

## Compensation Report

*“We are pleased to present you with our 2018 Compensation Report. Once again last year, shareholders sent a positive message on our compensation proposals and its structures with positive affirmation on all of our resolution items.*

*In January 2018, we extended our Executive Committee with the addition of Jean-Michel Hilsenkopf as our Chief Revenue Officer (CRO). In addition, on 20 December 2018, we acquired Avoka, a leader in digital customer acquisition and onboarding, and I am very pleased to welcome the employees to the Temenos family.”*

### LETTER FROM THE CHAIRMAN OF THE COMPENSATION COMMITTEE

In February 2019, David Arnoit decided to step down to spend more time with his family. I am delighted to announce that Max Chuard, former CFO/COO, has been appointed as CEO with effect from 1 March 2019. Panagiotis “Takis” Spiliopoulos, will be joining as CFO on 31 March 2019. Jean-Michel Hilsenkopf has been appointed as COO and Alexa Guenoun joins the Executive Committee in her position as CCO (Chief Client Officer).

2018 was another successful year for Temenos with non-IFRS total software license growth of 21% and non-IFRS EPS growth of 21%. The Company’s strong financial performance was driven by excellent execution on the part of our commercial teams, coupled with strong control of our operating costs.

We have grown shareholder returns by 133% over three years and 854% over the last ten years. Below is the historical growth compared to the average of our peer group:

Total Shareholder Return (TSR)	3 years	5 years	10 years	10 year average
Temenos	133%	340%	854%	85%
Average of peer group	66%	120%	660%	66%

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 and on share price performance;
- > We have the support of our shareholders on our compensation proposals.

In 2018, we have continued to make improvements to our governance, in particular, this year we are disclosing product revenue targets on a prospective basis for the LTIP program for the first time.

Shareholder feedback is obtained on a continuing basis by senior management and as in previous years, I have offered to meet with key shareholders specifically on Compensation topics, and meetings are taking place in February and March 2019. The Compensation Committee remains committed to this dialogue with shareholders, and we welcome regular feedback on our compensation policies.

I look forward to having the opportunity of meeting with you again in 2019 and we look forward to receiving your support at the AGM.

Sergio Giacoletto-Roggio  
Chairman of the Compensation Committee

## A. COMPENSATION POLICY AND PRINCIPLES

### A.1. Compensation objectives

This report has been prepared in accordance with articles 13-17 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies.

Temenos' executive compensation programs are designed with two main goals in mind:

- > Pay for Performance alignment: by making the major portion of compensation dependent on achieving increased shareholder value for the long term; and
- > Fostering a performance-based corporate culture through variable compensation.

Temenos is committed to building long term shareholder value. In order to ensure we encourage and drive this value creation, **85% of the compensation is performance driven and therefore at risk and will not be earned unless the executive team delivers on stretch long and short term targets.**

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 2018 financial year are:

Board of Directors:

- > Andreas Andreades, Executive Chairman

Executive Committee:

- > David Amott, Chief Executive Officer (CEO)
- > Max Chuard, Chief Financial Officer and Chief Operating Officer (CFO/COO)
- > Jean-Michel Hilsenkopf, Chief Revenue Officer (CRO), effective 12 January 2018
- > André Loustau, Chief Technology Officer (CTO)
- > Mark Winterburn, Chief Product Officer (CPO)

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 2018 financial year are:

- > Sergio Giacometto-Roggio, Vice Chairman
- > Ian Cookson
- > Erik Hansen
- > George Koukis
- > Thibault de Tersant
- > Amy Yip
- > Peter Spenser

### A.3. The role of the Compensation Committee

The Compensation Committee is authorized by the Board of Directors to:

- > Recommend to the Board of Directors compensation practices and policies for Executives;
- > Align the interests of the Executives and senior managers to the long term interests of the Company and its shareholders by recommending compensation practices and policies that are equitable and performance based;
- > Review the competitiveness of the Company's executive compensation programs and thereby ensure the attraction and retention of the Executives and senior managers who are key in delivering the Company's business objectives;
- > Confirm that compensation packages for Executives and senior managers are in line with market norms.

To fulfill its duties, the Compensation Committee typically meets at least three times during the year on the following cycle:

- > November – to review the Compensation Committee terms of reference, to review compensation practices and policies for the forthcoming financial year, to approve fixed compensation and principles for variable short term and long term incentives for Executives;
- > February – to approve the performance targets for variable short term incentive, and to approve the long term variable compensation grant including performance targets; and
- > March – to recommend prospective compensation to be submitted for approval at the Annual General Meeting of Shareholders.

In 2018, the Compensation Committee met three times as per the above cycle.

The Compensation Committee comprises four Independent and Non-Executive Directors:

- > Sergio Giacometto-Roggio, Chairman
- > Ian Cookson
- > Erik Hansen
- > Amy Yip

The Compensation Committee members are elected annually by shareholders.

#### Approval process

Before submission to the shareholders for approval, the recommendation of compensation packages for Board and Executive Committee members are governed as follows:

Compensation of	Recommended by	Approved by
Executive Chairman of the Board	Compensation Committee	Board of Directors
Executive Committee	Compensation Committee	Board of Directors
Non-Executive members of the Board	Chief Executive Officer	Chairman of the Board

## Compensation Report continued

### 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 2018. The Comparator Group has been selected based on the following criteria:

- > Companies targeted for hiring talent into Temenos;
- > Software companies that have similar operating characteristics to Temenos in terms of global reach, target markets, competitive dynamics and complexity;
- > Major European software companies; and
- > Financial services software companies that industry analysts rank as global top performers.

