

REPORT
OF THE AUDIT COMMITTEE
OF SIRMA GROUP HOLDING JSC
for 2020 year

I. GENERAL INFORMATION

This report of the Audit Committee of Sirma Group Holding JSC has been prepared on the basis of Art. 108, para. 1, item 8 of the Independent Financial Audit Act, requiring a report on the activity of the Audit Committee before the appointing authority.

1. Composition of the Audit Committee

The mandate of the Audit Committee was extended for another 3 years by a decision of the General Assembly on August 26, 2019. The audit committee maintained the same composition:

- Angel Petrov Kraychev - Chairman of the Audit Committee;
- Alexander Todorov Kolev - Member of the Audit Committee;
- Emilian Ivanov Petrov - Member of the Audit Committee.

2. Main Activities of the Audit Committee

During the reporting period, the Audit Committee carried out its activities in accordance with the requirements of the Independent Financial Audit Act. The main activities of the Audit Committee include:

- Monitoring the financial reporting processes in the enterprise;
- Monitoring the effectiveness of internal control systems;
- Monitoring the effectiveness of risk management systems;
- Monitoring of the independent financial audit in the enterprise;
- Review the independence of the registered auditor responsible for the audit and the audit firm in accordance with the requirements of the Independent Financial Audit Act and the International Code of Ethics for Professional Accountants.

II. ACTIVITY OF THE AUDIT COMMITTEE DURING 2020

Based on the received information and conducted professional analyzes, in compliance with the requirements of the Independent Financial Audit Act and the Public Offering of Securities Act, the Audit Committee of Sirma Group Holding AD formulates the following findings for the company's activity in 2020.

1. Supervision of the processes of financial reporting of Sirma Group Holding JSC

The company prepares individual and consolidated quarterly interim financial statements, individual and consolidated annual financial statements, which it submits to the Financial Supervision Commission and discloses to the public. The Audit Committee got acquainted with the financial calendar on the company's website and with the information about the publication of the periodical information on the website of the Bulgarian Stock Exchange and found that the individual and consolidated interim and annual financial statements were presented. The Disclosure Committee of the Board of Directors also functions during the reporting period in order to support the process of more effective financial reporting and disclosure of financial information.

2. Supervision of the effectiveness of the systems for internal control

The audit committee monitored the functioning of the internal control organization and the ongoing control and reporting procedures, as well as the communication of the audit firm with the internal control. The Audit Committee found that financial analysis and financial control were periodically performed by the management of the current accounting in the company.

3. Supervision of the effectiveness of the system for risk management

The Company's financial risk management policy, and in particular the risks it considers most important, includes the following: market risk (includes currency risk, fair value risk and price risk), credit risk, liquidity risk and interest rate risk. The company also considers important industrial risks, such as industry risk - the risk of adverse market conditions in information and communication technologies, the specific company risk - of adverse changes in the conditions of sale of products and services offered by the group, the risk of protection of intellectual property - the risk of third parties using or selling technologies that Sirma Group Holding JSC considers its own. Risk management is carried out on an ongoing basis by the company's management and in support of the activities of the Board of Directors there is an Investment and Risk Committee, which determines and proposes for approval by the Board of Directors the risk management policy.

4. Supervision of the independent financial audit of the company

The independent financial audit of the financial statements of Sirma Group Holding JSC for 2020 is performed by Grant Thornton OOD, and the registered auditor responsible for the audit is Ms. Gergana Mihaylova. The observation of the Audit Committee showed that a favorable environment has been created for the implementation of the activity of the independent financial audit in conditions of joint work with the management of the company.

The audit reports confirm that the individual annual financial statements for 2020 and the consolidated annual financial statements for 2020 present reliably, in all material respects, the financial condition of Sirma Group Holding JSC. The reports were prepared within the agreed deadlines.

The final reports on the individual and consolidated annual financial statements in accordance with Art. 60 para. 1 and para. 2 of the Independent Financial Audit Act. The reports noted that

no significant gaps were found in the internal financial control system and in the company's accounting system. Key audit issues were discussed with management during the audit.

5. Carrying out a review of the independence of the audit firm and the registered auditor responsible for the audit, in accordance with the requirements of the law and the International Code of Ethics for Professional Accountants

The Audit Committee was acquainted with the Declarations of Independence of the audit company Grant Thornton Ltd., presented at the beginning of the financial audit, and was convinced of the independence of the audit company and the responsible auditor. The Audit Committee found that the audit firm was fulfilling its obligation to publish a transparency report on its website, which included the information required by law. The audit committee requested information whether the audit firm provides additional services in addition to the financial audit services of the audited entity and received assurance from the management of the audited entity that there is no agreement to provide additional services and such services are not provided, and the audit firm declares that no other services are provided outside the financial audit. The Audit Committee also found that in the supplementary reports the registered auditor again declared both his independence and the non-provision of additional services to the audited entity.

As a result, the Audit Committee did not find a violation of the Independent Financial Audit Act and the International Code of Ethics for Professional Accountants regarding independence and ascertained the independence of the audit firm and the registered auditor responsible for the audit from the audited entity.

Sofia, 29.04.2021

Chairman of the AC:

/Angel Kraychev/