

REMUNERATION POLICY

OF THE MEMBERS OF
THE BOARD OF DIRECTORS

I. GENERAL PROVISIONS

Art. 1. (1) The present Remuneration Policy of Sirma Group Holding JSC (The Policy) has been drafted in accordance with Ordinance № 48 from 20.03.2013 of the Financial Supervision Commission (FSC) governing the requirements for remuneration, published in the SG issue 32 from 02.04.2013, as well as the Public Offering of Securities Act (POSA) and aims to provide clear and objective principals and requirements for determining the remuneration of the members of the Board of Directors of Sirma Group Holding JSC.

Art. 2. (1) The Remuneration Policy is drafted by the Board of Directors of Sirma Group Holding JSC with the active participation of its independent members, functionally independent competent experts from the Company, as well as external consultants if deemed necessary, which aim to provide an independent evaluation of the expediency of the Policy.

(2) The proposals for the adoption of the Policy as well as subsequent changes therein are included as a separate item on the agenda of the Regular Annual General Meeting of the public company, as published in the invitation as per art. 115, paragraph 2 of POSA and are validated by the General Meeting of Shareholders.

Art. 3. (1) Sirma Group Holding JSC discloses to its shareholders the way in which the Remuneration Policy is enacted in a Report, which is an independent document adjoined to the Annual Financial Statement of the Company.

(2) The Report under paragraph 1 should include the mandatory content as set in art. 13 of Ordinance № 48 by FSC.

Art. 4. The Board of Directors of the Company bears responsibility for the application of the Remuneration Policy, in regard to following the pledged principles therein.

Art. 5. The Remuneration Policy, adopted by the General Meeting of Shareholders and the Report as per paragraph 1 are published on the internet page of the Company www.sirma.bg

II. MAIN PRINCIPLES, KINDS OF REMUNERATION, CRITERIA AND INDICATORS

Art. 6. (1) The following principles should be applied in determining the remuneration of the members of the Board of Directors of the Company:

1. Compliance of the remuneration with the realization of the business goals and the strategy for development of the Company, protection of the interest and the affirmation of the values of Sirma Group Holding JSC;

2. Provision of remuneration, which allows the attraction, retention and motivation of members of the Board with the necessary qualities for the successful management and development of the Company.

3. Non-admission of discrimination, conflict of interests and unequal treatment of members of the Board of Directors of the Company when determining and negotiating the remuneration.

4. Taking into account the responsibilities and the input of each individual member of the Board in the activity and results of the Company.

Art. 7. (1) Sirma Group Holding JSC may compensate the members of the Board of Directors of the Company with regular (fixed) as well as variable remuneration in the form of bonuses, premiums, retirement benefits and other material incentives, which are provided on performance based evaluation criteria. The variable remuneration is short-term and long-term. The short-term remuneration is paid in cash and the long-term one - in the form of shares in the company's capital.

(2) The fixed part of the overall remuneration should allow for the application of a flexible approach by the Company in respect to the variable component of the remuneration of the members of the Board of Directors of the Company.

(3) The amount of the short-term variable remuneration shall not exceed 6% (six per cent) of the net consolidated profit, but not more than 40% (forty percent) of the individual pre-tax and provisions for the short-term variable remuneration accounting profit.

(4) The amount of the annual long-term variable remuneration paid in the form of shares shall not exceed 0.5% of the total number of shares of the company's capital.

Art. 8. (1) The disbursement of the variable remuneration is done in compliance with objective and measurable criteria for the accomplished results and non-financial indicators, which aim to ensure the long-term stability of the Company and are important for the perspective activity of the Company.

(2) The criteria for payment of short-term variable remuneration are:

- Achieving a 15% growth of the Group Consolidated Revenue.
- Achievement of equal or higher consolidated profit before tax and provisions over the previous year.
- Implementation of technological renewal and product development;
- Increasing of productivity and quality of work in the company;
- Profit and development of the company;
- Enforcing high standards of corporate governance;
- Integrating Corporate Social Responsibility into the day-to-day management practice of the company;
- Stable and sustainable development of the company in economic, social and environmental terms;
- Increased shareholder benefit;
- Adequacy of the administrative, organizational and reporting structures of the company and ensuring the maximum efficiency of the company's activity;
- Compliance with applicable rules and procedures;
- Promoting stakeholder collaboration;
- Observance of duties - work in the interest of the Company and loyalty and applying due diligence.

