ACTIVITY REPORT

of Information Services JSC for the period 2015 - 2019

I. General information about Information Services JSC

On January 5, 2015 a resolution of the General Assembly of Shareholders of Information Services JSC was registered in the Commercial Register, according to which as members of the Directors' Board were registered Mihail Konstantinov, Valery Borissov, Ivaylo Filipov, Valentina Nedyalkova and Yuliyana Kalcheva. Ivaylo Filipov is listed as CEO.

The composition of the Directors' Board is as follows:

Chairman: Mihail Konstantinov
Deputy Chairman: Valery Borissov
Members: Ivaylo Filipov, Yuliyana Kalcheva and Valentina Nedyalkova.
CEO: Ivaylo Filipov.

The busuness purpose of the Company is "production and trade in the country and abroad of information products and consumables, research and development, leasing, including financial, rental of own movable and immovable property and equipment, carrying out trainings and professional qualification for the purpose of income realization, mediation in information and employment of Bulgarian citizens in other countries and of Bulgarian and foreign citizens in the Republic of Bulgaria".

The registered capital of the Company is 2 298 495 (BGN two million two hundred and ninety-eight thousand four hundred and ninety-five), distributed in 2 298 495 (two million two hundred and ninety-eight thousand four hundred and ninety-five) dematerialised registered shares with voting rights, with a nominal value of one lev each. As at the reporting date, 2 286 897 (two million two hundred eighty-six thousand eight hundred ninety-seven) shares or 99.5% of the capital are owned by the Ministry of Transport, Information Technology and Communications and the remaining 11 598 (eleven thousand five hundred ninety-eight) shares or 0.5% of the capital are distributed among 2 689 individual shareholders.

The company's structure consists of a Head Office in Sofia and 26 branches located in every regional city in the Republic of Bulgaria.

Information Services JSC is among the technological leaders in the provision of high-tech services in the ICT sector in Bulgaria. Since 2010 the company has been certified according to the international standard for information security ISO/IEC 27001:2014, and since 2014 - according to the international standard for ICT service management ISO/IEC 20000-1:2012. The company has been EN ISO 9001 certified for over than ten years, during which time the scope of the certificate has been extended. In 2018, the Quality Management System of Information Services JSC was transferred from the international standard EN ISO 9001:2008 to the requirements of the international standard EN ISO 9001:2015. As of 2 July 2018, an Integrated Management System for Quality, Information Security, IT Service Delivery was implemented in accordance with EN ISO 9001:2015, EN ISO/IEC 27001:2014 and EN ISO/IEC 20000-1:2012.

In 2017, Information Services JSC was audited for compliance with Regulation (EU) № 910/2014 of the European Parliament and of the Council of Europe on "Electronic identification and authentication services for electronic transactions in the internal market".

Information Services JSC is a member of:
- Bulgarian Industrial Association (BIA)
- Bulgarian Chamber of Commerce and Industry (BCCI)
- German-Bulgarian Industrial Chamber of Commerce (GBITC)
- Bulgarian Association of Software Companies (BASSCOM)
- Bulgarian Association of Network Academies (BAMA)
- Confederation of Employers and Industrialists in Bulgaria (CEIB).

The company is a certified partner of leading global IT companies – Microsoft, Oracle, SAP, FireEye, Netwrix, VMWare, Cisco, IBM, F5, etc.

In 2019, the secret section of Information Services JSC was certified by SANS and DIKSI with the level Confidential.

With the Amendments to the e-Government Act, effective from 29.11.2019 Information Services JSC has been designated to perform the functions of a national system integrator. The system integration activities include building, maintaining, developing and monitoring the performance of the information systems used by the administrative bodies. The application of the business experience proven in the long-standing system integration activity, the potential of the team and the developed sustainable business processes of "Information Services" JSC, guarantees the achievement of the objectives set in the Law on Electronic Governance (LEG).

II. Key performance indicators

The key performance indicators are the realized revenues, the financial result before taxes and cash for the period 2015 – 2019. These are shown in Chart 1:

Chart № 1. Revenue, financial result, EBITDA and cash, thousand BGN, for the period 2015 - 2019.
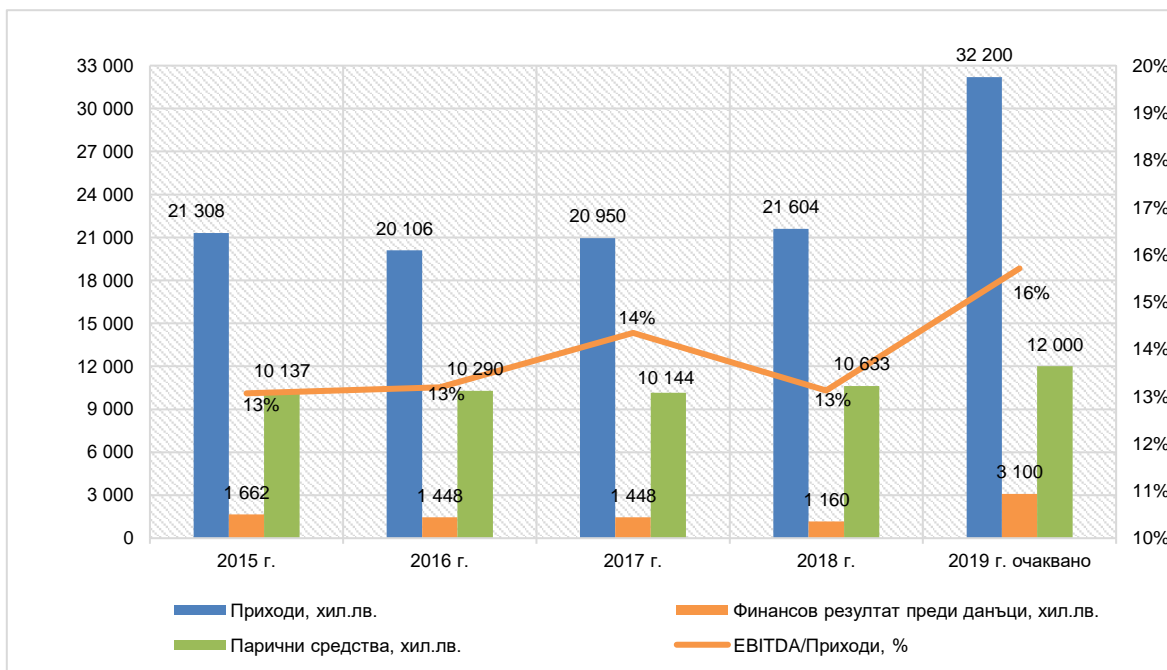
The Key financial indicators for the period 2015 - 2019 are set out in the Table 1:

Table № 1. Financial ratios for the period 2015 – 2019.