Fidessa was acquired during 2018, and has been replaced by Workday. All other companies are the same as those used in 2017. Temenos is close to the median market capitalization of our peer group of USD 10 billion, and at USD 0.8 billion of revenues in 2018 we are approaching the median revenue of our peer group.

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 (73 of the top 100 global software companies are based in the US according to research by PwC in 2014) and therefore they represent a significant part of our direct competitors.

The following 17 companies are those used for the benchmark:

Organization	Country	Organization	Country
ACI Worldwide	USA	Quality Systems	USA
Broadridge Financial Solutions	USA	SDL	UK
Citrix	USA	Simcorp	Denmark
Fidelity National Information Services	USA	Software AG	Germany
Fiserv	USA	SS&C	USA
Jack Henry and Associates	USA	The Sage Group	UK
Intuit	USA	Wirecard	Germany
Logitech International	Switzerland	Workday	USA
Micro Focus International plc	UK		

### Shareholder engagement

We routinely engage with shareholders to discuss business, performance, compensation and governance matters.

Specifically with regard to executive compensation, in November 2018 we communicated by letter with our main shareholders outlining our compensation philosophy and inviting them to a meeting with Temenos management or Board members at their convenience.

The Chairman of the Compensation Committee engaged in face-to-face meetings or conference calls with our largest shareholders and a number of shareholder advisory groups during February and March 2019.

Regular shareholder dialogue is a key priority of our management and Board.

### Votes on compensation

As set out in the Articles of Association, the General Meeting of Shareholders shall approve annually and separately the proposals of the Board of Directors in relation to the maximum aggregate amount of:

- > Compensation of the Board of Directors for the next fiscal year; and
- > Compensation of the Executive Committee for the next fiscal year.

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

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

As stated in the Articles of Association, if the maximum aggregate amount of compensation already approved by the General Meeting of Shareholders is not sufficient to also cover compensation of one or more members who become members of, or are being promoted within, the Executive Committee during a compensation period for which the General Meeting of Shareholders has already approved the compensation, the Company is authorized to pay the member a supplementary amount during the compensation period already approved. The total supplementary amount per compensation period shall not exceed 40% of the aggregate amount of compensation of the Executive Committee last approved by the General Meeting of Shareholders.

## B. PAY FOR PERFORMANCE APPRAISAL

To align with stockholders' interests, Temenos' executive compensation program is designed to foster a pay-for-performance culture.

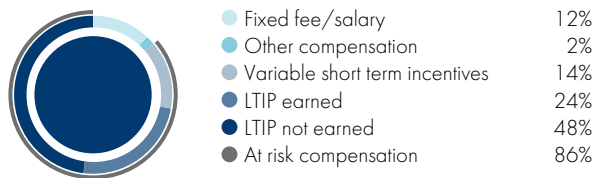
The chart below shows a percentage split of aggregate compensation of the Executives for 2018. The fixed salary and benefits are the only unconditional, i.e. non risk components; short term variable is dependent on the achievement of the results for 2018 and long term variable is dependent on the achievement of the results for the three year period 2018 to 2020 inclusive. Compared to our peer group, the portion of our at-risk compensation is higher and corresponds to significantly more stretching threshold goals, with EPS growth target in-line with the average.

	At risk compensation	Minimum thresholds	EPS growth CAGR over 2 years
Temenos	86%	85%	19%
Average of peer group	56%	41%	19%

In 2018, 86% of total compensation was variable and conditional upon performance targets and therefore at risk. Based on the outstanding growth delivered in 2018 one third of the long term incentive is earned and the short term targets were exceeded.

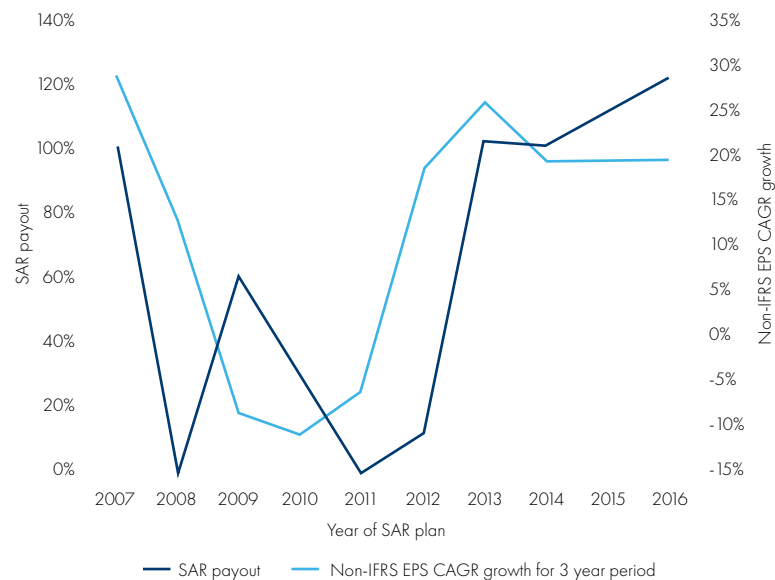
The compensation for the Executive Chairman and Executive Committee was made up as follows:

### 2018 EXECUTIVE CHAIRMAN AND EXECUTIVE COMMITTEE



The 'LTIP earned' is the part of the 2018 grant relating to the delivery of non-IFRS EPS and non-IFRS product revenue targets for the financial year 2018. The target for 2018 has been met and the component of the 2018 LTIP grant can no longer be forfeited, even though subject to time vesting criteria until February 2021.

