

**DECLARATION OF SIRMA GROUP HOLDING JSC
FOR CORPORATE GOVERNANCE IN 2019
AS PER ART.100m, PAR. 8 IN RELATION TO PAR. 7, PT. 1 FROM
POSA**

Sirma Group Holding JSC (the Company) is a public holding company, recorded in the Registration Agency.

Sirma Group Holding JSC considers that the effective application of the principles of internationally recognized standards for good corporate governance is highly important for the future development of the Company. The Board of directors of the company believes that it is imperative to strive to establish and validate a modern management style that will contribute to the better performance of the company, respectively to provide favorable conditions for achieving sustainable growth and achievement of the long-term objectives, as well as establishing a transparent and fair relationship with all stakeholders.

Sirma Group Holding JSC considers good corporate governance as a set of relationships between company's management body, its shareholders and all stakeholders - employees, trading partners, corporate creditors, potential future investors and society as a whole.

I. Information as per art. 100m, par. 8, item 1 from the Public Offering of Securities Act

Sirma Group Holding JSC adheres to the National Corporate Governance Code, adopted by the National Corporate Governance Commission and approved as a Corporate Governance Code under Art. 100m, par. 7, item 1 in relation to par. 8, item 1 of the Public Offering of Securities Act (POSA) by Resolution No. 461-CCC dd.: 30.06.2016 of the Deputy Chair of the Financial Supervision Commission in charge of the Investment Activity Supervision Division.

II. Information under Art. 100m, par. 8 of POSA. Applying the principles of transparency, independence and accountability of the Company's Management Board (Board of Directors) in accordance with established vision, objectives, strategies of the company and interests of the shareholders.

1. The Board of Directors of the Company consists of 8 (eight) members who are elected by the General Meeting of Shareholders for a given term of office.
2. The Board of Directors shall carry out its activities in accordance with the Company's Articles of Association and the Rules for Operation of the Board of Directors.
3. The Board of Directors shall decide on:
 - o Closure or transfer of businesses or significant parts thereof;
 - o A significant change of the company's activity by unanimity of the Board of Directors;
 - o Essential organizational changes;
 - o Long-term cooperation essential for the company or the termination of such cooperation;
 - o Establishment and closure of branches, representations and offices;
 - o Adoption of the annual business program of the company;And all other decisions that are not within the express competence of the General Meeting of Shareholders.
4. The members of the Board of Directors shall be guided in their activities by the generally accepted principles of integrity and managerial and professional competence.

5. The members of the Board of Directors shall apply in their activity the principle of avoidance and prevention of real or potential conflict of interests. The members of the Board of Directors shall inform the General Meeting of Shareholders whether directly or on behalf of third parties they have a substantial interest in transactions or issues that have a direct impact on the Company. In 2018, no ethical issues arose between the members of the management, including the need to comply with certain written procedures.
6. Main criteria and principles of the diversity policy for selection and evaluation of the Company's management members and management bodies (information under Art. 100m, para 8, item 6 of POSA):
 - The members of the Board of Directors may be only legally capable physical or corporate persons, without any imposed restrictions on age, gender, nationality, education;
 - Good reputation, professional experience and managerial skills;
7. Corporate governance follows rules for the organization and conduct of each general meeting, which are agreed in the form of an organization scenario. The GMS Invitation shall be drafted with maximum detail and in accordance with the regulatory requirements, indicating all of the proposed decisions, in order for each shareholder to have the opportunity to acquaint himself with them in advance, from the moment of its publication. Written procedures for the conduct of the GMS have not been drafted, because the legal framework has explicitly regulated the basic principles and all other specific points are stipulated in the Invitation.
8. Any significant periodic and incidental information shall be disclosed immediately. The company has compiled its activity with the current local legal framework as well as with the European regulations, having direct application in the local legislation. Notwithstanding the above, the corporate management will develop rules as part of the Quality Management and Information Security Policy to assess the materiality of any information or the need for its disclosure.
9. The annual and interim reports are prepared with the involvement and under the strict control of the corporate management, without official formalization in the form of internal rules. However, such rules will be developed and implemented as part of the Quality Management and Information Security Policy.