Financial indicators	2015	2016	2017	2018	2019
Profitability based on profit before tax, %	7.8%	7.2%	6.9%	5.4%	9.6%
EBITDA/Revenue, %	13%	13%	14%	13%	16%
Quick liquidity - ratio	3.38	3.32	3.16	3.39	3.76
Absolute liquidity - ratio	2.93	3.01	2.88	3.24	3.61
Efficiency	1.08	1.08	1.07	1.06	1.11
Financial autonomy	4.38	4.52	4.23	4.64	5.09
Revenue from sales per employee average monthly, BGN	3 363	3 173	3 457	3 922	5 734
Profit (before tax) per employee average monthly, BGN	262	229	239	211	552

For the period 2015 - 2019, the company achieved profitability on a profit before tax basis 7.4% on average and the EBITDA (earnings before interest, taxes, depreciation and amortisation) to revenue ratio is close to 14%. The cost efficiency ratio averaged 1.08 over the period, which means that for every 100 BGN of costs, 108 BGN of revenue is generated.

In this 5-year period the company achieved high levels of liquidity ratios and financial autonomy, which determines the company solvency - timely repayment of liabilities to the state budget, municipal budgets, suppliers and staff. The results, on one hand, mark growth and development in an extremely competitive environment on the Bulgarian market, and on the other hand, provide an opportunity for investment with entirely own funds and not with debt resources in the form of loans - a common practice on the IT market.

The financial ratios for profitability, efficiency, liquidity and financial autonomy determine the excellent financial position of Information Services JSC for the mentioned period.

In the context of the current situation over the 5-year period, the financial stability and growth achieved creates an environment for more and increased efficiency, effectiveness and productivity from the work of one employee in the company. The average monthly amount of revenue per employee in 2019 marks an average growth of 65% for the period 2015 - 2019. Such growth is typical for the IT industry in Bulgaria, but analyzed in the context of the public administration, the highly competitive market and the profile of Information Services JSC, this growth is an outstanding success for both the company and the Ministry of Transport, Information Technologies and Communications as the majour shareholder in the company.

One of the main factors for the growth of the company is the efficiency per employee and the charts No. 2, 3 and 4 show the change in the indicators for the period - staff, average monthly revenue per employee and average monthly profit per employee.
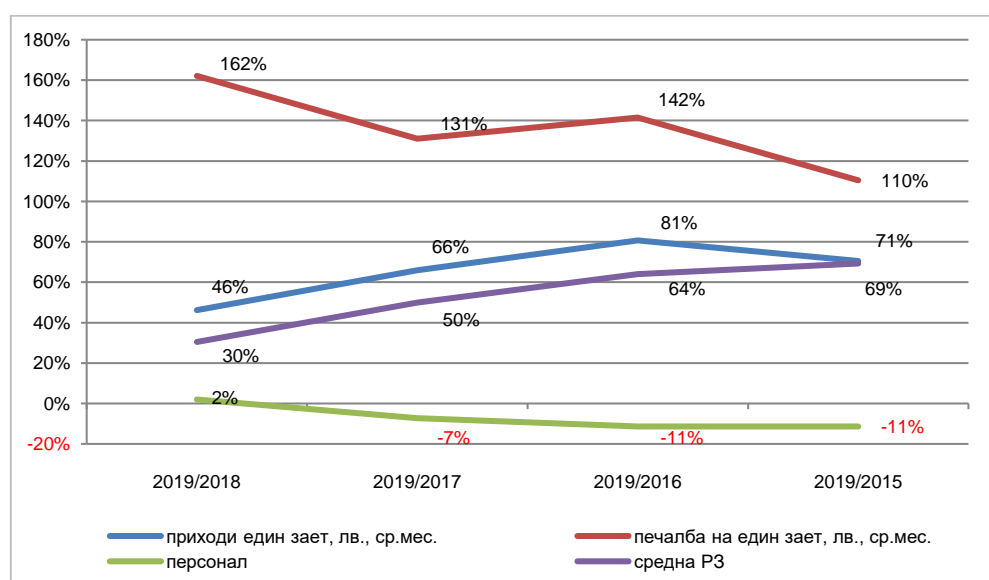
Chart № 4. Change in staff-related indicators for 2019 compared to each previous year

Total revenue for 2019 increased by an average of 50% over each of the previous years. It is generated from the provision of system integration, information systems development and maintenance, systems administration, network solutions and ICT consulting services. In the revenue structure - revenue from services occupies 95%, the remaining 5% is formed from rental income, sale of goods and others. The relative share of revenues from software development and maintenance is increasing and unprofitable activities are being discontinued.

At the same time, the results are also due to the discontinuation of unprofitable activities for the company after a detailed financial analysis to identify them and their forecast development or lack thereof.

In 2018, contracts for collection services arranged on the basis of an electricity collection contract were discontinued in eight of the Company's branches. These services are non-core activities in the field of the provision of high-tech ICT services. More importantly, however, over a five-year period in the scope of this activity has seen a significant revenue reduction, and a concomitant steady increase in associated costs. The final analysis showed the unprofitability of the project and its negative impact on the company's financial performance, therefore it was terminated.

Since the beginning of 2015, the company's management has undertaken optimization of activities and costs in order to effectively manage resources and create a dynamic environment to increase the profitability of production.

As a result of an increase in the company's revenue, a reduction in staff and the streamlining of administrative activities, a steady increase in labour efficiency was achieved.

The reduction in staff in the period is the result of the optimisation of:

✓ administrative service processes by centralising human resource management, accounting and all other administrative activities;

✓ discontinuation of activities under the project "one-stop shop/collection services" which are not inherent to the core business and with trends of declining profitability or direct financial loss. The services were provided by employees with a basic monthly salary equal to the national minimum wage and low qualifications.

The funds from the staff optimisation have been redirected to increase the salaries of the staff with key ICT competencies and additional recruitment of highly qualified staff. The actions were taken as a result of high competition, the developed market and the need to increase the quality and volume of services provided by the company.

Since the beginning of 2015, in order to reduce costs and organize control functions, a Fleet Management System has been implemented, which is a comprehensive solution for the management, monitoring, administration, maintenance and cost control of all vehicles owned by the company. As a result of the implemented system, the company has achieved a reduction in vehicle fuel costs of over 30%, with increased revenue volume. The results are shown in Chart 5.

In order to achieve an effective, efficient and secure print environment, a corporate print management and monitoring system has been implemented, resulting in an average of 35% reduction in consumable and paper costs over the period (after removing one-off costs in the respective election or referendum years), shown in Chart 6.

