

Nonfinancial Declaration for 2023

„SIRMA GROUP HOLDING” JSC

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1. About this declaration

The present Consolidated Non-Financial Declaration of "Sirma Group Holding" JSC has been drawn up on the basis of the Accounting Law and follows the structure as described in Art. 48–52 of the same. The consolidated non-financial statement is an integral part of the annual consolidated report on the group's activities.

2. Description of the business model of “Sirma Group Holding” JSC

The companies from the economic group of "Sirma Group Holding" JSC ("Group", "Sirma Group") form one of the largest ICT companies in Bulgaria with over 32 years of history. Sirma is an established regional leader in IT services, software development and system integration. The Group has a set of proprietary, innovative technologies, a diverse product portfolio, and a growing market share in Europe and North America.

"Sirma Group Holding" JSC is a holding company, and as such, its main activity is related to the strategic and operational management of investments in companies developing information technologies and providing IT services, to which it provides management, administrative-legal, marketing, and financial services. The responsibilities of the holding company can be classified as follows:

- Strategic Management;
- Financial Management;
- legal and administrative services;
- Overall operations management, including intellectual property management, human resources, marketing, and brand management.

Over the years, Sirma has created over 20 companies, investing huge financial and human capital in them. Our strategy is to create businesses, incubate them, and grow them.

Generating stable growth, profitability, and consistent business results are among the holding's main priorities.

2.1 Applied technologies

The companies within Sirma Group offer the following technological solutions, and services related to them, to their clients:



2.2 Serviced client groups

Currently, companies in the group operate in the country and abroad in five business verticals: financial institutions and fintech, industrial software, healthcare, logistics and transport, and hospitality.

Financial segment

- Services for the banking sector on the system integration and implementation of various solutions based on "FlexCube" of Oracle Corporation and "T24 Core Banking" of Temenos;
- Cloud-based platform provider for financial institutions.
- Software services and solutions for financial institutions.

Insurance segment

- Cloud-based platform provider for insurance brokers.
- Software services and solutions for insurance companies;

Industrial software

- provider of CAD/CAM solutions for the packaging industry;
- supplier of products and solutions for the measurement industry;
- OEM (machine factory software) partners supply machines to the measurement industry;
- online platform for connecting consumers and manufacturers in the packaging industry, based on the proprietary product EngView Package Designer Suite.

Healthcare and Life Sciences

- Software applications for the management and control of chronic diseases;
- product for monitoring a chronic disease, diabetes (Diabetes M);
- Analysis of drug clinical trial reports and data integration for pharmaceutical companies and health insurers.

Hospitality and logistics

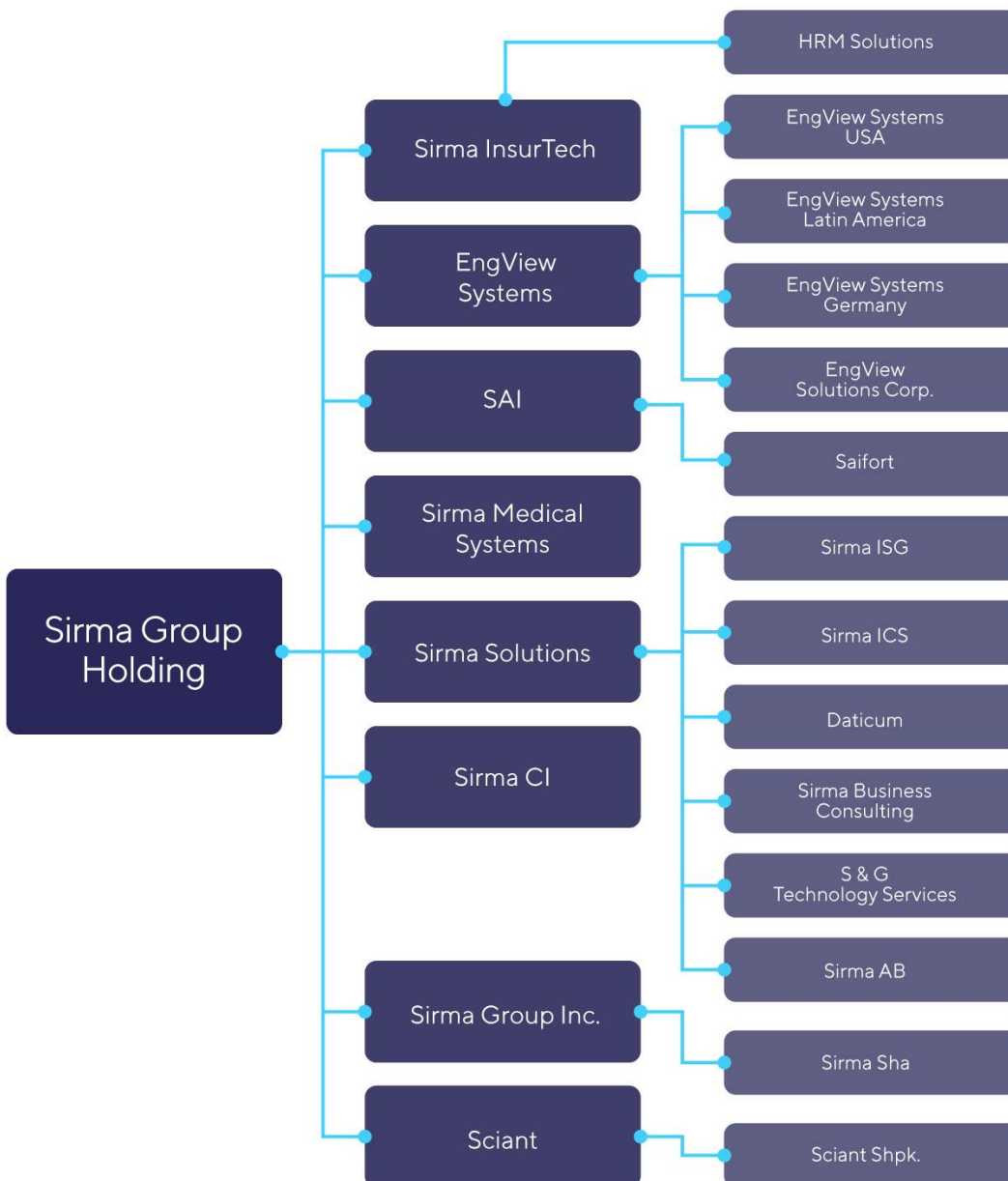
- Development of software according to the customer's order;
- System integration.

