMIM for independent and Non-Executive Board of Directors for the compensation received in 2018 (the last year such information was available publicly). The 2018 median total pay per Non-Executive Board member for this peer group is at USD 178,000. Temenos' pay per Non-Executive Board member currently is USD 108,000. We planned to propose and receive approval from shareholders in our AGM in May 2020 to increase the Non-Executive Director fees by approximately 30% in order to bring our compensation closer to our peers. However, due to the Covid-19 crisis, the Temenos Board unanimously decided to defer this proposal to 2021 AGM. We plan to increase Non-Executive Director fees by approximately 30% for the financial year 2022 subject to shareholder approval at the AGM in May 2021. In addition, there will be some additional amendments to the fees for Chairs of the committees. Further details will be provided in the AGM agenda. Shareholders whom we met, unanimously supported this increase.

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 Compensation that will be approved at the AGM covers the elements below with the respective timing:



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. Compensation components

B.1. Summary of Compensation elements for employees

The table below explains the compensation elements for 2020:

		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 33% annual achievement if all targets are achieved at 100% Cumulative over-achievement of up to 175% of on-target LTI value if all targets are exceeded by 37.5%, 0% below 85% target threshold
Settlement		Cash	Cash and deferred shares	Shares
Malus and clawback clauses*		Not applicable	Yes	Yes

* Malus and clawback clauses for both STI and LTI withhold or recover funds for any cases where fraudulent behavior results in numbers being restated for external reporting purposes.

Compensation Report continued

B. Compensation components continued

B.2. Compensation elements for the Executive Chairman and Executive Committee members

The elements of the above table, together with their objectives, are as follows:

Fixed salary

- To compensate Executives for their expected day-to-day 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 non-IFRS software license revenue, SaaS ACV (Annual Contract Value), non-IFRS EPS, and operating cash.
- 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 product revenue growth and non-IFRS EPS 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 117 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.

B.3. Summary of Key Organization and Compensation changes in 2020

- The Executive Committee was restructured in February 2020:
  - Thomas Hogan resigned as President of the Americas and Alexa Guenoun was promoted to take his place while keeping her role as Global Head of Partners. Colin Jarrett was promoted to the Executive Committee to take Alexa's place as Chief Cloud and Delivery Officer.
  - André Loustau resigned as member of the Executive Committee and Mark Winterburn was promoted to Chief Product and Technology Officer.
- The key extraordinary points to note for 2020 compensation are:
  - Temenos instigated a voluntary solidarity program in the context of the Covid-19 pandemic in April 2020. Staff were requested to take a reduction in salary of 5% in return for a permanent salary increase of 2% effective 1 January 2021. The Executive Chairman and CEO volunteered a reduction in fixed salary of 50% for the period 1 May 2020 to 31 December 2020 and the remaining members of the Executive Committee a reduction in fixed salary of 25% for the same period. Contrary to staff, the reduction in salary for the Executive Chairman, CEO or other members of the Executive Committee was forfeited and will not be re-compensated.
  - Due to the Covid-19 pandemic, 2020 was a challenging year and the annual performance targets were not met. Therefore, there is no pay-out under the company's short term variable incentive plan.
  - In addition, the LTI 2018 plan, which had been overachieving after 2018 and 2019, resulted in a final pay-out of 87% total achievement for the three year period. The grant price for the 2018 grant was set at USD 127.00 and the closing price on vesting date (February 17, 2021) was USD 119.96, as a result the SARs were out of the money and no pay-out was realized as of the vesting date. However, the Executives have seven years from February 17, 2021 to exercise their SAR's and realize an income when the share price increases above USD 127.00.
  - Under the 2019 and 2020 LTI plans, the annual targets for 2020 were not met and as a result the final pay-out for these grants is likely to be significantly lower than recent years.
  - The 2020 plan was granted in February before the implications of Covid-19 pandemic had been felt with pre-pandemic targets and at a share price of USD 168.81.
- The Short Term Variable included in the compensation for the new and promoted members is the equivalent of a full year value of their new positions, and not pro-rated values.
- The Long Term Incentive included is the equivalent of full value to deliver over the three year period of the LTI plan. No pro rata calculation has been made for the different joining dates, which does apply in final calculations.

B.4. Variable Short Term Incentive

Due to the Covid-19 pandemic, 2020 was a challenging year and the annual performance targets were not met. Therefore, there is no pay-out under the company's short term variable incentive plan.

Performance criteria

Annual targets for Executives are set by the Board based on recommendations by the Compensation Committee.

For 2020, the short term incentive plan was based on the following targets:

- Non-IFRS software licensing (37.5%)
- SaaS ACV (17.5%)
- Non-IFRS EPS (20%)
- Operating cash flow (25%).

On-target performance is rewarded at 100% of fixed salary. Achievement did not exceed the threshold of 90%, hence there was no payout for 2020. The targets and respective achievements are set out in the table below:

2020 Target	Percentage of Bonus	Target USD	Actual USD	Threshold %	Achievement %	To be paid %
Non-IFRS software licensing	37.5%	549m	356m	90%	65%	–
SaaS ACV	17.5%	42m	34m	90%	81%	–
Non-IFRS EPS	20%	3.98	3.43	90%	86%	–
Net Operating Cash flow	25%	480m	406m	90%	85%	–
Total						–

Annual incentive payouts for other senior managers are based on a mix of corporate and specific regional objectives.

B.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 targets, vesting on the third year anniversary of the grant.

SARs are valued on a fair value basis by an independent organization, Algofin AG, using the Enhanced American Model, a sophisticated binomial model, so as to comply with IFRS 2. Algofin AG is a consulting company domiciled in St. Gallen, Switzerland, specializing in Quantitative Finance, Modern Financial Instruments, and Consulting in Asset Management. To ensure pricing integrity, long term equity awards are not issued at a discount to market price; they are priced at the closing market price on the grant date. The fair value at time of grant is expensed over the vesting period based on the latest probable outcome of the final number of SARs to be granted.

Temenos SAR programme is a stock settled programme. Employees are given the shares at the 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 or treasury shares. Conditional capital increases are approved by shareholders at the Annual General Meeting (the "AGM"). Conditional capital has been used for all exercises in 2020. UBS holds the treasury shares and administers the conditional capital issuance when required in relation to the share scheme.

The tables below provide an overview of the 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 2020 are outlined in the table below, including 2020 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
2020	8,693	158.36	39.59	14 September 2020	14 September 2023
2020	587,250	168.81	39.05	13 February 2020	On Board of Directors approval of the results for the year ending 31 December 2022
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
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

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.

Compensation Report continued

B. Compensation components continued

B.5. Long Term Equity Incentive continued

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 outstanding as at 31 December 2020 are outlined below:

KPI	Weighting SARs
Non-IFRS EPS Targets	40%
Non-IFRS Product Revenues	60%

The targets for the 2020 plan for non-IFRS EPS and non-IFRS product revenues were based on a CAGR of 15% for each KPI for the three year period to the vesting of each grant.

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 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 for the cumulative performance of SAR schemes

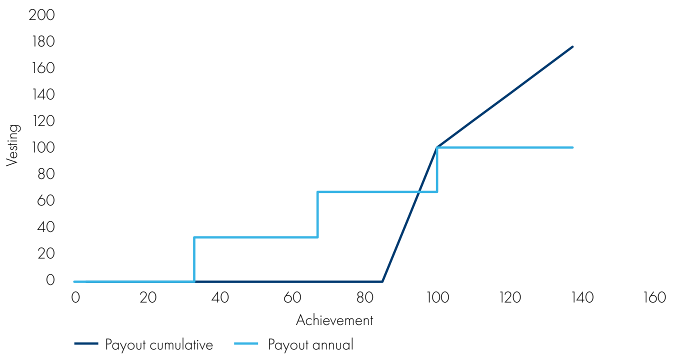
For achievement between 85% and 100% of target a pro-rated reduced amount will vest. Above 100% achievement, for every 1% overachievement of the three years cumulative non-IFRS EPS and non-IFRS product revenue target, an additional 2% of SARs may be granted up to a maximum of 175% of the total grant. Below 100% achievement, for every 1% underachievement, 6.67% of the number of SARs are forfeited.

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%	137.5%
Proportion vesting	0%	50%	100%	120%	140%	175%

Below the vesting shown pictorially:

Annual and cumulative vesting



Achievement of the 2018 LTI SAR scheme

Under the 2018 LTI SAR scheme, which vested on 17 February 2021, the non-IFRS EPS performance targets and respective achievements were:

Year	Target USD	Actual achievement USD	Growth on prior year
2018	2.75	2.95	20%
2019	3.16	3.47	18%
2020	3.68	3.43	-1%
Cumulative	9.59	9.85	12% CAGR
Achievement for non-IFRS EPS		103%	

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 2018-2020 non-IFRS Product Revenues	2,317	2,229	8% CAGR
Achievement for non-IFRS Product Revenues		96%	

* Actual results are restated at constant currency compared to plan.

The combined payout for the 2018 SAR plan as a result of overachievement on both KPIs is as follows:

Combined Payout for 2018 SAR plan	Weighting	Actual achievement	Vesting
Cumulative 2018-2020 non-IFRS EPS	40%	103%	105%
Cumulative 2018-2020 non-IFRS Product Revenues	60%	96%	75%
Combined Achievement and Payout		99%	87%

To summarize, for 2018 LTI SAR scheme which vested on February 17, 2021, 87% of all SAR's have vested. As at February 17, 2021, the closing share price of USD 119.96 resulted in zero realized payout of the plan given the grant price is at USD 127.00. However, management have seven years in which to exercise the SARs.

B.6. Share ownership

Executives

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
Other Executives	1 time annual fixed salary

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 2020 is calculated based on the share price of 31 December 2019 and fixed salary for the year 2020 as at 1 January 2020. 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.

Non-Executive Directors

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.

The shareholdings for both Executives and Non-Executive Directors are shown in section F.1.

Compensation Report continued

B.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 100 are exercised when the share price is USD 150, then the gain is USD 50,000, equivalent to a 333 share dilution (USD 50,000 divided by USD 150).

When issuing SARs, the Compensation Committee reviews the 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 2017-2020, the period over which the 2018 SAR scheme vested on a CAGR basis, was 0.7% pa. This compares to an EPS growth of 12% pa on a CAGR basis for the same period.

Proxy advisors such as ISS consider cumulative dilution to share count to be acceptable at 5% and 10% for fast-growing companies. The total cumulative dilution as of 31 December 2020 from all outstanding SARs, stock options and STI shares has been calculated at the balance sheet date and subsequently based on various simulations in the table below. Note that 1.2 million of the SARs are included already in the EPS dilution.

Simulations	No of shares million	No of SARs/ shares million	Average price USD	Assumed share price on exercise USD	No of shares to be created million	Dilution	No of SARs included in diluted EPS million
Closing share price at 31 December 2021	72.4	4.1	117.18	**140.1**	0.7	**0.9%**	**1.2**
15% growth	72.4	4.1	117.18	**213.1**	1.9	**2.5%**	**1.2**
30% growth	72.4	4.1	117.18	**307.8**	2.6	**3.4%**	**1.2**
Maximum dilution with full overachievement (infinite share price)	72.4	5.4	117.18	**na**	5.4	**7.0%**	**1.2**

The conditional capital of 3.6 million shares that is available at 31 December 2020 covers this requirement and our dilution cannot exceed 7% no matter how much the price increases. The maximum is calculated as the number of SARs outstanding including maximum overachievement divided by this plus the number of outstanding shares (ie (4.1m + 1.3m) /(4.1m + 1.3m + 72.4m). A more realistic estimate is a dilution of 1.9 million shares based on a CAGR share price growth of 15% over the next three years.

B.8. Contract terms for the Executive Chairman and Executive Committee members

The contractual notice periods of the Executive Chairman, being the sole executive member of the Board of Directors, and members of the Executive Committee do not exceed 12 months; there are no non-statutory severance payment clauses.

In case of a change of control of Temenos AG, all 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.

B.9. Compensation elements for Non-Executive Directors

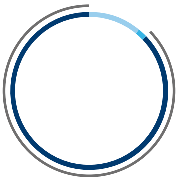
The Non-Executive Directors were compensated in 2020 with a fee for their Board duties, together with a supplementary fee for their role as Chairperson of the Audit and Compensation Committees respectively.

C. Pay for performance appraisal

To align with shareholders' interests, Temenos' executive compensation program is designed to foster a pay-for-performance culture.

The chart below shows a percentage split of aggregate compensation of the Executives for 2020.

2020 Executive Chairman and Executive Committee



Fixed fee/salary	11%
Other compensation	2%
Variable short term incentives	0%
LTI earned	0%
LTI not earned	87%
At risk compensation	87%

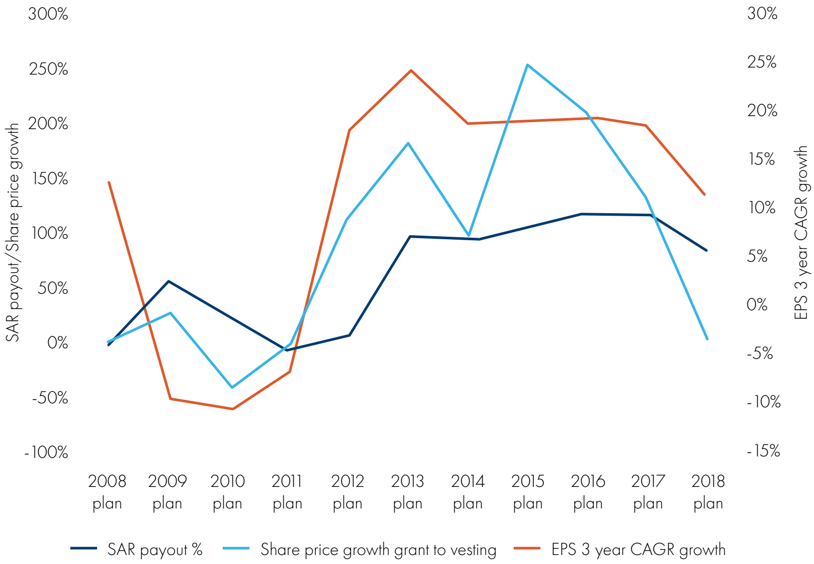
The fixed salary and benefits are the only unconditional, i.e. non risk components; short term variable compensation is dependent on the achievement of the results for 2020 and long term incentive (LTI) is dependent on the achievement of the results for the three year period 2020 to 2022 inclusive.

In 2020, 87% of total compensation was variable and conditional upon performance targets and therefore at risk. Mainly due to the Covid-19 pandemic, the performance was challenging last year, hence the short term incentives for 2020 were not met.

The 'LTI earned' is the part of the 2020 grant relating to the delivery of non-IFRS EPS and non-IFRS product revenue targets for the financial year 2020. The targets for 2020 have not been met and therefore the level of achievement of the 2020 LTI is still entirely dependent on meeting the 2021 and 2022 targets. The LTI is subject to time vesting criteria and will not vest until February 2023.

SAR payout vs EPS and share price growth

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	Vesting
2007	100%
2008	0%
2009	60%
2010	30%
2011	0%
2012	13%
2013	101%
2014	100%
2015	110%
2016	121%
2017	120%
2018	87%

Targets have always been set at challenging levels and reflect long term performance in order to maintain the direct link between pay and performance. Between 2013 and 2017 the Company performed exceptionally, and this is reflected in the overachievement of the plans.

Compensation Report continued

D. Compensation for financial year under review – audited

This section (section D on pages 134 to 136) 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 2020 and the average exchange rate for 2019 respectively. Comparison between these two years may be distorted through the exchange rate fluctuations.

The LTI value included in the compensation tables below represents the full fair value of the on-target achievement at the time of grant i.e. for 2020 it includes 100% of the fair value of the 2020 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 2020 fair value (ie the LTI value recorded in the compensation tables below) to be realized at 100% for the employee, the following conditions need to be satisfied:

- Non-IFRS Product revenues of at least 15% 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 7.2% compared to the grant stock price of USD 168.81, i.e. the 7.2% increase at 100% vesting will deliver a gain equivalent to the LTI value in the tables below.

D.1. Board of Directors

The total compensation for the Board of Directors including social security charges totals USD 6.6 million compared to a total maximum compensation of USD 7.8 million approved by the shareholders at the Annual General Meeting on 15 May 2019.

The total Executive Chairman's 2020 compensation of USD 5.7 million, includes USD 5.1m for LTI's at fair value at time of grant, based on a share price at grant of USD 168.81. To earn this value, the performance criteria must be met, and share price must grow to USD 208 by 15 February 2023.