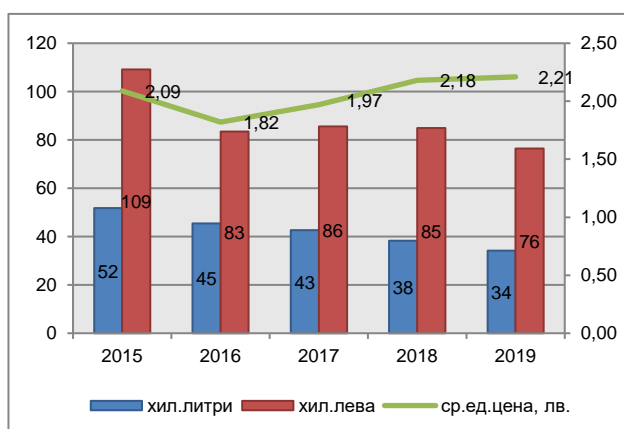*Chart № 5. Vehicle fuel costs 2015 - 2019*

Chart № 6. Expenditure on paper and consumables, thousand BGN for the period 2015 - 2019


In the period 2015 - 2019, investment expenditure totalling BGN 11 million for the Head Office and the 26 branches of the company, including the renewal of technological equipment in order to maintain and develop the technological infrastructure that is the basis of the processes of providing IT services to the company and to customers, as well as to attract new customers.

Investment costs by type are as follows:

asset type	value
renewal of technological equipment	BGN 5 million
software licences/rights of use granted	BGN 2 million
renovation and refurbishment of buildings	BGN 2 million
computer equipment	BGN 615 thousand
light-duty vehicles	BGN 715 thousand

Chart 7 shows the investment costs by the assets type.

Chart 7. Investment expenditures by assets type for the period 2015 - 2019, BGN thousand.
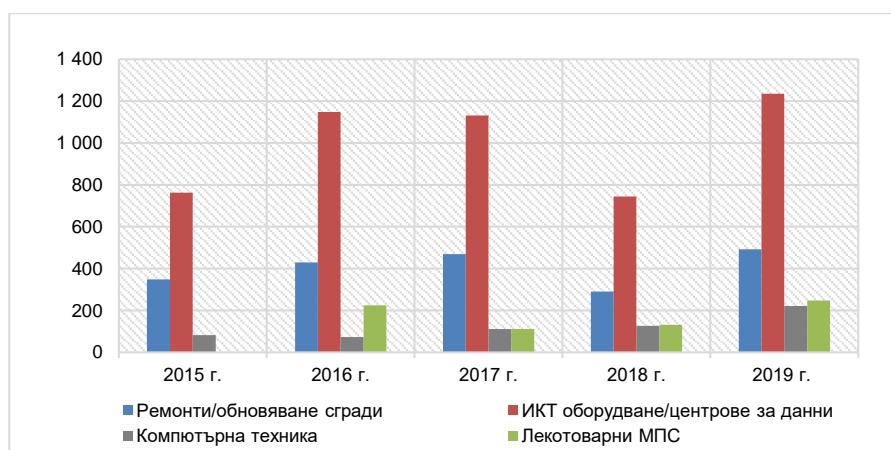
In order to maintain and develop the technological infrastructure, which is the basis for the processes of providing IT services for the company and its customers, as well as to attract new customers, investment expenditures were planned and implemented for the renewal of technological equipment - information security equipment and software, equipment against DDoS attacks, servers, communication equipment, virtualization for server and disk systems, disk space management systems, wireless network, IP telephones, software support, service monitoring system. The ongoing technology upgrade aims to ensure continuity of critical business processes for the company and its customers and to improve business process reliability.

In 2015, the company built and in the following years expanded the Disaster Recovery Center. A high-speed transmission optical medium is built between the primary and backup centres to be used for communication by both data transmission infrastructures and data storage systems. As a result, the company's critical information assets are replicated in real time between the two locations, minimizing the risk of data loss.

Company's business processes continuity is ensured as well as the continuity of ICT services provided to key customers and providing services under the business model Cloud Services.

Modern video monitoring and access control solutions have been implemented in the company, providing additional protection measures for both information centers and work premises and property.

During the reporting period, the company obtained the right to use Microsoft products.

In order to ensure the execution of contracts with customers and better logistical support, ensure the safety and reliability of employees, as well as optimize the cost of fuel, repair and maintenance of vehicles, 32 new light-duty vehicles have been acquired, which has gradually renewed 68% of the fleet.

BGN 2 million were invested for the repair and renovation of the building stock and the improvement of sanitary and hygienic working conditions - for the repair of roofs and facades, working premises, sanitary facilities. A presentation/recreation room, a new modern entrance and customer service area have been built in the Head Office, and floor 3 of the building has been refurbished and modernised.

Office furniture - work desks and chairs were renovated.

Exterior greening of buildings in Sofia, as well as interior greening of office spaces was done.

Information Services JSC operates with its own funds, does not use borrowed funds in the form of loans and debts to banks and financial institutions, including for investment expenses.

Charts 8 and 9 show the change in financial assets - cash and receivables, for the period 2015 - 2019.

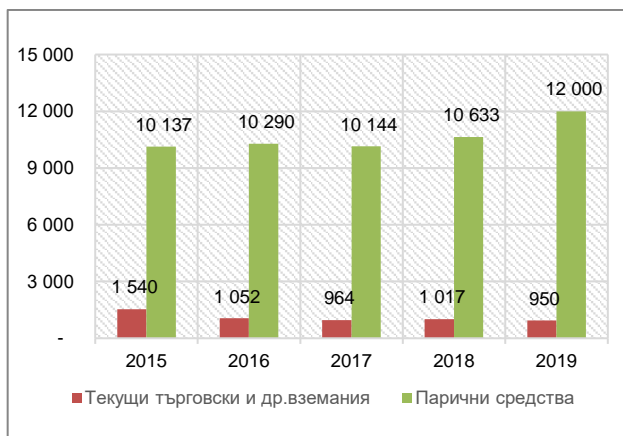Chart 8. Cash and receivables, thousand BGN for the period 2015 - 2019

Chart 8. Cash and receivables, thousand BGN for the period 2015 - 2019

Chart 9. Change in financial assets for the period 2015 - 2019

As a result of the analysis of receivables and actions taken about their ongoing collection, as well as the judicial collection of difficult-to-collect receivables, a reduction of 15% on average is reported for the period, with the reduction in uncollected receivables for 2019 compared to 2015 being over 35%. In the period over 200 court cases were filed and adjudicated and claims of BGN 104 thousand were collected.

The effective management of resources provides the opportunity for investments in high-tech equipment, information security, training, certification and development of the staff, development of the working environment, enabling Information Services AD to continue holding one of the leading positions in the most competitive market in Bulgaria - that of ICT services.