2.3. Corporate structure

The economic group of "Sirma Group Holding" JSC includes the parent company and its subsidiaries and associated companies, all of which operate in the IT sector. The group functions as a typical holding structure with the organization of activity, coordination, and subordination of companies typical of such a structure.

The companies in the group have a common strategic framework, corporate values, financial and accounting policies, a vision for good corporate governance, and personnel policies. Upholding Ad

Visualization of the organizational structure of "Sirma Group Holding" JSC:



Daughter companies of “Sirma Group Holding” JSC:

Company	Value of the investment at 31.12.2023 (in BGN'000)	Percentage of capital at 31.12.2023	Percentage of voting rights* at 31.12.2023	Value of the investment at 31.12.2022 (in BGN'000)	Percentage of capital at 31.12.2022	Percentage of voting rights* at 31.12.2022	Changes (in BGN'000)
Sirma Solutions	39 686	100%	100%	39 686	80,11%	100,00%	-
SAI (Ontotext)	17 865	84,56%	100%	17 865	84,56%	100,00%	-
Sciart	14 076	100%	100%	10 237	80,00%	80,00%	3 839
Sirma Group Inc., USA	3 471	76,30%	76,30%	3 471	76,30%	76,30%	-
Sirma InsurTech	914	55,00%	55,00%	914	55,00%	55,00%	-
Sirma CI	106	80,00%	80,00%	106	80,00%	80,00%	-
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%	-
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%	-

* The percentage of the capital rights represents the participation in the capital of the company net of the repurchased own shares.

Subsidiaries of “Sirma Solutions” EAD

Company	Value of the investment at 31.12.2023 (in BGN'000)	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 (in BGN'000)	Percentage of capital at 31.12.2022	Changes (in BGN'000)
Sirma Business Consulting	1 374	54,08%	1 374	54,08%	-
Daticum	468	59,00%	1 394	60,50%	(926)
Sirma ICS	279	93,00%	270	90,00%	9
S&G Technology Services Ltd., UK	117	51,00%	117	51,00%	-
Sirma AB	9	100,00%	-	-	9
Sirma ISG	4	71,00%	4	71,00%	-

Subsidiaries of “EngView Systems” AD

Company	Value of the investment at 31.12.2023 (in BGN'000)	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 (in BGN'000)	Percentage of capital at 31.12.2022	Changes (in BGN'000)
EngView Systems Germany	235	100%	235	100%	-
EngView Systems USA	190	100%	190	100%	-
EngView Systems Latin America, Brazil	7	95%	7	95%	-
EngView Solutions Corp., Canada	-	95%	-	-	-

Subsidiaries of Sirma Group Inc.

Company	Value of the investment at 31.12.2023 BGN '000	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 BGN '000	Percentage of capital at 31.12.2022	Changes BGN '000
Sirma Sha, Albania	25	55%	25	55%	-

Subsidiaries of "Sciart" EAD

Company	Value of the investment at 31.12.2023 BGN '000	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 BGN '000	Percentage of capital at 31.12.2022	Changes BGN '000
Sciart Shpk. (ReSolutions), Albania	256	100%	256	100%	-

Subsidiaries of "Sirma InsurTech"

Company	Value of the investment at 31.12.2023 BGN '000	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 BGN '000	Percentage of capital at 31.12.2022	Changes BGN '000
HRM Solutions	150	100%	150	100%	-

Subsidiaries of "SAI"

On 05.07.2023 "SAI" AD registered a new subsidiary in Israel. The name of the new company is "SAIFORT". The capital of the new subsidiary is 1 000 Israeli shekels (BGN 340), divided into 10 000 shares (BGN 340), divided in 10 000 shares. "SAI" AD owns 70% of the capital.

Associated companies of "Sirma Solutions" EAD

Company	Value of the investment at 31.12.2023 BGN '000	Percentage of capital at 31.12.2023	Value of the investment at 31.12.2022 BGN '000	Percentage of capital at 31.12.2022	Changes BGN '000
Sirma AI	-	-	20 511	23,80%	(20 511)

2.4. System of governance

Since 2015, "Sirma Group Holding" JSC has been a public company, owned by its shareholders, who exercise full control over the company. The holding company, in turn, owns a controlling stake (more than 50%) in the capital of the subsidiaries.