All numbers in USD Name Board Function	Year	Fixed fee/ salary	Variable short term incentive	All other compensation[1]	Total compensation before LTI	LTI value	Total compensation	Employer social security charges[2]	Total compensation including social security charges	Maximum shareholder approval
A. Andreades[3] Executive Chairman	2020 2019	443,494 629,174	– 497,048	153,880 142,482	**597,374** **1,268,704**	5,146,790 4,679,136	**5,744,164** **5,947,840**	6,516 9,179	**5,750,680** **5,957,019**	
S. Giacoletto-Roggio[4] Vice Chairman to 20 May 2020	2020 2019	56,250 145,000	– –	– –	**56,250** **145,000**	– –	**56,250** **145,000**	4,140 9,828	**60,390** **154,828**	
G. Koukis Member	2020 2019	40,500 105,000	– –	– –	**40,500** **105,000**	– –	**40,500** **105,000**	3,249 7,782	**43,749** **112,782**	
T. de Tersant[5] Member all year, Vice Chairman from 20 May 2020	2020 2019	150,000 145,000	– –	– –	**150,000** **145,000**	– –	**150,000** **145,000**	13,370 12,719	**163,370** **157,719**	
I. Cookson Member	2020 2019	108,000 105,000	– –	– –	**108,000** **105,000**	– –	**108,000** **105,000**	7,039 6,761	**115,039** **111,761**	
E. Hansen Member	2020 2019	114,516 114,179	– –	– –	**114,516** **114,179**	– –	**114,516** **114,179**	– –	**114,516** **114,179**	
A. Yip Member	2020 2019	40,500 105,000	– –	– –	**40,500** **105,000**	– –	**40,500** **105,000**	2,816 6,761	**43,316** **111,761**	
P. Spenser Member	2020 2019	108,000 105,000	– –	– –	**108,000** **105,000**	– –	**108,000** **105,000**	– –	**108,000** **105,000**	
H. Akbari[6] Member	2020 2019	93,750 –	– –	– –	**93,750** **–**	– –	**93,750** **–**	– –	**93,750** **–**	
M. Carli Member	2020 2019	67,500 –	– –	– –	**67,500** **–**	– –	**67,500** **–**	5,761 –	**73,261** **–**	
Total Board of Directors	2020 2019	1,222,510 1,453,353	– 497,048	153,880 142,482	**1,376,390** **2,092,883**	5,146,790 4,679,136	**6,523,180** **6,772,019**	42,891 53,030	**6,566,071** **6,825,049**	7,800,000 7,500,000

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 LTIs (based on the fair value) granted in the year of compensation.
3 Mr. Andreades' total compensation includes fees of USD 72,000 for his Board duties (following the voluntary reduction in salary), 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 2020 executive team SAR award. The variable short term incentive did not pay out for the financial year 2020. The LTI for Mr. Andreades consists of 131,800 SARs which were granted on 13 February 2020 at a grant price of USD 168.81 and a fair value of USD 39.05 per grant.
4 Mr. Giacoletto-Roggio's fees comprise a basic fee of USD 108,000 (USD 105,000 for 2019) annually plus USD 42,000 (USD 40,000 for 2019) annually for his duties as Chairman of the Compensation Committee. For 2020 he was eligible to 37.5% of these fees. He did 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 108,000 (USD 105,000 for 2019) annually plus USD 42,000 (USD 40,000 for 2019) annually for his duties as Chairman of the Audit Committee. He does not receive additional fees for his duties as Vice-Chairman of the Company.
6 Dr. Homaira Akbari fees comprise a basic fee of USD 108,000 annually plus USD 42,000 annually for her duties as Chairperson of the Compensation Committee. For 2020 she was eligible to 62.5% of these fees.

D.2. Executive Committee

The total compensation for the Executive Committee including social security charges totals USD 22.8 million. Shareholders approved USD 27.2 million at the AGM on 15 May 2019.

The total of all compensation, in US dollars, earned in 2020 and 2019 by the members of the Executive Committee is shown below. The total compensation of USD 21.1 million, includes USD 18.1 million for LTI's at fair value at time of grant, based on a share price at grant of USD 168.81. To earn this value, the performance criteria must be met, and share price must grow to USD 208 by 15 February 2023.

The decrease in base salary is due to the solidarity reduction that the Executives voluntarily participated in. However, the reason that the decrease from 2019 to 2020 is only 11% is because there are two additional members versus 2019: Colin Jarrett and Monica Rancati. This is the reason also for the increase in LTIP value.

All numbers in USD Year	Base salary	Variable short term incentive[1]	All other compensation[2]	Total compensation before LTI	LTI Value[3]	Total compensation	Employer social security charges[4]	Total compensation including social security charges	Maximum shareholder approval
2020[5]	2,629,686	–	332,449	**2,962,135**	18,129,477	**21,091,612**	1,701,637	**22,793,249**	27,200,000
2019[5]	2,948,901	2,348,699	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 members

1 The variable short term incentive was not met and will not pay out in February 2021 as planned.
2 All other compensation includes life, medical, disability, accident insurances, pension and car allowance.
3 The LTI for the Executive Committee consists of 455,450 SARs which were granted on 13 February 2020 at a grant price of USD 168.81 and a fair value of USD 39.05 and 8,693 on 14 September 2020 at a grant price of USD 158.36 and a fair value of USD 39.59.
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.

D.3 Highest paid member of the Executive Committee

Mr. Chuard, our CEO, was the highest paid member of the Executive Committee in 2020 with compensation, in US dollars, as shown below. 88% of his total compensation in 2020 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 LTI	LTI Value[2]	Total compensation	Employer social security charges	Total compensation including social security charges
2020	560,844	–	53,337	**614,181**	6,242,142	**6,856,323**	590,764	**7,447,087**
2019[3]	747,592	627,465	79,602	**1,454,660**	5,674,549	**7,129,209**	586,428	**7,715,637**

1 The variable short term incentive was not met and will not pay out in February 2021 as planned.
2 The LTI for the CEO consists of 159,850 SARs which were granted on 13 February 2020 at a grant price of USD 168.81 and a fair value of USD 39.05.
3 Mr. Chuard's base salary for 2019 is for two months as CFO/COO and ten months as CEO.

Compensation Report continued

D. Compensation for financial year under review – audited continued

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 2020 was 0.9391 (2019: 0.9946).

Function CHF	Year	Fixed fee/ salary	Variable short term incentive	All other compensation	Total compensation before LTI	LTI value	Total compensation	Employer social security charges	Total compensation including social security charges
Board of Directors	2020	1,148,012	–	144,503	**1,292,515**	4,833,152	**6,125,667**	40,277	**6,165,944**
	2019	1,445,559	494,382	141,718	**2,081,659**	4, 654,043	**6,735,702**	52,745	**6,788,447**

Function CHF	Year	Base salary	Variable short term incentive	All other compensation	Total compensation before LTI	LTI value	Total compensation	Employer social security charges	Total compensation including social security charges
Executive Committee	2020	2,469,436	–	312,190	**2,781,626**	17,024,693	**19,806,319**	1,597,942	**21,404,261**
	2019	2,933,087	2,336,104	351,852	**5,621,043**	16,667,567	**22,288,610**	2,214,938	**24,503,548**

Function CHF	Year	Base salary	Variable short term incentive	All other compensation	Total compensation before LTI	LTI value	Total compensation	Employer social security charges	Total compensation including social security charges
CEO	2020	526,666	–	50,087	**576,753**	5,861,755	**6,438,508**	554,763	**6,993,271**
	2019	743,584	624,100	79,175	**1,446,859**	5,644,118	**7,090,977**	583,283	**7,674,260**

D.5. Loans granted to members of governing bodies

As of 31 December 2020 and 31 December 2019 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 CPTO 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 2021

At the Annual General Meeting in 2020, 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 28.4 million.

E.1. Changes that affect 2021 Board compensation

The Board consists of the following members as at February 2021:

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

The fees for the Board members are the same as 2020, that is USD 108,000 for Board fees and USD 42,000 for the Chairpersons of the Audit and Compensation committees.

E.2. Changes that affect 2021 fixed compensation

The Executive Committee has been extended by five additional roles in January 2021. The new Executive Committee, effective from 13 January 2021, is as follows:

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

E.3. 2021 Variable Short Term Incentive for Executives

For 2021, the performance metrics will remain the same as in 2020, but the weighting is amended following the SaaS acceleration seen in 2020. The weighting will be as follows:

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

The targets are considered commercially sensitive and are not disclosed in advance.

E.4. 2021 Long Term Incentive Plan Awards for Executives

The LTI award for 2021 was issued in February 2021. In order to reflect the SaaS acceleration we have reviewed our KPI's to identify those which best reflect our strategy and growth as we transition. The Compensation Committee commissioned HCM International, compensation consultant, to provide independent advice and support with regard to the review and selection of LTI KPI's.

In addition, we had extensive discussions with shareholders on the proposed KPI's and although there are many different opinions, we have taken on board the feedback where possible and concluded on the following KPI's:

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

These KPI's have been received very positively by analysts and investors, especially as evidenced in the Capital Markets Day held in February 2021 when these KPI's were first introduced.

Compensation Report continued

E. The year ahead: compensation of the Board of Directors and Executive Committee for 2021 continued

E.4. 2021 Long Term Incentive Plan Awards for Executives continued

Total Bookings
Total Bookings will include: fair value of licence and committed maintenance, and SaaS committed contract value. All must be contractually committed and evidenced by duly signed agreements. Discounts are tightly controlled and a strict internal approval process is in place to ensure these are managed. The Total Bookings number will be reported quarterly in our external reporting.

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

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

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

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

i. The sum of the result of each of the individual years, where one third of the three year plan is based on achievement of annual results for each year of the three year plan. There is no overachievement element on the awards linked to annual targets and achievement is binary either 0 or 100%.
ii. Cumulative target achievement being greater than 85% of the sum of the annual targets. On the cumulative target the over or underachievement vests as per the chart below.

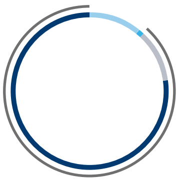
Achievement as % of Cumulative target	85%	92.5%	100%	110%	120%	137.5%
Proportion vesting	0%	50%	100%	120%	140%	175%

The 2021 LTI plan, the target CAGR growth for Total Bookings is set at 16 %, for non-IFRS EPS is set at 11 % and for Free Cash Flow is set at 13%.

E.5. 2021 Compensation Plan components

For 2021, the split of aggregate compensation for the Executives at the on-target level is shown below. The majority of compensation (88%) is at risk and dependent on achieving the targets for STI KPI metrics – the total non-IFRS software licensing, SaaS ACV, non-IFRS EPS , and operating cash flow during the 2021 financial year – and on achieving the 3-year period for 2021 LTI KPI metrics – Total Bookings revenue, non-IFRS EPS and Free Cash Flow targets for the 2021 to 2023 financial years. The only fixed compensation which is guaranteed is the fixed salary and benefits which, in aggregate amount to 12% of the on-target total compensation.

2021 Executives



Fixed fee/salary	11%
Other compensation	1%
On target Variable short term incentives	11%
On target Long term incentive	77%
At risk compensation	88%

The Variable STI and LTI for 2021 are subject to delivery of the above mentioned targets for the financial years 2021, 2022 and 2023 and are therefore still at risk.

F. Other information
F.1. Shareholdings and equity incentives
Non-Executive Directors

Name	Position as at 31 December 2020	31 December 2020 Shares	31 December 2019 Shares
T. de Tersant	Vice-Chairman	**3,000**	3,000
H. Akbari	Member	**100**[1]	na
M. Carli	Member	**1,000**	na
I. Cookson	Member	**15,500**	15,500
E. Hansen	Member	**2,500**	11,000
P. Spenser	Member	**950**[1]	–
S. Giacoletto-Roggio	na	**na**	9,000
G. Koukis	na	**na**	15,000
A. Yip	na	**na**	–

1 Dr. Akbari and Dr. Spenser held shares in the form of ADR's.

Executive Chairman and Executive Committee members

Name	Position as at 31 December 2020	31 December 2020 Shares	31 December 2019 Shares
A. Andreades	Executive Chairman	**896,752**	607,369
M. Chuard	CEO	**75,000**	75,000
P. Spiliopoulos	CFO	**–**	–
J. Hilsenkopf	COO	**16,301**	13,766
M. Winterburn	CPTO	**3,975**	3,975
A. Guenoun	President of the Americas and Global Head of Partners	**1,368**	–
C. Jarrett	CCDO	**800**	na
M. Rancati	CHRO	**–**	na
A. Loustau	CTO until 13 February 2020	**na**	8,298
T. Hogan	President Americas until 13 February 2020	**na**	–

Compensation Report continued

F. Other information continued

F.1. Shareholdings and equity incentives continued

SARs

Name	Position as at 31 December 2020	Grant Year	Plan	Exercise price USD	Number of vested SARs 31 December 2020	Number of unvested SARs 31 December 2020	Number of vested SARs 31 December 2019	Number of unvested SARs 31 December 2019
A. Andreades	Executive Chairman	2016	2016 scheme[1]	43.69	–	–	393,707	–
			2016 scheme[1]	49.12	–	–	55,725	–
		2017	2017 scheme[2]	70.87	–	–	–	349,469
		2018	2018 scheme[3]	127.00	–	155,450	–	155,450
		2019	2019 scheme	136.94	–	138,600	–	138,600
		2020	2020 scheme	168.81	–	131,800	–	–
M. Chuard	CEO	2016	2016 scheme[1]	43.69	–	–	312,543	–
			2016 scheme[1]	49.12	–	–	42,399	–
		2017	2017 scheme[2]	70.87	304,454	–	–	304,454
		2018	2018 scheme[3]	127.00	–	135,430	–	135,430
		2019	2019 scheme	136.94	–	168,085	–	168,085
		2020	2020 scheme	168.81	–	159,850	–	–
P. Spiliopoulos	CFO	2019	2019 scheme	147.43	–	70,000	–	70,000
		2020	2020 scheme	168.81	–	72,000	–	–
J. Hilsenkopf[4,5]	COO	2018	2018 scheme[3]	127.00	–	92,000	–	92,000
		2019	2019 scheme	136.94	–	98,400	–	98,400
		2020	2020 scheme	168.81	–	93,600	–	–
M. Winterburn	CPTO	2016	2016 scheme[1]	43.69	–	–	23,741	–
		2017	2017 scheme[2]	70.87	20,000	–	–	53,875
		2018	2018 scheme[3]	127.00	–	37,000	–	37,000
		2019	2019 scheme	136.94	–	41,000	–	41,000
		2020	2020 scheme	168.81	–	55,000	–	–
A. Guenoun[4]	President of the Americas and Global Head of Partners	2019	2019 scheme	136.94	–	37,000	–	37,000
		2020	2020 scheme	168.81	–	50,000	–	–
C. Jarrett[4]	Chief Cloud and Delivery Officer	2020	2020 scheme	168.81		25,000	na	na
M. Rancati	CHRO	2020	2020 scheme	158.36	–	8,693	na	na
A. Loustau	CTO until 13 February 2020	2016	2016 scheme[1]	43.69	na	na	54,513	–
		2017	2017 scheme[2]	70.87			–	35,198
		2018	2018 scheme[3]	127.00			–	27,000
		2019	2019 scheme	136.94			–	37,000
T. Hogan	President Americas until 13 February 2020	2019	2019 scheme	144.77	na	na	–	50,000

1 The SARs granted under the 2016 scheme vested on 13 February 2019. The numbers above include the overachievement of 121%.
2 The SARs granted under the 2017 scheme vested on 13 February 2020. The numbers above include the overachievement of 120%.
3 The SARs granted under the 2018 scheme vested on 17 February 2021. The final vesting was at 87%. The numbers above will be reduced by 13% in 2021.
4 The SARs shown above for Mr. Hilsenkopf, Mrs. Guenoun and Dr. Jarrett only include outstanding SARs granted since appointment to the Executive Committee.
5 Mr. Hilsenkopf resigned from the Executive Committee on 13 January 2021. He is eligible for the SARs from the 2019 scheme on a pro rata basis based on performance achievement and the SARs from the 2020 scheme are forfeited.

No options and/or shares were held on 31 December 2020 and 2019 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 2020. This includes the SARs outstanding for the Executive Chairman and Executive Committee members shown in the tables on page 140 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	1,896	1,896		
2010	2010	22.16	1,521	1,521		
2010	2010	23.04	1,082	1,082		
2011	2011	12.93	24,125	24,125		
2011	2012	13.06	444	444		
2011	2012	13.94	2,213	2,213		
2012	2012	13.33	1,529	1,529		
2012	2012	14.64	3,909	3,909		
2012	2012	10.88	4,600	4,600		
2012	2013	11.93	80,700	80,700		
2013	2013	15.83	15,210	15,210		
2013	2013	18.01	52,030	52,030		
2013	2013	18.89	5,070	5,070		
2014	2014	35.33	9,000	9,000		
2014	2015	35.15	40,680	40,680		
2014	2015	35.45	41,438	41,438		
2015	2015	32.83	1,805	1,805		
2015	2015	35.29	77,962	77,962		
2016	2016	57.07	5,080	5,080		
2016	2016	43.69	117,337	117,337		
2016	2016	57.07	122,111	122,111		
2016	2016	65.92	3,634	3,634		
2017	2017	70.87	577,602	577,602		
2017	2017	80.86	2,394	2,394		
2017	2017	101.86	1,197	1,197		
2018[2]	2018	161.33	3,000		3,000	
2018[2]	2018	127.68	2,500		2,500	
2018[2]	2018	138.63	1,000		1,000	
2018[2]	2018	127	761,881		761,881	
2018[2]	2018	164	5,000		5,000	
2018	2019	113.64	24,000		24,000	
2019	2019	146.46	1,000		1,000	
2019	2019	164.57	2,000		2,000	
2019	2019	160.9	7,500		7,500	
2019	2019	151.75	2,000		2,000	

1 The weighted average exercise price is USD 118.25.
2 The SARs from the 2018 plan vested on 17 February 2021 at 87% achievement, the numbers will be reduced by 13% in 2021.

Compensation Report continued

F. Other information continued

F.1. Shareholdings and equity incentives continued

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
2019	2019	149.37	4,000		4,000	
2019	2019	147.43	70,000		70,000	
2019	2019	144.09	11,800		11,800	
2019	2019	136.94	25,000		25,000	
2019	2019	136.94	863,819		863,819	
2019	2020	144.77	86,344		86,344	
2020	2020	158.21	3,000		3,000	
2020	2020	153.57	1,000		1,000	
2020	2020	115.91	14,000		14,000	
2020	2020	143.97	5,000		5,000	
2020	2020	115.91	30,000		30,000	
2020	2020	129.36	15,000		15,000	
2020	2020	134.04	15,000		15,000	
2020	2020	142.68	1,000		1,000	
2020	2020	150.31	6,000		6,000	
2020	2020	156.54	8,500		8,500	
2020	2020	158.36	8,693		8,693	
2020	2020	160.35	1,500		1,500	
2020	2020	168.81	926,750		926,750	
2020	2020	135	72,000		72,000	
2020	2020	124.5	30,490		30,490	
2019	Profit shares 19		2,421			2,421
2020	Profit shares 19		31,565			31,565
2020	Profit shares 20		4,265			4,265
Total			4,242,694	1,195,666	3,008,777	38,251

1 The weighted average exercise price is USD 118.25.

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 134 to 136 of the accompanying compensation report of Temenos AG for the year ended 31 December 2020.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report of Temenos AG for the year ended 31 December 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Yazen Jamjum
Audit expert
Auditor in charge

Hamza Benhlal

Geneva, 15 March 2021

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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 profit or loss for the year ended 31 December 2020 and the consolidated statement of other comprehensive income, consolidated statement of financial position as at 31 December 2020, consolidated statement of cash flow and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 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.