III. Major Projects

In the period 2015 - 2019, procedures under the Public Procurement Act have been won and contracts concluded for a total value of over BGN 110 million excluding VAT:

- Ministry of Finance - IT service management activities in the Ministry of Finance system: three-year contract from 2016 and three-year contract from 2019;
- Ministry of Regional Development and Public Works - Maintenance and Operation of the Population Register - NDB Population: 2015 (one-year), 2016 and 2019 (three-year) contracts;
- Central Election Commission - Computer processing of the results of all elections at central and local level and national referendums;
- National Health Insurance Fund - Outsourced IT service management activities in the NHIF system - for a period of four years;
- National Revenue Agency - Maintenance, administration and development of Revenue Management Software (three-year contract from 2015 and four-year contract from 2019), Mutual Assistance in Collection Information Systems - MARC (two three-year contracts), Intrastat (two three-year contracts), VAT Information Exchange (VIES), Electronic Archive Management Software;
- Customs Agency - Development of the CA institutional architecture for customs processes: Unified registration and identification of economic operators (EORI2), Reference data (CSRD2) and Approved economic operators (AEO), as well as implementation of the CA Institutional Architecture through the implementation of modules in BIMIS corresponding to these customs processes;
- Customs Agency - Development and implementation of the IA of the CA in terms of module "AR", module "ORI", module "DPS" and module "REZMA", automatic collection of obligations and interfaces to RegiX;

- Customs Agency - Development and implementation of the AM Institutional Architecture for customs processes related to the expansion of the Data Warehouse in relation to the reference and analytical requirements of the target area "Development of the Customs Information System - BIMIS 2020", in relation to MISV, MH, MIST and MISI systems;
- Ministry of Foreign Affairs - Monitoring and management of information and communication infrastructure;
- Registry Agency - Maintenance of system, communication and DBMS software with monitoring and management of information and communication infrastructure; upgrade and maintenance of BULSTAT register;
- Public Procurement Agency - Information Services JSC participates in the development, implementation and maintenance of a unified national electronic web-based platform: the Centralized Automated Information System "Electronic Public Procurement" (CAIS EPP), through a consortium in which it is the lead partner;
- Supreme Judicial Council - Development, implementation and warranty support and maintenance of the Court Case Management System (CCMS);
- BNB Printing House - System for tracking tobacco products from the manufacturer or importer, through the supply chain to the first retailer;
- State Gambling Commission - carrying out analytical activities on administrative processes and administrative services offered by the State Gambling Commission and developing internal rules to unify administrative processes;
- BSR Passenger Transport - On-line Booking and Ticketing System;
- Providing Enterprise Support services for SAP licenses for the Ministry of Finance;
- Ministry of the Interior - Property Management and Social Activities Department - Modernization of the Ministry of the Interior's Internet Portal;
- Information and communication infrastructure administration and audit activities, consultancy services, and other ICT contracts for central administration - over 50 contracts with clients.

Key projects implemented by Information Services JSC:

Outsourced IT service management activities in the Ministry of Finance (MF) system

Information Services JSC executed a contract from 2016 and is executing a contract from 2019 with the Ministry of Finance, each for a period of three years. The activities under the contracts cover IT service management in the system of the Ministry of Finance and all the Secondary Authorising Officers, including National Revenue Agency and Customs Agency. The scope of the contracts includes maintenance and management of the data transmission network, system administration, maintenance, improvement and integration of information systems, maintenance of the financial management information system in the budget sector, consultancy services and the user service centre at the Customs Agency.

Information systems for electronic processing of election results

Information Services JSC carries out the computer processing of the results of all central and local elections in Bulgaria since 2003, including national referendums. A unique modular system has been developed and is maintained, meeting the highest requirements for information security, algorithms and controls for the correctness of the processed information. The system centralises the information from the entered sectional protocols at the level of the DEC and REC through secure channels and organises their re-entry at the central level of the CEC. A discrepancy analysis sub-system is in place to assist CEC members in making decisions on disputable cases. Paper ballot of elections and referendums is generated.

Between 2015 and 2019, the company carried out the computer processing of the results of seven elections: for municipal councillors and mayors in 2015 and 2019; for president and vice-president in 2016;

for parliament in 2017; for members of the European Parliament in 2019; and two national referendums in 2015 and 2016.

Revenue Management System (RMS) and other information systems of the National Revenue Agency

Information Services JSC performs activities for maintenance, administration, integration, development, technological upgrading and ensuring the continuous oftware operation of the Revenue Management System (RMS) of the NRA, as well as for the maintenance and development of information systems "Mutual Assistance in Collection" - MARC, Intrastat, for the exchange of VAT information (VIES), Software for the management of the electronic archive.

The Revenue Management System of the NRA is the main system serving the revenue management activities in the budget. The system processes millions of transactions per month and is used by all NRA business divisions and includes: application software to support business processes in the revenue administration, which provides functionalities for the administration of tax liabilities and mandatory social security contributions; interfaces to electronic services, other NRA systems and to organisations and systems external to the NRA; general registration; VAT registration; registration of self-employed persons; registration of insurance funds and its members; registration of fiscal devices, registration of notifications of employment contracts and reference part, registration under the State Health Insurance Fund; declarations processing and liabilities determination (under Tax and Social Security Procedural Code, Personal Income Tax Act, Corporate Income Tax Act, VAT, mandatory social security contributions under Social Insurance Code and Health Insurance Act); payment processing: receipt and processing of payments from payment orders and postal orders, also reference part; tax and social security account and tax and social security information account: recording of payments and liabilities by person; maintenance of information on social security entitlements and also reference part, etc.

Information systems of the Customs Agency

When developing and improving projects for the Customs Agency, the company follows the measures and implements the stages of the Sectoral Strategy for the Development of e-Government in the Customs Agency - "e-Customs 2016 - 2025" and the Roadmap to it. These consist of facilitating international trade within the EU and supporting the global mission of customs administrations within the EU. In this context, secure, integrated and accessible customs information systems are being built and operated with the main objective of facilitating customs processes for the movement of goods within and outside the EU, reducing any risks related to the security and safety of citizens and minimising the differences in Member States' procedures.

In the period 2016 - 2019, Information Services JSC implemented Activity 3 "Development of the Institutional Architecture of CA for customs processes: Unified registration and identification of economic operators (EORI2), Reference Data (CSRD2) and Approved Economic Operators (AEO), and introduction of the CA institutional architecture by implementing modules in BIMIS corresponding to these customs processes.". This activity is included in one of the main target areas in the Strategy of the Customs Agency - Development of the Customs Information System - BIMIS 2020 (Phase 1), Development of the technological platform for Information Interaction and Development and Implementation of electronic services through the specialized information systems. Activity 3 is part of the project "Upgrading the core systems of the Customs Agency to provide data and services to external systems - BIMIS 2020 (Phase 1)".