(3) The criteria for the payment of long-term variable remuneration are:

- A growth of 5% (five percent) of the average market price per share calculated for a two-month reference period, including the last month of the respective financial year and the first month of the next compared to the average market price per share calculated for a reference period of two months, including the last month of the previous financial year and the first month of the current one.
- Achievement of equal or higher consolidated profit before tax and provisions over the previous year.
- Implementation of technological renewal and product development;
- Increasing productivity and quality of work in the company;
- Profit and development of the company;
- Enforcing high standards of corporate governance;
- Integrating Corporate Social Responsibility into the day-to-day management practice of the company;
- Stable and sustainable development of the company in economic, social and environmental terms;
- Increasing the shareholder benefit;
- Adequacy of the administrative, organizational and reporting structures of the company and ensuring the maximum efficiency of the company's activity;
- Compliance with applicable rules and procedures;
- Promoting stakeholder collaboration;
- Observance of duties - work in the interest of the company and loyalty and application of due diligence.

III. FIXED REMUNERATION

Art. 9. (1) The regular remuneration is remuneration of the member of the Board of Directors, which is not based on the accomplished results.

(2) The volume of the fixed remuneration of a member of the Board of Directors is determined in a way which allows for a flexible policy by Sirma Group Holding JSC in respect to the variable remuneration, inclusive of the option for withholding disbursement in the event of defection from the result criteria as well as upon considerable deterioration of the financial condition of the Company.

(3) The volume of the fixed remuneration of the members of the Board of Directors is determined by a decision of the General Meeting of Shareholders in accordance with the requirements of article 116c, paragraph 1 of POSA.

(4) The volume of fixed remuneration of the Executive Director is determined in his management contract. The management contract is concluded by the Chairman of the Board of

Directors. In the instance that the Chairman of the Board of Directors is the Executive Director, then the contract is concluded by the Deputy Chairman.

Art.10. (1) When assigning additional tasks to the Board of Directors linked to capital increase of Sirma Group Holding and the company becoming public an purposeful single fixed remuneration is awarded to the members of the Board of Directors as follows:

- to the Executive Director – BGN 31 000
- to the members of the Board of Directors, participating in the management of daughter companies - BGN 16 000 each
- to the remaining members of the BD – BGN 9 000 each

(2) The purposeful remuneration is disbursed within 10 days from the registration of Sirma Group Holding JSC as a public company with the FSC.

IV. VARIABLE REMUNERATION

Art. 11. (1) The variable remuneration is remuneration to a member of the Board of Directors, based on the results achieved.

(2) The disbursement of the variable remuneration is linked to financial and non-financial criteria as described in Art.8.

Art. 12. (1) The specific parameters of the financial criteria as per Art.11, paragraph 2 for each consecutive calendar year are determined at the end of the current year with a Decision of the Board of Directors, based on analysis of the accomplished results and their compliance with the adopted during the previous year financial criteria as well as the approved budget and strategy for the next calendar year.

(2) The assessment of the financial criteria on the achieved results is done yearly, based on the audited annual financial statements of the Company.

Art. 13. (1) The non-financial criteria for the results reached is determined annually by the Board of Directors of Sirma Group Holding JSC, in accordance with the short-term and mid-term plans for the development of the Company.

(2) The evaluation of the accomplished non-financial criteria is done annually based on analysis of the accomplished results and their compliance to the non-financial criteria set during the previous year.

Art. 14. (1) The total maximum volume of variable remuneration is determined by the General Meeting of Shareholders in accordance with the requirements of Art. 116c, paragraph 1 of POSA.

V. ГАРАНЦИИ

Art. 15. (1) The members of the Board of Directors are obliged, within 7 (seven) days of their election, to make a guarantee for their management, the amount of which is determined by the General Meeting of Shareholders and cannot be less than their three month gross remuneration. The guarantee is blocked in favor of the Company on a bank account of the person, opened at a bank designated by the Company on the territory of the country. Instead of a guarantee, each

member of the Board of Directors may issue a Promissory note in favor of the Company for the amount equal to the sum of his three month gross remuneration.