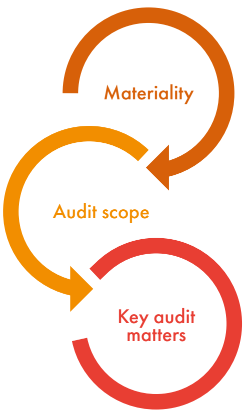
Basis for opinion

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 International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: USD 10,000,000

The group audit team performed the audit over selected financial statement line items such as revenue, trade receivables, contract assets and contract liabilities, cash balances, 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 thirteen additional entities located in five different countries.

Our audit scope addressed all of the Group's revenue, approximately 99% of the Group's total assets and approximately 89% of the Group's total expenses.

As key audit matters the following areas of focus have been identified:

- Software licensing revenue recognition
- Recoverability of trade receivables and contract assets

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 Group materiality	USD 10,000,000
How we determined it	5% of profit before tax, rounded
Rationale for the materiality bench-mark 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 above USD 500,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The group audit team performed the audit over selected financial statement line items such as revenue, trade receivables, contract assets and contract liabilities, cash balances, 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 thirteen additional entities located in five 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 2020, revenue from software licensing was USD 259.5 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 recognized 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' 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' revenue recognition policy and IFRS 15. We also performed cut-off testing procedures to ensure that revenue is recognized in the correct reporting period by reference to the contract and evidence of delivery. In addition, we looked for evidence to validate the authenticity of a sample of customer contracts. We presented the results of our testing to the Audit Committee and highlighted deals involving significant 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.

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Report of the statutory auditor on the consolidated financial statements continued

Recoverability of trade receivables and contract assets

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2020, trade receivables and contract assets amounted to USD 214.2 million and USD 62.5 million, respectively. We focused on this risk as the balances are material and there are many significant judgments involved in assessing recoverability of trade receivables and contract assets in the software industry. This is especially the case as some of these balances could be significant or overdue. There are many factors that need to be considered when concluding that a balance needs to be impaired including default or delinquency in payments, length of the outstanding balances and implementation difficulties that could result in future concessions. In addition, some of the customers might also be undergoing restructuring, a change in strategy or management, or facing liquidity issues that undermine their intent or ability to pay the amounts due. Given the complexity, the size and the length of certain implementation projects, there is risk that an impairment charge or a revenue reversal is not recognized 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 trade receivables and contract assets balances (significant and randomly selected). When deemed necessary, we also discussed certain potential exposures with the internal legal counsel and agreed it to available confirmations from external lawyers. We evaluated management's assessment of whether the resulting impact of the recoverability of the receivable is a result of a credit default and therefore bad debt expense or alternatively a concession, in the form of variable consideration, that reduces revenue under IFRS 15. We confirmed selected material customer balances to verify their intention to settle the outstanding balances in the future. We also reviewed the aging of trade receivables and obtained external market evidence confirming the lack of significant doubt about the financial stability for selected customers. We presented the results of our procedures to the Audit Committee. The level of the provision made against trade receivables and contract assets was deemed appropriate and corresponds to the risks identified.

Other information 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.

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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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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	**Tatiana Baccon**
Audit expert	**Audit expert**
Auditor in charge	

Geneva, 24 February 2021

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Consolidated statement of profit or loss for the year ended 31 December

	2020 USD 000	2019 USD 000
Revenues		
Software licensing	259,481	378,408
SaaS & subscription	83,586	57,933
Total software licensing	343,067	436,341
Maintenance	381,237	357,679
Services	163,054	177,950
Total revenues (note 7)	887,358	971,970
Operating expenses		
Cost of sales	(299,245)	(264,480)
Sales and marketing	(135,896)	(177,449)
General and administrative	(70,035)	(99,752)
Other operating expenses	(148,582)	(194,869)
Total operating expenses (note 9)	(653,758)	(736,550)
Operating profit	233,600	235,420
Finance income	10,977	11,143
Finance costs	(40,347)	(34,010)
Finance costs – net (note 11)	(29,370)	(22,867)
Profit before taxation	204,230	212,553
Taxation (note 21)	(29,210)	(31,432)
Profit for the year	175,020	181,121
Attributable to:		
Equity holders of the Company	175,020	181,121
Non-controlling interest	–	–
	175,020	181,121
Earnings per share (in USD) (note 12):		
Basic	2.43	2.57
Diluted	2.39	2.46

Notes on pages 153 to 205 are an integral part of these consolidated financial statements.

Consolidated statement of other comprehensive income for the year ended 31 December

	2020 USD 000	2019 USD 000
Profit for the year	175,020	181,121
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Changes in the fair value and loss on sale of equity investments at fair value through other comprehensive income (note 3.4)	(2,027)	1,079
Remeasurements of post employment defined benefit obligations (note 23)	(1,442)	1,195
	(3,469)	2,274
Items that may be subsequently reclassified to profit or loss		
Cash flow hedge reserve (note 26)	(1,207)	3,994
Cost of hedging reserve (note 26)	(95)	9
Currency translation differences (note 26)	(35,892)	(24,104)
	(37,194)	(20,101)
Other comprehensive income for the year	(40,663)	(17,827)
Total comprehensive income for the year	134,357	163,294
Attributable to:		
Equity holders of the Company	134,357	163,294
Non-controlling interest	–	–
	134,357	163,294

Notes on pages 153 to 205 are an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 31 December

	2020 USD 000	Re-presented 2019 USD 000
Assets		
Current assets		
Cash and cash equivalents (note 13)	**110,195**	152,785
Trade and other receivables (note 14)	**326,980**	395,418
Other financial assets (note 15)	**9,123**	4,431
Total current assets	**446,298**	552,634
Non-current assets		
Property, plant and equipment (note 16)	**62,930**	67,283
Intangible assets (note 17)	**1,667,704**	1,657,893
Trade and other receivables (note 14)	**10,005**	12,338
Other financial assets (note 15)	**281**	22,361
Deferred tax assets (note 21)	**28,473**	19,155
Total non-current assets	**1,769,393**	1,779,030
Total assets	**2,215,691**	2,331,664
Liabilities and equity		
Current liabilities		
Trade and other payables (note 18)	**134,808**	217,875
Other financial liabilities (note 15)	**10,319**	2,518
Deferred revenue (note 8)	**356,787**	287,425
Income tax liabilities	**75,780**	66,858
Borrowings (note 19)	**21,518**	100,595
Provisions for other liabilities and charges (note 22)	**4,799**	8,193
Total current liabilities	**604,011**	683,464
Non-current liabilities		
Trade and other payables (note 18)	**775**	2,272
Other financial liabilities (note 15)	**11,124**	11,976
Borrowings (note 19)	**956,338**	1,073,972
Provisions for other liabilities and charges (note 22)	**714**	699
Deferred tax liabilities (note 21)	**107,231**	103,665
Retirement benefit obligations (note 23)	**12,093**	10,536
Total non-current liabilities	**1,088,275**	1,203,120
Total liabilities	**1,692,286**	1,886,584
Share capital	**249,535**	241,858
Treasury shares	**(264,608)**	(264,608)
Share premium and other reserves (note 25)	**(259,823)**	(258,384)
Other equity (note 26)	**(179,851)**	(143,742)
Retained earnings	**978,152**	869,956
	523,405	445,080
Non-controlling interest	**–**	–
Total equity	**523,405**	445,080
Total liabilities and equity	**2,215,691**	2,331,664

Notes on pages 153 to 205 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December

	2020 USD 000	2019 USD 000
Cash flows from operating activities		
Profit before taxation	204,230	212,553
Adjustments:		
Property plant and equipment depreciation, intangible asset amortization and impairment of financial assets	151,911	131,850
Loss on retirement/disposal of property, plant and equipment	101	279
Cost of share options (note 27)	6,325	39,463
Foreign exchange gain on non-operating activities	(11,241)	(10,179)
Interest expenses, net (note 11)	25,192	20,341
Net loss on derivatives not designated as hedging instruments (note 11)	8,924	6,700
Other finance costs (note 11)	4,929	4,872
Other non-cash items (note 6 and 22)	(17,587)	866
Changes in:		
Trade and other receivables	47,516	(57,479)
Trade and other payables, provisions and retirement benefit obligations	(72,101)	9,269
Deferred revenues	57,996	5,716
Cash generated from operations	406,195	364,251
Income taxes paid	(23,236)	(17,197)
Net cash generated from operating activities	382,959	347,054
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,934)	(9,989)
Disposal of property, plant and equipment	67	358
Purchase of intangible assets	(2,829)	(3,992)
Capitalized development costs (note 17)	(76,315)	(64,649)
Acquisitions of subsidiary, net of cash acquired (note 6)	2,848	(573,089)
Escrow deposit for contingent consideration on acquisition (note 6)	21,000	(21,000)
Disposal of investment in equity securities (note 15)	14,052	–
Disposal/(acquisition) of long term loan instruments (note 15)	6,000	(6,000)
Settlement of financial instruments	(6,627)	(4,173)
Interest received	996	1,234
Net cash used in investing activities	(47,742)	(681,300)
Cash flows from financing activities		
Dividend paid (note 28)	(63,355)	(52,361)
Proceeds from borrowings	153,407	607,641
Repayments of borrowings	(424,243)	(431,030)
Proceeds from issuance of bond	–	219,043
Repayment of bond	–	(100,652)
Payment of lease liabilities	(19,446)	(16,289)
Interest payments	(23,487)	(21,714)
Payment of other financing costs	(4,162)	(5,835)
Net cash (used in)/generated from financing activities	(381,286)	198,803
Effect of exchange rate changes	3,479	789
Net decrease in cash and cash equivalents in the year	(42,590)	(134,654)
Cash and cash equivalents at the beginning of the year	152,785	287,439
Cash and cash equivalents at the end of the year	110,195	152,785

Notes on pages 153 to 205 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital USD 000	Treasury shares USD 000	Share premium and other reserves (note 25) USD 000	Other equity (note 26) USD 000	Retained earnings USD 000	Total USD 000
Balance at 1 January 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
Profit for the year	–	–	–	–	175,020	175,020
Other comprehensive income for the year, net of tax	–	–	–	(37,194)	(3,469)	(40,663)
Total comprehensive income	–	–	–	(37,194)	171,551	134,357
Dividend paid (note 28)	–	–	–	–	(63,355)	(63,355)
Hedging loss transferred to deferred revenues	–	–	–	1,085	–	1,085
Cost of share options (note 27)	–	–	6,325	–	–	6,325
Exercise of share-based payment transactions (note 25)	7,677	–	(7,677)	–	–	–
Costs associated with equity transactions	–	–	(87)	–	–	(87)
	7,677	–	(1,439)	(36,109)	108,196	78,325
Balance at 31 December 2020	**249,535**	**(264,608)**	**(259,823)**	**(179,851)**	**978,152**	**523,405**

Notes on pages 153 to 205 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements 31 December 2020

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 17 February 2021.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The consolidated financial statements have been prepared under the historical cost convention, except where IFRS explicitly requires use of other measurement principles.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Standards, amendments and interpretations relevant to the Group's operation and adopted by the Group as at 1 January 2020

IAS 1 Presentation of Financial Statements (amendments), effective for annual reporting periods beginning on or after 1 January 2023. The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The Group has exercised the option of early adoption and applied the amendment for financial reporting for the period commencing 1 January 2020.

IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' (amendments), effective for annual periods beginning on or after 1 January 2020. The amendments clarify the definition of material and its application by aligning the wording of definition of material across all IFRS standards. These amendments would assist the Group to make material judgments going forward.

IFRS 3 'Business combinations' (amendments), effective for annual periods beginning on or after 1 January 2020. The amendments clarify 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.

IFRS 9 'Financial instruments', IAS 39 'Financial instruments Recognition and measurement' and IFRS 7 'Financial instruments: Disclosures' (amendments), effective for annual periods beginning on or after 1 January 2020. The amendments provide guidance to assist in a smoother transition away from Interbank Offered Rate (IBOR). The amendments are split in to a two phase process and phase one 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 amendments apply to all hedge relationships 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 have no material effect on the Group's financial statements.

IFRS 16 'Leases' (amendments), effective for annual periods beginning on or after 1 June 2020 with early adoption permitted. In May 2020, the IASB issued Covid-19-Related Rent Concessions (amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a Covid-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The Group has exercised the option of early adoption and applied the amendment for financial reporting for the period commencing 1 January 2020. The Group has applied the practical expedient retrospectively to all rent concessions that meet the conditions of the amendment.

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 2021. Unless otherwise indicated, these publications are not expected to have any significant impact on the Group's financial statements:

IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments), effective for annual reporting periods beginning on or after 1 January 2022. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

Notes to the consolidated financial statements 31 December 2020 continued

2. Accounting policies continued

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 the profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

The financial statements of the Group's subsidiaries (none of which has the currency of a hyperinflationary economy) with a different functional currency than the presentation currency are translated as follows:

- Assets and liabilities are translated at the closing rate at the date 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 include cash on hand, bank current accounts, time deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to negligible risks of change in value.

As the Group's objective and business model are to hold this asset to collect the contractual cash flows, cash and cash equivalents are carried at amortized cost.

Cash and cash equivalents are subject to impairment requirements under IFRS 9 and the Group applies the general approach, three stage model for impairment.

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 represent 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 the lifetime expected credit loss allowance for all trade receivables including trade receivables with significant financing components and contract assets. The Group exercises judgment in determining the expected credit loss allowance. In this judgment, the Group identifies the default rate by analyzing historical experience with credit losses, considering it to represent a reasonable approximation for future expected defaults, and applies to current receivables. The Group also takes into consideration forward looking factors, including changes in the overall economic environment or changes in regulation, and if material, reflects these in the expected credit loss allowance.

A credit impairment is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization.

The carrying amount of the asset is either reduced through the use of an allowance account or directly written off when there is no expectation of future recovery. The expense from the expected credit loss allowance as well as from credit impaired debtors is recognized in the profit or loss within 'Sales and marketing'. Subsequent recoveries are credited in the same account previously used to recognize the impairment charge.

Non-current trade receivables represent balances 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 cost. Interest income, foreign exchange gain or loss and impairment are recognized in the profit or loss within 'Finance costs-net'.

When the impact of applying the effective interest method is not significant, the gross carrying amount equals the contractual amount or the fair value at initial recognition.

Balances to be collected after 12 months after the reporting period are presented as non-current.

The Group applies the same impairment policy that is used to measure the expected credit loss for its trade receivables.

Other assets (non-financial assets) primarily represent prepayments, 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 technology 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).

Notes to the consolidated financial statements 31 December 2020 continued

2. Accounting policies continued

2.6 Property, plant and equipment continued

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 costs are charged to profit or loss as incurred.

Gains or losses on disposals are determined by comparing the consideration received or receivable with the carrying amount and are recognized within 'General and administrative' in the profit or loss unless otherwise specified.

2.7 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested annually for impairment. The carrying amount is allocated to the cash-generating unit (CGU) that is expected to benefit from the synergies of the business combination. The CGU to which the goodwill is allocated to represents the lowest level at which the goodwill is monitored for internal management purposes. The carrying value of the CGU is then compared to the higher of its fair value less costs of disposal and its value in use. Any impairment attributed to goodwill is recognized immediately as an expense and is not subsequently reversed.

Computer software

Software licenses separately acquired are capitalized when the Group can demonstrate that:

- It controls the asset;
- It is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- The cost of the asset can be reliably measured.

The cost of the asset comprises its purchase price (including non-refundable purchase taxes) and any directly attributable costs of preparing the asset for its intended use. The cost of the asset is amortized using the straight-line method over its estimated useful life.

Software technologies acquired through business combinations are initially measured at fair value and then amortized using the straight-line method over their estimated useful lives. Currently reported technologies acquired through business combination have useful lives between five and eight years.

Customer related intangible asset

Customer-related intangible assets are assets acquired through business combinations. They are initially measured at fair value and then amortized using the straight-line method over their estimated useful lives. The assessment of useful life is set out at the time of acquisition, specific for each acquisition. Currently reported customer related intangible assets have useful lives between five and 16 years.

Internally generated software development

The Group follows a strategy of investing a substantial part of its revenue 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 employee costs and an appropriate portion of relevant overheads. Directly attributable development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Development expenditures that are not directly attributable are recognized as an expense when incurred.

Internally generated software development costs are amortized using the straight-line method after the product is available for distribution. Development costs related to architecture developments are amortized over a five year period and development costs related to functional developments are amortized over a three year period.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Taxation

The tax expense for the period comprises current and deferred tax. Current income tax and deferred income tax is recognized under IAS 12 'Income Tax' and IFRIC 23 'Uncertainty over income tax treatments'.

Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken 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 an onerous contract (including leases) is recognized when the expected benefits to be derived from the contract 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, and they are subsequently measured at amortized cost. Effective interest costs are recognized within 'Finance costs' in the profit or loss over the period of the relevant instrument.

Fees directly attributable to the establishment of a financing facility are recognized as a prepayment for liquidity services and they are subsequently amortized within 'Finance costs' over the life of the instrument.

Interest accrued on the drawn portion of banking facilities are reported as other payables within trade and other payables.

Roll-over of loans drawn under the same agreement are reported net in the statement of cash flows.

Borrowings are classified as non-current liabilities unless the Group does not have the right at the end of the period to defer the settlement for at least 12 months after the reporting period.

Notes to the consolidated financial statements 31 December 2020 continued

2. Accounting policies continued

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; and
- the Group has the right to direct the use of the identified asset throughout the period of use or the Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions.

The Group has elected to separate the non-lease component and they are accounted as an expense in the profit or loss.

In a 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 the sub-lease is classified as a finance lease the future discounted cash flow is recognized as a receivable with a corresponding decrease in the right-to-use asset.

Recognition and measurement of a lease

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the balance sheet. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group uses the incremental borrowing rate which consists of the risk free rate of currency of the lease plus the premium arising from the Group's credit risk. Lease payments included in the measurement comprise of fixed payments, variable lease payments that depend on an index or a rate and amounts to be paid under a residual value guarantee (if any).

The right-of-use asset is initially measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to 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-cancellable period of the lease and includes the period covered by an option to extend or option to terminate. An option to extend or terminate the lease is included in 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 an estimated market value of USD 5 thousand when new as low value assets. The payments in relation to these leases are recognized as an expense in profit or loss on a straight-line basis over the lease term and treated as an outflow from operating activities in the statement of cash flows.

