

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 99;
- > 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;
- > Monitors the performance and effectiveness of the internal audit function; and
- > Reviews the findings of the external audit reports and monitors their implementation.

NOMINATION COMMITTEE

MAIN RESPONSIBILITIES:

- > Reviews the structure, size and composition of the Board of Directors;
- > Establishes the qualification criteria for Board of Directors membership;
- > Reviews and proposes to the Board of Directors candidates to be recommended for election; and
- > Considers succession planning for both Board of Directors and Executive Committee members.

INTRODUCTION

This report has been prepared in compliance with the Directive on Information Relating to Corporate Governance as at 1 May 2018 (DCG) available at https://www.six-exchange-regulation.com/dam/downloads/regulation/admission-manual/directives/06_16-DCG_en.pdf, its Guidelines available at <https://www.six-exchange-regulation.com/dam/downloads/publication/obligations/guidelines/guideline-dcg-en.pdf> and with the Ordinance against Excessive Remuneration in Listed Companies limited by Shares as at 1 January 2014 (OaEC) available at <https://www.admin.ch/opc/fr/classified-compilation/20132519/index.html>.

In the present Annual Report, the corporate governance information has been summarized in a separate section, whereas references to other parts of the Annual Report have been included in an effort to avoid duplication.

In order to enhance readability, the present corporate governance section follows the suggested structure as described in the annex of the DCG.

There are some references to the Articles of Association and to the Organization bylaws of the Company; both documents are available at <http://www.temenos.com/en/about-temenos/investor-relations/corporate-governance/>.

Unless otherwise indicated, the information provided in this report reflects the situation as of 31 December 2018.

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'.

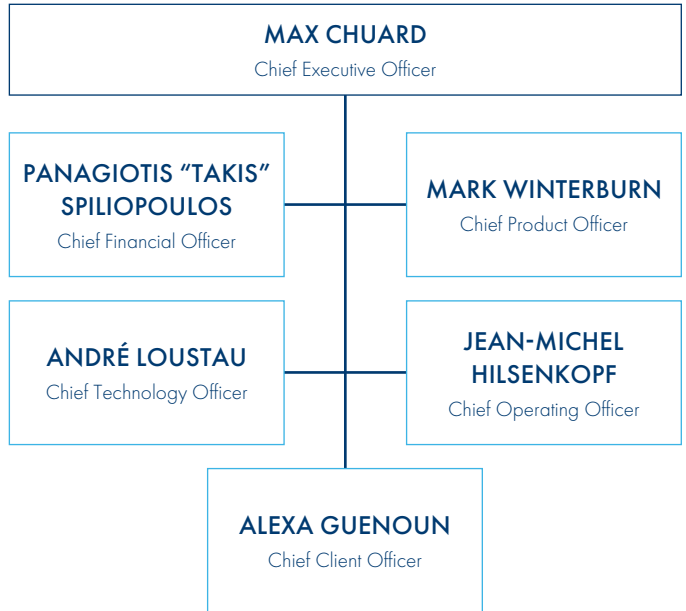
1. GROUP STRUCTURE AND SHAREHOLDERS

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:



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 and Bangalore (India). The Group has additional software development facilities in the United States, Canada, the United Kingdom, Switzerland, France, Romania, Belgium, Luxembourg, Australia 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 8,376,119,079*
Security Number	1245391
ISIN number	CH0012453913
Symbol	TEMN
Reuters	TEMN.S
Bloomberg	TEMN SW

* Based on the issued share capital as of 31.12.2018 composed of 71,044,267 shares.

Please refer to the Information for Investors' section on page 188 for statistics on Temenos shares.

GOVERNANCE DASHBOARD



EXECUTIVE CHAIRMAN REMUNERATION MIX

● Fixed fee/salary	10%
● Other compensation	7%
● Variable short term incentives	11%
● LTIP earned	24%
● LTIP not yet earned	48%

Read more on > 112

Total compensation at risk 83%



EXECUTIVE COMMITTEE REMUNERATION MIX

● Fixed salary	12%
● Other compensation	2%
● Variable short term incentives	14%
● LTIP earned	24%
● LTIP not yet earned	48%

Read more on > 113

Total compensation at risk 86%

MEETINGS HELD IN 2018

Board of Directors	8
Audit Committee	4
Compensation Committee	3
Nomination Committee	1