The holding, as well as its subsidiaries, have a one-tier management system.

Operational control is delegated to the Board of Directors and the Executive Director, respectively. The Board of Directors as of 31.12.2023 includes the following members:

- Georgi Parvanov Marinov - Chairman
- Tsvetan Borisov Alexiev – Executive director
- Chavdar Velizarov Dimitrov - member
- Atanas Kostadinov Kiryakov - member
- Veselin Anchev Kirov - member
- Yordan Stoyanov Nedev - member
- Yavor Ludmilov Djonev - independent member
- Martin Veselinov Paev - independent member
- Peyo Vasilev Popov - independent member

Determination of the mandate of the Board of Directors: 2 years from the date of entry. The current mandate of the Board of Directors: 07.07.2024.

“Sirma Group Holding” JSC creates the following internal committees, which are assigned to manage the respective activities at the operational level, as well as to propose decisions to the Board of Directors of the company. At December 31, 2023 their composition is:

1. **Investment, Risk and Sustainability Committee, composed of:**
Yordan Nedev – chairman
Tsvetan Alexiev – member (till 20.03.2024)
Stanislav Tanushev – member (from 20.03.2024)
Georgi Marinov – member

2. **Remuneration Committee, composed of:**
Georgi Marinov – chairman
Martin Paev – member
Yordan Nedev – member

3. **Information Disclosure Committee, composed of:**
Tsvetan Alexiev – chairman
Stanislav Tanushev – member
Chavdar Dimitrov – member
Atanas Kiryakov - member

4. **Audit Committee, composed of:**
Angel Petrov Kraychev - chairman
Alexander Todorov Kolev - member
Veselin Anchev Kirov – member

Company documents

The company abides by a number of internal documents, which aim at work governance, ensuring transparency and averting abuse. Most internal documents are applicable to SGH and all of its subsidiaries. Only a few (more specific or related to the public ownership) are applied only to the mother company:

System of Corporate Governance	Description	Adoption	Latest review	Application
Articles of Association	The Articles of Association define the rules by which important decisions are made in the Company	2015	24.6.2022	SGH
Decisions of the General Meeting of Shareholders	The decisions of the shareholders are fundamental to the Company's activities	Minimum once per year	15.06.2023	SGH
Dividend Policy	Policy for the distribution of dividends of the public company	29.09.2022		SGH
Rules for the operation of the Board of Directors	Instructions and clarifications on the duties and responsibilities of the members of the Board of Directors	2015		All subsidiaries
Remuneration Policy	Remuneration policy for the members of the Board of Directors	2015	03.08.2021	SGH
Instruction for the obligations and responsibilities of insiders	Instructions and clarifications on duties and responsibilities when accessing and working with inside information.	2015	2021	All subsidiaries
Program for good corporate governance	A system of rules that protects the interests of shareholders and other stakeholders	2015	2021	All subsidiaries
Accounting Policy	Policy which governs the accounting and control in the companies	2015	30.06.2023	All subsidiaries
Code of conduct for the financial and accounting positions	A code that guarantees the transparent and reliable preparation of financial accounting documents	2015		All subsidiaries
Anti-corruption Policy	Policy against all corruption practices and related phenomena	2015		All subsidiaries

Rules for the protection of whistleblowers	Internal Rules for Submitting Signals and Protection of Persons Submitting Signals or Publicly Disclosing Information for Violations – “Whistleblowers”	04.05.2023		All subsidiaries
Ethical code of conduct for employees	The Code establishes the norms for ethical behavior of employees at Sirma Group Holding	2020		All subsidiaries
Data protection Policy	Privacy and data protection policy for the clients of Sirma	2021		All subsidiaries
Sustainability Policy	Policy for the sustainable function and development of the companies in Sirma	2021	30.09.2023	All subsidiaries
Human rights policy	Policy, which determines attitude to human rights in Sirma	2023	25.03.2024	All subsidiaries
CSR in procurement policy	A policy that integrates CSR into Sirma's procurement practice	2023	25.03.2024	All subsidiaries