The project was co-financed by the Operational Programme "Good Governance" and achieved the following objectives:

➢ transforming customs administration into a digital administration through the integration of information processes;

➢ the electronic communication in the EU customs area (customs-business/customs-customs) to become a common and regular, and paper communication to be the exception;

➢ interaction between national components and shared components of the information systems;

➢ building compatible information systems through common standards.

In November and December 2019 the company was selected as a contractor for 2 projects for the Customs Agency - "Development and implementation of the institutional architecture of Customs Agency with regard to the module Risk Information Processing, module ANP, module Cash Declaration and module REZMA Autocollection and interfaces to RegiX" and Development and implementation of the CA Institutional architecture for customs processes related to the expansion of the Data Warehouse within the framework of the Direct Grant Procedure entitled "Upgrade of the Customs Agency's core systems for data and service delivery - BIMIS (Phase 2)".

In the process of project implementation, the company also achieves specific objectives that are fundamental for the customs administration:

➢ harmonization of the processes and information systems in accordance with the European Union (EU) requirements by implementing EU and national functional requirements for BIMIS 2020 (Bulgarian Integrated Customs Information System) and integration with central and European components and systems;

➢ implementation of electronic online interfaces with data exchange with external national and European systems;

➢ providing convenient electronic services for citizens and businesses.

Certification services provider

Information Services JSC is the first certification service provider registered in the Republic of Bulgaria under the brand StampIT (http://stampit.org/). The registration was obtained by Decision No 260 of 27.03.2003 of the Communications Regulation Commission.

Since the beginning of 2015 a new service has been introduced - issuance/renewal of a qualified electronic signature (QES) with three years validity period.

In 2017, Information Services JSC was audited for compliance with the Regulation EU № 910/2014 of the European Parliament and of the Council of Europe on "The electronic identification and the authentication services for electronic transactions on the internal market". LSTI EAST EUROPE, the organisation that carried out the audit, finds full compliance with the requirements of the Regulation and awards a certificate for the provision of qualified certification services: issuance of qualified certificates for qualified electronic signature; qualified electronic seal; site identification; qualified time stamps.

In 2019, the company underwent a recertification audit for compliance with the Regulation (EU) No 910/2014.

The qualified certification-service-provider is included in the European Trusted List, together with all qualified certification-service-providers from Member States of the European Union. This is an important step in the strategy to increase trust, both in the services offered by the company and in electronic transactions on the internal market, by providing a common basis for reliable electronic interaction between citizens, businesses and public authorities. Thus increasing the efficiency of public and private online services, e-business and e-commerce within the member states of the European Union.

In 2017, two new devices (HSM) were purchased to securely store the provider's private keys and a new authentication chain was generated - StampIT Global Root CA and StampIT Global Qualified CA.

The authentication hierarchy is generated according to the requirements of EC Regulation 910/2014 and accompanying European standards.

Since 2017 Information Services JSC has been a major participant in the Electronic Messages Exchange System (EMES) project. To date, the IS has been issuing the transport certificates through which the communication between the participants in the electronic document exchange registry takes place.

The sales under this project have grown significantly in the period compared to previous years. In 2018 and 2019, annual sales exceeded sales in previous years by over 30%.

The change in the number of issued/renewed certificates for qualified electronic signature is shown in the chart № 10.

Chart № 10. Number of certificates for CES for the period 2015 - 2019, thousands
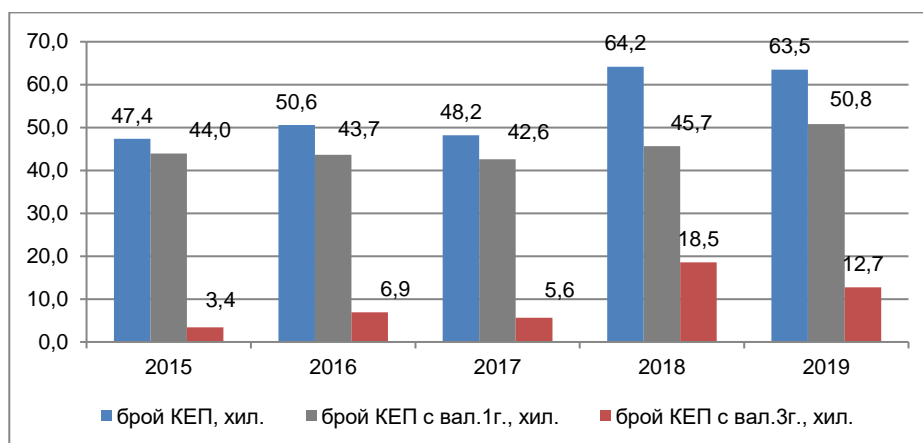
Bulgarian State Railways - Passenger transport, ticketing system

An entirely new centralized information system has been developed to support the ticketing process at all BSR ticket offices. A key module of the system is the online ticketing and e-payment module for all destinations and travel types implemented in 2019 (https://tickets.bdz.bg/). The system provides the ability to purchase tickets, reserved and sleeper seats from any station or ticket office, as well as via the Internet, for all the destinations.

Electronic timber tenders for the state-owned enterprises

Information Services JSC implemented its own Platform for electronic tender procedures for timber sale (https://sale.uslugi.io/). The platform covers all steps from the planning of the tenders, through the conduct of the tenders by means of online participation with open bidding and finally to the announcement of the buyer. All the documents in the Platform are signed with a qualified electronic signature and the bids are certified with a secure time signature - Secure TimeStamp.

Maintenance and administration of ICT infrastructure, auditing and making recommendations on ICT projects and infrastructures

ICT infrastructure administration and audit activities, consultancy services, and other ICT contracts for the central administration.

National network of training centres

The Professional Training Centre (PTC) of Information Services JSC is the first centre licensed by the National Agency for Professional Education and Training (NAPET) under the Council of Ministers for IT professional trainings in the Republic of Bulgaria. The Center has classrooms in each branch, with the necessary computer equipment, software, Internet access and connected to a common communication network. In order to achieve, maintain and develop the quality of the conducted professional training, according to the license of the PTC, an Internal Quality Assurance System for Professional Training at the PTC has been developed.

Professional Training Centre (PTC) and CISCO Academy provide the following training courses:
- under contracts with the Employment Agency;
- to public administration employees;
- to external (individual and corporate) clients;
- within a project - training to the client's employees;

- to the empoyees of Information Services JSC;
- other specialized trainings for which the company has facilities and teaching staff.