Corporate governance continued

1.1 Group structure continued

1.1.3 Please find below the main non-listed companies belonging to the Group as of 31.12.2018:

(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 GBP
Avoka Hong Kong Limited	Hong Kong	Hong Kong	1,000 HKD
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
Fairs Limited	London	United Kingdom	50,000 GBP
Financial Objects (UK) Limited	London	United Kingdom	466,667 GBP
Financial Objects Limited	London	United Kingdom	950,528 GBP
Genisys Technology Limited	London	United Kingdom	51,505 GBP
Igefi Deutschland GmbH	Frankfurt am Main	Germany	100,000 EUR
Igefi France Sàrl	Paris	France	7,500 EUR
Igefi Group Sàrl	Strassen	Luxembourg	31,000 EUR
Igefi Hong Kong Limited	Hong Kong	Hong Kong	1,000 HKD
Igefi Ireland Limited	Dublin	Ireland	100 EUR
Igefi Singapore Pte Limited	Singapore	Singapore	20,000 SGD
Igefi UK Limited	London	United Kingdom	5,000 GBP
Igefi US LLC	Boston	USA	100 USD
Odyssey Financial Technologies GmbH	Frankfurt am Main	Germany	25,000 EUR
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
Stargate Information Systems Pty Limited	Sydney	Australia	261 AUD
Temenos (Malaysia) Sdn Bhd	Shah Alam	Malaysia	500,000 MYR
Temenos (NL) BV	Amsterdam	Netherlands	18,152 EUR
Temenos (Thailand) Co. Limited	Bangkok	Thailand	100,000,000 THB
Temenos Africa (Pty) Limited	Sandton	South Africa	100 ZAR
Temenos Australia Pty Limited	Sydney	Australia	2 AUD
Temenos Australia Financial Pty Limited	Sydney	Australia	85,977,680 AUD
Temenos Australia Messaging Pty Limited	Sydney	Australia	100 AUD
Temenos Australia Operations Pty Limited	Sydney	Australia	7,500,181 AUD
Temenos Australia Services Pty Limited	Sydney	Australia	100 AUD
Temenos Australia Technology Solutions Pty Limited	Sydney	Australia	1 AUD
Temenos Belgium SA	La Hulpe	Belgium	200,000 EUR
Temenos Bulgaria EOOD	Sofia	Bulgaria	10,000 BGN
Temenos Canada Inc.	Vancouver	Canada	560,586 shares (no par value)
Temenos Cloud Americas LLC	Wilmington	USA	No par value
Temenos Cloud Switzerland SA	Geneva	Switzerland	100,000 CHF
Temenos Denmark ApS	Copenhagen	Denmark	50,000 DKK
Temenos Deutschland GmbH	Frankfurt am Main	Germany	25,000 EUR
Temenos East Africa Limited	Nairobi	Kenya	10,000 KES
Temenos Ecuador SA	Quito	Ecuador	672,000 USD
Temenos Egypt LLC	Cairo	Egypt	200 EGP
Temenos Finance Luxembourg Sàrl	Bertrange	Luxembourg	37,500 EUR
Temenos France SAS	Paris	France	500,000 EUR
Temenos Headquarters SA	Geneva	Switzerland	100,000 CHF
Temenos Hellas SA	Athens	Greece	105,000 EUR
Temenos Hispania SL	Madrid	Spain	10,000 EUR
Temenos Holdings France SAS	Paris	France	28,010,000 EUR
Temenos Holdings Limited	Road Town	British Virgin Islands	40,105 USD
Temenos Holland BV	Amsterdam	Netherlands	19,000 EUR
Temenos Hong Kong Limited	Hong Kong	Hong Kong	2 HKD
Temenos India Private Limited	Chennai	India	2,962,000 INR
Temenos Investments BV	Amsterdam	Netherlands	18,000 EUR
Temenos Israel Limited	Ramat Gan	Israel	100 NIS
Temenos Japan KK	Tokyo	Japan	10,000,000 JPY
Temenos Kazakhstan LLP	Almaty	Kazakhstan	14,400,000 KZT
Temenos Korea Limited	Seoul	Republic of Korea	50,000,000 KRW
Temenos Luxembourg SA	Bertrange	Luxembourg	1,181,250 EUR
Temenos Mexico SA de CV	Mexico City	Mexico	10,760,900 MXN
Temenos Middle East Limited	Nicosia	Cyprus	17,100 EUR