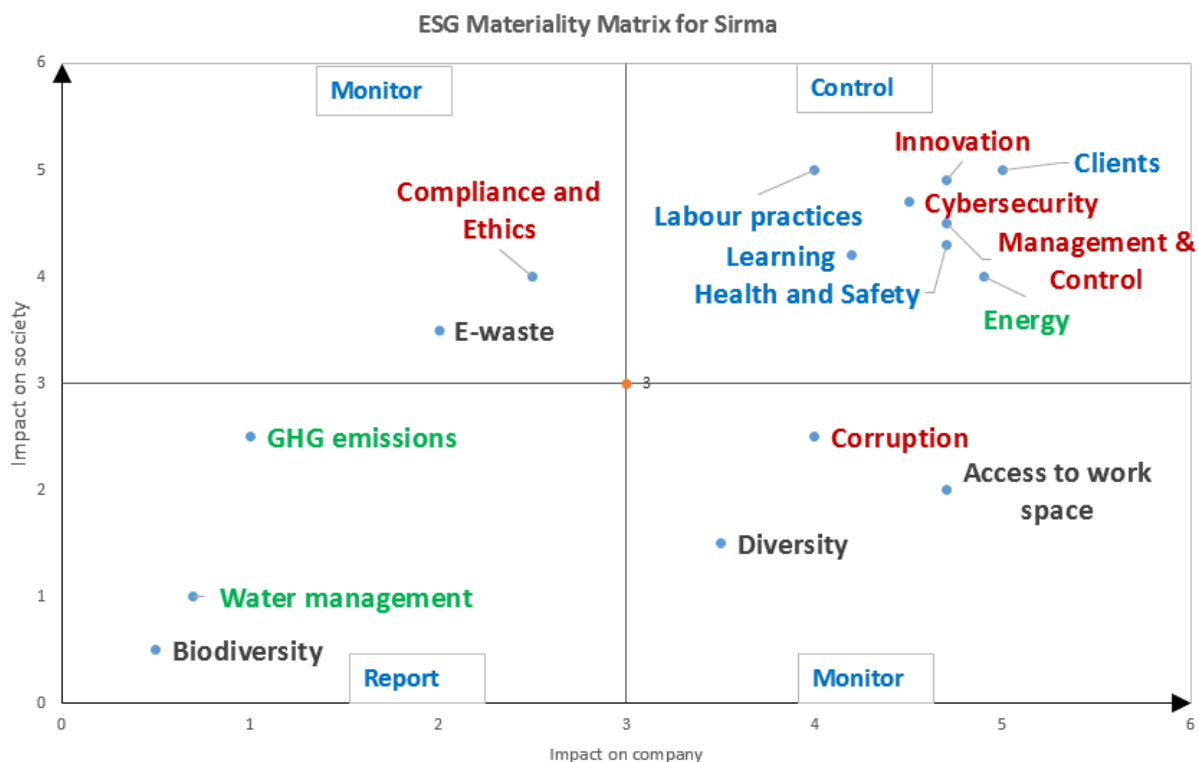
3. Sustainability themes material to Sirma

In 2023, the first dual materiality analysis of sustainable themes was carried out for Sirma.

Although such an analysis is being done for the first time, Sirma has always made serious efforts for its sustainable development. Accordingly, the first dual materiality matrix includes the persistent topics where the Group has made the most serious efforts to control them (and costs) in 2023.

The following leading themes for the Group's sustainable development, ecology and society were identified:

- Customers (Social group)
- Innovation and Cybersecurity (Governance group)
- Employees (Social Group): Labour practices, Training, Health and Safety
- Electric Energy (Environment)



Other topics were also identified that have relatively less impact on Sirma's sustainable development and/or its impact on ecology and society: e-waste management, anti-corruption, diversity, greenhouse gas management, etc.

4. Description of the policies followed by "Sirma Group Holding" JSC and its subsidiaries in terms of environmental, social, anti-corruption activities, including the activities carried out during the year and the results achieved.

4.1 Environmental footprint of Sirma Group's activities, measurement, policy and initiatives during the year

The activities of the companies of "Sirma Group Holding" JSC are mainly concentrated in two segments of the IT industry: "IT services" and "Software development". The work in both segments has a minimal negative effect on the environment. In parallel, through the results of their activity, the companies in the Group assist their clients in reducing the negative footprint of their respective activities through:

- Reduction towards elimination of the use of paper in daily work;
- Increasing the efficiency of the work process;

- Ensuring the possibility of remote work for employees and the decrease of the need for transport to the working place;
- Reduction of required hardware by using cloud services;
- Reduction of employees in the work process.

Following the dual materiality analysis (described above), it was determined that electricity is of primary importance to Sirma's operations and also has the greatest environmental impact. Accordingly, efforts were made in 2023 to collect non-financial information and measure the environmental impact of the Group's Scope 1 and 2 activities as defined in the Greenhouse Gas Protocol. As a result of the work carried out, we can now determine that the carbon footprint of Sirma's activities in 2023 under Scope 1 and 2 amounted to 838 Mt CO₂ equivalent, while in parallel it produced its own renewable energy (part of the consumption) in the amount of 17 Mt CO₂ equivalent (see tables below for details):

Scope 1

Fuel used for fleet in 2023	Benzene	Diesel	Gas	Total
Quantity in liters	7 118	3 401	663	11 182
Expense in BGN	17 622	8 888	711	27 220
CO₂ equivalent	16,45	8,51	0,99	25,96

Scope 2

Ecological ratio	2022	2023	2023 CO₂	2023 CO₂ Change
Used heating E	291 MWh	292 MWh	122 Mt*	+1 Mt*
Used electricity	1717 MWh	1658 MWh	691 Mt *	-41 Mt*
Total E	2008 MWh	1950 MWh	813 Mt *	-40 Mt*
Per employee	4,14 MWh	3,67 MWh	1,5 Mt	-0,33 Mt*
Generated renewable electricity in MWh**	0	17 MWh	13 Mt *	13 Mt*

* US Environmental's platform was used to convert to CO₂ equivalent US Environmental Protection Agency at <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator> UN Intergovernmental Panel on Climate Change (IPCC) as per CSRD standard guidelines <https://unfccc.int/documents/271269>

** Part of the electricity used throughout 2023.

In addition to the leading in materiality data on electricity, Sirma also collects data and controls is use of water resources:

Ecological ratio	2022	2023		2023 Change
Used water m³	8160	7756		-404

The environmental protection policy of "Sirma Group Holding" JSC consists of:

- Compliance with all laws and regulations, as well as internal procedures and instructions adopted by the group aimed at environmental protection, create prerequisites for the application of the best practices in environmental protection.
- Striving to reduce the direct and indirect impact of the activities of the group's companies on nature by analyzing and evaluating this impact and searching for ways to minimize it.
- Maintaining a minimum fleet in the group. In 2023, the number of company cars in all companies was 9 emitting a minimum CO₂ equivalent of 25.96 Mt for the year..
- Ensuring 30% home-office for all Group employees, thus reducing the resources needed for their transport to the workplaces.
- Complete elimination of paper in internal company communication by developing various high-tech solutions
- Document printing policy (when needed) defaults to two-sided printing in black and white to save supplies and paper. Printing is done on multi-function devices that are located in easily accessible places in the group's offices in order to save equipment and space.
- Strive to reduce waste and increase recycling. The subject of the activity of the companies in the group is related to the use of computer equipment. Sirma Group recycles its materially and/or morally depreciated computer equipment that is no longer usable. In 2023, companies have had no obsolete hardware.

“Sustainability does not need to come at the price of reduced growth and profits. On the contrary, sustainability reduces risks and costs for the company. We fully realize this at Sirma.”

Tsvetan Trenchev – COO of “Sirma Group Holding” JSC

- Strive for efficient consumption of resources arising from the consumption of electrical and thermal energy, water, fuels, materials, etc. in 2023,
- Strive to increase the consumption of electrical energy generated from renewable sources. In the third quarter of 2023, “Sirma Group Holding” JSC successfully put into operation its own photovoltaic plant without batteries, located on its central building. During the first 3 months (autumn-winter) of operation, it produced 17.34 MWh of electricity. This represents 23.51% of the whole electricity consumption during these first months of operation. Sirma's photovoltaic system is planned to produce up to 30% of the building's electricity consumption. This is expected to be achieved in 2024 with one full year of PV system operation (and elimination of seasonal fluctuations). At current electricity prices, this investment made by Sirma will break even in less than 3 years. This makes the investment made in the photovoltaic system highly doubly material - both for the environment and for the company.
- Internal emergency plans are updated to address all major accident risks. Prevention and evasion of incidents leading to hampering the working process, air, water, and soil pollution.
- Provision of sufficient information and instructions to employees related to environmental protection.
- Active cooperation with control authorities, local authorities, the community, and all interested parties in solving problems related to the environment.
- Organization of corporate events for the protection and restoration of the environment, such as campaigns for recycling, planting trees, cleaning the environment, and others

The environmental policy is compatible with the management's vision and strategy for the future development of the companies in the group.

4.2 Social impact from the activity of Sirma Group, measurement, policy and initiatives during the year

„People – they are the most important resource of “Sirma Group”. The care for their qualification, motivation and wellbeing has a direct impact upon the economic achievements of the companies and the satisfaction of our clients.“

Tsvetan Alexiev - CEO

Our employees

Our employees are our wealth. The policy of the companies of "Sirma Group Holding" JSC towards their employees excludes any form of discrimination and, in parallel, promotes diversity among the teams.

Indicator	2022	2023
Number of employees as of 31.12.	522	586
Proportion of men / women	77% / 23%	61% / 39%
Number of nationalities within the Group	6	12
Average monthly salary as of 31.12.	BGN 5 100	BGN 5 311
Increase of the average salary during the year	12%	4.14%
Average length of service in the company	8 years	7 years
New employees during the year	136	126
Employees who have left during the year	68	60
Spending on training for the year	BGN 300K	BGN 434K
Spending on training per employee	BGN 575	BGN 740

The policy towards the employees of the companies within the Sirma Group is expressed in:

- Strict compliance with the labor legislation in Bulgaria and in the countries where the Group has offices.

- Care for increasing the qualification of the employees, by financing their participation in various training programs. These trainings are targeted in the areas of occupation of each employee. The internal trainings organized by Sirma Academy were 24 in 2023, covering a variety of topics – from virtualization and containerization, through language training and presentation skills to management. In addition to internal trainings, Sirma employees also attended various external trainings, seminars, workshops and symposia to improve their qualifications. In total, the costs of various trainings in 2023 amount to BGN 434 thousand or about BGN 740 per employee. The costs for training have increased during the year (from BGN 300 thousand in 2022) by more than 30%.
- Care for professional development and remuneration. An annual attestation of each employee in the companies of the group outlines the strengths and weaknesses in the work of each employee. Strengths are enhanced by advance in the job hierarchy and corresponding measures are taken to eliminate or minimize any weaknesses.
- Care for a healthy and safe working environment. All workplaces of the companies in the group have controlled access. This ensures a calm and safe working environment for every employee. Hygiene in offices, the provision of personal protective equipment (in instances of a pandemic), the reduction of employees who work in one room, and continuous disinfection of the work environment were measures that were effective during the pandemic and which remained in 2023 as good practices.
- Taking care of the employees' health. This care begins with disease prevention. Sirma Group provides free unlimited visits to swimming pools, gyms, and other sports and recreation facilities through sports cards (from BGN 54 per employee per month). Such cards are also provided on preferential terms for members of each employee's household. Twice a week, the employer provides fruit for the entire team in order to provide the necessary vitamins for each employee. Subsequently, in addition to compliance with the legally established annual health examinations, employees in Sirma Group companies use additional health insurance (valued at BGN 384 per employee per year), providing affordable and free pre-hospital, hospital, and dental care and covering within certain limits the costs of various health consumables (glasses, etc.). Employees' family members can also be included in the additional health insurance of Sirma companies.
- Provision of the possibility of remote work. Remote work has never been foreign to Sirma Group employees, who are used to working in international teams on various