### SAR PAYOUT vs NON-IFRS EPS CAGR GROWTH FOR 3 YEAR PLAN



Year of SAR plan	Payout
2007	100%
2008	0%
2009	60%
2010	30%
2011	0%
2012	13%
2013	101%
2014	100%
2015	110%
2016	121%

With regard to the Long Term Incentive Plan, the chart above shows the trend of payout vs CAGR growth of non-IFRS EPS targets during the vesting period of the scheme.

Targets will continue to be set at challenging levels and reflect long term performance in order to maintain the direct link between pay and performance.

## Compensation Report continued

### C. COMPENSATION COMPONENTS

#### C.1. Summary of Compensation elements for employees

The table below explains the compensation elements for 2018:

	Fixed Salary and Benefits	Variable Short Term Incentive (bonus or commission)	Variable Long Term Equity Incentive
<b>Eligibility</b>	All employees	All employees	Executive Chairman, Executive Committee members and senior managers
<b>Basis for funding</b>	Continuity of service, role and experience	Role and experience with a 90% threshold on the global or regional 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
<b>Payout</b>	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
<b>Payout subject to</b>	<b>Forfeiture rules</b>	No	Yes
	<b>KPIs</b>	No	Yes
<b>Performance range for Executive Directors, Executive Committee members and senior managers</b>	None	0% to 150% of fixed salary, 0% below 90% target threshold	Up to 140% of on-target LTIP value if all targets are exceeded by 20%, 0% below 85% target threshold
<b>Settlement</b>	Cash	Cash and deferred shares	Shares on a net basis
<b>Malus and clawback clauses</b>	Not applicable	Yes	Yes

#### C.2. Compensation elements for the Executive Chairman and Executive Committee members

The elements of the above table, together with their objectives, are as follows:

##### Fixed salary

> To compensate Executives for their expected day-to-day management, leadership and contribution to the business.

##### Benefits

> To provide a level of security in health and retirement and, should it be required, in disability and death.

##### Variable Short Term Incentive

> To make a significant portion of Executive overall annual compensation variable and dependent on delivery of the Company's annual key targets of license revenue, cash collection, non-IFRS EBIT and/or non-IFRS EPS growth.

> The variable short term incentive is paid in cash.

##### Variable Long Term Equity Incentive

> To provide a balance of total compensation, via long term equity incentives, that is variable and linked directly to long term shareholder value creation.

> To incentivize sustainable future performance in non-IFRS EPS growth and non-IFRS product revenue growth. Product revenue is defined as software licensing, including Software as a Service, and maintenance revenues.

> To retain Executives for the long term.

The Executive Chairman works in an executive capacity full time and is jointly responsible, together with the Executive Committee for the delivery of the business plan. His role is described in more detail on page 99. His compensation reflects his executive role and as such is made up of a fixed salary, benefits, variable compensation as a short term incentive and Stock Appreciation Rights as a variable long term incentive.

#### C.3. Summary of Key Compensation changes in 2018

> There was no change in fixed compensation for any of the Executives, nor the Board members.

> The main changes made in 2018 are:

- > For the short term incentive, a SaaS ACV target was introduced for the first time. SaaS has been a focus for the sales teams and regional directors at Temenos for the last few years. SaaS is an important growing sector in the market and we would like to ensure the teams are driven to sell SaaS deals in the same way as on premise license deals. In 2018 the Executives incentive plan was also aligned to this strategic initiative.
- > For the long term incentive, the weighting of the KPIs was amended to give a higher weighting to Product Revenues to reinforce the Company strategy, supported by the shareholders, of driving growth of the top line.

#### C.4. Variable Short Term Incentive

The incentive for 2018 is due in cash on approval of the results for the financial year 2018 by the Board of Directors.

##### Performance criteria

Annual targets for Executives are set by the Board based on recommendations by the Compensation Committee.

For 2018, the short term incentive plan was based on the following targets:

- > Non-IFRS software licensing (40%)
- > SaaS ACV (15%)
- > Non-IFRS EPS (20%)
- > Operating cash flow (25%)

On-target performance is rewarded at 100% of fixed salary.

Annual incentive payouts for other senior managers are based on a mix of corporate and specific regional objectives.

Final overall payout for the Executives is 114%. The targets and respective achievements are set out in the table below:

2018 Target	Percentage of Bonus	Target USD	Actual USD	Threshold	% of Achievement	% Paid
Non-IFRS software licensing	40%	373m	373m	90%	100%	100%
SaaS ACV	15%	7.5m	10.0m	90%	134%	150%*
Non-IFRS EPS	20%	2.75	2.95	90%	107%	115%
Net Operating Cash flow	25%	341m	365m	90%	107%	114%
Total					107%	114%

\* Maximum achievement of 125% was exceeded, hence payout capped at 150%.

#### C.5. Long Term Equity Incentive

The Company grants Stock Appreciation Rights (SARs) to Executives and senior managers with performance and vesting criteria. We continue to favor the use of SARs over restricted stock as they necessitate a growth in the share price, which itself is dependent on strong Company performance, before they have any value to the recipient. In this way, we incentivize the management team to deliver strong revenue growth and profitability over the long term.

The SAR plan is available for the Executive Chairman, Executive Committee members and senior managers. Grant conditions are linked to the achievement of annual and three year cumulative non-IFRS EPS and/or non-IFRS product revenue targets, vesting after more than three years.

