

## **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 2022**

#### **1. INTRODUCTION**

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

During the period 1 January 2022 – 31 December 2022 (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 and on 23.06.2021.

The Company's remuneration policy has been updated by the decision of the General Meeting of Shareholders, held on 09.01.2023 and will be applied for periods after 31.12.2022.

The policy is 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 2022. 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
- Martin Veselinov Paev - 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.

## **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 14 June 2016 and item 10 of the agenda of the annual general meeting held on 23 June 2021, 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 no more of 1% 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 33 900 (thirty three thousand nine hundred);
- Chavdar Velizarov Dimitrov as Deputy Chairman of the Board of Directors - BGN 28 960 (twenty eight thousand nine hundred and sixty);
- Tsvetan Borisov as a member of the Board of Directors - BGN 118 960 (one hundred and eighteen thousand nine hundred and sixty);
- Atanas Kostadinov Kiriakov as a member of the Board of Directors - BGN 28 960 (twenty eight thousand nine hundred and sixty);
- Petar Borisov Statev as a member of the Board of Directors – BGN 9 286 (nine thousand two hundred and eighty six).
- Yordan Stoyanov Nedev as a member of the Board of Directors BGN 80 410 (eighty thousand four hundred and ten).
- Veselin Anchev Kirov as a member of the Board of Directors BGN 9 674.29 (nine thousand six hundred and seventy four 0.29).
- Martin Veselinov Paev as a member of the Board of Directors BGN 9 674.29 (nine thousand six hundred and seventy four 0.29).
- Peyo Vasilev Popov as a member of the Board of Directors BGN 9 674.29 (nine thousand six hundred and seventy four 0.29).
- Yavor Ludmilov Djonev as a member of the Board of Directors BGN 9 674.29 (nine thousand six hundred and seventy four 0.29).

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.

For 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

On 24.06.2022, the General Meeting of Shareholders (GM) of "Sirma Group Holding" JSC decided that the members of the Board of Directors should be in the following composition, and the decision was entered in the Commercial Register on 07.07.2022:

- 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 (until 07.07.2022)
- Veselin Anchev Kirov (from 07.07.2022)
- Martin Veselinov Paev (from 07.07.2022)
- Peyo Vasilev Popov (from 07.07.2022)
- Yavor Ludmilov Djonev (from 07.07.2022)

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. 07.07.2024)	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 under management contracts 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 2022.

### 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 146 384 (one hundred and forty six thousand three hundred and eighty four);
- Yordan Stoyanov Nedev as Financial Director - BGN 28 965 (twenty eight thousand nine hundred and sixty 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.

### *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 120 000 (one hundred and twenty thousand);
- Member of the Board of Directors of "Sirma Business Consulting" JSC BGN 6 000 (six thousand);

#### **• Chavdar Velizarov Dimitrov as:**

- Senior Programmer under labor contract with "Engview Systems Sofia" JSC - BGN 97 550.56 (ninety seven thousand five hundred and fifty 0.56);
- Member of Board of Directors of "Sirma Medical Systems" JSC- BGN 1 200 (one thousand and two hundred);

#### **• Tsvetan Borisov Alexiev as:**

- Project Manager under labor contract with "Sirma Solutions" JSC - BGN 96 309.18 (ninety six thousand three hundred and nine 0.18 );
- 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 6 000 (six thousand);
- Member of the Board of Directors of "Sirma Business Consulting" JSC - BGN 12 000 (twelve thousand);
- Member of the Board of Directors of "EngView Systems Sofia" JSC - BGN 600 (six hundred);

#### **• Atanas Kostadin Kiriakov as:**

- 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 6 000 (six thousand)
- Project Manager under labor contract with "Sirma AI" JSC - BGN 350 470.96 (three hundred and fifty thousand four hundred and seventy 0.96)
- Member of the Board of Directors of "Sirma Solutions" JSC - BGN 6 000 (six thousand);

#### **• Veselin Anchev Kirov as:**

- Project Manager under labor contract with "EngView Systems Sofia" JSC - BGN 132 337.26 (one hundred and thirty five thousand three hundred and thirty seventy 0.26)

#### **• Peyo Vasilev Popov as:**

- Sales Manager under labor contract with "Sirma AI" JSC - BGN 206 152.64 (two hundred and six thousand one hundred and fifty two 0.64)

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, payments were made for principal and interest on a loan granted by Sirma Solutions AD to a member of the Board of Directors in the amount of BGN 34 104. As of the date of preparation of the report, the balance of principal for repayment was in the amount of BGN 5 555.

Payments for social and household expenses of the members of the Board of Directors of the Company for the reporting period do not differ from social and household expenses to which all employees of the Company or another company that is subject to consolidation in the annual financial statement of the Company are entitled.

#### *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 amount of the short-term variable remuneration is up to 6% (six per cent) of the net consolidated profit, but not more than 40% (forty per cent) of the value of the individual accounting profit before taxes and provisions for the short-term variable remuneration.

The criteria for payment of the short-term variable remuneration are:

- Achieving 8% growth of the consolidated revenues of the group;
- Achieving equal or higher consolidated profit of the company, before taxes and provisions, compared to the previous year;
- Implementation of technological innovation and product development;
- Profit and development of the company;
- Imposing high standards of corporate governance;
- Integration of corporate social responsibility in the daily management practice of the company;
- Stable and sustainable development of the company in economic, social and environmental aspects;
- Adequacy of the administrative, organizational and reporting structures of the company and ensuring the maximum efficiency of the company's activities;
- Compliance with applicable rules and procedures;
- Encouraging cooperation with stakeholders;
- Compliance with obligations - work in the interest of the company and loyalty; observing the due care of a good trader.

#### *2.8.9 Information on exercising the possibility to demand a refund of variable remuneration*

Paid variable remuneration shall be subject to return if it is established that the following circumstances are present:

1. the achieved results do not contribute to the achievement of the business goals of the company and
2. the achieved results do not contribute to the achievement of the long-term interest of the Company and
3. the achieved results are not sustainable and do not contribute to the sustainable development of the public company.

**2.9. Information on all deviations from the procedure for the implementation of the remuneration policy in connection with extraordinary circumstances under Art. 11, para. 13, including an explanation of the nature of the exceptional circumstances and an indication of the specific components not implemented**

For the Reporting Period in the Company there are no deviations from the procedure for the implementation of the remuneration policy in connection with extraordinary circumstances.

**2.10. Information on the annual change in the remuneration, the results of the company and the average amount of remuneration based on full-time employees of the company who are not directors, during the previous five financial years**

	2017	2018	2019	2020	2021	2022
Average gross monthly remuneration of the employees of "Sirma Group Holding" JSC, BGN	3 516,62	3 541,20	3 574,03	3 817,91	4 432,98	5 100
Annual change in remuneration, %	38,06%	0,70%	0,93%	6,82%	16,11%	15,05%
Net individual profit of "Sirma Group Holding" JSC, in thousands BGN	2 809	2 557	1 898	995	1 034	2 131

**Remuneration Committee:**

Georgi Parvanov Marinov - chairman

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Yordan Stoyanov Nedev - member

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Martin Veselinov Paev - member

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