Re-measurement of a lease

The lease liability and right of use assets initially recognized are re-measured on occurrence of the 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 cost using the effective interest method. The related interest expense is recognized in profit or loss within 'Finance costs'.

2.15 Employee share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of employee services received in exchange for the grant of the instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the instrument granted:

- Including any market performance conditions;
- 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), 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 future payments is available.

Other post-employment obligations

Some subsidiaries provide other post-retirement benefits to their retirees (e.g. gratuities). The entitlement of these benefits is usually conditional on the employee completing a specific length of service. The expected costs of these benefits are accrued over the period of employment using actuarial assumptions. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Notes to the consolidated financial statements 31 December 2020 continued

2. Accounting policies continued

2.17 Revenue recognition

The Group derives revenue from following four main sources:

Software license

Software license revenue represents 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 possession of the software under a license arrangement without significant penalty. This includes the support and development of the software as well as the hosting infrastructure. The hosting infrastructure in the arrangement may be Temenos own infrastructure or that of a third party hosting infrastructure that Temenos has engaged with. This revenue stream also includes hosting services for Temenos license clients, who choose to have Temenos host their copy of the software.

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 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 and hosting are 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.

Incremental costs of obtaining customer contracts

The assets recognized for 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 fulfil a contract

The cost to fulfil a contract with a customer that are associated with customization developments are deferred on the balance sheet as work in progress until the development performance obligation is met, at which point the cost is recognized in line with the revenue.

Contract balances – assets and receivables

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 represent 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 revenue

Deferred revenue (referred as 'contract liabilities' as per IFRS 15 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).

Notes to the consolidated financial statements 31 December 2020 continued

2. Accounting policies continued

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 the 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 it is to provide effective economic hedge under the Group's risk management strategy, this derivative is not designated as hedging instrument 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.

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 current assets.

Derivative assets used for hedging

Derivatives used for hedging are subsequently measured at fair value with changes accounted according to the provisions for hedge accounting under IFRS 9. They are reported as non-current 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 a non-current asset when the final redemption date is more than 12 months after the reporting period and the Group intends to hold the asset until maturity.

2.21 Other financial liabilities

Other financial liabilities include derivatives held with negative value.

At initial recognition, other financial liabilities are measured at fair value. Any transaction costs are expensed in 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 is to provide effective economic hedges under the Group's risk management strategy, these derivatives are not designated as hedging instruments according to IFRS 9 since all relevant conditions are not met. Therefore, subsequent changes in the fair value are immediately recognized within 'Finance costs – net'. Related cash-flows are reported as cash flows from investing activities.

Derivatives held for trading are reported as current liabilities.

Derivative liabilities used for hedging

Derivatives used for hedging are subsequently measured at fair value with changes accounted according to the provisions for hedge accounting under IFRS 9. They are reported as non-current liabilities when they are expected to be settled more than 12 months after the reporting period.

2.22 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 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.

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.

Notes to the consolidated financial statements 31 December 2020 continued

2. Accounting policies continued

2.24 Offsetting financial instruments

Financial assets and financial liabilities are offset in the statement of financial position when, and only when, the Group:

- Currently has a legally enforceable right to set-off the financial assets and financial liabilities; and
- Intends either to settle on a net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

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

Prior year comparatives have been re-presented to reflect the finalization of the initial accounting of Kony Inc (note 6). Additionally, a prior year income tax recoverable balance of USD 3.9 million has been re-presented to include these within 'Trade and other receivables', rather than 'Income tax liabilities', for comparability purposes with the current year. 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 2019.

3. Financial instruments

3.1 Accounting classifications

The Group holds the following financial instruments to which the accounting policies under IFRS7 'Financial Instruments: Disclosures' applies:

	2020 USD 000	Re-presented 2019 USD 000
Financial assets		
Financial asset measured at fair value through profit or loss (FVTPL)	**5,754**	8,331
Financial asset measured at fair value through other comprehensive income (FVOCI)	**–**	16,079
Derivatives instruments used for hedging	**3,650**	2,382
Financial asset measured at amortized cost	**402,595**	519,005
Total	**411,999**	545,797
Financial liabilities		
Financial liabilities measured at fair value through profit or loss (FVTPL)	**7,652**	1,868
Derivatives instruments used for hedging	**13,734**	12,627
Contingent consideration	**775**	20,930
Financial liabilities measured at amortized cost	**1,101,737**	1,360,764
Total	**1,123,898**	1,396,189

3.2 Financial risk factors

The Group is exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial statements.

Market risk

Market risk management is carried out by a central treasury team under policies and procedures approved by the management. These policies are primarily set out to identify, evaluate and hedge when deemed necessary, the related financial risks. The Group's policies and implementation procedures are regularly updated to reflect changes in market conditions, Group's activities and emergence of new risks. They are also regularly overseen by the Group's internal audit team for compliance as well as detection of control deficiencies.

(i) Foreign exchange risk

The Group operates internationally and, therefore, is exposed to transactional foreign exchange risk in various currencies but 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; and
- 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's strategy is to continuously seek maintaining its 12 to 18 month projection of future transactions in foreign currencies within predetermined coverage parameters with a higher hedging ratio for front-loaded quarters. The strategy is executed in layers and also considers inter-currencies correlation effect. The hedged currencies are those for which the combination of exposure and volatility could have a significant adverse effect in the financial statements and also presenting reasonable cost of hedging. The Group uses forward exchange contracts and options as hedging instruments.

Except for maintenance and SaaS revenues for which the effective portion of the hedge become part of the carrying amount reported in the 'Deferred revenues' line, 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' s strategy is to hedge material currency exposures 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 do not perfectly match the terms of the hedged item. Possible source of ineffectiveness may arise from: an increase in credit risk of the derivative counterparty or a change in the timing of the cash flow realization of the forecast transaction.

Since the critical terms of the hedging instrument 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 to USD presentation currency. As there is no intention to divest any of its subsidiaries, the Group does not hold any derivatives to mitigate this exposure.

The table below illustrates the Group's most sensitive currency exposures:

	Net exposure	
	2020 FCY* 000	2019 FCY* 000
EURO	5,681	(9,161)
UK Pounds	1,924	(5,892)
Swiss Francs	9,805	9,381
India rupee	230,699	(119,925)

* Foreign currency.

A negative value represents a liability exposure.

These exposures represent monetary assets and liabilities, including derivatives held for trading, that are either:

- Denominated in one of the currencies above and measured in an entity with a different functional currency; or
- Denominated in any foreign currency and measured in an entity whose functional currency is one of the above.

and that are not part of an existing cash flow hedge relationship.

Notes to the consolidated financial statements 31 December 2020 continued

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 dollar.

2020	EURO USD 000	UK Pounds USD 000	Swiss Francs USD 000	India rupee USD 000
Sensitivity assumption	+10%	+10%	+10%	+10%
Profit or (loss)	702	251	1,124	321
Other comprehensive income:				
Cash flow hedging related to forecast transaction	(6,119)	1,416	1,195	4,679
Cash flow hedging related to long-dated liability	(1,283)	–	887	–
	(7,402)	1,416	2,082	4,679
Equity	(6,700)	1,667	3,206	5,000
Sensitivity assumption	-10%	-10%	-10%	-10%
Profit or (loss)	(702)	(251)	(1,124)	(321)
Other comprehensive income:				
Cash flow hedging related to forecast transaction	6,119	(1,416)	(1,195)	(4,679)
Cash flow hedging related to long-dated liability	1,283	–	(887)	–
	7,402	(1,416)	(2,082)	(4,679)
Equity	6,700	(1,667)	(3,206)	(5,000)

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)

Given the volatility of these currencies, the current economic environment and the foreign exchange market conditions, the sensitivity assumption represents management's assessment of reasonably possible changes in spot rates.

(ii) Cash flow and fair value interest risk

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 and the Group does not intend to sell them.

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, our 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 2020 and 2019, 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 a default rate to measure expected credit losses for all trade receivables including those with significant financing components and contract assets. The Group identifies its default rate by analyzing its historical and current experience with credit losses, considering it to represent a reasonable approximation for future expected defaults and applicable to its current receivables. The Group also takes into consideration forward looking factors, including changes in the economic environment or changes in regulation and if material reflects these in the expected credit loss allowance.

A credit impairment is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Evidence of impairment includes severe financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization.

At 31 December 2020, the credit risk exposure on the Group's trade receivables and contract assets is as follows:

	2020 USD 000	2019 USD 000
Expected credit loss rate	1.04%	0.75%
Gross carrying amount for trade receivables and contract assets	276,645	325,761
Provision for credit losses	2,875	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.

Notes to the consolidated financial statements 31 December 2020 continued

3. Financial instruments continued

3.2 Financial risk factors continued

Cash and cash equivalents and financial instruments

To the extent possible, the Group mitigates counterparty risk by:

- holding balances with reputable and regulated financial institutions based in high-rated countries; and
- carrying out a policy for counterparty diversification and limitation of cash concentration by counterparty.

Credit risk related to derivative financial instruments is furthermore mitigated by legally enforceable 'ISDA' master agreements or equivalent.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk is managed by holding cash balances, banking facilities and regularly monitoring cash flows.

The Group's policy aims to guarantee a level of liquidity that meets the Group's present and near term financial cash outcome under both normal and stressed conditions. This is monitored on the basis of actual liabilities in the accounting ledger as well as rolling forecasts for future transactions. Excess of cash is primarily used to repay any drawn borrowing facilities (note 18).

The following table details the remaining contractual maturity of the Groups' 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 2020					
Trade and other payables	107,722	15,305	–	–	–
Property provision	–	140	714	–	–
Borrowings					
Lease liabilities	10,150	9,044	23,422	9,575	2,588
Other borrowings	6,977	7,502	212,783	638,589	–
Total non-derivatives financial liabilities	124,849	31,991	236,919	648,164	2,588

	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 (re-presented)	165,617	18,179	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	182,250	114,987	342,251	556,959	239,374

The following table details the Groups' 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	Between 3 and 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000	More than 5 years USD 000
At 31 December 2020						
Cross currency swaps	**–**	**2,241**	**–**	**10,449**	**–**	**–**
Outflow foreign exchange derivatives	**296,976**	**11,678**	**20,698**	**24,864**	**–**	**–**
Inflow foreign exchange derivatives	**(288,986)**	**(11,051)**	**(19,352)**	**(24,711)**	**–**	**–**
Net settled foreign exchange derivatives	**9**	**–**	**–**	**–**	**–**	**–**
Total derivatives	**7,999**	**2,868**	**1,346**	**10,602**	**–**	**–**

	Less than 3 months USD 000	Between 3 and 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000	More than 5 years USD 000
At 31 December 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	–

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.

Notes to the consolidated financial statements 31 December 2020 continued

3. Financial instruments continued

3.4 Fair value measurement

The following table provides the level of the fair value hierarchy within which the carrying amounts of the financial assets and liabilities measured at fair value are categorized.

Year ended 31 December 2020	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial assets at FVTPL				
Foreign currency forwards (note 15)	–	5,754	–	5,754
Derivatives used for hedging				
Foreign currency forwards (note 15)	–	3,168	–	3,168
Foreign currency options (note 15)	–	482	–	482
Total	–	9,404	–	9,404

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial liabilities at FVTPL				
Foreign currency forwards (note 15)	–	7,354	–	7,354
Foreign currency options (note 15)	–	298	–	298
Contingent consideration	–	–	775	775
Derivatives used for hedging				
Foreign currency forwards (note 15)	–	2,761	–	2,761
Foreign currency options (note 15)	–	57	–	57
Cross currency swaps (note 15)	–	10,973	–	10,973
Total	–	21,443	775	22,218

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	–	–	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

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. Future cash flows are determined using forward exchange rates at the balance sheet date.

Foreign currency option:
Black-Scholes model

Cross currency swaps:
Discounted cash flow method: Future cash flows are discounted using the interest zero yield-curve attributable to each currency (including 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: 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.

The Group sold its shares in NuoDB for USD 14.1 million during the year as a result of a third party takeover. The investment had a fair value of USD 15.5 million at the time of sale and the total realized loss was USD 1.5 million which had been included in OCI.

Convertible notes
Fair value represents the lower of the conversion value and future cash flows (principal and interest) discounted at the incremental rate of the notes.

The Group sold its convertible notes during the year for USD 6.4 million (representing the face value plus accrued interest).

Contingent consideration
The Group reversed the portion of contingent consideration related to the acquisition of Kony Inc. Earn out was based on meeting the annual contract value targets over the fiscal year 2020 of the acquiree (ending March 2020) and the targets were not met.

The remaining contingent consideration balance relates to 'Htrunk Software Solutions Private Limited', any variances in forecasted revenue and discount rate are not considered to materially affect the fair value at the reporting date.

Reconciliation from opening to closing balances:

	Equity securities USD 000	Convertible note USD 000	Contingent consideration USD 000
At 1 January 2019	15,000	–	–
Purchases (note 15)	–	6,000	–
Fair value change through OCI	1,079	–	–
Acquisition of business (note 6)	–	–	20,930
At 31 December 2019	16,079	6,000	20,930
Amount reversed within 'Cost of sales'	–	–	(20,515)
Fair value change through OCI	(564)	–	–
Realized loss on sale through OCI	(1,463)	–	–
Interest	–	443	–
Unwinding of discount to 'Finance costs'	–	–	360
Disposals	(14,052)	(6,443)	–
At 31 December 2020	–	–	775

Notes to the consolidated financial statements 31 December 2020 continued

3. Financial instruments continued

3.5 Hedging

At the reporting dates, the Group did not apply any fair value hedges or hedge of a net investment.

At 31 December, the Group held the following derivatives as hedging instruments.

Year ended 31 December 2020

			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)	31,661	17,271	23,228
USD/CHF VWAP	0.944	0.920	–
GBP/USD VWAP	1.278	1.252	1.349
USD/INR VWAP	75.716	78.787	78.571
USD/RON VWAP	4.354	4.496	–
Sale of foreign currency forwards:			
Nominal amount expressed in USD equivalent (in thousands)	(16,788)	(17,329)	(24,712)
EUR/USD VWAP	1.158	1.155	1.236
Foreign currency options:			
Nominal amount expressed in USD equivalent (in thousands)	24,240	15,093	–
USD/CHF strike	0.911-0.988	0.911-0.988	–
GBP/USD strike	1.312	1.3315-1.2690	–
USD/INR strike	72.55-80.10	72.55-80.10	–
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 2019

	Time band		
	1-6 months	6-12 months	More than one year
Foreign currency risk			
Purchase of forward currency forwards:			
Nominal amount expressed in USD equivalent (in thousands)	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 expressed 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.

The effect of hedge accounting on the financial position and performance

The table below shows the effect on the financial statements from the items designated as hedged items and hedging instruments.

Items designated as hedging instrument

	Carrying amount			
Year ended 31 December 2020	Assets USD 000	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	3,168	2,761	Other financial assets and liabilities (note 15)	138
Foreign currency options	482	57	Other financial assets and liabilities (note 15)	511
Cross currency swaps	–	10,973	Other financial assets and liabilities (note 15)	984

Notes to the consolidated financial statements 31 December 2020 continued

3. Financial instruments continued

3.5 Hedging continued

Items designated as a hedge item

Year ended 31 December 2020	Period change in value used to determine hedge ineffectiveness USD 000	Cash flow hedge reserve ()= cumulative loss USD 000	Costs of hedging reserve ()= cumulative loss USD 000
Cash flow hedges			
Foreign exchange risk			
Forecast transactions	649	918	(86)
Borrowings	984	(3,197)	–

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 a hedge item

Year ended 31 December 2019	Period change in value used to determine hedge ineffectiveness USD 000	Cash flow hedge reserve ()= cumulative loss USD 000	Costs of hedging reserve ()= cumulative loss USD 000
Cash flow hedges			
Foreign exchange risk			
Forecast transactions	1,505	1,721	9
Borrowings	7,215	(3,878)	–

Note 26 provides details on changes in fair value and amounts reclassified to profit or loss by risk category.

There was no ineffectiveness recognized during the period (2019: USD nil).

The Group does not have any forecast transactions for which cash flow hedge accounting has been used in previous periods but which is no longer expected to occur.

3.6 Offsetting financial assets and financial liabilities

Derivative transactions entered into by the Group are governed by 'ISDA' mater agreements. Such agreements may permit the Group to use net settlement in respect of either the same transaction or multiple defined transactions in the normal course of business and more importantly provide the right to close-out netting when the agreement is terminated as a result of an event of default or a termination event.

The Group has a set-off agreement with one of its partners. Under the terms of this agreement, all amounts payable are offset against receivables and the net amount are settled between the parties.

Year ended 31 December 2020

	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)	274,508	(738)	273,770	–	273,770
Derivatives financial assets (note 15)	9,404	–	9,404	(4,239)	5,165
Total	283,912	(738)	283,174	(4,239)	278,935
Financial liabilities					
Trade payables (note 18)	19,113	(738)	18,375	–	18,375
Derivatives financial liabilities (note 15)	21,443	–	21,443	4,239	17,204
Total	40,556	(738)	39,818	4,239	35,579

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) (re-presented)	326,369	(4,472)	321,897	–	321,897
Derivatives financial assets (note 15)	4,713	–	4,713	(1,085)	3,628
Total	331,082	(4,472)	326,610	(1,085)	325,525
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

Notes to the consolidated financial statements 31 December 2020 continued

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and based on historical experience and other factors such as uncertainties raised by the Covid-19 situation, including expectations of future events. No write downs have been identified as a result of Covid-19.

The resulting accounting estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and the Group's financial forecast takes into consideration the impact of the Covid-19 crisis (see note 17).

If future sales and size of market opportunities are significantly lower than management's estimates, the carrying value of goodwill may need to be reduced accordingly. However, unless any downturn is particularly severe and pervasive, it is unlikely to have a material impact on the carrying value of goodwill.

At 31 December 2020 the carrying amount of goodwill amounts to USD 1,122.5 million (2019: USD 1,077.4 million (re-presented)).

Purchase price allocation (PPA) and acquired intangible assets

In 2019 the Group recognized acquired intangible assets, applying the acquisition method of accounting, of USD 241.1 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 intangible assets such as intellectual property (IP) and customer relationships, where certain assumptions and estimates were taken into consideration based on information available. The PPA further determined the useful lives of intangible assets acquired. The initial accounting was finalized during 2020; details of the financial effects can be found in note 6.