SARs are valued on a fair value basis by an independent organization using the Enhanced American Model so as to comply with IFRS 2. To ensure pricing integrity, long term equity awards are not issued at a discount to market price; they are priced at the closing market price on the day preceding the grant date.

The 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 yet vested are outlined in the table below, including 2018 scheme granted in this compensation year:

Year of Grant	No. of SARs awarded for Executive Chairman and Executive Committee	Weighted average Exercise Price USD	Fair Value USD	Grant Date	Vesting date
2018	635,400	127.00	30.10	14 February 2018	On Board of Directors approval of the results for the year ending 31 December 2020
2017	974,600	70.87	16.03	15 February 2017	On Board of Directors approval of the results for the year ending 31 December 2019
2016	1,316,000 plus 268,909 for overachievement	44.30	10.00	15 February 2016 and 7 March 2016	On Board of Directors approval of the results for the year ending 31 December 2018

## Compensation Report continued

### Vesting conditions

Vesting of the SAR awards is subject to active employment until the end of the respective vesting period, and subject to achievement of performance targets described below.

The targets for the SAR schemes are outlined below:

KPI	Weighting 2016 and 2017 SARs	Weighting 2018 SARs
Non-IFRS EPS Targets	60%	40%
Non-IFRS Product Revenues	40%	60%

The weighting was changed in 2018 to reinforce the board's strategic priority of delivering faster product revenue growth which is also in line with the top priority of our shareholders.

The targets for the 2018 plan for non-IFRS EPS are based on a CAGR of 15% for the three year period to the vesting of each grant and for non-product revenues are based on a CAGR of 13% for the three year period to the vesting of each grant.

### Vesting profile

The vesting profile of SARs is the greater of:

- The sum of the result of each of the individual years, where one third of the plan is based on achievement of annual results for each year of the three year plan. There is no overachievement element on the awards linked to annual targets and achievement is binary either 0 or 100%.
- Cumulative target achievement being greater than 85% of the sum of the annual targets. On the cumulative target there is a potential overachievement as explained below.

### Over/under achievement of SAR schemes

For achievement between 85% and 100% of target a pro-rated reduced amount will vest. For every 1% overachievement of the three years cumulative non-IFRS EPS and non-IFRS product revenue target, an additional 2% of SARs may be granted up to a maximum of 140% of the total grant.

Any over or underachievement is calculated based on the table below. Intermediate performance is pro-rated on a straight-line basis between the data points shown.

Cumulative non-IFRS EPS or non-IFRS product revenues: Achieved as % of Cumulative target	85%	92.5%	100%	110%	120%
Proportion vesting	0%	50%	100%	120%	140%

### Achievement of the 2016 SAR scheme

Under the 2016 SAR scheme, which vested on 13 February 2019, the non-IFRS EPS performance targets and respective achievements were:

Year	Target	Actual achievement	Growth on prior year
2016	USD 1.98	USD 2.07	20%
2017	USD 2.27	USD 2.45	18%
2018	USD 2.62	USD 2.95	20%
Cumulative	USD 6.87	USD 7.47	19% CAGR
Achievement for non-IFRS EPS		109%	

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 2016-2018 non-IFRS Product Revenues	1,696	1,922	18% CAGR
Achievement for non-IFRS Product Revenues		113%	

\* Actual results are restated at constant currency compared to plan.

The combined payout for the 2016 SAR plan as a result of overachievement on both KPIs is as follows:

Combined Payout for 2016 SAR plan	Weighting	Actual achievement	Payout
Cumulative 2016-2018 non-IFRS EPS	60%	109%	117%
Cumulative 2016-2018 non-IFRS Product Revenues	40%	113%	127%
Combined Achievement and Payout		110%	121%

### C.6. Share ownership

Temenos runs a policy for Stock Ownership and Retention for the Executive Chairman and members of the Executive Committee. Owning company stock helps align executives' financial interests with those of shareholders.

The following minimum amount of shares must be held:

Executive Chairman	4 times annual fixed salary
CEO	5 times annual fixed salary
CFO/COO	3 times annual fixed salary
CTO, CPO, CRO	1 time annual fixed salary

The Executive Chairman and all members of the Executive Committee met the requirements as at 31 December 2018, other than CRO who is a new member this year. New members must achieve the requirement by the later of two years after appointment to the Executive Committee or their first SAR vesting date after their appointment to the Executive Committee.

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 2018 is calculated based on the share price of 31 December 2017 and fixed salary for the year 2018. This allows the Executives sufficient time to take any required actions.

SARs do not count towards meeting the guidelines. The shares that count are Temenos ordinary shares.

The shareholdings are shown in section F.1.

### C.7. Dilution

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. This means that the dilution on outstanding SARs is only known at the time of exercise as it is dependent on the share price at that time. As an example, if 1,000 SARs at a grant price of USD 44 are exercised when the share price is USD 130, then the gain is USD 86,000, equivalent to a 662 share dilution.

When issuing SARs the Compensation Committee reviews the planned dilution to ensure that it remains within our target of no more than 2% pa on a CAGR basis. The dilution for the period 2016-2018 on a CAGR basis was less than 1% pa. This compares to an EPS growth of 19% pa on a CAGR basis for the same period.

The total cumulative dilution as of 31 December 2018 from all outstanding SARs and stock options was 5% and historically it has been well under the 10% level which is considered generally acceptable dilution for fast growing companies.

