

## REPORT OF THE REMUNERATION COMMITTEE

### ON THE IMPLEMENTATION OF THE REMUNERATION POLICY OF THE MEMBERS OF THE BOARD OF DIRECTORS OF „SIRMA GROUP HOLDING“ JSC FOR 2019

#### 1. INTRODUCTION

##### 1.1. The legal basis of the Report

During the period January 1, 2019 - December 31, 2019 (hereafter referred to as the "Reporting Period"), "Sirma Group Holding" JSC (hereinafter referred to as "the Company") has applied the remuneration policy of the members of the Board of Directors approved by resolution of the General Meeting of Shareholders of the Company held on 04.12.2014, as amended by decision of the General Meeting of Shareholders held on 14.06.2016, published on the Internet at the following address:

<https://investors.sirma.com/investors/corporate-governance.html>

(Hereinafter referred to as the "**Policy**").

This report has been prepared by the Remuneration Committee in compliance with the requirement of Art. 12, para. 1 of Ordinance No. 48 of March 20, 2013, on the Fees Requirements, issued by the Financial Supervision Commission (hereinafter "**Ordinance No. 48**"). The report forms an independent document to the annual financial statement of the Company for the year 2019. The report is presented to the shareholders of the Company and may be discussed with the members of the Board of Directors at the regular annual meeting of the General Meeting of Shareholders of the Company.

The composition of the Remuneration Committee is as follows:

- Georgi Parvanov Marinov - Chairman
- Peter Borisov Statev - member
- Jordan Stoyanov Nedev - member

##### 1.2. Subject and Scope of the Report

According to Art. 12, para. 2 of Ordinance No. 48, the Report contains a review of the way the Policy is applied during the Reporting Period;

The Report includes all the requisites, which are mandatory according to Art. 13 of Ordinance No. 48.

Considering the absence of amendments to the Policy during the Reporting Period, the Report does not contain summary information.

## **2. INFORMATION ON THE APPLICATION OF POLICY IN THE REPORTING PERIOD**

### **2.1. Information on the decision-making process in defining the Policy**

According to Art. 116c, para. 1 of the Public Offering of Securities Act, the Company's Articles of Association and the Policy, the determination of the remuneration of the members of the Board of Directors, their right to receive part of their profits and their right to acquire shares or debt instruments of the Company shall be the power of the General Meeting.

In exercising this power, the General Assembly is:

- determined the remuneration of the members of the Board of Directors with the decision under item 7 of the agenda of the annual general meeting held on June 14, 2016, as follows:
- The General Meeting of Shareholders approves a maximum permissible total amount of the remuneration of the members of the Board of Directors as follows:

- The maximum amount of permanent salaries - up to BGN 384 000 per year.

- The maximum amount of the short-term variable remuneration - up to 6% (six percent) of the net consolidated profit, but not more than 40% (forty percent) of the unconsolidated profit before tax and provisions.

- The total number of shares from the capital of the Company, which may be granted as remuneration to the members of the Board, are detailed in the Policy for remuneration.

### **2.2. Information on the relative weighting of the variable and permanent remuneration of members of the Board of Directors**

In accordance with Article 7 and 8 of policy, "Sirma Group Holding" JSC can be paid to the members of the Board of Directors as permanent (fixed) and variable remuneration in the form of premiums, bonuses, benefits related to retirement and other material incentives that are given on the basis of performance evaluation criteria. Variable remuneration is short-term and long-term. Short-term remuneration is paid in cash and long-term - in the form of shares in the company's capital. The amount of short-term variable remuneration is up to 6% (six percent) of the net consolidated profit, but not more than 40% (forty percent) of the value of individual accounting profit before tax and provisions for short-term variable remuneration. The amount of the annual long-term variable remuneration paid in the form of shares shall be 0.5% of the total number of shares in the company's capital.

Variable remuneration payments are made in accordance with objective and measurable performance criteria and non-financial indicators that are designed to promote long-term business stability and are relevant to the long-term business of the company.

About the Reporting Period:

- Only permanent fixed remuneration was paid to each of the members of the Board of Directors, representing 100% (one hundred percent) of the remuneration charged by the Company for its activity as such during the Reporting Period; and
- no authority of the Company has taken any decisions on payment of additional fees, bonuses, incentives, non-monetary benefits or payments and benefits of any kind to the members of the Board as such during the period.

**2.3. Information on the performance criteria on the basis of which variable remuneration is provided; an explanation of how these criteria contribute to the long-term interests of the Company; an explanation of the methods used to assess whether the criteria are met and the relationship between remuneration and the results achieved and the periods of postponement of the payment of variable remuneration**

For the Reporting Period, no variable remuneration has been charged or paid to any member of the Board of Directors. Accordingly, no methods have been applied to assess the fulfilment of the criteria and the relationship between the results achieved and such remuneration.

No payment of any part of the remuneration of the members of the Board of Directors was postponed for the Reporting Period. These remunerations have been paid, in their capacity as permanent remuneration, in their entirety and within the deadlines provided for in the individual contracts between the respective member of the Board of Directors and the Company.