Following Group's assessment there was a change in the useful life of one of the intangible assets recognized, this did not have a material effect in the current period and is not expected to have a material impact in subsequent periods.

Details of the acquisitions and 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 does not 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 cannot commence. If there is doubt about the total amount of consideration to be paid then this is assessed under the variable consideration guidance. Both of these require judgment to be applied by Temenos.

In addition, management exercises judgment with respect to the determination of the appropriate method to estimate the standalone selling price for the various performance obligations in a contract which eventually impacts the amount of revenue recognized in the consolidated financial statements for each performance obligation.

In respect of service revenue, management exercises judgment in determining the percentage of completion, specifically with regards to total man-days remaining to complete the implementation.

Internally generated software development

As detailed in note 2.7, the Group is required to make an assessment for each ongoing project in order to determine the stage a project meets the criteria outlined in the Group's accounting policies. Such an assessment may, in certain circumstances, require significant judgment. In making this judgment, the Group evaluates, amongst other factors, the stage at which technical feasibility has been achieved, management's intention to complete and use or sell the product, likelihood of success, availability of technical and financial resources to complete the development phase and management's ability to reliably measure the expenditure attributable to the project. Total development expenses for the period was USD 274.9 million (2019: USD 269.7 million) and total capitalized development costs was USD 76.3 million (2019: USD 64.6 million).

5. Group companies

The consolidated financial statements include the accounts of Temenos AG and the following entities as at 31 December 2020:

Company name	Country of incorporation	2020 Ownership interest	2019 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%
Temenos Australia Symmetry 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%	100%
Sky Technologies Consulting Pty Limited	Australia	100%	100%
Sky Technologies Holdings Pty Limited	Australia	100%	100%
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%
Temenos Deutschland GmbH	Germany	100%	100%
Temenos Hellas SA	Greece	100%	100%
Temenos Finance Hong Kong Limited	Hong Kong	100%	100%
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	0%	100%
Kony India Private Limited	India	100%	100%
Kony It Services Private Limited	India	100%	100%
Kony Marketing Services Private Limited	India	100%	100%
Kony Services India LLP	India	100%	100%
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%

Notes to the consolidated financial statements 31 December 2020 continued

5. Group companies continued

Company name	Country of incorporation	2020 Ownership interest	2019 Ownership interest
Igefi Group SARL	Luxembourg	100%	100%
Temenos (Malaysia) Sdn Bhd	Malaysia	100%	100%
Temenos Mexico SA De CV	Mexico	100%	100%
Temenos North Africa LLC	Morocco	100%	100%
Temenos (Nl) BV	Netherlands	100%	100%
Temenos Holland BV	Netherlands	100%	100%
Temenos Investments BV	Netherlands	100%	100%
Kony Solutions BV	Netherlands	100%	100%
Temenos New Zealand Limited****	New Zealand	100%	0%
Temenos Panama SA	Panama	100%	100%
Temenos Philippines Inc.	Philippines	100%	100%
Temenos Polska Sp.z.o.o	Poland	100%	100%
Kony Solutions Limited	Republic of Mauritius	100%	100%
Temenos Romania SRL	Romania	100%	100%
Temenos Singapore Pte Limited	Singapore	100%	100%
Igefi Singapore Pte Limited*	Singapore	0%	100%
Temenos Singapore Ft Pte Limited	Singapore	100%	100%
Kony Singapore Pte Limited	Singapore	100%	100%
Temenos Africa (Pty) Limited	South Africa	100%	100%
Dbs Global Solutions (Pty) Limited**	South Africa	0%	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%
Temenos Cloud Americas LLC	USA	100%	100%
Avoka (USA), Inc.	USA	100%	100%
Temenos Holdings USA, Inc.	USA	100%	100%
Kony, Inc.	USA	100%	100%
Kony Services, Inc.	USA	100%	100%
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%
Odyssey Financial Technologies PLC	United Kingdom	100%	100%
Edge Ipk Limited	United Kingdom	100%	100%
Logical Glue Limited	United Kingdom	100%	100%
Temenos Vietnam Company Limited	Vietnam	100%	100%

* Merger of companies in 2020: Merger of HTRUNK SOFTWARE SOLUTIONS PRIVATE LIMITED with Temenos INDIA PRIVATE LIMITED and Merger of IGEFI SINGAPORE PTE LIMITED with Temenos SINGAPORE PTE LIMITED.

** Company struck-off in 2020.

*** Change of company name in 2020: STARGATE INFORMATION SYSTEMS PTY LIMITED changed to Temenos AUSTRALIA SYMMETRY PTY LIMITED.

**** Company set up in 2020.

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), Tunis (Tunisia), Nantes (France), Helsinki (Finland), Colombo (Sri Lanka), Malmo (Sweden), London (UK) and Renens (Switzerland).

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

Current year acquisitions

There were no acquisitions during the year ended 31 December 2020.

Prior year acquisitions

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.

The following tables summarize the financial effect of the finalization of the initial accounting as at 31 December 2020.

	2019 Initial accounting USD 000	Accounting adjustment USD 000	Total USD 000
Fair value of the consideration transferred at acquisition date:			
Cash consideration	512,491	(3,600)	508,891
Contingent consideration	20,241	–	20,241
Total	532,732	(3,600)	529,132

As required by IFRS 3: 'Business combinations', comparative information has been re-presented to reflect the changes in provisional values.

Subsequent adjustment by category to be re-presented

	2019 Initial accounting USD 000	Accounting adjustment USD 000	Total USD 000
Cash and cash equivalents	5,774	–	5,774
Trade and other receivables	24,639	3,659	28,298
Property, plant and equipment	4,841	–	4,841
Intangible assets	241,125	100	241,225
Deferred tax assets	40	–	40
Trade and other payables*	(16,877)	(449)	(17,326)
Borrowings (including lease liabilities)	(55,413)	–	(55,413)
Income tax liabilities	(15,743)	–	(15,743)
Deferred revenues	(18,003)	(100)	(18,103)
Provision for other liabilities and charges*	(3,977)	(4,781)	(8,758)
Deferred tax liabilities	(64,500)	–	(64,500)
Retirement benefit obligations	(2,504)	–	(2,504)
Total	99,401	(1,571)	97,830
Goodwill	433,331	(2,029)	431,302

* A prior year provision for onerous contracts of USD 4 million (as per initial acquisition accounting) has been re-presented to include within 'Provision for other liabilities and charges' rather than 'Trade and other payables' for comparability purposes with the current year.

The contingent consideration arrangement required the Group to pay, in cash, an earn out contribution based on the achievement of the annual contract value targets over the fiscal year 2020 (ended March 2020) of the acquiree. These targets were not met and the contingent consideration of USD 20.2 million has been released to the profit or loss as a post acquisition event and the related deposit of USD 21.0 million in the escrow account has been repaid to the Group. The release to the profit or loss of contingent consideration is reflected as a non-cash item in the cash flow for USD 20.2 million.

The Group has adjusted the opening balance sheet to reflect a USD 5.1 million indemnification asset which is presented in 'Trade and other receivables'. This was erroneously not recognized during the initial purchase price allocation process.

Included within the cash inflow from acquisition of USD 2.8 million is: USD 3.6 million inflow as a result of the finalization of net working capital in respect of the acquisition of Kony Inc and an outflow of USD 0.8 million for deferred consideration in respect of the acquisition of Htrunk Software Solutions Private Ltd.

The finalization of the initial accounting for prior year acquisitions 'Htrunk Software Solutions Private Limited' and 'Logical Glue Limited' has not resulted in any subsequent adjustments to the initial assets acquired and liabilities recognized.

Notes to the consolidated financial statements 31 December 2020 continued

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, office-related expenses and any other administrative or corporate overheads that cannot be directly attributable to the operating segments. Segment revenues provided to the CODM exclude the fair value adjustment recognized on deferred income 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 net trade receivables and contract assets (note 14).

The table below summarizes the primary information provided to the CODM:

	Product		Services		Total	
	2020 USD 000	2019 USD 000	**2020 USD 000**	2019 USD 000	**2020 USD 000**	2019 USD 000
Revenues	**736,880**	802,644	**163,053**	177,950	**899,933**	980,594
Operating contribution	**363,874**	407,553	**32,409**	33,090	**396,282**	440,643
Total assets	**185,336**	224,934	**88,434**	98,388	**273,770**	323,322

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 allocated expenses, they are based on internal cost rates that exclude any profit margin.

For goodwill impairment testing purposes, goodwill of USD 1,122.5 million (2019: USD 1,077.5 million (re-presented)) was allocated to the product segment.

Reconciliation to Group's consolidated financial statements	**2020 USD 000**	2019 USD 000
Total operating contribution from the reportable segments	**396,282**	440,643
Fair value adjustment on acquired deferred income liability	**(12,575)**	(8,625)
Depreciation and amortization (note 9)	**(148,957)**	(130,608)
Unallocated expenses	**(1,151)**	(65,990)
Finance costs – net (note 11)	**(29,370)**	(22,867)
Profit before taxation	**204,230**	212,553

Total assets	2020 USD 000	Re-presented 2019 USD 000
Total assets allocated to the reportable segments	273,770	323,322
Unallocated items:		
Other receivables*	63,215	84,434
Cash and cash equivalents	110,195	152,785
Other financial assets	9,404	26,792
Property, plant and equipment	62,930	67,283
Intangible assets	1,667,704	1,657,893
Deferred tax assets	28,473	19,155
Total assets per the statement of financial position	2,215,691	2,331,664

* 2019 comparative has been restated to reflect the adjustment to 'Trade and other receivables' as a result of the finalization of the initial accounting of Kony Inc.

Geographical information

Revenues from external customers	2020 USD 000
Switzerland (country of the Group's domiciliation)	34,295
United States of America	149,088
United Kingdom	55,286
Saudi Arabia	41,144
Australia	40,362
Luxembourg	40,326
Total – material countries*	360,501
Rest of Europe	203,538
Middle-East and Africa	123,532
Rest of Asia	113,031
Rest of America	86,756
Total revenues	887,358

* Ireland is not separately reported in the 2020 geographical information as the revenues from external customers attributed to it was not material. Saudi Arabia has been added to the 2020 geographical information as the revenue from external customers is deemed material.

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 and Africa	150,593
Rest of Asia	135,420
Rest of America	91,881
Total revenues	971,970

Revenues are based on the location where the license and maintenance is sold or the service is provided.

Notes to the consolidated financial statements 31 December 2020 continued

7. Segment information

Geographical information continued

Non-current assets other than financial instruments and deferred tax assets	2020 USD 000
Switzerland (country of the Group's domiciliation)	191,978
United States of America	696,163
Australia	300,199
Luxembourg	297,863
United Kingdom	74,304
France	71,140
Other countries	98,987
Total	1,730,634

	Re-presented 2019 USD 000
Switzerland (country of the Group's domiciliation)	148,372
United States of America	730,148
Australia	322,867
Luxembourg	286,960
United Kingdom	73,856
France	61,417
Other countries	101,556
Total	1,725,176

8. Revenue from contracts with customers

Future performance obligations

The aggregate amount of the transaction price allocated to performance obligations that were partially unsatisfied or wholly unsatisfied as at the reporting period is as follows:

	2020			2019		
	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	496,752	1,257,966	1,754,718	499,218	1,182,396	1,681,614

The remaining performance obligations expected to be recognized within one year and more than one year mainly relate to ongoing maintenance support contracts.

Contract balances

	2020 USD 000	Re-presented 2019 USD 000
Contract assets*	62,466	57,189
Deferred revenue	356,787	287,425

* Prior year figures have been re-presented to reflect netting of balances between contract assets and trade receivables of USD 6 million, to align with current year for comparability purposes.

Revenue of USD 197.3 million (2019: USD 191.4 million) was recognized during the year ended 31 December 2020 from the deferred revenue balance included at the beginning of the period.

Revenue of USD 3.1 million (2019: USD 6.7 million) was recognized during the year ended 31 December 2020 from performance obligations satisfied (or partially satisfied) in previous periods. This was mainly due to the 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 the costs incurred to obtain and fulfil each contract, this is presented within Other Receivables on the balance sheet.

	2020 USD 000	2019 USD 000
Assets recognized from costs incurred to fulfil a contract:		
– Customization developments capitalized as work in progress	1,447	641

Costs associated with customization developments are recognized in the profit or loss when delivery is performed. In 2020, the amount recognized to the profit or loss was USD 0.6 million (2019: USD 2.1 million).

	2020 USD 000	2019 USD 000
Assets recognized from costs to obtain the contract:		
– Sales commission on SaaS contracts (prepaid)	7,086	4,352

Capitalized commission is amortized over the life of the contract committed for by the customer, as commissions are driven by the commitment period. In 2020, the amount amortized to the profit or loss was USD 2.9 million (2019: USD 0.4 million).

The Group applies the practical expedient in paragraph 94 of IFRS 15; the incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognized is one year or less.

9. Expenses by nature

	2020 USD 000	2019 USD 000
Third party licences and commissions	23,146	30,685
Personnel costs and external consultants	474,746	530,301
Depreciation and amortization (notes 16 and 17)	148,957	130,608
Travel expenses	10,355	37,622
Rent and other occupancy costs	7,227	8,971
Marketing and other professional costs	24,658	26,370
Other costs	40,984	36,642
Capitalized development costs (note 17)	(76,315)	(64,649)
	653,758	736,550

Notes to the consolidated financial statements 31 December 2020 continued

10. Employee benefit expenses

	2020 USD 000	2019 USD 000
Wages and salaries	311,866	331,948
Termination benefits	11,947	5,157
Social charges	45,485	64,606
Defined contribution pension costs	11,143	10,676
Defined benefit pension costs (note 23)	3,029	2,704
Cost of employee share option scheme (note 27)	6,325	39,463
	389,795	454,554

Included in employee benefit expenses is the remuneration of the key management personnel as illustrated below:

	2020 USD 000	2019 USD 000
Key management personnel of Temenos AG		
– Short-term cash compensation and benefits	3,308	6,617
– Post-employment benefits	252	303
– Share-based payment	1,898	21,437
	5,458	28,357
Non-executive directors		
– Short-term benefits	779	824

Remuneration of the Board of Directors and the Executive Committee (together defined as key management personnel) in accordance with the Swiss Code of Obligations and the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies can be found in the Compensation report of the annual report.

11. Finance costs – net

	2020 USD 000	2019 USD 000
Finance income:		
– Interest income on short-term bank deposits and investments	544	1,506
– Interest income on non-current trade and other receivables measured at amortized cost	315	591
– Interest income on convertible notes (note 15)	443	–
– Foreign exchange gain, net	9,675	9,046
Total finance income	10,977	11,143
Finance costs:		
– Interest expense on financial instruments measured at amortized cost	(26,134)	(22,438)
– Unwinding on interest discount on contingent consideration	(360)	–
– Other financing costs*	(4,929)	(4,872)
– Net loss on derivatives not designated as hedging instruments	(8,924)	(6,700)
Total finance costs	(40,347)	(34,010)
Finance costs – net	(29,370)	(22,867)

* Other financing costs mostly include commitment fees attributable to undrawn banking facilities and issuance fees of financing instruments 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.

	2020	2019
Profit attributable to equity holders of the Company (USD 000)	175,020	181,121
Weighted average of ordinary shares outstanding during the year (in thousands)	71,988	70,392
Basic earnings per share (USD per share)	2.43	2.57

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 2019 and 31 December 2020, this category was fully dilutive.

	2020	2019
Profit used to determine diluted earnings per share (USD 000)	175,020	181,121
Weighted average of ordinary shares outstanding during the year (in thousands)	71,988	70,392
Adjustments for:		
– Share options and restricted shares (in thousands)	1,244	3,097
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	73,232	73,489
Diluted earnings per share (USD per share)	2.39	2.46

Notes to the consolidated financial statements 31 December 2020 continued

13. Net debt analysis

	2020 USD 000	2019 USD 000
Cash at bank and in hand (note 2.4)	87,419	102,070
Short term deposits (note 2.4)	20,823	21,279
Other short term liquid investments (note 2.4)	1,953	29,436
Cash and cash equivalents*	110,195	152,785
Borrowings – repayable within one year (note 19)	(21,518)	(100,595)
Borrowings – repayable after one year (note 19)	(956,338)	(1,073,972)
Cross currency swaps – cash flow hedges (note 15)	(10,973)	(11,957)
Gross debt	(988,829)	(1,186,524)
Net debt	(878,634)	(1,033,739)

* Included in 'cash and cash equivalents' is USD 11.5 million (2019: USD 5.2 million) held in jurisdictions where regulatory exchange controls exist and therefore are not available for general use by the Group outside of such jurisdiction at the reporting date.

		Changes in liabilities from financing activities				
	Other liabilities* USD 000	Cross currency swaps –principal USD 000	Lease liabilities USD 000	Other borrowings USD 000	Gross debt USD 000	Total USD 000
At 31 December 2018	(1,815)	(19,172)	–	(814,075)	(833,247)	(835,062)
Cash flows from financing activities						
– Net proceeds	–	–	–	(295,002)	(295,002)	(295,002)
– Interest payments	10,211	–	–	11,503	11,503	21,714
– Other financing costs	5,835	–	–	–	–	5,835
– Payments of lease liabilities	–	–	16,289	–	16,289	16,289
Adjustment on initial application of IFRS 16	–	–	(53,175)	–	(53,175)	(53,175)
Acquisition of business	–	–	(3,811)	(51,602)	(55,413)	(55,413)
Repayment of acquiree's debt at acquisition date**	–	–	–	51,602	51,602	51,602
Fair value and foreign exchange movement	–	7,215	290	(15,356)	(7,851)	(7,851)
Interest on lease liabilities (note 20)	–	–	(1,490)	–	(1,490)	(1,490)
(Additions)/disposals of lease liabilities	–	–	(3,628)	–	(3,628)	(3,628)
Other movements	(16,419)	–	(5,793)	(10,319)	(16,112)	(32,531)
At 31 December 2019	(2,188)	(11,957)	(51,318)	(1,123,249)	(1,186,524)	(1,188,712)
Cash flows from financing activities						
– Net proceeds	–	–	–	270,836	270,836	270,836
– Interest payments	9,768	–	–	13,719	13,719	23,487
– Other financing costs	4,162	–	–	–	–	4,162
– Payments of lease liabilities	–	–	19,446	–	19,446	19,446
Fair value and foreign exchange movement	–	984	(1,526)	(76,765)	(77,307)	(77,307)
Interest on lease liabilities (note 20)	–	–	(1,882)	–	(1,882)	(1,882)
Interest accruals	(10,137)	–	–	(14,241)	(14,241)	(24,378)
(Additions)/disposals of lease liabilities	–	–	(13,560)	–	(13,560)	(13,560)
Other movements	(4,025)	–	684	–	684	(3,341)
At 31 December 2020	(2,420)	(10,973)	(48,156)	(929,700)	(988,829)	(991,249)

* Included in 'Other payables'.
** Classified as an investing activity in the statement of cash flows.