The Pearson Vue Exam Center offers exams on Cisco Systems, Linux, Novell, Adobe, CompTIA and many more;

For the period 2015 - 2019, the PTC has conducted trainings for clients in the following areas:

➢ under the Operational Programme "Human Resources Development" (OPHRD) – training on the Key competency №4, The Digital competency, for 908 employees of Technopolis and Praktiker and 240 employees of First Investment Bank;

➢ under the Operational Programme "Good Governance" (OPGG) 100 employees of the Department "Communication and Information Systems" - Ministry of Interior, were trained under the project "Cisco Networking Training and Software";

➢ professional training and key competences for over 120 people in exchange for training vouchers;

➢ under the Operational Programme Administrative Capacity (OPAC): 528 civil servants were trained under the project "Improving Human Resource Management through the Improvement of EISHRDA - a Prerequisite for Effective Administration" and 547 persons were trained under the project "Specialised Training (Lecturer Services) for the Implementation of the Integrated Information System for the Civil Service (IISDA)";

➢ more than 300 people have been trained in the CISCO academy in Sofia and Dobrich;

➢ 350 persons have been trained in a certain professional field according to the license of the Professional Training Centre.

IV. New management systems implemented for the needs of Information Services JSC

➢ **Resource Management System /ERP/**

Since January 1, 2017, Information Services JSC has implemented a Resource Management System Microsoft Dynamics NAV, with an unified base including the following modules: accounting, asset management, payroll, personnel, warehouse, project management, budgets and reporting. The system replaced the separate products used for accounting, human resources and asset management. At the same time, external integrations have been made with two software products developed and owned by "Information Services" JSC - AIS "Invoicing and Reporting" and a web-based product for reporting employees' time worked.

Another advantage of the implemented system is the data centralization in one common database, where responsibilities, duties and access levels are divided into groups of users. The data is available at the time of entry, reducing the time to analyse the information through a large set of reports using Microsoft Power BI for the purpose of making and implementing management decisions.

➢ **Time and attendance system for projects staff**

The system is an in-house development. It provides an opportunity for employees to join individual internal and external projects as well as individual technological activities performed by them. Also on the basis of information about individual employees, projects or activities, the performance of different phases of projects is analysed, or in total, leading to more efficient management of resources and an increase in the quality of services provided.

➢ **Rent Management System**

The system covers: all of the company's real estate, lease agreements, including all terms and conditions - with detailed information for each property; tenants; contract terms and conditions and issued invoices and payments. The system is integrated with the AIS "Invoicing and Reporting" - to automatically issue invoices, send them by e-mail to tenants and record the receipts through automatic exchange with the company's bank account balances.

Enables effective management of the company's building assets, up-to-date information for the timely collection of tenant receivables and legal and management action against those in default.

> ### Court Cases Register

The registry maintains up-to-date information on lawsuits filed by/against the company, court hearings, case stages, current status of cases and their material interest.

The Rent Management System, the Time and Attendance System and the Court Cases Register are systems that, in addition to the company's purposes, are included in an integrated modular system offered to clients. This saves significant financial resources on software licenses on one hand, increases the portfolio of products and services on the other hand, and reduces the cost of their development and increases revenues on the third hand.

The implementation of the Resource Management System, the Time and Attendance System, the Rent Management System and the Court Case Registry achieves timely, reliable, complete and up-to-date information, an optimal level of efficient management and use of resources, both for making and implementing management decisions and for adapting more flexibly to the highly competitive ICT market.

> ### Customer Relationship Management System /CRM/

From the beginning of January 2020, the operation of the Customer Relationship Management System should start.

The main purpose of the implementation is to centralize in one common database the information about the company's customers and partners; the communication (e-mails, documents, phone calls, etc.), classified both by counterparties and by specific transactions to which they relate; the sales made; the contracts concluded with their terms, amounts to be paid, responsible parties and tasks to be performed; potential customers; potential transactions, current procedures, etc. The system will integrate with the Resource Management System.

V. Quality management systems, information and service security, and internal audit

Integrated Quality, Information Security and IT Service Delivery Management System (QIS)

For the Integrated Quality Management System, Information Security and IT Service Provision implemented in Information Services JSC, the company is annually subject to external control audits by the certification body, and every three years to a so-called re-certification audit, which aims at renewing the company's certificate for the relevant international ISO standard.

From 2015 to 2019, 10 control audits and 5 re-certification audits of the IMS have been carried out. For the period mentioned, the audit teams of the certification body have not found any non-compliance of the IMS with international ISO standards. The audit teams have identified many good practices and positive aspects with regard to IMS, such as:

- high level of competence of the company's employees;
- excellently arranged server rooms;
- very good management of the processes and activities in the design and development of products and services;
- high level of awareness and responsibility regarding information security activities and processes;
- very good implementation of the the clean desk and screen policy;
- management commitment to the processes, monitoring and improvement of the IMS;
- very good process efficiency management;
- very good management of the internal audit processes of the IMS;
- very well implemented method for financial evaluation of branches;
- very good management of internal information exchange processe;
- very good tracking of services through OTRS;

- very good incident management;
- very good management of the documentation and IMS records.

The internal audits at Information Services JSC are performed to determine whether the IMS, control objectives, control mechanisms, processes, documents and records comply with the requirements of ISO 9001:2015, ISO/IEC 27001:2013, ISO/IEC 20000-1:2011, regulations, information security requirements, service requirements, whether they are implemented and maintained effectively and performed as expected.

Internal audits of the IMS are conducted in accordance with the requirements of ISO 9001:2015, ISO/IEC 27001:2013, ISO/IEC 20000-1:2011 and in accordance with the established procedure "Internal Audits". The purpose of the procedure is to define the modalities for conducting internal audits of the IMS.

The audits are carried out in accordance with a previously prepared and approved annual Internal Audit Programme and cover all structural units and employees of the company. The annual programme of internal audits shall be prepared in accordance with the status and importance of the audited areas and their processes and taking into account the results of previous audits.

For the period 2015 - 2019, a total of 152 internal audits have been conducted in the head office and in the branch network of the company. The total number of non-significant deviations (areas to improve) from the requirements of the IMS identified during the audits was 261 areas to improve. The significant deviations (non-compliance with the standards) identified during the internal audits total 63. For the deviations and non-compliances, the heads of the audited units took adequate actions to improve and correct them within the specified procedural deadlines.

Prior control and internal audit activities

Preliminary control is part of the established and functioning Financial Management and Control System at Information Services JSC and is a preventive control activity, where prior to making a decision or performing an action, a comparison is made with the requirements of the applicable legislation, internal regulations and the documents of the Integrated Quality Management System, Information Security and Services (IMS) of Information Services JSC to ensure their compliance.