projects. Working from home contributed to the preservation of jobs and the health of employees during the pandemic. In 2023, although not dictated by pandemic danger, the options for the majority of employees of companies in the Sirma Group for remote work were preserved. A reliable and secure VPN system was built and maintained, which provides easy and safe remote work with access to Sirma Group servers. An additional labor agreement has been signed with each employee (since 2021), which precisely regulates the conditions for exercising remote work.

The effect of this is a better work-life balance, decreased commuting time to the office, reduced transportation costs, and hence a reduced carbon footprint for each and every employee who chooses remote work.

Community care

The policy of care and responsibility for the development of employees does not exhaust the efforts made to support the social environment in Bulgaria, Europe and the USA. The very IT services and software solutions that the companies of the Group offer contribute to the improvement of the social environment. In addition to these benefits, Sirma also has a number of additional socially oriented activities that support the development of both the Group and the entire social environment. Here is some of the positive impacts of Sirma's activity on the social sphere:

- Telemedicine

Sirma offers a number of solutions in the field of healthcare and telemedicine. These technologies expand access to health care (especially in remote locations), monitoring and control of chronic diseases and thus contribute to improving public health and inclusion of under-served population groups.

- Cloud services

The cloud services offered by Sirma support the entire spectrum of ESG of our clients - ecology, social environment and governance: Infrastructure as a Service (IaaS) reduces the resources that each company uses in order to provide the necessary infrastructure for its business and optimizes its use; the cloud solutions offered by Sirma provide the opportunity for remote work for employees of the client companies, and hence the opportunity for a better work-life balance;

Disaster-recovery-as-a-service (DRaaS) enables the rapid recovery of client organizations in the event of a crisis, which in turn reduces risks for the company, thus improving its management.

- Sirma Academy

The Sirma Academy for free training in the basics of programming already has a two-year history. In it, leading specialists from the Group train registered applicants free of charge, after successfully passing an exam. In 2023, two seasons were organized. For season 2, 600+ trainees applied, and for season 3, the number increased to 1000+. Unlike other similar IT academies, Sirma Akademy is aimed at specialists looking for re-qualification, without discrimination and age restrictions. The trainings were successful.

- Charity for home for children deprived of parental care in the village of Lesichovo

This home support is a 16-year tradition for employees of Sirma Group companies. Various intra-company bazaars were organized during the year, where goods made or brought by the employees of the companies were sold. All collected funds are subsequently sent to the home for children deprived of parental care in the village of Lesichovo for their support, presents and vacations at the seaside. In 2023, BGN 2,899 were collected and donated.

4.3 Measures against corruption

The existence, updating, and implementation of clearly defined procedures for work in the Group are basic measures for countering corruption and other similar negative practices. They cover every aspect and level of the activity:

Procedure	Target
Program for good corporate governance	General management and control within the Group
Rules for the operation of the Board of Directors	Board of Directors
Policy for remuneration of the Board of Directors	Board of Directors
Procedure for trading in shares of senior executives from the Group	The Board of Directors and persons who are linked to them

Instructions for persons working with inside information	Persons who have access to inside information
Code of conduct for financial-accounting positions	Employees with financial-accounting and controlling functions
Ethical code of conduct for the employees	All employees

Sirma Group implements its Good Corporate Governance Program, which requires loyalty and ethics from all employees. All significant transactions in the companies are pre-budgeted and approved by the relevant executive director. The rules for the work of the governing bodies, in turn, are defined in the Rules for the Work of the Board of Directors.

The Group takes special care to prevent the abuse of inside information, which is described in detail in the relevant instructions for the persons who have such information (they are not always employees of the Group). A natural continuation of these instructions is the procedure for trading in shares of senior executives from the group, as well as persons related to them.

The activity of all companies in the group and the corresponding cash flows are subject to control and verification both by an internal audit committee and by an external, reputable auditing company, Grant Thornton OOD.

The counteraction of corrupt practices in Sirma Group is not limited to regulating the activities of its management and control bodies. The Code of Conduct for Financial and Accounting Positions and the Code of Ethics regulate the behavior of all operational levels in the group. In this way, the possibility of misuse of funds and corruption is excluded.

5. Main risks and their management

The group is exposed to various types of risks in relation to its financial instruments.

The group's risk management is carried out by the group's central administration in cooperation with the Board of Directors, as well as the Committee for Investments and Risks to the Board of Directors of “Sirma Group Holding” JSC. Management's priority is to secure short- and medium-term cash flows by reducing its exposure to financial market risks.

The most significant risks to which the group is exposed and the measures for their mitigation are described in the consolidated activity report.

6. Environmentally sustainable economic activities defined in the regulatory framework of Regulation (EU) 2020/852

In this section, we publish information in connection with Art. 8 of Regulation (EU) 2020/852, establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (Taxonomy Regulation).