**2.4. Information on the main payments and justification of the annual bonus scheme and/or any other non-monetary additional remuneration**

For the Reporting Period, the total value of the Company's accrued and paid basic remuneration amounts to:

- Georgi Parvanov Marinov as Chairman of the Board of Directors - BGN 18 000 (eighteen thousand);
- Chavdar Velizarov Dimitrov as Deputy Chairman of the Board of Directors - BGN 18 000 (eighteen thousand);
- Tsvetan Borisov as a member of the Board of Directors - BGN 18 000 (eighteen thousand);
- Atanas Kostadinov Kiriakov as a member of the Board of Directors - BGN 18 000 (eighteen thousand);
- Tsvetomir Angelov Doskov as a member of the Board of Directors (until 04.07.2019) - BGN 9 195.65 (nine thousand one hundred and ninety five 0.65);
- Sasha Konstantinova Bezuhanova as a member of the Board of Directors (until 04.07.2019) - BGN 9 195.65 (nine thousand one hundred and ninety five 0.65);
- Petar Borisov Statev as a member of the Board of Directors BGN BGN 18 000 (eighteen thousand);
- Yordan Stoyanov Nedev as a member of the Board of Directors BGN 71 095 (seventy one thousand ninety five).

For each charging or payment of remuneration to the members of the Board of Directors, the Company has withheld and contributed to the relevant budgets within the statutory period any and all public liabilities (including but not limited to: tax, state social security contributions, supplementary compulsory insurance and health insurance ) in the way these obligations are established by law.

About the Reporting Period:

- none other material incentives have been accrued or owed by the Company to any member of the Board of Directors;
- No annual scheme for the payment of bonuses and/or other non-monetary additional remuneration to the members of the Board of Directors has not been adopted and implemented in the Company.

## **2.5. Description of the main characteristics of the supplementary voluntary pension scheme and information on the paid and/or due contributions by the Company to the members of the Board of Directors**

No supplementary voluntary pension assurance scheme for the members of the Board of Directors has been adopted and implemented for the Reporting Period and no contributions have been paid or due by the Company under such scheme.

## **2.6. Information on the severance policy for termination of contracts**

The rules governing benefits for members of the Board of Directors in the termination of their contracts are contained in Section VI of the Policy. The company brings individual contracts to each member of the BD in full compliance with these rules.

No termination of the assignment contracts with members of the Company's Board of Directors has occurred for the Reporting Period.

Early termination benefits have not been accrued or paid.

## **2.7. Information on the period during which shares cannot be transferred and share options cannot be exercised at variable share-based remunerations and policy information on the retention of a certain number of shares until the end of the BD members' term of office**

No variable remuneration based on shares or share options has been paid for the Reporting Period. Accordingly, the Company does not have terms and conditions for restrictions on the transfer of such shares or options to shares or for the maintenance of a certain number of shares until the end of the term of the members of the Board of Directors.

## 2.8. Information on the BD members contracts

During the reporting period members of the Board of Directors were:

- Georgi Parvanov Marinov (throughout the Reporting Period)
- Tsvetan Borisov Alexiev; (throughout the Reporting Period)
- Chavdar Velizarov Dimitrov; (throughout the Reporting Period)
- Atanas Kostadinov Kiriakov (throughout the Reporting Period)
- Yordan Stoyanov Nedev (throughout the Reporting Period)
- Peter Borisov Statev (throughout the Reporting Period)
- Tsvetomir Angelov Doskov (until 04.07.2019)
- Sasha Konstantinova Bezuhanova (until 04.07.2019)

The term of the BD members' contracts during the Reporting Period and the notice period for the early termination of these contracts by the Company are as follows:

The term of the contract	The term of notice for early termination by the Company
until the expiration of the 2-year term mandate (i.e. 19.09.2021)	none

Pursuant to Article 16 of the Policy, in the event of early termination of a Management Agreement with the Executive Director, the total amount of benefits due to the person in respect of the early termination and the payments related to the notice period may not exceed the sum of the annual paid permanent salary for two years. Benefits are not due if the termination of the contract is due to unsatisfactory results and/or guilty behaviour of the Executive Director. In case of early termination of a Management Agreement with the Executive Director, due to a breach of the clause prohibiting the conduct of competitive activity, the person owes damages to the company in an amount not higher than the paid annual fixed remuneration of the person for two years.

Information on the remuneration of any person who has been a member of the Board of Directors of the Company for a certain period of the respective financial year

### 2.8.1 Remuneration by the Company

The full amount of the basic remuneration accrued and/or paid by the Company for the Reporting Period of the persons who were members of the Board of Directors is indicated in paragraph 4.2 of the Report for the activity of the Company for 2019.

### 2.8.2 Other payments by the Company for services rendered by members of the Board of Directors outside their normal roles

For the reporting period, the Company has charged and paid to members of the Board of Directors for services beyond the usual roles of these members as follows:

- Tsvetan Borisov Alexiev as Executive Director - BGN 121 000 (one hundred and twenty thousand);
- Chavdar Velizarov Dimitrov under a labour contract as Administrative Director (until 31.03.2019) - BGN 9 487.50 (nine thousand four hundred and eighty seven 0.50);

For each charging or payment of remuneration to the members of the Board of Directors, the Company has withheld and contributed to the relevant budgets within the statutory period any and all public liabilities (including but not limited to: tax, state social security contributions, supplementary compulsory insurance and health insurance ) in the way these obligations are established by law.