III. System for internal control and risk management (information as per art. 100m, par. 8, item 3 from POSA)

In Sirma Group Holding JSC an internal control system is in place, to ensure the effective functioning of the reporting and disclosure systems. The internal control system is also being developed and functioning in order to identify the risks associated with the Company's activity and to support their effective management. The Company also has elected an Audit Committee, in accordance with the requirements of the Public Offering of Securities Act.

Sirma Group Holding JSC has adopted and applies rules and procedures, regulating the effective functioning of the reporting and disclosure systems of the company. The rules describe in detail the different types of information created and disclosed by the company, the internal flow of documents, the different levels of access to different information types, for the persons responsible and the terms for handling and managing the information flows. The established risk management system ensures the effective implementation of internal control in the creation and management of all corporate documents, including financial statements and other regulated information, which the Company is required to disclose in accordance with legal regulations.

The main types of risks and their detailed description, relevant to the Company's operations and the management policy are regulated in paragraph 9 – “Risk Factors of the Company Activity Report for 2018”, to which the current declaration is an Annex.

The risk management policy is applied in an integrated manner and in accordance with all other policies and principles regulated in the internal acts of Sirma Group Holding JSC.

IV. Information on the availability of takeover / merger proposals in 2018 (information under Article 10 (1) (c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council from 21 April 2004 on takeover bids pursuant to the provisions of Article 100m (8) (4) of the POSA)

1. As at 31.12.2018, no proposals for takeover and/or merger with another company have been made to the Company.
2. Information under Art. 10 of Directive 2004/25 / EC of the European Parliament and of the Council from 21 April 2004

- Participation of the Company in the capital of other commercial companies are described in item 3, “Portfolio of Sirma Group Holding JSC” in the Company’s Activity Report for 2018, to which this declaration is an Annex.
- "Sirma Group Holding" JSC does not have shares that give special control rights.
- There are no restrictions on voting rights, such as restrictions on the voting rights of holders of a certain capital percentage or number of votes, deadlines for the exercise of voting rights in relation to the shares issued by Sirma Group Holding JSC.
- The rules for the election of members of the Board of Directors of Sirma Group Holding JSC are regulated in the Company's Articles of Association.
- The powers of the members of the Board of Directors are specified in Art. 41 of the Articles of Association of the company. The rights to issue or buy back shares are within the competence of the General Meeting of Shareholders.

V. Composition and function of the administrative and management bodies and their committees (Information under Article 100m, paragraph 8, item 5 of POSA)

BOARD OF DIRECTORS

1. Functions and duties

1.1. The Board of Directors of SIRMA GROUP HOLDING JSC manages the Company independently and responsibly in accordance with the established Vision, goals and strategies of the Company and the interests of the shareholders. The members of the Board of Directors provide a guarantee for their management to the amount of their three-month gross remuneration, as determined by the General Meeting of Shareholders.

1.2. The Board of Directors of SIRMA GROUP HOLDING JSC establishes and controls the strategic directions for development of the Company.

1.3. The Board of Directors of SIRMA GROUP HOLDING JSC establishes the Company's risk management policy and controls the establishment and functioning of the internal control and risk management systems.

1.4. The Board of Directors of SIRMA GROUP HOLDING JSC shall ensure the observance of the legal, regulatory and contractual obligations of the Company in accordance with the adopted Articles of Association and Rules of Procedure of the Board of Directors.

1.5. The Board of Directors is responsible for the establishment and reliable operation of the financial and information system of the Company.

1.6. The Board of Directors gives guidance, approves and controls the implementation of the business plan of the Company, transactions of substantial nature, as well as other activities established in the Company's statutes.

1.7. The Board of Directors approves the disclosure policy in accordance with legal requirements and statutes. The information disclosure system ensures that addresses of information (shareholders, stakeholders, investment community) are not discriminated and does not allow abuse of insider information and market manipulation of financial instruments.

1.8. During their term of office, the members of the Board of Directors are guided in their activity by the generally accepted principles of integrity, managerial and professional competence. The Board of Directors adheres to the Code of Ethics of the Company's employees.

