

## Achieving business excellence

### Economic impact

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

In 2019, we grew non-IFRS total software licensing by 23% and non-IFRS total revenues by 19%. We achieved full year EBIT of USD 3179 million and expanded our non-IFRS EBIT margin by 87bps to reach 32.4%. Our proposed 2019 dividend is CHF0.85, an increase of 13% over last year's dividend. We have a strong capital structure, Our leverage decreased to 2.6x net debt to EBITDA at the end of the quarter, and we expect this to approach 1.5x by the end of 2020 and having generated USD 364 million of operating cash flow in 2019.

### Achieving business excellence

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

#### Europe:

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

#### Asia

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

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

### Our medium term growth targets are:

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

Economic contribution to various stakeholders

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

### Innovation and technology

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

The R&D spent inclusive of overhead allocations for 2019 was USD 210,002,675. This is more than twice the level of investment made by our closest competitors. Furthermore, since we only produce software for banking and finance, all of this investment is targeted at our concentrated product portfolio. For more information, please refer to the Annual Report: Research and Development section.



### Case study: Hackathon

Innovation at its best

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

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

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

### The winning idea

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



## Achieving business excellence continued

### Focus on client engagement

#### Client Voice

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

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

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

#### Client Satisfaction

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

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

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

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

### 2020 Goals

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

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

### International Standards and Certifications

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

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

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