### C.8. Contract terms for the Executive Chairman and Executive Committee members

The contractual notice periods of the Executive Chairman, being the sole executive member of the Board of Directors, and members of the Executive Committee do not exceed 12 months; there are no severance payment clauses.

In case of a change of control of Temenos AG, all SARs granted will become immediately vested and exercisable provided that their respective vesting period has started. A case of change of control occurs when a third party acquires the control of more than 50% ownership in Temenos AG.

In case of dismissal for cause, all unvested options and SARs are forfeited. In case of termination, conditions vary by role and are described in each plan.

### C.9. Compensation elements for Non-Executive Directors

The Non-Executive Directors were compensated in 2018 with a fee for their Board duties, together with a supplementary fee for Audit, Nomination and Compensation Committees' chairs.



## Compensation Report continued

### D. COMPENSATION FOR FINANCIAL YEAR UNDER REVIEW – AUDITED

This section (page 112 to page 114) 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 2018 and the average exchange rate for 2017 respectively. Comparison between these two years may be distorted through the exchange rate fluctuations.

The LTIP value included in the tables below represents the full fair value of the on-target achievement at the time of grant i.e. for 2018 it includes 100% of the fair value of the 2018 grant. 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, 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 2018 fair value to be realized 100% the following need to be satisfied:

Product revenues of at least 13% CAGR growth over the three years  
AND  
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 of at least 7.3% compared to the grant stock price of USD 127.

#### D.1. Board of Directors

The total compensation for the Board of Directors including social security charges totals USD 7.2 million compared to a total maximum compensation of USD 7.415 million approved by the shareholders at the Annual General Meeting on 10 May 2017.

Out of the total Executive Chairman's 2018 compensation of USD 6.2 million, USD 3.1 million has been earned, and the remainder will only be earned if the non-IFRS EPS and non-IFRS product revenue targets for the period 2019-2020 are achieved and the time vesting criteria have been satisfied. The amount earned includes the proportion of LTIPs at fair value for which targets have been achieved even though time vesting criteria have not yet been satisfied.

The increase of 0.5% from 2017 to 2018 was approved by shareholders at the AGM in May 2017. The increase is due to Peter Spencer joining the Board as non-Executive Director mid-year in 2017.

Name	Board Function	USD	Fiscal year	Fixed fee/ salary	Variable short term incentive	All other compensation <sup>1</sup>	Total compensation before LTIP	LTIP value	Total compensation	Employer social security charges <sup>2</sup>	Total compensation including social security charges	Maximum shareholder approval
A. Andreades <sup>3</sup>	Executive Chairman	2018	639,846	728,536	138,763	<b>1,507,145</b>	4,679,045	<b>6,186,190</b>	141,380	<b>6,327,570</b>		
		2017	636,375	727,318	131,310	<b>1,495,003</b>	4,679,157	<b>6,174,160</b>	141,227	<b>6,315,387</b>		
S. Giacoletto-Roggio <sup>4</sup>	Vice Chairman	2018	145,000	–	–	<b>145,000</b>	–	<b>145,000</b>	9,716	<b>154,716</b>		
		2017	145,000	–	–	<b>145,000</b>	–	<b>145,000</b>	9,736	<b>154,736</b>		
G. Koukis	Member	2018	105,000	–	0	<b>105,000</b>	–	<b>105,000</b>	7,712	<b>112,712</b>		
		2017	105,000	–	13,504	<b>118,504</b>	–	<b>118,504</b>	7,722	<b>126,226</b>		
T. de Tersant <sup>5</sup>	Member	2018	145,000	–	–	<b>145,000</b>	–	<b>145,000</b>	12,616	<b>157,616</b>		
		2017	145,000	–	–	<b>145,000</b>	–	<b>145,000</b>	12,629	<b>157,629</b>		
I. Cookson	Member	2018	105,000	–	–	<b>105,000</b>	–	<b>105,000</b>	6,673	<b>111,673</b>		
		2017	105,000	–	–	<b>105,000</b>	–	<b>105,000</b>	6,691	<b>111,691</b>		
E. Hansen	Member	2018	114,160	–	–	<b>114,160</b>	–	<b>114,160</b>	0	<b>114,160</b>		
		2017	114,186	–	–	<b>114,186</b>	–	<b>114,186</b>	0	<b>114,186</b>		
A. Yip	Member	2018	105,000	–	–	<b>105,000</b>	–	<b>105,000</b>	6,673	<b>111,673</b>		
		2017	105,000	–	–	<b>105,000</b>	–	<b>105,000</b>	6,691	<b>111,691</b>		
P. Spencer	Member	2018	105,000	–	–	<b>105,000</b>	–	<b>105,000</b>	0	<b>105,000</b>		
		2017	65,597	–	–	<b>65,597</b>	–	<b>65,597</b>	0	<b>65,597</b>		
Total Board of Directors		2018	1,464,006	728,536	138,763	<b>2,331,305</b>	4,679,045	<b>7,010,350</b>	184,770	<b>7,195,120</b>	<b>7,415,000</b>	
		2017	1,421,158	727,318	144,814	<b>2,293,290</b>	4,679,157	<b>6,972,447</b>	184,696	<b>7,157,143</b>	<b>7,300,000</b>	

<sup>1</sup> All other compensation includes life, medical, disability, accident insurances, pension and car allowance.

<sup>2</sup> 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.