The purpose of the preliminary control is to provide the CEO with reasonable assurance that all decisions or actions comply with the applicable legislation, internal regulations, the decisions of the Board of Directors, the orders of the CEO and the documents of the IMS of "Information Services" JSC. Preliminary control is carried out on an ongoing basis and relates to all activities of Information Services JSC - procedures for the selection of suppliers, purchase of assets, goods, inventories and services, sale of products and/or services, expenditure of funds budgeted for projects, sale of movable and immovable property, lease of movable and immovable property, creation or modification of employment relationships, donations, sponsorship, payment of cash grants and targeted awards, business trips in the country and abroad, etc.

In accordance with the Law on Financial Management and Control in the Public Sector, the "Rules for Preliminary Control and Application of the Double Signature System in the Company" have been developed and approved, which define the objectives, powers and responsibilities of the auditors who carry out the preliminary control, the order and manner of carrying out controls, as well as the procedure for the application of the double signature system, the responsibilities and powers of the persons with regard to the application of the double signature procedure.

In connection with the changes to the Law on Internal Audit in the Public Sector from July 2016 and in accordance with the approved internal regulations of the Company, the Internal Audit Department was established in the Company's structure under the direct supervision of the CEO.

The internal audit function is an independent and objective assurance and advisory activity designed to benefit and improve the Company's operations and is performed through the execution of specific assurance or advisory audit engagements, with the planning and execution of engagements performed in accordance with duly approved strategic and annual departmental plans.

In accordance with the regulatory and approved internal acts of the Company, the "Internal Rules for the Internal Audit Department" and the "Statute of the Internal Audit Department" have been developed and approved, which define the objectives, powers and responsibilities of the internal auditors, as well as the

procedure and the method of communication with other persons in managerial positions of structural units in "Information Services" JSC with regard to the activities of the department.

The effectiveness of the department's performance is reflected by the recommendations made, accepted and implemented to improve the performance of the audited company structures/processes as a result of the audit engagements carried out.

For the period from the establishment of the department to October 31, 2019, audit engagements to provide assurance have been performed as follows:

➢ 29 audit engagements to provide assurance in all branches with the subject "Audit of the process of conclusion and execution of lease contracts for properties owned by Information Services JSC", as a result of which, following recommendations to improve the collection of revenue under these contracts, as well as their renegotiation in accordance with the company's internal acts, funds in the amount of BGN 46 000 were collected from unpaid rent, claimed penalties, claimed interest for late payments and unpaid deposits. Eight court claims were filed against defaulting tenants for a total amount of BGN 36 000. Amendments have been initiated and made to the rules for renting out immovable property owned by the company, including the templates of documents for this activity;

➢ Performed 10 audit engagements to provide assurance on 10 branches with the subject "Audit of Income and Expenses" in accordance with the business plan for the relevant year, whereby recommendations on revenue enhancement were made and accepted. In the implementation of the recommendations, actions have been taken in terms of disclosing the availability of vacant properties owned by the company, including by placing prominent notices about the availability of such in the buildings of the branches, sending offers to potential clients of software products, concluding new contracts. Funds received under these contracts totalled BGN 74 000.

➢ During the period, 7 audit engagements were carried out to provide assurance at the Head Office, of which: 4 audits with the subject "Audit of the process of conclusion and execution of contracts awarded by Information Services JSC", two audits with the subject "Audit of the process of awarding and reporting on the activities under contracts for construction works", one audit with the subject "Audit of the internal control mechanisms at Information Services JSC with regard to ensuring the protection of individuals in relation to the processing of personal data". The recommendations made have been implemented.

Based on the Public Sector Internal Audit Act (PSIAA), in July 2019 an external evaluation of the department's performance was carried out by external evaluators. The purpose of the evaluation is to provide an independent opinion on the quality of the internal audit activity at Information Services JSC for compliance with the requirements of the Public Sector Internal Audit Act (PSIAA), the Code of Ethics for Internal Auditors and the International Standards for the Professional Practice of Internal Auditing /Standards/. The independent evaluators' view of the department's performance is: "Operates in compliance", i.e., the department operates in accordance with the requirements of the PSIAA, the Code of Ethics and the Standards.

VI. Human Resource Management

The human resources management policy at Information Services JSC consists of integrated processes that include planning and recruitment, organization and career development of the employees, key competencies development, initiation and management of changes in the work organization etc., and aims: creating conditions for effective performance management at the level of the business unit and individual employee in order to achieve the objectives of the respective structure, and thus of the entire company; fair determination of the remuneration of the employees, according to their education, qualifications, experience and work performance; creating conditions for transparent professional and career development procedures; a positive contribution to motivating staff and raising professional standards to the level of best practices in the ICT sector.

Human resource management in the company is performed by building a strong leadership team, delegation, creating project teams. The main policies are aimed at developing and improving the following:
- ✓ improving the quality of labour relations by creating an environment of trust and developing a more favourable psychological climate as well as improved working conditions;

- ✓ human resource planning - timely planning of future human resource needs in terms of quantity, qualifications and competencies; continuous monitoring of knowledge and skills gaps among employees;
- ✓ recruitment and selection of the necessary experts in accordance with the company's needs;
- ✓ performance management: achieving maximum results in the performance of the company, teams and individual employees; conducting performance evaluations, including performance on common company competencies;
- ✓ expert staff retention activities and processes, including various social benefits;

Policies and procedures implemented

In the period 2015 - 2019, policies and procedures have been implemented as follows:

- ➢ A Code of Ethics - a document establishing the principles of professionalism, high professional and personal ethics, corporate culture based on teamwork and common goals, confidentiality and legality;
- ➢ "Recommend a new IT colleague" program, which stimulates the attraction of staff from the company's employees, leads to higher staff engagement, faster adaptation in the corporate culture, stimulates employees by receiving a financial bonus upon successful completion of the probationary period of the recommended employee;
- ➢ "Graduation program" - it aims to motivate the company's employees to continue learning and developing professionally. Links business needs for specific knowledge and skills to investment in the development of the key employees. In the period 2015 - 2019, a total of 27 employees have been included in the programme, 10 of which in the Master's programme "E-Business and e-Government". By the end of 2019, 16 employees have completed their training under the Graduation Programme. This programme enhances staff competencies, ensures the applicability of education and links it to employees' practical experience, and supports opportunities for development and personal growth;
- ➢ social expenses by paying a lump sum for the birth of a child to a company employee;
- ➢ annual public transport passes for all lines;
- ➢ sports cards, as well as the possibility of purchasing cards for a family member;
- ➢ organizing all-day activities for employees' children on non-school days - an initiative that was highly appreciated by the employees;
- ➢ continuous improvement of working conditions for employees;
- ➢ organizing and maintaining a high level of employee competence through investment in the Company's Training Center.