1.9. The Board of Directors of SIRMA GROUP HOLDING JSC reports its actions to the General Meeting of Shareholders by preparing an annual report on its activities and submitting it for acceptance by the General Meeting of Shareholders.

2. Election and dismissal of members of the Board of Directors

2.1. The General Meeting of Shareholders elects and releases the members of the Board of Directors of SIRMA GROUP HOLDING JSC, in accordance with the law and the statutes of the Company, observing the principles of continuity and sustainability of the Board of Directors' work. All members meet the legal requirements for taking their position.

2.2. The management contracts with the members of the Board of Directors determine their duties and tasks, the criteria for the amount of their remuneration, their loyalty obligations to the Company and the grounds for the waiver. The management contract with a member of the Board of Directors or the Executive Director respectively are in compliance with the Articles of Association of the Company and the Board of Directors' Policy for Determining the Remuneration of the Members of the Board of Directors as approved by the General Meeting of the Shareholders on 04.12.2014.

3. Structure and competence

- 3.1.** The number of members and the structure of the Board of Directors is defined in the Articles of Association of the Company. The Company is managed and represented by a Board of Directors, which consists of eight individuals, meeting the requirements of Article 234 of the Commercial Act and Article 116 a, paragraph 2 of the Public Offering of Securities Act.
- 3.2.** The composition of the Board of Directors elected by the General Meeting is structured in such a way as to ensure the professionalism, impartiality and independence of the decisions and actions of its members in relation to the management of the Company.
- 3.3.** The Board of Directors shall ensure a proper division of tasks and duties among its members. The main function of the independent directors is to control the actions of the executive management and to participate effectively in the Company's work in accordance with the interests and rights of the shareholders. The main functions of the members of the Board of Directors, as well as these of the independent members, are laid down in the Articles of Association of the Company. The independent members of the Board of Directors of SIRMA GROUP HOLDING JSC are three.
- 3.4.** The competencies, rights and obligations of the members of the Board of Directors follow the requirements of law, statutes and standards of good professional and managerial practice.
- 3.5.** The members of the Board of Directors of SIRMA GROUP HOLDING JSC have the appropriate knowledge and experience, which are required by their position. After their election, the new members of the Board of Directors are acquainted with the main legal and financial issues related to the Company's activities. The Company encourages the improvement of the qualification of the members of the Board of Directors.
- 3.6.** The members of the Board of Directors have the necessary time to perform their tasks and duties. The Statute of the Company does not specify the number of companies in which the members of the Board of Directors may be in managerial positions, as the activity of the members of the Board of Directors cannot be limited.
- 3.7.** The election of the members of the Board of Directors of the Company takes place through a transparent procedure which provides, among other things, timely and sufficient information on the personal and professional qualities of the members. The number of successive mandates of the members of the Board of Directors ensures the effective operation of the Company and compliance with the legal requirements. According to the Articles of Association of the Company, the members of the Board of Directors may be re-elected without any restrictions.

4. Remuneration

4.1. The Board of Directors of SIRMA GROUP HOLDING JSC prepared a remuneration policy for the members of the Board of Directors adopted by the General Meeting of Shareholders on 04.12.2014, as amended by a decision of the GMS of 14.06.2016. The remuneration policy has been developed in accordance with Ordinance No 48 from 20 March 2013 of the Financial Supervision Commission and the Public Offering of Securities Act. The amount and structure of remuneration shall be determined by the General Meeting of the Company.

4.2. In accordance with legal requirements and good corporate governance practice, the size and structure of the remuneration take into account:

4.2.1. The duties and the contribution of each member of the Board of Directors to the Company's activities and results. The members of the Board of Directors receive a permanent remuneration in the form of an amount determined by the General Meeting of Shareholders paid under the terms and within the periods as determined in the management contracts concluded between them and the Company.

4.2.2. The ability to select and retain qualified and loyal members of the Board of Directors of SIRMA GROUP HOLDING JSC. These requirements are applied through the remuneration policy of the members of the Board of Directors adopted by the General Meeting of Shareholders on 04.12.2014.