<sup>3</sup> Mr. Andreades' total compensation includes fees of USD 105,000 for his Board duties, the remainder represents compensation for his executive duties. Mr. Andreades' long term incentive plan compensation corresponds to the full fair value, as at grant, of the 2018 executive team SAR award. The variable short term incentive is 113% of the on-target amount, payable in February 2019. The LTIP for Mr. Andreades consists of 155,450 SARs which were granted on 15 February 2018 at a grant price of USD 127 and a fair value of USD 30.10.

<sup>4</sup> Mr. Giacoletto-Roggio's fees comprise a basic fee of USD 105,000 (USD 105,000 for 2017) annually plus USD 40,000 (USD 40,000 for 2017) annually for his duties as Chairman of the Compensation Committee. He does not receive additional fees for his duties as Vice-Chairman of the Company.

<sup>5</sup> Mr. de Tersant's fees comprise a basic fee of USD 105,000 (USD 105,000 for 2017) annually plus USD 40,000 (USD 40,000 for 2017) annually for his duties as Chairman of the Audit Committee.

## D.2. Executive Committee

The total compensation for the Executive Committee including social security charges totals USD 22.1 million. Shareholders approved USD 18.5 million at the AGM on 10 May 2017. As per the Articles of Association, an additional 40% of the approved amount can be added in case of a new member joining the Executive Committee. With the addition of Mr. Jean-Michel Hilsenkopf we were therefore permitted to exceed the approved amount by up to USD 7.4 million but we only used USD 3.6 million. The compensation of its other five members did not exceed the USD 18.5 million approved, the additional amount was wholly due to the addition of Mr. Hilsenkopf.

The total of all compensation, in US dollars, earned in 2018 and 2017 by the members of the Executive Committee is shown below. From the total compensation of USD 20.1 million, USD 9.5 million has been earned and the remainder will only be earned if the non-IFRS EPS and non-IFRS product revenue targets for the period 2019-2020 as set out in the report are achieved. The amount earned includes the proportion of LTIPs for which targets have been achieved even though the time vesting criteria have not yet been satisfied.

The Executive Committee members included in 2018 were Mr. Arnott, Mr. Chuard, Mr. Hilsenkopf, Mr. Loustau and Mr. Winterburn. Mr. Hilsenkopf joined the Executive Committee on 12 January 2018, hence his full year's compensation has been included. The table below includes the compensation of Mr. Arnott who is the highest paid member of the Executive Committee and of the Company.

The reason for the increase from 2017 to 2018 is as a result of Mr. Hilsenkopf joining the Executive Committee in the role of Chief Revenue Officer.

Fiscal year	Base salary	Variable short term incentive <sup>1</sup>	All other compensation <sup>2</sup>	Total compensation before LTIP	LTIP value <sup>3</sup>	Total compensation	Employer social security charges <sup>4</sup>	Total compensation including social security charges	Maximum shareholder approval
2018	2,488,210	2,834,072	303,167	<b>5,625,449</b>	14,446,495	<b>20,071,944</b>	1,986,832	<b>22,058,776</b>	18,500,000 plus 7,400,000 for new member
2017	1,895,994	3,006,253	202,835	<b>5,105,082</b>	10,943,681	<b>16,048,763</b>	1,634,514	<b>17,683,277</b>	18,500,000

<sup>(1)</sup> The variable short term incentive is 113% of the on-target payable amount. The variable short term incentive is payable in February 2019.

<sup>(2)</sup> All other compensation includes life, medical, disability, accident insurances, pension and car allowance.

<sup>(3)</sup> The LTIP for the Executive Committee consists of 479,950 SARs which were granted on 13 February 2018 at a grant price of USD 127 and a fair value of USD 30.10.

<sup>(4)</sup> 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. Arnott, our CEO, was the highest paid member of the Executive Committee in 2018 with compensation, in US dollars, as shown below. 88% of his total compensation in 2018 was variable and conditional upon the 2019-2020 performance targets to be achieved.

Fiscal year	Base salary	Variable short term incentive	All other compensation	Total compensation before LTIP	LTIP value <sup>1</sup>	Total compensation	Employer social security charges	Total compensation including social security charges
2018	823,239	937,669	68,497	<b>1,829,405</b>	5,674,452	<b>7,503,857</b>	647,832	<b>8,151,689</b>
2017	817,896	932,402	55,113	<b>1,805,411</b>	5,674,620	<b>7,480,031</b>	647,513	<b>8,127,544</b>

<sup>(1)</sup> The LTIP for the CEO consists of 188,520 SARs which were granted on 13 February 2018 at a grant price of USD 127 and a fair value of USD 30.10.

## Compensation Report 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 2018 was 0.9784 (2017: 0.9847).

Function CHF	Fiscal year	Fixed fee/ salary	Variable short term incentive	All other compensation	Total compensation before LTIP	Long term incentive	Total compensation	Employer social security charges	Total compensation including social security charges
Board of Directors	2018	1,428,960	712,786	135,763	<b>2,277,509</b>	4,577,889	<b>6,855,398</b>	180,776	<b>7,036,174</b>
	2017	1,399,515	716,243	142,609	<b>2,258,367</b>	4,607,902	<b>6,866,269</b>	181,883	<b>7,048,152</b>

Function CHF	Fiscal year	Base salary	Variable short term incentive	All other compensation	Total compensation before LTIP	Long term incentive	Total compensation	Employer social security charges	Total compensation including social security charges
Executive Committee	2018	2,434,419	2,772,803	296,611	<b>5,503,833</b>	14,134,176	<b>19,638,009</b>	1,943,879	<b>21,581,888</b>
	2017	1,867,121	2,960,474	199,746	<b>5,027,341</b>	10,777,028	<b>15,804,369</b>	1,609,623	<b>17,413,991</b>