(2) In the event of failure to provide the guarantee, within the stipulated time period, or failure to provide a Promissory note, the person concerned shall not receive remuneration as a member of the Board of Directors until the full amount of the guarantee is paid.

(3) The guarantee is released:

a) for the benefit of the person who has made it - after the date of the decision of the General Meeting of the Shareholders for his release of responsibility and after his dismissal from office;

(b) for the benefit of the company - if the General Meeting of Shareholders has taken a decision to do so in the event of damages incurred by the company.

(4) The promissory note shall be returned to the issuer after the date of the decision of the General Meeting of the Shareholders for his release of responsibility and after its dismissal from office or is realized in favor of the company in the event of incurred damages to SIRMA GROUP HOLDING JSC.

(5) The General Meeting of Shareholders may release from responsibility a member of the Board of Directors in the existence of a certified auditor's annual financial report for the preceding year adopted by a regular annual General Meeting of Shareholders and an interim financial report for the period from the beginning of the current year to the last day of the month preceding the month in which the invitation for convening the General Meeting was disclosed.

VI. REQUIREMENTS FOR THE MANAGEMENT CONTRACTS CONCLUDED WITH THE MEMBERS OF THE BOARD OF DIRECTORS

Art. 16. (1) The management contract with the executive member of the Board of Directors necessarily contains a clause allowing the Company to demand the return of paid variable remuneration, determined on the basis of the principles under Chapter IV. Amounts received on the basis of data, which subsequently proved to be untrue are subject to return. The decision for this return is taken by the General Meeting of Shareholders of the Company.

(2) In the event of early termination of a Management contract with the Executive Director, the total amount of benefits due to this person in connection with the early termination and the payments related to the notice period may not exceed the sum of the paid fixed annual remuneration of the person for two years.

(3) Compensation under para. 2 shall not be due if the termination of the contract is due to unsatisfactory results and / or guilty conduct of the Executive Director.

(4) In the event of early termination of a Management contract with the Executive Director, due to breach of the clause prohibiting the conduct of competitive activity, the person owes damages to the company in amount not higher than the annual paid fixed remuneration to the person for two years.

Art. 17. (1) The contract with the members of the Management Board should include provisions to allow the Company to demand the return of variable remuneration, provided on the basis of data which subsequently proved to be untrue.

(2) The decision for return of the variable remuneration shall be taken by the General Meeting of Shareholders, which shall determine the conditions and the term for the return if they are not defined in the contract.

Art. 18. (1) The General Meeting of Shareholders may grant to the members of the Board of Directors and to the Executive Directors variable remuneration in the form of shares, share options (only for the Executive Director - for the other members there is a prohibition in Article 17 of Ordinance 48), rights to acquire shares or other financial instruments.

(2) The specific conditions and parameters of the remuneration under para. 1 shall be determined by decision of the General Meeting of Shareholders on a case-by-case basis, subject to the provisions of the legislation.

Art. 19. (1) The application of the principles and criteria for the formation of remuneration shall ensure:

1. Transparency of the remuneration received;
2. Binding the remuneration and benefits of the members of the Board of Directors and the executive members, with the results achieved.

VII. DISCLOSURE

Art. 20. (1) The Remuneration policy, adopted by the General Meeting of Shareholders, and the report shall be published on the website of SIRMA GROUP HOLDING AD - <http://www.sirma.bg>.

(2) "SIRMA GROUP HOLDING" JSC shall disclose its Remuneration policy and any subsequent changes in it in a clear and accessible manner without disclosing sensitive commercial information or other information constituting a secret protected by the law.

(3) Information about the remunerations received from the members of the Board as well as for other material incentives received by them, shall be presented in the Annual Activity Report of SIRMA GROUP HOLDING JSC, which shall be approved by the regular Annual General Meeting of the Shareholders.

VIII. ADDITIONAL PROVISIONS

§1. The present policy was developed by the Board of Directors of SIRMA GROUP HOLDING JSC

§2. This policy enters into force on the date on which it was approved by the General Meeting of Shareholders of the Company.

§3. The present policy was approved by decision of the General Meeting of Shareholders of the Company held on 04.12.2014, as amended by a decision of the General Meeting of Shareholders held on 14.06.2016.

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