A thorough analysis of all economic activities was performed for taxonomy eligibility and alignment with Annexes I and II to Delegated Regulation (EU) 2021/2139 (Climate Delegated Act) based on the company's economic activities. The Climate Delegated Act focuses on those economic activities and sectors that have the greatest potential to achieve the climate change mitigation objective, i.e., the need to avoid the production of greenhouse gas emissions, reduce these emissions, or increase greenhouse gas removals and long-term carbon capture and storage.

6.1 Activities that contribute significantly to the mitigation of climate change and do not cause significant harm in relation to the achievement of any of the other environmental objectives under Article 9 of Regulation (EU) 2020/852

After a thorough review of the activity according to Annex I to Delegated Regulation (EU) 2021/2139, including all subsidiaries and all their subdivisions and functions, it was established that all the main activities of the companies of "Sirma Group Holding" JSC are taxonomically permissible, namely:

<i>KPI</i>	<i>Total (BGN '000)</i>	<i>Share of taxonomy-allowed economic activities (in accordance with the taxonomy) (in %)</i>	<i>Share of taxonomically inadmissible economic activities (in %)</i>
<i>Turnover</i>	81,315	100 %	0 %
<i>Capital expenses</i>	7,327	100 %	0 %
<i>Operational expenses</i>	15,857	100 %	0 %

6.1.1 Ownership of building

Description of the activity: Purchase of real estate and exercise of ownership rights over it. Economic activities of this category refer to code L68 under NACE — the statistical classification of economic activities established by Regulation (EC) No. 1893/2006 and item 7.7 of Annex I of Delegated Regulation (EU) 2021/2139 of the Commission. The activity of buying real estate and exercising ownership rights is not a main activity for "Sirma Group Holding" JSC or for the companies in the Group. At the same time, "Sirma Group Holding" JSC owns the building of its Headquarters, where a large part of the subsidiaries are registered and operate. The building is located in the city of Sofia at 135 Tsarigradsko Shose Blvd.

6.1.2 Evaluation criteria:

A significant contribution to climate change mitigation

The building is equipped with a modern heating and air conditioning system. The thermal energy comes directly from the thermal power plant, while the air conditioning is provided by a 400 kW high-tech YCAM heat pump unit. The building's air conditioning system has the necessary automation and control in accordance with Article 14, paragraph 4 and Article 15, paragraph 4 of Directive 2010/31/EU. The air conditioning system of the building is inspected by a licensed company, for which the relevant protocols and prescriptions for prophylactics are drawn up and executed. The latter is carried out annually by the licensed company. Accordingly, the activity "exercise of rights on real estate" by "Sirma Group Holding" JSC is compatible with the taxonomy of activities according to Annex I to Delegated Regulation (EU) 2021/2139 and **has a contribution to the mitigation of climate change.**

6.2 Activities that contribute significantly to adaptation to climate change and do not cause significant harm in relation to the achievement of any of the other environmental objectives under Article 9 of Regulation (EU) 2020/852

After a thorough review of the activity in 2023 according to Annex II to Delegated Regulation (EU) 2021/2139, including all subsidiaries and all their subdivisions and functions, it was established that all the main activities of the companies of "Sirma Group Holding" JSC are in compliance with the taxonomy, namely:

6.2.1. Activities in the sphere of information technologies

The main subject of activity for all companies in "Sirma Group Holding" JSC is the development and implementation of products and services in the field of information technologies.

Description of activity: Providing expert knowledge and skills in the field of information technologies includes: writing, altering, testing, and maintaining software products; planning and design of computer systems that combine hardware, software, and communication technologies; on-site management and operation of customer computer systems or data processing facilities; and other professional and technical activities related to computers.

Economic activities of this category refer to code J62 under NACE — the statistical classification of economic activities established by Regulation (EC) No. 1893/2006 and item 8.2 of Annex II of Delegated Regulation (EU) 2021/2139.

Depending on the specifics of the technological solutions used and the range of products and services offered, the activity is divided into three segments:

INTELLIGENT EVOLUTION OF ENTERPRISES

Companies of Sirma Group operating in the segment are: EngView Systems, Sirma AI, Sirma Solutions, Sirma Medical Systems, Datium, Sirma CI, Sirma Group Inc., Sciant, SAI, Sciant Shpk.(ReSolutions), Sirma AB and Saifort.

SOLUTIONS, PRODUCTS AND CONSULTATION OF THE FINANCIAL SECTOR

Companies of Sirma Group operating in the segment are: Sirma Business Consulting, Sirma ICS, Sirma AI, Sirma Solutions, S&G Technologies, Sirma Group Inc., Sciant and Sirma InsurTech.

SYSTEM INTEGRATION

Companies of Sirma Group operating in the segment are: Sirma Solutions.