Function CHF	Fiscal year	Base salary	Variable short term incentive	All other compensation	Total compensation before LTIP	Long term incentive	Total compensation	Employer social security charges	Total compensation including social security charges
David Arnot, CEO	2018	805,441	917,396	67,018	<b>1,789,855</b>	5,551,776	<b>7,341,631</b>	633,827	<b>7,975,458</b>
	2017	805,441	918,203	54,274	<b>1,777,918</b>	5,588,205	<b>7,366,123</b>	637,653	<b>8,003,776</b>

### D.5. Loans granted to members of governing bodies

As of 31 December 2018 and 31 December 2017 the Company has no outstanding loans to members of the Board of Directors and Executive Committee other than a bridging loan of USD 0.1 million to CPO which is to compensate his adverse tax position from his combined residence in both UK and Switzerland, where he spends time at the request of Temenos. No loans were granted to persons related to the Board of Directors or Executive Committee.

## E. THE YEAR AHEAD: COMPENSATION OF THE BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE FOR 2019

At the Annual General Meeting in 2018, the shareholders approved total compensation including social charges for year 2019 for the Board of Directors of USD 7.5 million and for the Executive Committee of USD 23.1 million.

### E.1. Changes that affect 2019 fixed compensation

The Executive Committee has been changed in 2019. David Arnott, the CEO, has resigned effective 28 February 2019 and the new Executive Committee is as follows:

Max Chuard, CEO (Chief Executive Officer) appointed CEO effective 1 March 2019

Panagiotis "Takis" Spiliopoulos, CFO (Chief Financial Officer) appointed as member of the Executive Committee (CFO) effective 31 March 2019

Jean-Michel Hilsenkopf, COO (Chief Operating Officer) appointed COO effective 12 February 2019

André Loustau, CTO (Chief Technology Officer)

Mark Winterburn, CPO (Chief Product Officer)

Alexa Guenoun, CCO (Chief Client Officer) appointed as member of the Executive Committee (CCO) effective 12 February 2019

The addition of one member (CCO) to the team will mean an additional cost compared to that approved, but the compensation of the other 5 members will be within the shareholder approval.

- > The new CEO compensation will be in line with the previous CEO.
- > The Board fees paid to Non-Executive Directors and the fees for the Chairman of the Audit Committee and for the Chairman of the Compensation Committee will remain flat compared to 2018.
- > The variable Short Term Incentive for the Executives will remain at a maximum of 150%.

### E.2. 2019 Variable Short Term Incentive for Executives

For 2019, the performance metrics and their weighting will remain the same as in 2018, that is:

- > 40% Non-IFRS Software Licensing
- > 15% SaaS Annual Contract Value
- > 20% Non-IFRS EPS
- > 25% Non-IFRS Operating Cash

The targets are considered commercially sensitive and are not disclosed in advance.

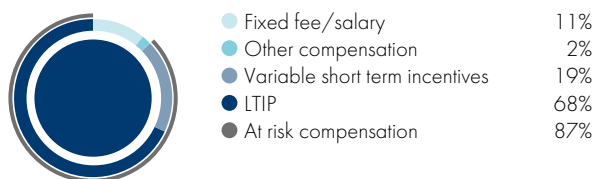
### E.3. 2019 Long Term Incentive Plan Awards for Executives

The LTIP award for 2019 was issued in February 2019. 40% of the award is comprised of non-IFRS EPS targets, 60% of the award is comprised of non-IFRS product revenue targets. The targets for non-IFRS EPS are based on a CAGR of 15% for the three year period 2019-2021. The targets for non-IFRS product revenues are based on a CAGR of 14% for the three year period 2019-2021. The performance against those measures will be disclosed in the year of vesting.

### E.4. 2019 Compensation Plan components

For 2019, the split of aggregate compensation for the Executives at the on-target level is shown below. The majority of compensation (87%) is at risk and dependent on achieving the annual total software licensing, operating cash flow and annual non-IFRS EPS and non-IFRS product revenue targets for the 2019 to 2021 financial years. The only fixed compensation which is guaranteed is the fixed salary and benefits which, in aggregate amount to 13% of the on-target total compensation.

## 2019 EXECUTIVES



The LTIP for 2019 is subject to delivery of the non-IFRS EPS and non-IFRS product revenue targets for the financial years 2019, 2020 and 2021 that are still at risk, hence not yet earned.

## Compensation Report continued

### F. OTHER INFORMATION

#### F.1. Shareholdings and equity incentives

##### Non-Executive Directors

Name	Position	31 December 2018 Shares	31 December 2017 Shares
S. Giacoletto-Roggio	Vice-Chairman	9,000	11,000
I. Cookson	Member	15,500	15,500
T. de Tersant	Member	3,000	3,000
E. Hansen	Member	11,000	11,000
G. Koukis	Member	15,000	-
A. Yip	Member	-	-
P. Spenser	Member	-	-