Organizing and maintaining a high level of employees' competence

In connection with the company's ICT projects related to business analysis, architectural modeling, software development, implementation, operation, enhancement, system and application administration, database administration and information security, including application information systems and infrastructures of national importance, it is necessary to maintain a high level of competencies and qualifications of the company's employees.

During the period, trainings and certifications for IS employees were conducted - more than 500 trainings and certification exams in various areas:

- ✓ Oracle Technologies
- ✓ Microsoft Technologies
- ✓ Cisco Technologies
- ✓ SAP Technologies
- ✓ Business analysis
- ✓ Infrastructural technologies
- ✓ Virtualization
- ✓ Information Security
- ✓ Project Management

✓ Participation in national and international forums and conferences

Since 2015, approximately 1% of annual revenue has been allocated to employees' training, certification and development, which will continue in future years.

The invested funds for trainings, certifications, participation in seminars, exhibitions and practices during the period 2015 - 2019 is approximately BGN 580 thousand.

Improving the work environment

The company has invested in improving working conditions over the years, and the main projects in this regard over the last 5 years are:

✓ Improvement and modernisation of working and sanitary facilities at Head Office and all the branches. Construction of a room for presentations, meetings and recreation of the company's employees;

✓ construction of a new modern entrance and customer service area;

✓ replacement of work desks and chairs;

✓ a major renovation and refurbishment of floor 3 in the building on 2 P. Volov str. in order to create 17 new work places, using the Open Space method;

✓ exterior landscaping around the buildings in Sofia, as well as interior greening of office spaces. Bicycle facilities have been built with the aim of motivating employees to be environmentally conscious.

✓ separate garbage collection is also implemented.

A collective labour agreement is concluded with the Trade Union of Employees in Information Services JSC. For the period 2015 - 2019, at the suggestion of the Chairman of the trade union organization and on account of social expenses, cash amounts were paid to employees for assistance in the event of prolonged illness and childbirth in the total amount of BGN 45 thousand.

During a visit by a representative of the Trade Union Federation of Organisations of the Electronics, Mechanical Engineering and Informatics Industry, a very good level of social development and employee service was found in the company. Satisfaction was expressed with the work environment and social benefits, as well as about the responsible social cooperation with the employee representatives.

Charts 11 and 12 show the distribution of staff by gender for 2015 and 2019
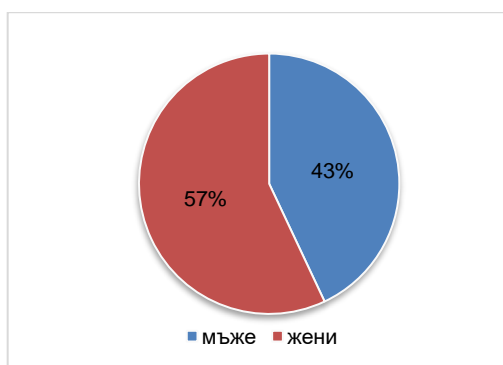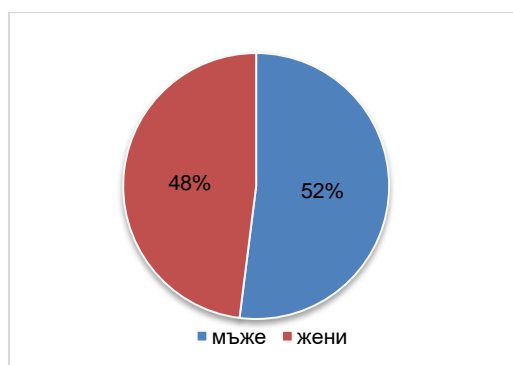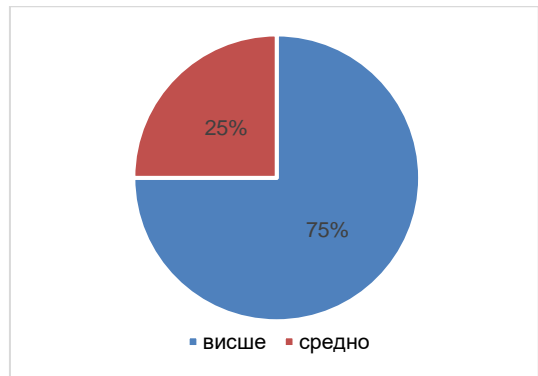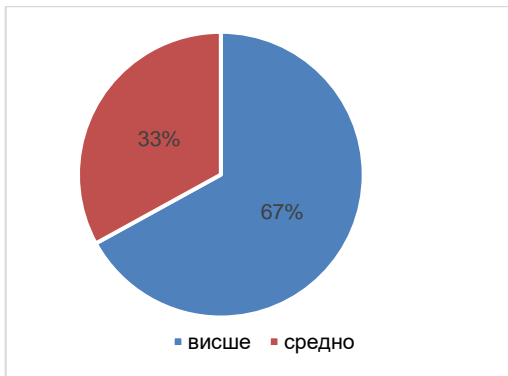
Chart No. 11 - for 2015   *Chart No. 12 - for 2019*

Charts 13 and 14 show the distribution of staff by education for 2015 and 2019

Chart No. 13 - for 2015   *Chart No. 14 - for 2019*

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Charts 15 and 16 show the distribution of staff by post for 2015 and 2019

Chart No. 15 - for 2015   *Chart No. 16 - for 2019*

At Information Services JSC it is a cause to invest in the professional development of employees through training (internal and external), teamwork (knowledge transfer within the company), participation in international seminars, exhibitions and practices.

The demand for good IT specialists in Bulgaria significantly exceeds the availability and this trend will continue in the coming years. Additional benefits and incentives, the opportunity for career development and a very good working environment are a factor in many companies in Bulgaria. This is the reason why the company will take measures in the future to be competitive on the labour market, to increase employee satisfaction, and to provide a better working environment.

In 2019, a procedure has been initiated to introduce an additional voluntary health insurance for all employees. This is an additional social benefit that would give the company additional competitiveness in attracting staff, as well as improving the health of the employees.

The results achieved in the period 2015 - 2019 are the result of a clear vision for development, strategically set goals, developing the qualities and potential of long-standing employees, attracting and retaining new ones, in parallel with the optimization of business processes in the company. The trend in the results shows sustainability and the forecast for the next period is in the direction of both financial revenue growth and, as a cause-effect link of the company's organisational policy, profit growth, as well as its consolidation as an organisation providing quality services and completing projects on time. After the adopted changes in 2019 Information Services JSC will have the role of the single system integrator in the Republic of Bulgaria.

The global strategic goal is to develop the company as an extremely reliable and stable partner of the state and local administration, institutions, businesses and citizens in Bulgaria, with whom together we can achieve a high level of quality and efficiency of the ICT services provided.

IVAYLO FILIPOV
CEO
INFORMATION SERVICES JSC