Temenos North Africa LLC	Casablanca	Morocco	10,000 MAD
Temenos Philippines, Inc.	Makati City	Philippines	10,000,000 PHP
Temenos Polska Sp. Zo.o	Warsaw	Poland	100,000 PLN
Temenos Romania SRL	Bucharest	Romania	120,000 RON
Temenos Singapore Pte Limited	Singapore	Singapore	65,010,000 SGD
Temenos Singapore FT Pte Limited	Singapore	Singapore	1 SGD
Temenos Software Brasil Limitada	Sao Paulo	Brazil	150,000 BRL
Temenos Software Luxembourg SA	Bertrange	Luxembourg	29,500,000 EUR
Temenos Software Shanghai Co. Limited	Shanghai	China	140,000 USD
Temenos Solutions Australia Pty Limited	Sydney	Australia	439,195,301 AUD
Temenos Systems Ireland Limited	Dublin	Ireland	4 EUR
Temenos UK Limited	London	United Kingdom	2,198,844 GBP
Temenos USA, Inc.	Wilmington	USA	1 USD
Temenos Vietnam Company Limited	Hanoi	Vietnam	890,000,000 VND
TriNovus Systems LLC	Lubbock	USA	1,741,651.85 USD
Viveo France SAS	Paris	France	5,300,000 EUR
Viveo Group SAS	Paris	France	16,248,900 EUR
Wealth Management Systems Limited	London	United Kingdom	525,000 GBP

1.2 Significant shareholders

Please find below the list of shareholders who hold more than 3% of the voting rights as of 31 December 2018 as per information that has been published on the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange pursuant to Art. 120 ff. of the Financial Market Infrastructure Act.

Beneficial owner	Number of voting rights	Percentage of share capital
Martin and Rosmarie Ebner	7,695,000	10.83%
The Capital Group Companies, Inc.	7,105,217	10.00%
BlackRock, Inc. ¹	3,833,868	5.40%
Massachusetts Mutual Life Insurance Company ²	3,554,954	5.00%
Artisan Partners Limited ³	2,180,153	3.07%
Harding Loevner LP	2,147,681	3.02%

⁽¹⁾ Out of this number, 562,758 voting rights are delegated by a third party and can be exercised at one's own discretion.

⁽²⁾ Out of this number, 135,888 voting rights are delegated by a third party and can be exercised at one's own discretion.

⁽³⁾ Out of this number, 2,180,153 voting rights are delegated by a third party and can be exercised at one's own discretion.

Based on the registered capital as of 31.12.2018 composed of 71,044,267 shares.

For more recent information on major shareholders, please refer to page 188.

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 2018, the registered ordinary share capital amounted to CHF 355,221,335 consisting of 71,044,267 registered shares, each with a par value of CHF 5. All the shares are fully paid-up. Each recorded share with voting rights entitles its holder to one vote.

The Company has an authorized capital totaling CHF 69,500,000 and a conditional capital totaling CHF 34,028,285 for shares that may be issued on the exercising of share options granted to employees of the Group. Additional conditional capital totaling CHF 33,039,520 exists for shares that may be issued in conjunction with financial instruments.

2.2 Authorized and Conditional capital

Authorized capital

Pursuant to the Articles of Association (Article 3ter), the Board of Directors is authorized to increase the share capital by 10 May 2019, by an amount not exceeding CHF 69,500,000 by issuing up to 13,900,000 fully paid-in registered shares with a nominal value of CHF 5 each. An increase in partial amounts is permitted.

The Board of Directors shall determine the date of issue of such new shares, the issue price, type of payment, conditions of exercising pre-emptive rights, and the beginning of the dividend entitlement. The Board of Directors may issue new shares by means of a firm underwriting by a banking institution or syndicate with subsequent offer of those shares. The Board of Directors may allow the expiry of pre-emptive rights which have not been exercised or it may place these rights as well as shares, the pre-emptive rights for which have not been exercised, at market conditions.

The Board of Directors is authorized to restrict or withdraw the pre-emptive rights and rights of advance subscription of existing shareholders and allocate them to third parties if (i) the shares are to be used for the take-over of another company or enterprise, of parts of an enterprise or of participations or for the financing of such transactions; or if (ii) the shares are to be used for the purpose of expanding the scope of shareholders in connection with the quotation of shares on national and foreign stock exchanges.

Corporate governance continued

2.2 Authorized and Conditional capital continued

Conditional capital for employee participation

Pursuant to the Articles of Association (Article 3 quarter (1)), the share capital may be increased by an amount not exceeding CHF 34,028,285 by issuing up to 6,805,657 new registered shares to be fully paid-in with a nominal value of CHF 5 each through the exercise of the rights that the direct or indirect subsidiaries of the Company (the 'Subsidiaries') or the Company itself may grant to officers, Directors and employees at all levels of the Company and the Subsidiaries. The pre-emptive rights as well as the right for advance subscription of existing shareholders are precluded.