### 2.8.3 Remuneration and other payments to members of the Board of Directors from other persons belonging to the Group of the Company

For the Reporting Period of the members of the Board of Directors, the remuneration of other persons belonging to the Company's Group is charged and paid as follows:

- **Georgi Parvanov Marinov** as:

- Executive Director of “Engview Systems Sofia” JSC BGN 102 888 (one hundred and two thousand eight hundred and eighty-eight);

- Member of the Board of Directors of “Sirma Business Consulting” JSC BGN 10 624.30 (ten thousand six hundred and twenty four 0.30);

- **Chavdar Velizarov Dimitrov** as:

- Senior programmer under labor contract with “Engview Systems Sofia” JSC - BGN 79 351.66 (seventy nine thousand three hundred and fifty one 0.66);

- Member of Board of Directors of “Sirma Medical Systems” JSC- BGN 1 200 (one thousand and two hundred);

- Member of the Board of Directors of Daticum JSC - BGN 240 (two hundred and forty);

- **Tsvetan Borisov Alexiev** as:

- Project Manager under labor contract with “Sirma Solutions” JSC - BGN 42 027 (forty two thousand and twenty seven);

- Executive Director under a control and management contract at “Sirma Solutions” JSC BGN 84 000 - (eighty four thousand);

- Member of the Board of Directors of “Sirma AI” JSC - BGN 5 727.27 (five thousand seven hundred and twenty-seven 0.27);

- Member of the Board of Directors of “Sirma Business Consulting” JSC - BGN 21 248.60 (twenty one thousand two hundred and forty eight 0.60);

- Member of the Board of Directors of “Ontotext” JSC - BGN 272.73 (two hundred and seventy two 0.73);

- Member of the Board of Directors of “EngView Systems Sofia” JSC - BGN 600 (six hundred);

- Member of the Board of Directors of “Daticum” JSC - BGN 240 (two hundred and forty);

• **Atanas Kostadin Kiriakov** as:

- Project Manager under labor contract with “Ontotext” JSC - BGN 4 581.80 (four thousand five hundred and eighty one 0.80);
- Executive Director under a control and management contract at “Ontotext” JSC - 1 090.91 BGN (one thousand and ninety 0.91);
- Member of the Board of Directors of “EngView Systems Sofia” JSC - BGN 600 (six hundred);
- Executive Director under a control and management contract of “Sirma AI” JSC - BGN 13 909.09 (thirteen thousand nine hundred and nine 0.09)
- Project Manager under labor contract with “Sirma AI” JSC - BGN 147 519.79 (one hundred forty seven thousand five hundred and nineteen 0.79)
- Member of the Board of Directors of “Sirma Solutions” JSC - BGN 6,000 (six thousand);

• **Tsvetomir Angelov Doskov** as:

- Executive Director under a control and management contract at “Sirma Business Consulting” JSC - BGN 167 252.72 (one hundred and sixty seven thousand two hundred and fifty-two and 0.72);

• **Yordan Stoyanov Nedev** as:

- Member of the Board of Directors of “Sirma Medical Systems” JSC (until 19.07.2019) - BGN 660.87 (six hundred and sixty 0.87).

With each accrual or payment of the relevant remuneration, the companies have deducted and contributed to the relevant budgets any and all public liabilities (including, but not limited to: tax, state social security contributions, supplementary compulsory insurance and health insurance) these obligations are established by law.

2.8.4 Paid and/or accrued indemnities in case of termination of BD member's duties

For the Reporting Period, none of the members of the BD has been charged or compensated for the termination of his functions as such.

2.8.5 Overall assessment of all non-cash benefits equated to remuneration granted to members of the Board of Directors

For the Reporting Period, no member of the Board of Directors has been charged, paid or provided in any form whatsoever any non-monetary benefit equated to remuneration.

2.8.6 Information on all loans, payments of social and household expenses and guarantees from the Company or its subsidiaries or other companies that are subject to consolidation in its annual financial statements, including data on the remaining outstanding amount and interests

For the Reporting Period, none of the members of the Board of Directors has been granted a loan, no payment for social and household expenses has been made and no guarantee has been provided by the Company, a subsidiary or another company that is subject to consolidation in the Company's annual financial statements.

2.8.7 Shares and / or share options and / or other incentive schemes for members of the BD based on shares

For the Reporting Period, none of the members of the Board of Directors has been accrued, paid or given in any form of remuneration or payment on the basis of shares or share options and there have been no incentive schemes in the Company for the members of the Board of Directors .

2.8.8 Determining short-term variable remuneration of the members of the Board of Directors.

The Commission will make a proposal for this point, with an additional report, prior to the publication of the invitation for a regular annual general meeting of “Sirma Group Holding” JSC.

**Members of the Commission:**

Georgi Parvanov Marinov

Peter Borisov Statev

Yordan Stoyanov Nedev