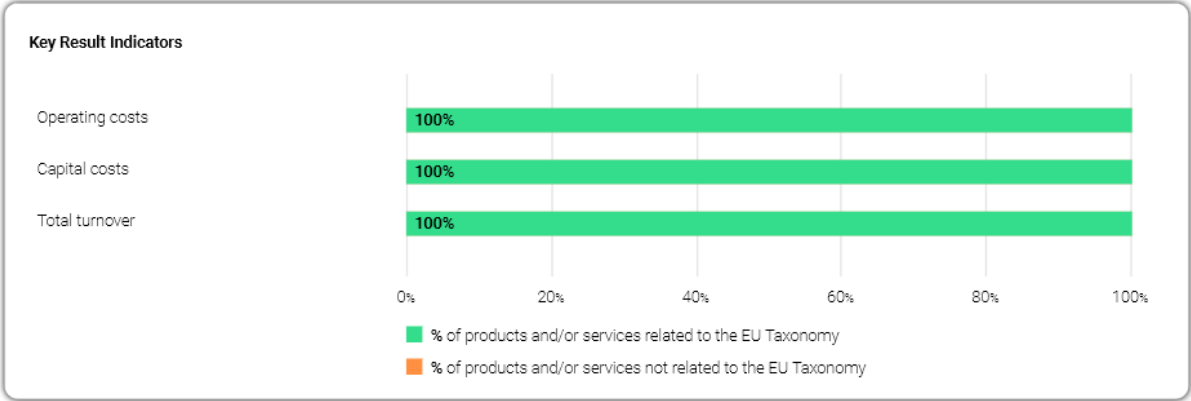
Within the framework of the economic activity, information technology physical and non-physical solutions ("adaptation solutions") have been implemented, ensuring the complete elimination of the most important physical climate risks, which are essential for this activity, and which are described in Appendix A to Annex II to Delegated Regulation (EU) 2021/2139. Therefore, the main activity of all companies in "Sirma Group Holding" JSC meets the criteria for its designation as an **activity that contributes to adaptation to climate change** and complies with the economic activity taxonomy.

6.3 Share of permissible activities carried out by "Sirma Group Holding" JSC and its subsidiaries

Key performance indicators

Key performance indicators ("KPI") include KPIs on turnover, KPIs related to capital expenditure (CAPEX), and KPI related to operating expenses (OPEX). For the reporting period

2023, KPIs must be disclosed in relation to taxonomically eligible economic activities and taxonomically ineligible economic activities (Article 10(2) of the Article 8 Delegated Act).



The key indicators for the results of the activity are determined in accordance with Annex I to the Delegated Act under Art. 8 of the Taxonomy Regulation. The Group determines the taxonomy-compliant KPI in accordance with legal requirements and presents its accounting policy in this regard as follows:

[KPI linked with turnover](#)

The part of the turnover that derives from products or services related to economic activities that qualify as environmentally sustainable according to Articles 3 and 9 of Regulation (EU) 2020/852 is calculated as the part of the net turnover that derives from products or services related to taxonomy-compliant economic activities (numerator) divided by net turnover (denominator). The denominator of the turnover CPR is based on our net turnover determined in accordance with Article 2, item 5 of Directive 2013/34/EU (the amounts received from the sale of products and the provision of services after deducting trade discounts, value added tax and other taxes directly related to turnover) and including income included in the scope of IFRS 15 and IFRS 16. For more details on the accounting policies regarding the Company's net turnover, see Note 4 Accounting Policy, 4.10 Income, to the annual consolidated financial report for 2023.

The net turnover of the Company when determining the KPI can be compared with the income indicated in the annual consolidated financial statement by adding the income under the items Income from contracts with customers (note 27) and Other income (note 28, line Other income) from the consolidated statement of profit or loss and other comprehensive income for 2023.

[KPIs linked with CAPEX](#)

KPIs related to capital expenditure is defined as capital expenditure relating to taxonomy-compliant economic activities (numerator) divided by total capital expenditure (denominator).

Total capital expenditure consists of the value added on the acquisition of fixed tangible and intangible assets during the financial year, before impairment, amortization, and any additional valuations, including those resulting from revaluations and impairments. These include the acquisition of property, plant, and equipment (IAS 16) and intangible assets (IAS 38). For more details on the accounting policies of “Sirma Group Holding” JSC regarding capital expenditures, see Note 4: Accounting Policy, 4.14. Intangible Assets and 4.15. Property, plant, and equipment in the annual consolidated financial statements for 2023.

The Group's total capital expenditure can be compared to the annual consolidated financial statement by determining the sum of the items for newly acquired assets under Note 11: Property, plant, and equipment and Note 12: Intangible Assets.

[KPIs linked with OPEX](#)

KPIs related to operating costs is defined as operating costs related to taxonomy-compliant economic activities (numerator) divided by total operating costs (denominator).

Total operating expenses consist of direct non-capitalized costs that relate to research and development, building repair and renovation costs, short-term leases, maintenance and repairs, and any other direct costs associated with the day-to-day servicing of real estate assets, machinery, and equipment. This includes:

- The amount of expenses related to non-capitalized leases is determined in accordance with IFRS 16 and includes expenses for short-term leases and leases of low value (note 31 Costs for external services to the annual consolidated financial statements for 2023). Although low-value leases are not explicitly mentioned in the Delegated Act under Art. 8 of the Taxonomy Regulation, the guidance interprets the legislation to include these leases.
- Costs related to maintenance, repair, and other direct costs related to the day-to-day servicing of property, plant, and equipment assets, determined on the basis of maintenance and repair costs. The related expense items can be found on various lines in the annual consolidated statement of profit or loss and other comprehensive income, including costs of materials (note 305 Costs of Materials), and costs of external services (Note 31: Costs of External Services). Including building renovation costs.

This does not include costs associated with the day-to-day operation and maintenance of the property, plant, and equipment assets, such as: raw materials, costs of employees working with the assets, electricity, and others that are necessary for the operation of these assets.

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