14. Trade and other receivables

	2020 USD 000	Re-presented 2019 USD 000
Trade receivables	**214,179**	267,147
Contract assets (note 8)	**62,466**	57,189
Loss allowance	**(2,875)**	(2,439)
Trade receivables and contract assets – net	**273,770**	321,897
VAT and other taxation recoverable	**19,806**	13,281
Other receivables	**10,295**	18,272
Escrow deposit for contingent consideration (note 6)	**–**	21,000
Prepayments	**33,114**	33,306
Total trade and other receivables	**336,985**	407,756
Less non-current portion	**(10,005)**	(12,338)
Total current trade and other receivables	**326,980**	395,418

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.

Fair values of trade and other receivables qualified as financial assets and measured at amortized cost.

	Carrying amount		Fair value	
	2020 USD 000	Re-presented 2019 USD 000	2020 USD 000	Re-presented 2019 USD 000
Current trade and other receivables	**282,395**	353,882	**282,395**	353,882
Non-current trade and other receivables	**10,005**	12,338	**9,887**	12,206
	292,400	366,220	**292,282**	366,088

The carrying amount of current trade and other receivables approximate their fair value. The fair value measurement of non-current trade and other receivables is based on a discounted cash flow approach using a free-risk yield curve adjusted for credit risk and is within level 2 of the fair value hierarchy.

Notes to the consolidated financial statements 31 December 2020 continued

14. Trade and other receivables continued

Movements in the provision for impairment

The allowance account is used for impairment of trade receivables and contract assets.

	Trade receivables and contract assets	
	2020 USD 000	2019 USD 000
Balance at 1 January	2,439	5,710
Increase in loss allowance	1,383	1,205
Used amounts	(917)	(4,564)
Recoveries	(28)	–
Unused amounts	–	(2)
Acquisition of business	–	92
Exchange loss	(2)	(2)
Balance at 31 December	2,875	2,439

Included in 'Sales and marketing', is USD 1.4 million (2019: USD 1.2 million) impairment loss related to trade receivables and contract assets.

15. Other financial assets and liabilities

	2020		2019	
	Assets USD 000	Liabilities USD 000	Assets USD 000	Liabilities USD 000
Foreign currency forwards – cash flow hedges	3,168	2,761	2,314	670
Foreign currency options – cash flow hedges	482	57	68	–
Foreign currency forwards – held for trading	5,754	7,354	2,184	1,867
Foreign currency options – held for trading	–	298	147	–
Cross currency swaps – cash flow hedges	–	10,973	–	11,957
Convertible notes	–	–	6,000	–
Equity securities	–	–	16,079	–
At 31 December	9,404	21,443	26,792	14,494
Reported as follows:				
Current	9,123	10,319	4,431	2,518
Non-current	281	11,124	22,361	11,976
At 31 December	9,404	21,443	26,792	14,494

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 represented the investment in NuoDB, a distributed SQL database provider headquartered in the US, that were acquired in December 2018 and December 2019, respectively. Those instruments have been sold in the course of 2020 for a consideration of USD 6.4 million for the convertible notes (representing the face value plus accrued interests) and USD 14.1 million for the equity securities (note 3.4).

16. Property, plant and equipment

Year ended 31 December 2020	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 2020	18,648	657	58,580	1,925	60,524	140,334
Foreign currency exchange differences	(29)	(11)	760	(46)	2,320	2,994
Additions	842	95	5,601	–	14,844	21,382
Retirements/disposals	(2,771)	(76)	(4,526)	–	(3,145)	(10,518)
31 December 2020	**16,690**	**665**	**60,415**	**1,879**	**74,543**	**154,192**
Accumulated depreciation and impairment						
At 1 January 2020	13,849	421	43,734	415	14,632	73,051
Foreign currency exchange differences	96	(4)	696	(9)	1,032	1,811
Charge for the year	1,746	92	6,318	32	17,309	25,497
Retirements/disposals	(2,645)	(73)	(4,487)	–	(1,892)	(9,097)
31 December 2020	**13,046**	**436**	**46,261**	**438**	**31,081**	**91,262**
Net book value						
31 December 2020	**3,644**	**229**	**14,154**	**1,441**	**43,462**	**62,930**

Year ended 31 December 2019	USD 000	USD 000	USD 000	USD 000	USD 000	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 business (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
Accumulated 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

Notes to the consolidated financial statements 31 December 2020 continued

17. Intangible assets

Year ended 31 December 2020	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 2020 (re-presented)	546,782	1,077,380	392,636	320,109	2,336,907
Foreign currency exchange differences	9,942	45,113	12,859	14,986	82,900
Additions	76,315	–	2,758	–	79,073
Retirements/disposals	–	–	(936)	–	(936)
31 December 2020	**633,039**	**1,122,493**	**407,317**	**335,095**	**2,497,944**
Amortization					
At 1 January 2020	381,468	–	175,731	121,815	679,014
Foreign currency exchange differences	7,667	–	10,859	10,176	28,702
Charge for the year	53,757	–	40,275	29,428	123,460
Retirements/disposals	–	–	(936)	–	(936)
31 December 2020	**442,892**	**–**	**225,929**	**161,419**	**830,240**
Net book value					
31 December 2020	**190,147**	**1,122,493**	**181,388**	**173,676**	**1,667,704**

Year ended 31 December 2019					
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 business	–	444,478	159,327	87,800	691,605
Retirements/disposals	–	–	–	–	–
31 December 2019 (re-presented)	546,782	1,077,380	392,636	320,109	2,336,907
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 (re-presented)	165,314	1,077,380	216,905	198,294	1,657,893

Amortization charge of USD 119.4 million (2019: USD 104.7 million) is included in the 'Cost of sales' line; USD 0.4 million (2019: USD 0.4 million) in 'Sales and marketing' line; USD 0.9 million (2019: USD 1 million) in 'Other operating expenses' line and USD 2.8 million (2019: USD 2.9 million) in 'General and administrative' line.

Impairment tests for goodwill

Management has determined that each reportable segment (note 7) is a separate cash-generating unit (CGU). Goodwill is allocated to the 'Product' reportable segment.

	2020			2019		
	Carrying amount USD 000	**Growth rate %**	**Discount rate %**	Re-presented Carrying amount USD 000	Growth rate %	Discount rate %
'Product' segment	**1,122,493**	**1%**	**10.87%**	1,077,380	1%	9.89%
	1,122,493			1,077,380		

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the most recent financial budget approved by the management covering a four-year period (2019: 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 future client signings of the Group's current pipeline and the Group has also taken into consideration the impact of the Covid-19 crisis. In 2020, Covid-19 had a timing impact on license sales with signings being delayed but importantly not cancelled, whereas recurring revenue performed strongly during the year. Towards the end of the reporting period there has been sequential improvement in software licensing with predictability of business and sales cycles returned to reach near pre-Covid levels and the Group is well positioned for growth in 2021.

Budgeted gross margin is in line with our history and takes into consideration market developments 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

	2020 USD 000	Re-presented 2019 USD 000
Trade payables	**18,375**	42,543
Accrued expenses	**87,751**	125,606
Contingent consideration (note 3.4)	**775**	20,930
Other payables	**28,682**	31,068
Total trade and other payables	**135,583**	220,147
Less non-current portion	**(775)**	(2,272)
Total current trade and other payables	**134,808**	217,875

Except for contingent consideration, trade and other payables are initially recorded at fair value and subsequently measured at amortized cost. As the total carrying amount is due within the next 12 months from the balance sheet date, the impact of applying the effective interest method is not significant and, therefore, the carrying amount equals the contractual amount or the fair value initially recognized.

Contingent consideration is initially and subsequently measured at fair value.

18. Trade and other payables continued

Fair values of trade and other payables qualified as financial liabilities and measured at amortized cost

	Carrying amount		Fair value	
	2020 USD 000	Re-presented 2019 USD 000	2020 USD 000	Re-presented 2019 USD 000
Current trade and other payables	123,027	183,796	123,027	183,796
Non-current trade and other payables	–	1,583	–	1,540
	123,027	185,379	123,027	185,336

The carrying amount of 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 amount 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

	2020 USD 000	2019 USD 000
Current		
Other loans	59	59
Bank borrowings	–	80,000
Unsecured bonds	5,014	4,574
Lease liabilities	16,445	15,962
	21,518	100,595
Non-current		
Other loans	120	130
Bank borrowings	110,987	297,094
Unsecured bonds	813,520	741,392
Lease liabilities	31,711	35,356
	956,338	1,073,972
Total borrowings	977,856	1,174,567

Fair value of borrowings

	Carrying amount		Fair value	
	2020 USD 000	2019 USD 000	2020 USD 000	2019 USD 000
Other loans	179	189	155	164
Bank borrowings	110,987	377,094	110,845	376,832
Unsecured bonds	818,534	745,966	821,331	764,029
	929,700	1,123,249	932,331	1,141,025

The fair value measurement of other loans and bank borrowings 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 amount of borrowings are denominated in the following currencies:

	2020 USD 000	2019 USD 000
Swiss Francs	**869,644**	764,259
US Dollars	**76,047**	368,245
Other currencies	**32,165**	42,063
	977,856	1,174,567

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 committed revolving facility of USD 660 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 2025 with an option to extend by one additional year; and
- Commitment fees are due on the undrawn portion.

As at 31 December 2020, a total of USD 111.0 million (2019: USD 297.1 million) was drawn under this agreement.

The facility is subject to financial covenants which have been adhered to during the reported periods, with no concerns linked to Covid-19.

20. Leases

The Group primarily leases properties (office space) in the jurisdictions from which it operates. The Group also has leases for equipment and vehicles.

Information about leases for which the Group is a lessee is presented below.

Amounts recognized in the statement of financial position

	2020 USD 000	2019 USD 000
Right-of-use asset		
Property	**42,857**	45,818
Equipment	**22**	47
Vehicles	**583**	27
Total	**43,462**	45,892
Lease liabilities		
Current	**16,445**	15,962
Non-current	**31,711**	35,356
Total	**48,156**	51,318

Notes to the consolidated financial statements 31 December 2020 continued

20. Leases continued

Amounts recognized in profit or loss

Leases under IFRS 16	2020 USD 000	2019 USD 000
Depreciation charge for right-of-use-assets		
Property	17,069	14,503
Equipment	46	37
Vehicles	194	3
Total depreciation	17,309	14,543
Interest on lease liabilities	1,882	1,490
Expenses relating to short term leases	917	1,497
Expenses relating to leases of low-value assets, excluding short term leases of low-value assets	132	145
Income from subleasing right-of-use asset	11	22

Amounts recognized in statement of cash flows

The total cash outflow for leases in 2020 was USD 19.4 million (2019: USD 17.9 million).

At 31 December 2020, the commitment on short term leases was USD 0.4 million (2019: USD 0.9 million) which has not been included in the measurement of lease liabilities.

At 31 December 2020 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 3.7 million (2019: USD 13.6 million).

Extension and termination options

Some office property leases contain extension and termination options exercisable at a certain point in time of the contract period. Where practicable, the Group seeks to include extension and termination options in new leases to provide operational flexibility. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension or termination options. The Group reassesses the reasonability of the option to extend or terminate if a significant event or significant change in circumstances occurs which is within its control.

Covid-19-related rent concessions

During the year, the Group received rental discounts as a result of the Covid-19 pandemic. The Group applied practical expedient to all qualifying rent concessions and recognized USD 0.1 million arising from rental discounts to the profit or loss.

21. Taxation

Tax expense

	2020 USD 000	2019 USD 000
Current tax on profits for the year	35,485	32,580
Adjustments in respect of prior years	439	(1,530)
Total current tax	35,924	31,050
Deferred tax – origination and reversal of temporary differences	(6,714)	382
Total tax expense	29,210	31,432

Temenos AG is incorporated in Switzerland but the Group operates in various countries with various tax laws and rates. Consequently, the effective tax rate may vary from period to period to reflect the generation of taxable income in tax jurisdictions. A reconciliation between the reported income tax expense and the amount computed using the effective Swiss statutory corporate tax rate for the Group of 14.0% (2019: 24.1%), is as follows. Due to the Swiss tax reform (TRAF) the statutory rate for a Geneva based business has reduced from 24.1% to 14.0% for 2020, and this is reflected in the reconciliation below:

	2020 USD 000	2019* USD 000
Profit before tax	**204,230**	212,553
Tax at the domestic rate of 14.0% (2019: 24.1%)	**28,592**	51,225
Non-taxable income[1]	**(1,076)**	(8,750)
Non-deductible expenses[2]	**18,666**	8,210
Prior period adjustments	**439**	(1,530)
Movement in other temporary differences related to unprovided deferred tax[3]	**(47,697)**	(46,348)
Losses not recognized in period[4]	**22,217**	18,537
Unprovided losses utilized	**(2,669)**	(1,663)
Effects of different tax rates[5]	**(3,723)**	244
Overseas withholding tax[6]	**12,162**	7,173
Other tax and credits[7]	**2,299**	4,334
Total tax expense	**29,210**	31,432

Reconciliation notes:

1 Non-taxable income in 2019 included a significant net accounting gain on disposal in relation to intra-group transactions which did not give rise to taxation impacts.

2 Non-deductible expenses in 2020 includes significant net accounting losses on disposal in relation to intra-group transactions which did not give rise to taxation impacts.

3 Movement in other temporary differences related to unprovided deferred tax relating to movements including but not limited to fixed assets, accounting provisions, retirement benefit obligations, and deferred remuneration on which deferred taxes have not been provided under IAS12 criteria.

4 Losses not recognized in the period relates to current period tax losses which do not meet the criteria for recognition as deferred tax assets and principally relates to Switzerland, USA, and UAE.

5 Effects of differing tax rates for the period is lower than the Swiss rate due to income in lower tax jurisdictions, in particular Dubai & Hong Kong.

6 Overseas withholding taxes are taxes on payments to and from Temenos entities that would be theoretically available for set off against Temenos entities corporate income tax profits or tax liabilities.

7 Other taxes and credits specifically relate to Luxembourg Net Wealth Tax.

* 2019 comparatives have been restated to align to 2020 presentation that provides additional details and better reflects the effects of the various tax reconciliation categories.

There is no income tax expense or tax credit arising relating to components of other comprehensive income, specifically relating to the fair value of financial instruments (2019: USD nil) and no income tax has been charged directly to equity (2019: USD 0.5 million).

During the prior period, Switzerland enacted a tax reform (TRAF) to simplify their tax regime which should apply from 2020. Whilst TRAF reduced the standard high level corporate income tax rate for companies, it also removed a number of regimes, such that TRAF does not significantly alter the effective tax rate for the business in Switzerland and does not have a material impact on the Group tax rate or its deferred tax balances, so this change was not separately disclosed in 2019.

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:

	2020 USD 000	2019 USD 000
Deferred tax assets – to be recovered after more than 12 months	**24,990**	14,686
Deferred tax assets – to be recovered within 12 months	**3,483**	4,469
Deferred tax assets	**28,473**	19,155
Deferred tax liabilities – to be recovered after more than 12 months	**(104,453)**	(101,238)
Deferred tax liabilities – to be recovered within 12 months	**(2,778)**	(2,427)
Deferred tax liabilities	**(107,231)**	(103,665)

An assessment of the realizability of deferred tax assets is made on a country by country basis, based on the weight of available evidence including factors such as recent earnings history and expected future taxable income. Deferred tax assets are recognized to the extent that realization of the related tax benefit through future taxable profits is probable.

Notes to the consolidated financial statements 31 December 2020 continued

21. Taxation continued

Tax expense continued

The Group has not recognized deferred tax assets of USD 117.1 million (2019: USD 95.8 million) in respect of losses amounting to USD 645.4 million (2019: USD 477.4 million) that can be carried forward against future taxable income. Losses amounting to USD 5.5 million (2019: USD 114.4 million) will expire within the next five years, USD 53.5 million (2019: USD 5.7 million) will expire within five to ten years and USD 13.2 million (2019: USD 15.0 million) will expire within ten to 20 years. There are no unrecognized deferred tax liabilities.

At the balance sheet date, the aggregate amount of temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognized was USD 1,311 million (2019: 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 temporary differences and the Group considers that it is probable that such differences will not reverse in the foreseeable future.

The movement in the deferred tax asset is as follows:

	Tax losses USD 000	Intangible assets USD 000	Accounting provisions USD 000	Retirement benefit obligations USD 000	Other STTDs USD 000	Total USD 000
At 1 January 2019	14,511	2,296	–	756	100	17,663
Credited (charged) to the income statement	(6,866)	2,457	4,000	–	–	(409)
Acquisition of business	–	–	40	–	–	40
Transfer to deferred tax liability	–	–	953	–	–	953
Foreign currency exchange differences	–	(13)	925	(4)	–	908
At 31 December 2019*	7,645	4,740	5,918	752	100	19,155
Credited (charged) to the income statement	11,765	(1,754)	(1,236)	–	–	8,775
Foreign currency exchange differences	–	–	543	–	–	543
At 31 December 2020	**19,410**	**2,986**	**5,225**	**752**	**100**	**28,473**

The movement in the deferred tax liability is as follows:

	Intangibles USD 000	Deferred revenue USD 000	Financial instruments USD 000	Accounting provisions USD 000	Other USD 000	Total USD 000
At 1 January 2019	(34,406)	(106)	–	(2,479)	(3)	(36,994)
Credited (charged) to the income statement	8,226	–	(4,678)	(3,520)	–	28
Acquisition of business	(65,369)	–	–	–	–	(65,369)
Transfer from deferred tax asset	–	–	–	(953)	–	(953)
Foreign currency exchange differences	(377)	–	–	–	–	(377)
At 31 December 2019*	(91,926)	(106)	(4,678)	(6,952)	(3)	(103,665)
Credited (charged) to the income statement	18,481	105	(20,280)	(366)	–	(2,060)
Foreign currency exchange differences	(1,543)	–	–	37	–	(1,506)
At 31 December 2020	**(74,988)**	**(1)**	**(24,958)**	**(7,281)**	**(3)**	**(107,231)**

* 2019 comparative deferred tax note has been re-presented, to aid users of the accounts, by providing greater detailed analysis of the underlying categories of temporary differences to better reflect the wider balance sheet classifications.