The issue of shares or respective option rights through the Subsidiaries or through the Company to officers, Directors and employees of the Company and the Subsidiaries, is subject to one or more regulations to be issued by the Board of Directors on the basis of the following general rules: (i) new shares may only be issued to the Subsidiaries or to the Company for purposes of distribution to Directors, officers or employees of the Company and the Subsidiaries; (ii) new shares to be issued through the Subsidiaries or through the Company to employees of the Company or the Subsidiaries shall be issued against paying-in the nominal value of CHF 5 per each share in cash.

Conditional capital for financial instruments

Pursuant to the Articles of Association (Article 3 quarter (2)), the share capital may be increased by an amount not exceeding CHF 33,039,520, by issuing up to 6,607,904 new registered shares to be fully paid-in with a nominal value of CHF 5 each, to be divided as follows: first, for the amount of CHF 8,386,120, that corresponds to 1,677,224 new registered shares, through exercise of conversion and/or option rights, which are granted in connection with bonds or similar obligations or other financial instruments of the Company or one of its group companies; and second, for the amount of CHF 24,653,400, that corresponds to 4,930,680 new registered shares, by the exercise of option rights which are granted by the Company or one of its group companies to existing shareholders or third parties. In the case of the issuance of bonds, similar obligations, or other financial instruments linked with conversion and/or option rights, and in the case of the issuance of option rights, the pre-emptive rights of shareholders are excluded. The owners of conversion or option rights from time to time are entitled to the new shares.

The conditions of the option rights, including the exercise period and exercise price, are to be determined by the Board of Directors, whereby the exercise price may be fixed at a price lower than the market or intrinsic value.

The Board of Directors shall be authorized to restrict or exclude the advance subscription rights of shareholders: (1) if debt issues in connection with conversion rights or warrants or other financial instruments or options issues are for the purpose of financing or refinancing the acquisition of an enterprise, parts of an enterprise, or participations or new investments; or (2) if such debt or other financial instruments or options are issued on the international capital markets and for the purpose of a firm underwriting by a banking institution or a consortium of banks with a subsequent offering to the public; or (3) if such debt or other financial market instruments or options are issued for the purpose of the participation of strategic Partners. In such cases, the following shall apply: the terms and conditions of the convertible bonds or warrants or other financial instruments or options shall correspond to market conditions (including dilution protection provisions in accordance with market practice), taking into account the specific situation, and the new shares shall be issued pursuant to the relevant conversion or exercise rights in connection with bond or warrant or options issuance conditions. Conversion rights may be exercised during a maximum ten (10)-year period, and warrants or options may be exercised during a maximum seven (7)-year period, in each case from the date of the respective issuance.

2.3 Changes in capital

	31.12.18 CHF 000	31.12.17 CHF 000	31.12.16 CHF 000
Ordinary issued share capital	355,221	354,250	348,106
Conditional share capital	67,068	47,767	53,911
Authorized share capital	69,500	69,500	69,500

As at **31 December 2013**, the registered share capital amounted to CHF 360,115,740 consisting of 72,023,148 registered shares, each with a par value of CHF 5. Further to the decision of the General Meeting of Shareholders held on 28 May 2014, the capital was reduced by cancellation of 2,134,786 shares repurchased under a share buyback program.

As at **31 December 2014**, the registered share capital amounted to CHF 349,441,810 consisting of 69,888,362 registered shares, each with a par value of CHF 5. Further to the decision of the General Meeting of Shareholders held on 6 May 2015, the capital was reduced by cancellation of 3,270,794 shares repurchased under a share buyback program.

As at **31 December 2015**, the registered share capital amounted to CHF 333,087,840 consisting of 66,617,568 registered shares, each with a par value of CHF 5.

As at **31 December 2016**, the registered share capital amounted to CHF 333,087,840 consisting of 66,617,568 registered shares, each with a par value of CHF 5. No change of capital occurred during 2016.

On **15 February 2017**, the registered share capital was increased to CHF 348,105,620 consisting of 69,621,124 registered shares, each with a par value of CHF 5, further to the registration of 3,003,556 shares that were created out of conditional capital during 2016 (for Employee Share Option Schemes).

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

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

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 sustainable to 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 0.75 per share on 21 May 2019, subject to shareholders' approval at the Annual General Meeting of Shareholders on 15 May 2019. The dividend record date will be set on 20 May 2019 with the shares trading ex-dividend on 17 May 2019. Like in the past years, the 2018 dividend will be paid as a distribution of reserve from capital contributions and therefore be exempted of withholding tax (share premium dividend).

2.5 Dividend-right certificates

The Company does not issue profit sharing certificates.