4.2.3. The need to reconcile the interests of the members of the Board of Directors and the long-term interests of the Company. The remunerations of the members of the Board of Directors are based on the results of the Company's operations and are in line with the Company's business strategy, objectives, values and long-term interests.

4.3. The executive member of the Board of Directors receives a permanent remuneration in the form of an amount determined by the General Meeting of Shareholders, paid under the terms and within the periods as set in the management contract concluded between him and the Company.

4.3.1. The remunerations and benefits of the members of the Board of Directors and the Executive Director of the Company shall be determined by the General Meeting of Shareholders.

4.3.2. As of 31.12.2018, the executive member of the BD has not been granted shares or other financial instruments.

- 4.4.** The members of the Board of Directors receive a permanent remuneration in the form of an amount determined by the General Meeting of Shareholders paid under the terms and within the periods as set in the management contracts concluded between them and the Company.
- 4.5.** The disclosure of information about the remuneration of the members of the Board of Directors is in accordance with the legal requirements and the Company's statutes:
- 4.5.1. Information about the remuneration of the members of the Board of Directors is presented in the annual financial statements and is published on the website www.sirma.com.

5. Committees

- 5.1.** The work of the Board of Directors is assisted by committees. The Board of Directors determines the necessity of their establishment in accordance with the specifics of the Company.
- 5.2.** In accordance with the requirements of the current legislation and on the basis of the criteria set by it, the Board of Directors proposes to the General Meeting of Shareholders of the Company to elect an Audit Committee with a composition meeting the legal requirements and the specific needs of the Company.
- 5.3.** The committees are set up on the basis of a written structure, range of tasks, way of functioning and reporting procedures. The audit committee of SIRMA GROUP HOLDING JSC is to be selected on the first scheduled GMS.

The members of the Audit Committee meet the requirements set forth in Article 40f (3) and (4) of the Independent Financial Audit Act.

GENERAL MEETING OF SHAREHOLDERS

- 5.4.** All shareholders are entitled to participate in the General Meeting of Shareholders and to express their opinion:
- 5.4.1. Shareholders entitled to vote have the opportunity to exercise their voting rights at the General Meeting of the Company in person or through representatives, as well as by correspondence or by electronic means.

5.4.2. The corporate management applies effective control by creating the necessary organization for the voting of the authorized persons in accordance with the instructions of the shareholders or in the ways set forth in the legislation.

5.4.3. The corporate management shall establish rules for the organization and holding of the regular and extraordinary General Meetings of the Company's shareholders, which ensures equal treatment of all shareholders and the right of each shareholder to express their opinion on the items on the agenda of the General Meeting.

5.4.4. The corporate management organizes the procedures and the terms of the General Meeting of Shareholders in a way which does not make the voting unnecessarily difficult or expensive.

5.4.5. The corporate management takes action to encourage the participation of shareholders in the General Meeting of Shareholders, by providing the possibility of remote access by technical means (including the Internet) where this is possible and necessary and does not contradict item 23.2.4. of this Code.

5.5. All members of the corporate management shall endeavour to attend the General Meetings of the Shareholders of the Company.

5.6. Materials for the General Meeting of Shareholders:

5.6.1. All texts in the written materials, connected to the Agenda of the General Meeting of Shareholders must be clear, accurate and to the point in order not to mislead the shareholders. All proposals related to major corporate events shall be presented as separate items on the Agenda of the General Meeting, including the proposal for distribution of dividends.

5.6.2. Corporate management assists shareholders, entitled under the current legislation, to include additional items on the agenda of the General Meeting of Shareholders.

Sirma Group Holding JSC publishes the Corporate Governance Code and the present Corporate Governance Declaration on the Company's website www.sirma.com for disclosure of information pursuant to Art. 100m, para. 7 and 8 of POSA.

In this respect, the requirement of Article 100m, Paragraphs 7 and 8 of POSA and Article 40, Paragraphs 1 and 2 of the Accountancy Act shall be deemed to be met.

This Declaration of Corporate Governance is an integral part of the 2018 annual financial statements of Sirma Group Holding JSC.

Tsvetan Alexiev

CEO of Sirma Group Holding JSC