22. Provisions for other liabilities and charges

	Legal provision USD 000	Property provision USD 000	Termination benefits USD 000	Onerous contracts USD 000	Total USD 000
At 1 January 2020 (re-presented)	509	862	700	6,821	8,892
Foreign currency exchange differences	2	18	9	–	29
Increase in provision recognized in profit or loss	–	–	5,681	–	5,681
Used during the year	–	(26)	(3,652)	(5,322)	(9,000)
Unused amounts reversed during the year	(6)	–	(83)	–	(89)
At 31 December 2020	**505**	**854**	**2,655**	**1,499**	**5,513**
Reported as follows:					
2020					
Current	505	140	2,655	1,499	4,799
Non-current	–	714	–	–	714
At 31 December 2020	**505**	**854**	**2,655**	**1,499**	**5,513**
2019					
Current (re-presented)	509	163	700	6,821	8,193
Non-current	–	699	–	–	699
At 31 December 2019 (re-presented)	**509**	**862**	**700**	**6,821**	**8,892**

Legal provision
The legal provision represents provisions for certain legal claims brought against the Group. The balance at 31 December 2020 is expected to be utilized in 2021. Management believes that the outcome of these legal claims will not give rise to any significant losses beyond the amounts provided at 31 December 2020.

Property provision
The property provision represents the net present value of estimated future costs associated with onerous leases and dilapidations. Provisions for onerous leases represent the lowest cost to exit the lease contract. Provisions for dilapidations represent the estimated costs to be incurred at the date of exit.

The non-current portion has not been discounted as the effect of the time value was not material.

The non-current portion of USD 714 million relates to dilapidation costs that will be settled when the related leases are terminated which is not expected to occur within the next 12 months.

Termination benefits
The termination benefits provision represents the benefits payable for the period with no future economic benefits to the Group. The carrying amount has been treated as a non-cash item in the cash flow statement and is expected to be fully utilized in 2021.

Onerous contracts
The onerous contracts provision represents net losses on contracts where expected benefits are lower then the unavoidable costs. The opening balance represents an addition of USD 8.3 million and utilization of USD 1.5 million in 2019 (net USD 6.8 million), which relates to the finalization of the initial acquisition accounting of Kony Inc (note 6). The carrying balance of USD 1.5 million is expected to be utilized in 2021.

Notes to the consolidated financial statements 31 December 2020 continued

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 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 companies for pension plans based in Switzerland. The Board of Trustee of each foundation is composed of equal numbers of employee and employer representatives.

One plan selected a foundation whereby the investment strategy and the appropriation of the return are delegated to the fund commission, which is composed of Temenos' representatives, and all within the framework set out by the LPP and the Board of Trustee. In this model, the plan directly bears the investment risk. The other plan follows a solution where the investment strategy and the allocation of return are established by the Trustees of the foundation. In this scheme, the investment risk, as well as the return, fall within all the affiliated participants of the foundation. In both plans the risk benefits of disability and death are fully insured by an insurance company.

As all the plans within the Group are not exposed to materially different risks and as a significant portion of the Group's obligation is contributed by the Swiss plans, management has decided not to present additional disaggregation of the disclosures presented below unless explicitly required by IAS 19 'Employee Benefits'.

The amounts recognized in the statement of financial position at 31 December is as follows:

	2020 USD 000	2019 USD 000
Present value of funded obligations	52,501	50,030
Fair value of plan assets	(50,414)	(46,904)
Deficit of funded plans	2,087	3,126
Present value of unfunded obligations	7,721	7,410
Impact of asset ceiling	2,285	–
Net liability in the statement of financial position	12,093	10,536

The movement in the net defined benefit liability over the year is as follows:

	Present value of obligation USD 000	Fair value of plan assets USD 000	Total USD 000	Effect of asset ceiling USD 000	Total USD 000
Balance at 1 January 2020	**57,440**	**(46,904)**	**10,536**	**–**	**10,536**
Current service costs	**3,893**	**–**	**3,893**	**–**	**3,893**
Past service costs	**(1,168)**	**–**	**(1,168)**	**–**	**(1,168)**
Other costs	**–**	**50**	**50**	**–**	**50**
Interest expense/(income)	**774**	**(520)**	**254**	**–**	**254**
	3,499	**(470)**	**3,029**	**–**	**3,029**
Remeasurements (included in OCI):					
– Return on plan assets, excluding interest income	**–**	**(66)**	**(66)**	**–**	**(66)**
– Demographic assumptions	**139**	**–**	**139**	**–**	**139**
– Financial assumptions	**(395)**	**–**	**(395)**	**–**	**(395)**
– Experience adjustments	**(502)**	**–**	**(502)**	**–**	**(502)**
– Change in asset ceiling	**–**	**–**	**–**	**2,266**	**2,266**
	(758)	**(66)**	**(824)**	**2,266**	**1,442**
– Exchange differences	**3,970**	**(3,734)**	**236**	**19**	**255**
Contributions:					
– Employers	**–**	**(2,014)**	**(2,014)**	**–**	**(2,014)**
– Plan participants	**1,189**	**(1,189)**	**–**	**–**	**–**
Payment from/to plans:					
– Benefit paid	**(5,118)**	**3,963**	**(1,155)**	**–**	**(1,155)**
	41	**(2,974)**	**(2,933)**	**19**	**(2,914)**
Balance at 31 December 2020	**60,222**	**(50,414)**	**9,808**	**2,285**	**12,093**
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 costs	–	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 adjustments	(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	–	(2,757)	(2,757)	–	(2,757)
– Plan participants	854	(854)	–	–	–
Payment from/to plans:					
– Benefit paid	(5,195)	4,168	(1,027)	–	(1,027)
	(1,274)	(19)	(1,293)	–	(1,293)
Balance at 31 December 2019	57,440	(46,904)	10,536	–	10,536

At 31 December 2020, one Swiss plan has a surplus that is not recognized on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund. At 31 December 2019, 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.

Notes to the consolidated financial statements 31 December 2020 continued

23. Retirement benefit obligations continued

Plan assets comprise:

	2020	2019
Equity securities:		
– Quoted	29%	25%
Fixed income securities:		
– Quoted	25%	29%
Real estate	25%	24%
Insurance contracts	13%	14%
Other	8%	8%
	100%	100%

The governance of the plan schemes and the foundations annually perform 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:
These 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):

	2020	2019
Discount rate	1.14%	1.50%
Inflation	0.78%	0.79%
Future salary growth	1.76%	2.59%

Sensitivity analysis:
The sensitivity of the defined benefit obligation to changes in the principal assumption is:

	2020		
	Change in assumption	Increase USD 000	Decrease USD 000
Discount rate	50bps	(3,148)	3,507
Future salary growth	0.50%	781	(744)

	2019		
	Change in assumption	Increase USD 000	Decrease USD 000
Discount rate	50bps	(2,931)	3,265
Future salary growth	0.50%	731	(704)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur since some of the assumptions are correlated. The sensitivity analysis has been calculated using the same methodology as applied when determining the pension liability in the statement of financial position.

Expected contributions to funded post-employment defined benefit plans for the year ending 31 December 2021 are USD 2.5 million.

Expected benefit payments paid directly by the Group in respect of unfunded post-employment defined benefit plans for the year ending 31 December 2021 are USD 0.9 million.

At 31 December 2020, the weighted-average duration of the defined benefit obligation was 11 years (2019: 11 years).

24. Share capital

As at 31 December 2020, the issued shares of Temenos AG comprised 74,206,266 ordinary shares with a nominal value of CHF 5 each. All issued shares are fully paid.

The changes in the number of issued and outstanding shares in the year ended 31 December 2020 are summarized below:

	Number
Total number of shares issued as at 31 December 2019	72,757,466
Treasury shares	(1,804,267)
Total number of shares outstanding as at 31 December 2019	70,953,199
Creation of new ordinary shares out of conditional capital for share-based payment transactions	1,448,800
Total number of shares outstanding as at 31 December 2020	**72,401,999**

As at 31 December 2020 the number of treasury shares held by the Group amounted to 1,804,267 (2019: 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	3,643,658
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 2019	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)
Cost of share options (note 27)	–	6,325	–	–	6,325
Exercise of share-based payment transactions	236,134	–	(243,811)	–	(7,677)
Costs associated with equity transactions	(87)	–	–	–	(87)
Balance at 31 December 2020	**749,571**	**290,562**	**(1,231,500)**	**(68,456)**	**(259,823)**

Share premium

The share premium account comprises the following:

- Premium on issuance of new shares at a price above par value;
- The equity component determined at the issuance of the convertible bond in 2006 and the premium resulting from the early redemption which occurred in 2010;
- Expenses associated with equity transactions; and
- Gains or losses on the sale, issuance or cancellation of treasury shares.

Share options reserve

As detailed in note 27, the Group has issued instruments to employees. The fair value of these instruments are charged to the profit or loss over the period that the related service is received, with a corresponding credit made to the share options reserve.

Notes to the consolidated financial statements 31 December 2020 continued

25. Share premium and other reserves continued

Discount on shares issued to employees

As detailed in note 27, the Group has issued instruments to employees. When the instruments are exercised, the Group fulfils its obligations by issuing newly created shares out of conditional capital or by reissuing treasury shares purchased by the Group. To the extent that the consideration received by the Group in respect of these shares issued or reissued are less than their fair value at the time of exercise, this amount is allocated to discount on shares issued to employees reserve.

Negative premium arising on creation of Temenos AG

Temenos AG was incorporated on 7 June 2001. The issued and outstanding shares of Temenos Holdings Limited (previously known as Temenos Holdings NV) were exchanged shortly before the initial public offering for Temenos AG shares, thus rendering Temenos Holdings Limited a wholly owned subsidiary of Temenos AG. The number of shares acquired was 40,104,336, which prior to the exchange had a nominal value of USD 0.001 per share, totalling USD 0.04 million. The new shares in Temenos AG were issued at nominal value of CHF 5 which resulted in a negative premium of USD 113.5 million. Expenses related to the initial public offering of Temenos AG and share premium items arising prior to the creation of Temenos AG were recorded against this account.

A deficit of USD 62,277 thousand was recorded to the share premium reserve on the cancellation of shares repurchased in 2000. This was transferred into 'negative premium arising on creation of Temenos AG' during the period ended 31 December 2001.

26. Other equity

	Cumulative translation adjustment USD 000	Costs of hedging reserve USD 000	Cash flow hedge reserve USD 000	Total USD 000
Balance at 1 January 2019	(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)
Currency translation differences	(35,892)	–	–	(35,892)
Foreign currency risk				
Transfer to profit or loss within 'Personnel costs'	–	–	(633)	(633)
Transfer to profit or loss within 'Software licensing revenue'	–	–	100	100
Transfer to 'Deferred revenues'	–	–	1,085	1,085
Transfer to profit or loss within 'Finance costs'	–	–	(305)	(305)
Changes in fair value of hedging instruments	–	(95)	(369)	(464)
Balance at 31 December 2020	**(177,486)**	**(86)**	**(2,279)**	**(179,851)**

Cumulative translation reserve

The cumulative translation reserve is used to recognize foreign currency differences arising from the translation of foreign operations' financial statements into US dollars.

Costs of hedging reserve

The costs of hedging reserve reflects the fair value change of the time value of options when designating the intrinsic value of the options as the hedging instrument in the cash flow hedge relationship.

Cash flow hedge reserve

The cash flow hedge reserve is used to recognize the effective portion of the cumulative net change in the fair value of cash flow hedging instruments that are not yet recognized in the profit or loss or as part of the carry amount of non-financial assets or 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 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 movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2020		2019	
	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
Exercised during the year	–	–	(3,000)	$30.00
Outstanding at the end of the year	–	–	–	–

All outstanding options were exercised in 2019.

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 unvested share appreciation rights is a minimum of three years and the share appreciation rights have a maximum contractual term of ten years. The Group has no legal or constructive obligation to repurchase or settle the share appreciation rights in cash.

A summary of the movement in the number of share appreciation rights outstanding and their related weighted average exercise prices are as follows:

	2020		2019	
	Number of rights	Weighted average exercise price	Number of rights	Weighted average exercise price
Outstanding at the beginning of the year	**5,577,715**	**$86.86**	6,563,326	$63.82
Granted during the year	**1,165,309**	**$161.95**	1,699,297	$127.00
Forfeited during the year	**(389,021)**	**$140.33**	(251,405)	$109.32
Exercised during the year	**(2,149,560)**	**$56.43**	(2,433,503)	$50.34
Outstanding at the end of the year	**4,204,443**	**$118.25**	5,577,715	$86.86

1,242,001 of the outstanding share appreciation rights (2019: 1,748,117) were exercisable at the balance sheet date with a weighted average exercise price of USD 55.41 (2019: USD 39.98). The share appreciation rights exercised during the year had a weighted average share price at the time of exercise of USD 165.00 (2019: USD 160.83).

As described above, in case of over achievement 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 were added to the 2018-2020 plan as a result of overachievement. The achievement for 31 December 2020 was less than target, 87% of the SARs will vest on 17 February 2021. Therefore 97,385 SARs will be forfeited. There are 2,962,442 remaining share appreciation rights (2019: 2,231,315) that may be subject to the over achievement provisions in the future with a weighted average exercise price of USD 144.59 (2019: USD 134.57).

Notes to the consolidated financial statements 31 December 2020 continued

27. Share-based payments continued

Share appreciation rights continued

Share options and share appreciation rights outstanding at the end of the year have exercise prices and weighted average remaining contractual lives as follows:

2020 Exercise price	Number	Remaining contractual life (years)
$10-$19.99	189,830	1.75
$20-$29.99	5,596	0.15
$30-$39.99	170,885	4.04
$40-$49.99	117,337	5.13
$50-$59.99	127,191	5.56
$60-$69.99	3,634	5.95
$70-$79.99	577,602	6.07
$80-$89.99	2,394	6.24
$100-$109.99	1,197	6.75
$110-$119.99	68,000	8.83
$120-$129.99	809,871	7.01
$130-$139.99	976,819	8.11
$140-$149.99	179,144	8.55
$150-$159.99	29,193	9.49
$160-$169.99	945,750	9.11
	4,204,443	7.26

2019 Exercise price	Number	Remaining contractual life (years)
$10-$19.99	215,466	2.82
$20-$29.99	14,494	0.01
$30-$39.99	357,260	5.08
$40-$49.99	991,684	6.14
$50-$59.99	158,388	6.56
$60-$69.99	10,825	6.93
$70-$79.99	1,557,577	6.76
$80-$89.99	3,591	7.31
$90-$99.99	17,959	7.46
$100-$109.99	19,156	7.70
$110-$119.99	53,500	8.98
$120-$129.99	814,380	8.13
$130-$139.99	938,285	9.13
$140-$149.99	396,150	9.67
$150-$183.00	29,000	9.37
	5,577,715	7.21

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 37.65 (2019: USD 30.19). The significant inputs into the model were: weighted average share price at grant date of USD 161.93 (2019: USD 127.06), weighted average exercise price of USD 161.95 (2019: USD 127.00), standard deviation of expected share price returns of 31% (2019: 30%), weighted average option lives of 3.50 years (2019: 3.53 years), weighted average annual risk-free interest rate of 1.21% (2019: 2.19%) and weighted average expected dividend yield of 0.59% (2019: 0.66%). 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.

Short term incentive (STI) share plan

	2020 Number of shares	2019 Number of shares
Outstanding at the beginning of the year	35,526	47,710
Granted during the year	36,805	29,653
Forfeited during the year	(6,306)	(1,425)
Transferred during the year	(31,987)	(40,412)
Outstanding at the end of the year	34,038	35,526

For the years ended 31 December 2020 and 31 December 2019, a specific short term incentive plan was in place for senior management. They were given specific bonus targets at the beginning of the year and offered a choice of receiving the final bonus fully in cash or 50% in cash and 50% in deferred shares with a 20% uplift. In 2019, 3311 deferred shares were committed under the STI 2019 scheme subject to achievement of performance criteria. 42 shares were awarded as overachievement and 932 shares were forfeited, resulting in a net 2,421 final award for the STI 2019 scheme for senior management. These shares will vest on 1 March 2021. In 2020, 4,265 deferred shares were committed under this scheme. Of these, 52 shares were finally awarded following final assessment of achievement. These will vest on 1 March 2022. The shares committed in 2019 will vest on 1 March 2021 and the shares committed in 2018 vested on 1 March 2020.

Other senior staff who fall under the Employee Short Term Variable Plan are paid 50% of their bonus in cash and 50% in shares with a 20% uplift. In 2020 32,498 (2019: 25,032) deferred shares were committed under this scheme for the bonus relating to the financial year 2019. These shares will vest on 1 March 2021.

Expense

The total expense recorded in the income statement in respect of share appreciation rights and the short term incentive share plan is USD 6.3 million (2019: USD 39.5 million).

28. Dividend per share

Dividends are proposed by the Board of Directors and must be approved by the Annual General Meeting of the Shareholders. The dividend proposed for the 2020 financial year amounts to CHF 65.0 million (CHF 0.90 per share) and has not yet been recorded as a liability. This amount may vary depending on the number of shares outstanding as of the ex-dividend date.

A dividend of CHF 61.1 million (CHF 0.85 per share) was paid in 2020 relating to the 2019 financial year.

29. Commitments and contingencies

The Group's principal contingent liabilities arise from property rental guarantees, performance guarantees and bid bonds issued in the normal course of business. The Group is also involved in various lawsuits, claims (including acceptance of mediation claims), investigations and proceedings incidental to the normal conduct of its operations. These matters also include any ongoing tax audits and assessments.