2.6 Limitations on transferability and nominee registrations

There are no restrictions on the transfer of shares.

2.7 Convertible bonds and options

Regarding options please refer to note 26 of the consolidated financial statements.

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

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

In **May 2015**, the Company issued a senior unsecured bond with a nominal value of CHF 175 million and a coupon rate of 2.00% paid annually on 17 June. The bond will mature on 17 June 2022 at a redemption price of 100% of the principal amount.

In **April 2017**, the Company issued a senior unsecured bond with a nominal value of CHF 150 million and a coupon rate of 1.75% paid annually on 5 April. The bond will mature on 5 April 2024 at a redemption price of 100% of the principal amount.

In **November 2018**, the Company issued a senior unsecured bond with a nominal value of CHF 175 million and a coupon rate of 1.875% paid annually on 30 November. The bond will mature on 30 November 2023 at a redemption price of 100% of the principal amount.

3. BOARD OF DIRECTORS

3.1 Members of the Board of Directors

As at 31 December 2018, the Board of Directors comprised the following members:

Name	Position
Andreas Andreades	Executive Chairman
Sergio Giacoletto-Roggio	Vice-Chairman, Independent and Non-Executive Director
George Koukis	Non-Executive Director, Temenos founder
Ian Cookson	Independent and Non-Executive Director
Thibault de Tersant	Independent and Non-Executive Director
Erik Hansen	Independent and Non-Executive Director
Amy Yip	Independent and Non-Executive Director
Peter Spenser	Independent and Non-Executive Director

Please refer to pages 90 and 91 for their biographies.

Except George Koukis who was Executive Chairman of Temenos until July 2011, none of the non-executive members of the Board of Directors has or has had any senior management position within the Group, nor any significant business connections with the Group.

3.2 Other activities and vested interests

Except those mentioned in the biographies section of this Annual Report, no member of the Board of Directors has any:

- > Activities in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations under private and public law;
- > Permanent management and consultancy functions for important Swiss and foreign interest groups; or
- > Official functions and political posts.

3.3 Rules in the Articles of Association on the number of permitted activities pursuant to Art. 12 para. 1 point 1 OaEC.

According to Article 29 of the Articles of Association, no member of the Board of Directors may hold more than four additional mandates in listed companies and ten additional mandates in non-listed companies.

The following mandates are not subject to these limitations:

- a. mandates in companies which are controlled by the Company or which control the Company;
- b. mandates held at the request of the Company or any companies controlled by it. No member of the Board of Directors or of the executive management shall hold more than ten of such mandates; and
- c. mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Board of Directors or executive management shall hold more than ten of such mandates.

'mandates' shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

All members of the Board of Directors comply with these provisions.

3.4 Elections and terms of office

Name	First elected
Andreas Andreades	2001
Sergio Giacoletto-Roggio	2012
George Koukis	2001
Ian Cookson	2012
Thibault de Tersant	2012
Erik Hansen	2013
Amy Yip	2014
Peter Spenser	2017

3.5 Internal organizational structure

3.5.1 Allocation of tasks within the Board of Directors

The Board of Directors shall elect a Vice-Chairman from amongst its members and a secretary. It may also appoint one or more committees from amongst its members.

Executive Chairman

The Executive Chairman is responsible for preparing and convening the meetings of the Board of Directors as well as for the implementation of the Board resolutions. In case of his absence, the Vice-Chairman shall call the Board meetings. The Executive Chairman monitors the preparation of the General Meeting of Shareholders.

Temenos is a typical software company where product, technology vision and deep market knowledge are instrumental in the success of the Company and it is common to have executive chairmen structures where founders/near founders have a critical role to play in the running of the Company. It is of paramount importance that Temenos retains the vision that has established it as a leader in its industry.

The Executive Chairman attends the Product Board and some of the Executive Committee meetings. He therefore works full time in an executive capacity and is jointly responsible for the delivery of the strategic plan and financial results.

Taking into account his deep understanding of the market, his previous Chief Executive Officer and Chief Financial Officer roles within the Group, the Executive Chairman's input and significant value add are key and instrumental for the other members of the Board of Directors and for the Executive Committee members, especially on all strategic matters.

Corporate governance continued

3.5 Internal organizational structure continued

3.5.1 Allocation of tasks within the Board of Directors continued

Vice-Chairman

In case the Executive Chairman is unavailable or absent, the Vice-Chairman calls meetings of the Board of Directors; also, in case the Executive Chairman is unavailable or absent, the Vice-Chairman chairs meetings of the Board of Directors. The Vice-Chairman has the authority to call meetings reserved exclusively for independent Directors to allow them to discuss certain issues outside full Board of Directors meetings. The agenda of such meetings are set by the Vice-Chairman.