##### Executive Chairman and Executive Committee members

Name	Position	Shares		Grant year	Plan	Exercise price USD	SARS	
		2018	2017				Number of unvested SARS 2018	Number of unvested SARS 2017
A. Andreades	Executive Chairman	582,369	752,629	2014 <sup>2</sup>	2015 scheme <sup>3</sup>	35.45	-	380,949
				2016	2016 scheme <sup>1</sup>	43.69	325,000	325,000
					2016 scheme <sup>1</sup>	49.12	46,000	46,000
				2017	2017 scheme	70.87	291,900	291,900
				2018	2018 scheme	127.00	155,450	-
D. Arnott	CEO	35,000	57,500	2014 <sup>2</sup>	2015 scheme <sup>3</sup>	35.45	-	507,932
				2016	2016 scheme <sup>1</sup>	43.69	432,000	432,000
					2016 scheme <sup>1</sup>	49.12	66,000	66,000
				2017	2017 scheme	70.87	354,000	354,000
				2018	2018 scheme	127.00	188,520	-
M. Chuard	CFO/COO	65,000	65,000	2014 <sup>2</sup>	2015 scheme <sup>3</sup>	35.45	-	253,966
				2016	2016 scheme <sup>1</sup>	43.69	258,000	258,000
					2016 scheme <sup>1</sup>	49.12	35,000	35,000
				2017	2017 scheme	70.87	254,300	254,300
				2018	2018 scheme	127.00	135,430	-
J. Hilsenkopf	CRO	0	na	2018	2018 scheme	127.00	92,000	na
A. Loustau	CTO	3,673	3,673	2014 <sup>2</sup>	2015 scheme <sup>3</sup>	35.45	-	49,689
				2016	2016 scheme <sup>1</sup>	43.69	45,000	45,000
				2017	2017 scheme	70.87	29,400	29,400
				2018	2018 scheme	127.00	27,000	-
M. Winterburn	CPO	3,975	3,975	2014 <sup>2</sup>	2015 scheme <sup>3</sup>	35.45	-	82,815
				2016	2016 scheme <sup>1</sup>	43.69	65,000	65,000
				2017	2017 scheme	70.87	45,000	45,000
				2018	2018 scheme	127.00	37,000	-

<sup>(1)</sup> The SARs granted under the 2016 scheme vested on 13 February 2019. The numbers above include the overachievement of 121%.

<sup>(2)</sup> The 2015 grant was issued in November 2014 but was considered compensation for 2015.

<sup>(3)</sup> The SARs granted under the 2015 scheme vested on 13 February 2018. The numbers above include the overachievement of 110.42%.

No options and/or shares were held on 31 December 2018 and 2017 by persons related to the members of the Board of Directors and of the Executive Committee.

## F.2. Options and SARs outstanding

The following table lists all options and SARs outstanding as at 31 December 2018. This includes the SARs outstanding for the Executive Chairman and Executive Committee members shown in the tables on page 116 and all other staff eligible for options and SARs.

Grant year	Plan	Exercise price USD	Total number of outstanding SARs/options/STI shares	Number of vested SARs	Number of vested options	Number of unvested SARs/STI shares
2008	2008	21.37	1,097	1,097		
2008	2009	9.71	7,963	7,963		
2009	2009	6.10	5,468	5,468		
2009	2009	6.10	2,098	2,098		
2009	2009	13.26	590	590		
2009	2010	21.78	14,529	14,529		
2010	2010	23.78	20,416	20,416		
2010	2010	26.26	359	359		
2011	2011	26.55	1,065	1,065		
2011	2011	31.39	3,000		3,000	
2011	2011	14.55	2,657	2,657		
2011	2012	14.55	29,907	29,907		
2012	2012	16.26	6,741	6,741		
2012	2012	14.95	1,912	1,912		
2012	2012	13.55	87,045	87,045		
2012	2012	12.50	4,865	4,865		
2013	2013	17.45	15,210	15,210		
2013	2013	19.63	125,238	125,238		
2013	2013	22.52	1,035	1,035		
2013	2013	35.33	20,500	20,500		
2014	2014	35.45	157,776	157,776		
2014	2015	35.15	87,547	87,547		
2015	2015	32.83	2,275	2,275		
2015	2015	35.34	10,600	10,600		
2015	2015	35.29	489,020	489,020		
2016	2016	46.53	14,354			14,354
2016	2016	44.00	18,772			18,772
2016	2016	43.69	2,103,165			2,103,165
2016	2016	49.12	204,728			204,728
2016	2016	54.07	3,000			3,000
2016	2016	53.38	2,423			2,423
2016	2016	57.07	235,034			235,034
2016	2016	63.17	6,057			6,057
2016	2016	63.10	3,634			3,634

## Compensation Report continued

Grant year	Plan	Exercise price USD	Total number of outstanding SARs/options/STI shares	Number of vested SARs	Number of vested options	Number of unvested SARs/STI shares
2016	2016	65.92	9,691			9,691
2017	2017	70.87	1,618,155			1,618,155
2017	2017	75.04	10,000			10,000
2017	2017	80.86	2,000			2,000
2017	2017	88.81	1,000			1,000
2017	2017	90.20	49,000			49,000
2017	2017	96.59	60,000			60,000
2017	2017	103.74	15,000			15,000
2017	2017	101.86	1,000			1,000
2018	2018	127.00	1,017,400			1,017,400
2018	2018	127.68	2,500			2,500
2018	2018	161.33	3,000			3,000
2018	2018	164.00	5,000			5,000
2018	2018	138.63	1,000			1,000
2018	2018	113.64	81,500			81,500
STI shares 2017			40,629			40,629
STI shares 2018			7,081			7,081
Total			<b>6,614,036</b>	<b>1,095,913</b>	<b>3,000</b>	<b>5,515,123</b>

The weighted average exercise price is USD 59.81.

The SARs from the 2016 scheme vested on 12 February 2019. The numbers above for 2018 include the overachievement of 121%.