The Group has accepted mediation for an ongoing contractual dispute with a potential exposure of USD 4.6 million. The claimant has not provided appropriate documentation to substantiate the claim and the Group considers it improbable that it will result in a cash outflow.

Although an estimate of the future financial effects cannot be reliably and precisely estimated at the reporting date, it is not anticipated that any material liabilities will arise from these contingent liabilities other than those provided for in note 22.

As at 31 December 2020, total guarantees in issue was USD 14.4 million (2019: USD 12.6 million).

30. Related party transactions and balances

See note 10 for remuneration of executive and non-executive directors. See note 27 for equity compensation for executive and non-executive directors granted in the form of options, SARSs and shares.

There were no other significant transactions with related parties during the year ended 31 December 2020.

31. Events after the reporting period

There are no reportable events that occurred after the reporting period.

Report of the statutory auditor 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 2020, 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 2020 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 14,500,000
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 USD 725,000 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.

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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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and 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	**Tatiana Baccon** **Audit expert**

Geneva, 24 February 2021

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Unconsolidated balance sheet as at 31 December

	2020 CHF 000	2019 CHF 000
Assets		
Current assets		
Liquid funds	**132**	6,635
Receivables from other group entities	**11,411**	18,580
Tax receivable	**249**	–
Prepayments	**416**	392
Total current assets	**12,208**	25,607
Non-current assets		
Long-term receivables from other group entities	**1,473,744**	1,305,099
Investments in subsidiaries (note 2)	**1,415,522**	1,415,522
Total non-current assets	**2,889,266**	2,720,620
Total assets	**2,901,474**	2,746,228
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	**45**	966
Payables to other group entities	**110,848**	63,165
Short-term interest-bearing liabilities (note 7)	**4,426**	4,426
Other liabilities	**4,040**	6,751
Tax payable	**–**	1,207
Total current liabilities	**119,359**	76,515
Non-current liabilities		
Long-term interest-bearing liabilities (note 7)	**717,987**	717,408
Long-term interest-bearing payables to other group entities	**113,664**	154,195
Total non-current liabilities	**831,651**	871,602
Shareholders' equity		
Share capital (note 3)	**371,031**	363,787
Ordinary legal reserve (note 4)	**50,603**	22,118
Share premium (note 4)	**732,422**	509,443
General reserve from capital contributions (note 4)	**21,600**	52,139
Reserve for treasury shares (note 4)	**231,656**	260,536
Retained earnings (note 4)	**564,872**	590,087
Treasury shares (note 5)	**(21,720)**	–
Total shareholders' equity	**1,950,464**	1,798,111
Total shareholders' equity and liabilities	**2,901,474**	2,746,228

Income Statement for the year ended 31 December

	2020 CHF 000	2019 CHF 000
Income from investments in subsidiaries (note 8)	17,000	583,787
Financial (expense) /income	(7,058)	(8,501)
Expenses associated with the maintenance of the Register of Shareholders and other expenses	(5,345)	(4,395)
Profit before taxation	4,597	570,890
Taxation	332	(1,201)
Profit of the year	**4,928**	569,689

Notes to the unconsolidated financial statements 31 December 2020

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)).

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 2020, the issued share capital amounts to CHF 371,031,330 and is composed of 74,206,266 shares with a nominal value of CHF 5.

The shares issued by the Company during the year are set out below:

	2020 Quantity	2020 Value in CHF	2019 Quantity	2019 Value in CHF
Total number of Temenos AG shares issued, as at January 1	**72,757,466**	**363,787,330**	71,044,267	355,221,335
Shares issued and allotted under Employee Share Option Schemes	**1,448,800**	**7,244,000**	1,713,199	8,565,995
Total number of Temenos AG shares issued, as at December 31	**74,206,266**	**371,031,330**	72,757,466	363,787,330

Temenos AG also has conditional and authorized capital, comprising:

	2020
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	**3,643,658**
Conditional shares that may be issued in conjunction with financial instruments	**6,607,904**

The holdings of more than 3% of the voting rights of all registered shares, as at 31 December 2020 are as follows:

Martin and Rosmarie Ebner	**10.58%**
BNP Paribas SA	**8.53%**
Baillie Gifford & Co	**5.04%**
BlackRock, Inc.	**4.83%**
Comgest Global Investors, SAS	**3.12%**
UBS Fund Management (Switzerland) AG	**3.03%**

Notes to the unconsolidated financial statements 31 December 2020 continued

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 2019	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
Appropriation of available earnings:									
– to General legal reserve	–	28,484	–	–	–	–	(28,484)	–	–
Repayment of 'General Reserve from Capital Contributions' and distribution of an ordinary dividend in cash as per 2020 Annual General Meeting (AGM) resolution	–	–	–	(30,539)	–	–	(30,539)	–	(61,078)
Share capital and share premium on creation of conditional capital	7,244	–	222,979	–	–	–	–	–	230,223
Acquisition of treasury shares	–	–	–	–	–	–	–	(21,720)	(21,720)
Reserve for treasury shares movement of the year	–	–	–	–	–	(28,880)	28,880	–	–
Profit of the year	–	–	–	–	–	–	4,928	–	4,928
Balance at 31 December 2020	**371,031**	**50,603**	**732,422**	**21,600**	**–**	**231,656**	**564,872**	**(21,720)**	**1,950,464**

The reserve for treasury shares decreased to CHF 231,656,155 in line with the value of treasury shares held by Temenos AG through a subsidiary as at 31 December 2020 (2019: CHF 260,536,155).

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 2020 (2019: 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.

	2020		2019	
	Quantity	Value in CHF 000	Quantity	Value in CHF 000
Temenos AG				
1 January	–	–	–	–
Acquisitions	200,000	21,720	–	–
Disposals	–	–	–	–
31 December	200,000	21,720	–	–
Other consolidated companies				
1 January	1,804,267	260,536	1,804,267	261,327
Acquisitions	–	–	1,804,267	260,536
Disposals	(200,000)	(28,880)	(1,804,267)	(261,327)
31 December	1,604,267	231,656	1,804,267	260,536
Total balance as of 31 December	1,804,267	253,376	1,804,267	260,536

6. Contingent liabilities

Together with several of its subsidiaries, Temenos AG is a guarantor under the Group facility agreement concluded by Temenos Finance Luxembourg Sarl as borrower, for a maximum total amount up to USD 660 million.

7. Bonds issued by Temenos AG

In 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.

	2020 CHF 000	2019 CHF 000
Bond CHF 175,000,000 – 2.000% – 17 June 2015 – 17 June 2022	174,882	174,798
Bond CHF 150,000,000 – 1.750% – 5 April 2017 – 5 April 2024	149,642	149,532
Bond CHF 175,000,000 – 1.875% – 30 November 2018 – 30 November 2023	174,437	174,246
Bond CHF 220,000,000 – 1.500% – 28 November 2019 – 28 November 2025	219,026	218,832
Long-term interest-bearing liabilities	717,987	717,408
Accrued bond interests at year end	4,426	4,426
Short term interest-bearing liabilities	4,426	4,426
Total bonds issued by Temenos AG	722,413	721,833

Notes to the unconsolidated financial statements 31 December 2020 continued

8. Income from investments in subsidiaries
Temenos AG recognized an income from investments in subsidiaries of CHF 17 million following the decision of one of its direct subsidiaries to distribute a dividend in relation to the 2020 fiscal year.

9. Proposal for the appropriation of available earnings
Based on the approved and audited financial statements for the financial year 2020, the Board of Directors proposes to the General Meeting to distribute an ordinary dividend in cash amounting to CHF 0.90 per share, for a total amount of CHF 65,000,000 (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).

Approximately a third of the dividend will be paid as a distribution of reserve from capital contributions, therefore exempted of withholding tax (share premium dividend), with the rest of the total dividend taken from the retained earnings (cash dividend) and therefore taxable (withholding tax at 35%).

As a result, the General reserve from capital contributions at 31 December 2020, amounting to CHF 21,599,723 will be reduced as follows:

	2020 CHF 000	2019 CHF 000
General reserve from capital contributions		
Balance before distribution	**21,600**	52,139
Repayment of General reserve from capital contributions*	**(21,600)**	(30,539)
Balance after distribution	**–**	21,600

* 2019 comparative has been corrected from CHF 30,000,000 to CHF 30,539,057 to reflect the actual payment made in 2020. The dividend paid was CHF 0.85 per share as approved by the General Meeting. The difference is explained by the amount of treasury shares as of the ex-dividend date.

	2020 CHF 000	2019 CHF 000
Retained earnings		
Retained earnings carried forward	**531,064**	190,425
Net result for the year	**4,928**	569,689
Retained earnings available to the general meeting	**535,992**	760,114
Allocation to general legal reserve	**(246)**	(28,484)
Dissolution of/(Allocation to) reserve for treasury shares	**28,880**	(170,026)
Dividend distributed to shareholders	**(43,400)**	(30,539)
Retained earnings to be carried forward	**521,226**	531,064

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

Temenos treasury shares are not entitled to dividends.

10. Number of full-time equivalent
Temenos AG does not have any employees as of 31 December 2020 and 2019 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 17 February 2021 and will be submitted to the Annual General Meeting of shareholders for approval on 20 May 2021.

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)

Non-Executive Directors

Name	Position as at 31 December 2020	31 December 2020 Shares	31 December 2019 Shares
T. de Tersant	Vice-Chairman	3,000	3,000
H. Akbari	Member	100[1]	na
M. Carli	Member	1,000	na
I. Cookson	Member	15,500	15,500
E. Hansen	Member	2,500	11,000
P. Spenser	Member	950[1]	–
S. Giacoletto-Roggio	na	na	9,000
G. Koukis	na	na	15,000
A. Yip	na	na	–

1 Dr. Akbari and Dr. Spenser held shares in the form of ADR's.

Executive Chairman and Executive Committee members

Name	Position as at 31 December 2020	31 December 2020 Shares	31 December 2019 Shares
A. Andreades	Executive Chairman	896,752	607,369
M. Chuard	CEO	75,000	75,000
P. Spiliopoulos	CFO	–	–
J. Hilsenkopf	COO	16,301	13,766
A. Loustau	CTO until 15 February 2020	na	8,298
M. Winterburn	CPTO	3,975	3,975
A. Guenoun	President of the Americas and Global Head of Partners	1,368	–
C. Jarrett	CCDO	800	na
M. Rancati	CHRO	–	na

Notes to the unconsolidated financial statements 31 December 2020 continued

13. Disclosure of compensation and participations as per article 663c of the Swiss Code of Obligations (SCO) continued

SARs

Name	Position as at 31 December 2020	Grant Year	Plan	Exercise price USD	Number of vested SARs 31 December 2020	Number of unvested SARs 31 December 2020	Number of vested SARs 31 December 2019	Number of unvested SARs 31 December 2019
A. Andreades	Executive Chairman	2016	2016 scheme[1]	43.69	–	–	393,707	–
			2016 scheme[1]	49.12	–	–	55,725	–
		2017	2017 scheme[2]	70.87	–	–	–	349,469
		2018	2018 scheme[3]	127.00	–	155,450	–	155,450
		2019	2019 scheme	136.94	–	138,600	–	138,600
		2020	2020 scheme	168.81	–	131,800	–	–
M. Chuard	CEO	2016	2016 scheme[1]	43.69	–	–	312,543	–
			2016 scheme[1]	49.12	–	–	42,399	–
		2017	2017 scheme[2]	70.87	304,454	–	–	304,454
		2018	2018 scheme[3]	127.00	–	135,430	–	135,430
		2019	2019 scheme	136.94	–	168,085	–	168,085
		2020	2020 scheme	168.81	–	159,850	–	–
P. Spiliopoulos	CFO	2019	2019 scheme	147.43	–	70,000	–	70,000
		2020	2020 scheme	168.81	–	72,000	–	–
J. Hilsenkopf[4,5]	COO	2018	2018 scheme[3]	127.00	–	92,000	–	92,000
		2019	2019 scheme	136.94	–	98,400	–	98,400
		2020	2020 scheme	168.81	–	93,600	–	–
M. Winterburn	CPTO	2016	2016 scheme[1]	43.69	–	–	23,741	–
		2017	2017 scheme[2]	70.87	20,000	–	–	53,875
		2018	2018 scheme[3]	127.00	–	37,000	–	37,000
		2019	2019 scheme	136.94	–	41,000	–	41,000
		2020	2020 scheme	168.81	–	55,000	–	–
A. Guenoun[4]	President of the Americas and	2019	2019 scheme	136.94	–	37,000	–	37,000
	Global Head of Partners	2020	2020 scheme	168.81	–	50,000	–	–
C. Jarrett[4]	Chief Cloud and Delivery Officer	2020	2020 scheme	168.81		25,000	na	na
M. Rancati	CHRO	2020	2020 scheme	158.36	–	8,693	na	na
A. Loustau	CTO until 13 February 2020	2016	2016 scheme[1]	43.69	na	na	54,513	–
		2017	2017 scheme[2]	70.87	–	–	–	35,198
		2018	2018 scheme[3]	127.00	–	–	–	27,000
		2019	2019 scheme	136.94	–	–	–	37,000
T. Hogan	President Americas until 13 February 2020	2019	2019 scheme	144.77	na	na	–	50,000

1 The SARs granted under the 2016 scheme vested on 13 February 2019. The numbers above include the overachievement of 121%.
2 The SARs granted under the 2017 scheme vested on 13 February 2020. The numbers above include the overachievement of 120%.
3 The SARs granted under the 2018 scheme vested on 17 February 2021. The final vesting was at 87%. The numbers above will be reduced by 13% in 2021.
4 The SARs shown above for Mr. Hilsenkopf, Mrs. Guenoun and Dr. Jarrett only include outstanding SARs granted since appointment to the Executive Committee.
5 Mr. Hilsenkopf resigned from the Executive Committee on 13 January 2021. He is eligible for the SARs from the 2019 scheme on a pro rata basis based on performance achievement and the SARs from the 2020 scheme are forfeited.

No options and/or shares were held on 31 December 2020 and 2019 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)

	2020	2019	2018	2017	2016
Revenues	887.4	972.0	840.9	735.4	634.0
Operating expenses	(653.8)	(736.6)	(622.1)	(557.1)	(484.8)
Operating profit	233.6	235.4	218.8	178.3	149.2
Profit before taxation	204.2	212.6	195.4	160.9	132.1
Net profit after tax	175.0	181.1	168.2	138.4	115.8
EBITDA	382.6	366.0	311.5	263.3	225.3
Diluted earnings per share (in US$)	2.39	2.46	2.31	1.90	1.61
Cash generated from operations	406.2	364.3	365.1	299.7	257.6
Current assets*	446.3	552.6	577.2	430.5	430.2
Non-current assets*	1,769.4	1,779.0	1,072.0	844.8	741.3
Total assets	2,215.7	2,331.7	1,649.2	1,275.3	1,171.5
Current liabilities (excluding deferred revenues)*	247.2	396.1	314.7	177.8	246.0
Deferred revenues*	356.8	287.4	262.5	232.5	216.3
Total current liabilities	604.0	683.5	577.2	410.3	462.4
Non-current liabilities	1,088.3	1,203.1	773.2	485.4	310.0
Total liabilities	1,692.3	1,886.6	1,350.4	895.8	772.4
Total equity	523.4	445.1	298.8	379.5	399.1
Total equity and liabilities	2,215.7	2,331.7	1,649.2	1,275.3	1,171.5

* 2019 comparative information on the statement of financial position has been re-presented.

Information for investors

Capital structure
The registered share capital is divided into 74,206,266 shares with a par value of CHF 5.

Appropriation of profits
Temenos expects to pay a dividend of CHF 0.90 in 2021.

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Annual general meeting
20 May 2021

Statistics on Temenos shares

Registered shares of CHF 5 nominal	2020
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 31.12.2020	74,206,266
Number of registered shares at 31.12.2020	72,757,466
Market price high/low (CHF)	167.55/133.17
Market Price 31.12.2019 (CHF)	153.20
Market Price 31.12.2020 (CHF)	123.65
Market Capitalization high/low (CHFbn)*	12.180/7.211
Share capital nominal value at 31.12.2020 (CHFm)*	364

* Based on the number of registered shares at the time.

Key figures per share	2020
Basic earnings per share (USD)	2.43
Diluted earnings per share (USD)	2.39
Non-IFRS earnings per share (USD)	3.43
Consolidated shareholders' equity (USDm)	523.4
Consolidated shareholders' equity per share (USD)	7.05

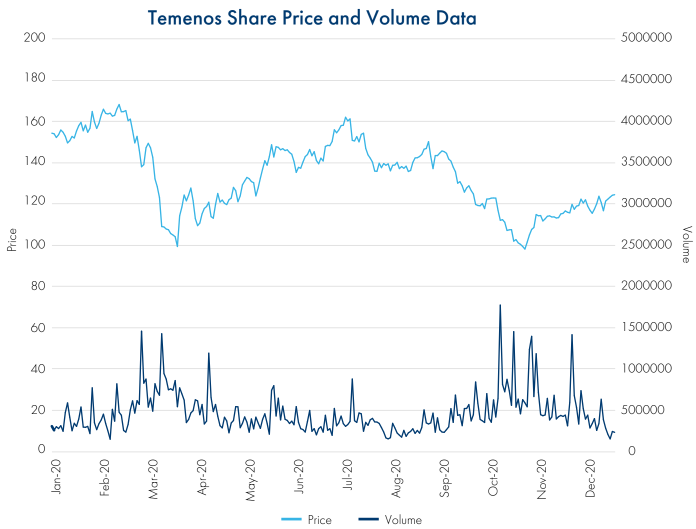
Major shareholders of Temenos AG* (as of 15.03.2021)

Name	Number of voting rights	Percentage of the share capital
Martin and Rosmarie Ebner	7,695,000	10.37%
BNP Paribas SA	6,791,384	9.15%
Baillie Gifford & Co	3,663,065	4.94%
BlackRock Inc.	3,647,700	4.92%
Comgest Global Investors, SAS	2,271,449	3.06%

* On the basis of Temenos AG registered capital of 74,206,266 shares and based on the disclosure notifications received (excluding Temenos treasury shares).

Please refer to page 115 for the status as of 31.12.2020

Development of Temenos share price



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