The Vice-Chairman serves as liaison between the Independent Directors, the Executive Chairman and the Chief Executive Officer. The Vice-Chairman acts as the preferred contact for the other Independent Directors.

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

In 2018, the Vice-Chairman acted as Lead Independent Director.

3.5.2 Members list, tasks and area of responsibility for each Committee of the Board of Directors

The Audit, Compensation and Nomination Committees are governed by terms of reference defining their duties and compositions which are available at <https://www.temenos.com/en/about-temenos/investor-relations/corporate-governance/>. These Committees are composed mainly of Independent and Non-Executive Directors. These Committees report regularly and make recommendations to the Board of Directors which is empowered to make decisions.

Name	Audit Committee	Compensation Committee	Nomination Committee
Andreas Andreades			Member
Sergio Giacometto-Roggio	Member	Chairman	Member
George Koukis			
Ian Cookson	Member	Member	Chairman
Thibault de Tersant	Chairman		
Erik Hansen		Member	
Amy Yip		Member	Member
Peter Spenser	Member		

Audit Committee

The Audit Committee is composed of four members, each of whom being independent and holding relevant financial expertise and understanding of the IFRS accounting standards. The Audit Committee reviews the Group's financial reports, internal controls, compliance with corporate governance rules 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 104.

Nomination Committee

The main duties of the Nomination Committee are: (i) to annually review the structure, size and composition of the Board of Directors and make recommendations to the Board of Directors with regard to any changes, (ii) to establish qualification criteria for Board of Directors' membership 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 2018, the following meetings were held:

	Number of meetings	Attendance	Average duration
Board of Directors	8	92%	2h30
Audit Committee	4	100%	3h
Compensation Committee	3	100%	1h30
Nomination Committee	1	75%	1h

All physical meetings were held at Temenos offices in Geneva.

Both the external and internal auditors attended all the Audit Committee meetings in 2018.

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 2018 evaluation results were discussed at the meeting held in July 2018 where it was concluded that the Board of Directors operates effectively.

3.6 Definition of areas of responsibility

The Board of Directors is the ultimate governing body of the Company. Together with its Committees, it exercises inalienable and non-transferable functions as provided by law, by the Company's Articles of Association and by its bylaws. The Board of Directors decides in particular on significant acquisitions, disposals, strategic alliances, changes in the Group's structure and share repurchase programs though its responsibilities are not limited to this.

Based on Article 17 of the Articles of Association and Article 3.5 of the bylaws of the Company, the Board of Directors has delegated the day-to-day operational management and conduct of business operations of the Company to the Chief Executive Officer who is heading and supported by the Executive Committee, except where the law or the Articles of Association provide differently.

The Executive Committee is responsible for execution of strategy and monitoring performance against it. The Executive Committee also sets targets for Group organic and acquisitions growth on a three year basis i.e. strategic plan to be then formally approved by the Board of Directors. Finally, the Executive Committee approves all product investments as well as acquisitions to be proposed to the Board of Directors.

3.7 Information and control instruments vis-à-vis the Executive Committee

The Board of Directors is responsible for the Group's risk management, security and system of internal controls. Overseeing the risk management process, effectiveness and efficiency of operations, accurate reporting, compliance with laws and regulations and safeguarding the interests of the Group are some of the main responsibilities of the Board of Directors.

Prior to each meeting, members of the Board of Directors receive reports that allow them to discharge their above duties.

The Chief Executive Officer and Chief Financial Officer personally report at each meeting of the Board of Directors.

The performance management process ensures that Company's targets, as agreed with the Board of Directors, are delegated to senior management during the first quarter of every financial year.

The Internal Audit function provides an independent assurance on effectiveness of internal controls. This function's independent status is assured by the fact that the 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 2018, the Executive Committee comprised the following members:

Name	Position
David Arnott	Chief Executive Officer
Max Chuard	Chief Financial Officer/ Chief Operating Officer
Andre Loustau	Chief Technology Officer
Mark Winterburn	Chief Product Officer
Jean-Michel Hilsenkopf ¹	Chief Revenue Officer

⁽¹⁾ Mr. Hilsenkopf was appointed as a member of the Executive Committee (Chief Revenue Officer) effective 12 January 2018.

Mr. David Arnott resigned as Chief Executive Officer effective 28 February 2019.

Mr. Max Chuard was appointed as Chief Executive Officer effective 1 March 2019.

Mr. Paniogotis "Takis" Spiliopoulos was appointed as a member of the Executive Committee (Chief Financial Officer) effective 31 March 2019.

Ms. Alexa Guenoun was appointed as a member of the Executive Committee (Chief Client Officer) effective 12 February 2019.

Mr. Jean-Michel Hilsenkopf was appointed Chief Operating Officer effective 12 February 2019.

Please refer to pages 92 and 93 for their biographies.

4.2 Other activities and vested interests

Except those mentioned in the biographies section on pages 92 and 93, no member of the Executive Committee has any:

- > Activities in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations under private and public law;
- > Permanent management and consultancy functions for important Swiss and foreign interest groups; or
- > Official functions and political posts.

4.3 Rules in the Articles of Association on the number of permitted activities pursuant to Art. 12 para. 1 point 1 OaEC.

According to Article 29 of the Articles of Association, no member of the executive management may hold more than one additional mandate in a listed company and five additional mandates in non-listed companies.

The following mandates are not subject to these limitations:

- a. mandates in companies which are controlled by the Company or which control the Company;
- b. mandates held at the request of the Company or any companies controlled by it. No member of the Board of Directors or of the executive management shall hold more than ten of such mandates; and
- c. mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Board of Directors or executive management shall hold more than ten of such mandates.

'mandates' shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

All members of the Executive Committee comply with these provisions.

4.4 Management contracts

No management tasks have been delegated to third parties.

5. COMPENSATION, SHAREHOLDINGS AND LOANS

5.1 Content and method of determining the compensation and the shareholding programs

The executive management compensation plans seek to align executive management and shareholders' interests by making a significant portion of compensation depend on achieving increased shareholder value for the long term and to enforce a performance-orientated environment that rewards superior value creation and the achievement of outstanding results.

Compensation of the non-executive members of the Board of Directors comprises fixed compensation only.

The executive members of the Board of Directors and the executive management may be paid fixed and variable compensation. Variable compensation is dependent on the achievement of certain performance criteria.

Temenos applies a policy for share ownership and retention that is applicable to the Executive Chairman of the Board of Directors and to the members of the Executive Committee. Further information is available in the Compensation Report on page 104.

Corporate governance continued

5.2 Rules in the Articles of Association

5.2.1 According to Article 27 of the Articles of Association of the Company, performance criteria shall be determined by the Board of Directors or, where delegated to it, the Compensation Committee and may include criteria relating to individual performance, performance of the Company or parts thereof as well as performance in relation to the market or other companies, taking into account the position and level of responsibility of the employee. The Board of Directors or, where delegated to it, the Compensation Committee shall determine the performance criteria impact on variable compensation (short and long term incentives), including actual achievement and potential maximum achievement, the relative weight of the performance criteria and the respective target-levels.

Compensation may be paid or granted in cash, shares, or in the form of other types of benefits. Compensation of executive members of the Board of Directors or members of the executive management may also be granted in the form of stock appreciation rights and similar financial instruments. The Board of Directors or, where delegated to it, the Compensation Committee shall determine grant, vesting, blocking, exercise and forfeiture terms and conditions of these kinds of compensation; in particular, it may provide for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation based upon assumed target achievement, or for forfeiture, in each case in the event of pre-determined events such as a change-of-control or termination of an employment agreement.

The Company may procure the required shares through treasury shares or upon creation of shares out of conditional capital.

Compensation may be paid by the Company or companies controlled by it.

According to Article 26 of the Articles of Association, if the maximum aggregate amount of compensation already approved by the General Meeting of Shareholders is not sufficient to also cover compensation of one or more members who become members of or are being promoted within the executive management during a compensation period for which the General Meeting of Shareholders has already approved the compensation, the Company or companies controlled by it shall be authorized to pay to such member(s) a supplementary amount during the compensation period(s) already approved. The total supplementary amount per compensation period shall not exceed 40% of the aggregate amount of compensation of the executive management last approved by the General Meeting of Shareholders.

5.2.2 There are no rules in the Articles of Association on loans, credit facilities and post-employment benefits for members of the Board of Directors and Executive Committee.

5.2.3 According to Article 25 of the Articles of Association, the General Meeting of Shareholders shall approve annually and separately the proposals of the Board of Directors in relation to the maximum aggregate amount of:

- > Compensation of the Board of Directors for the next fiscal year;
- > Compensation of the executive management for the next fiscal year.

The Board of Directors may submit for approval by the General Meeting of Shareholders proposals in relation to maximum aggregate amounts of compensation relating to different periods, in relation to amounts for specific compensation elements for the same or different periods.

In the event a proposal of the Board of Directors has not been approved by the General Meeting of Shareholders, the Board of Directors shall determine, taking into account all relevant factors, the respective maximum aggregate amount of compensation or partial maximum amounts for specific compensation elements, and submit the amount(s) so determined for approval by a General Meeting of Shareholders.

Notwithstanding the above provisions, the Company or companies controlled by it may pay out compensation prior to approval by the General Meeting of Shareholders subject to subsequent approval by a General Meeting of Shareholders.

6. SHAREHOLDERS' PARTICIPATION RIGHTS

6.1 Voting-rights restrictions and representation

6.1.1 According to the Company's Articles of Association, only shareholders entered in the share register as shareholders or as usufructuaries may exercise the voting rights linked to the shares or the other rights connected with these voting rights. The Articles of Association do not contain any restrictions to voting rights.

6.1.2 Not applicable.

6.1.3 Not applicable.

6.1.4 Not applicable.

6.1.5 Shareholders registered in the share register with voting rights on a determined date are entitled to attend the General Meeting of Shareholders and to exercise their votes. Each shareholder may be represented at the General Meeting of Shareholders by any other person who is authorized by a written proxy, by a legal representative or by the independent proxy holder.

6.1.6 There are no rules in the Articles of Association about electronic participation to the General Meeting of Shareholders or instructions to the independent proxy holder. However the shareholders may provide electronically their voting instructions to the independent proxy holder.

6.2 Quorums required by the Articles of Association

There are no statutory quorums. The General Meeting of Shareholders shall pass its resolutions and carry out its elections by a simple majority, unless qualified majority is required by law for a specific agenda item.

6.3 Convocation of the General Meeting of Shareholders

The General Meeting of Shareholders is convened by publication of the invitation and the agenda, at least twenty days before the date of the meeting, in the Swiss Official Gazette of Commerce (Schweizerische Handelsamtsblatt, Feuille Officielle Suisse du Commerce). Shareholders representing at least 10% of the share capital may convene an Extraordinary General Meeting of Shareholders.

6.4 Inclusion of items on the agenda

One or more shareholders representing shares of an aggregate nominal value of at least CHF 1 million may, up to 45 days before the date of the General Meeting of Shareholders, request an item to be included on the agenda. Such request must be in writing and shall specify the items and the proposals of these shareholders.

6.5 Entries in the share register

Pursuant to Article 13 paragraph 1 of the Articles of Association, shareholders entered in the share register as shareholders with voting rights on a specific date determined by the Board of Directors are entitled to attend and vote at the General Meeting of Shareholders.

7. CHANGES OF CONTROL AND DEFENSE MEASURES

7.1 Duty to make an offer

There is no 'opting out' or 'opting up' clause in the Articles of Association.

7.2 Clauses on changes of control

In case of change of control in Temenos, all outstanding stock appreciation rights (SARs) will become immediately vested and exercisable.

SARs are considered to be outstanding only if the corresponding/relevant service period has started (where such relevant service period is specified as part of the grant documentation). If not specified, they will be considered as outstanding automatically.

8. AUDITORS

8.1 Duration of the mandate and term of office of the lead auditor

8.1.1 PricewaterhouseCoopers SA was re-elected as the statutory and group auditor at the Annual General Meeting of Shareholders held on 15 May 2018 for a period of one year (first elected in 2003).

8.1.2 Mr. Mike Foley was appointed new lead auditor on 15 May 2018 at the Annual General Meeting of Shareholders.

8.2 Auditing fees

Included in general and administrative expenses is an amount of USD 1,711,206 representing audit fees charged to the Company by PricewaterhouseCoopers for (i) the audit of the Group consolidated financial statements and of statutory accounts in various jurisdictions (USD 1,497,206) and (ii) other audit fees related to work that can only be performed by the Group auditor such as the audit of the compensation report (total of USD 214,000).

8.3 Additional fees

In addition, other fees of USD 1,290,000 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	97
Transactions	77
Non Audit Fees – Audit related	174
Tax Advisory	644
Other Advisory	472
Non Audit related	1,116
Total Non Audit Fees	1,290

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 15 May 2019, Temenos will hold its Annual General Meeting in Geneva, Switzerland. This occasion affords shareholders the opportunity to put their questions to the Board and learn more about the Group's strategic direction.

Meetings between Directors, institutional shareholders and other market professionals are held regularly as a part of Temenos' investor relations program. Furthermore, all Directors are available to meet shareholders if requested.

Dates of publication of 2019 quarterly results and Temenos conferences are published on the Company's website and updated regularly at <http://www.temenos.com/en/about-temenos/investor-relations/calendar/>.