
BMIT Technologies plc. – Annual General Meeting 2022 Shareholder Questions

- 1. *The bonus paid to other executives appears to be of discretionary nature because the rate at which the bonus is paid depends on the board's evaluation of the CEO's assessment of the individual officer's performance, while the total amounts are subject to the discretion of the board. No metrics or targets have been disclosed. Moreover, the board may approve additional bonuses to the senior management members for outstanding performances and achievements. The structure of such an exceptional award also lacks details.***

The Senior Management team are also eligible to a bonus scheme which is aimed at rewarding their performance. This bonus scheme involves the achievement of a set of targets also designed to contribute to the business interests and sustainability of the Company over a determined financial period. These targets are periodically reviewed depending on the business circumstances of the Company and are established at the beginning of every financial period, as budgets are set. The targets include the achievement of Revenue and EBITDA targets. They also include specific objectives related to customer acquisition; industry and market diversification; product and service development; talent retention and acquisition; service availability, quality and reliability, amongst others.

In exceptional cases, retention bonuses have been awarded to past members of the senior management team - members whose engagement with the Company was vital for a number of years.

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- 2. *The structure of the CEO's short-term incentive bonus (STI) is not known (i.e. caps, metrics, targets). Moreover, it is stated that the degree of achievement of these targets is determined by the board by comparing the realized outcomes against the target objectives. Given that these caps, metrics and targets are not known we would appreciate if we could have more clarity on that.***

As stated in the Remuneration report, the CEO's package is made up of fixed and variable elements.

The fixed element, emanating from the contract of employment, is determined by reference to market practice amongst other factors, and is set at a level that motivates the CEO in striving to attain company long-term strategic and performance objectives.

The variable element of the remuneration is structured as a management bonus scheme aimed at rewarding the CEO's performance. This variable component reflects the CEO's achievement of a set of targets designed to contribute to the business interests and sustainability of the Company over a determined financial period. These targets are periodically reviewed depending on the business

circumstances of the Company and in all cases, are consistent with the Company's strategies and aligned with shareholder interests. The targets include the achievement of Revenue and EBITDA targets, as well as the achievement of end of year cash and dividend objectives. All targets are established by the Board before the beginning of every financial period, as budgets are set. They take into account past performance; customer dynamics; market realities; costs; inflation and of course growth expectations. The targets also take into account the achievement of specific, strategic objectives which may include customer, portfolio and/or market diversification.

3. Regarding item 3 for BMIT concerning the auditor, we see that the non-audit fees are 72.7 percent of the total fees received by the audit firm during the fiscal year. Could you kindly provide more details regarding the high level of non-audit fees and why they consist of such a high proportion of total fees paid to the auditor?

We understand that through this query, reference is being made to the fee cap for non-audit services which should not exceed 70% of the average audit fee paid in the last 3 years, as set out in the following regulation:

Article 4(2) of Regulation 537/2014/EC)

"When the statutory auditor or the audit firm provides to the audited entity, its parent undertaking or its controlled undertakings, for a period of three or more consecutive financial years, non-audit services (hereafter "NAS") other than those referred to Article 5 (1) of this Regulation, the total fees for such services shall be limited to no more than 70% of the average of the fees paid in the last three consecutive financial years for the statutory audit(s) of the audited entity, where applicable, of its parent undertaking, of its controlled undertakings and of the consolidated financial statements of that group of undertakings.

This principle is also reflected in the local code of ethics (290.222) referred to below:

*When the auditor provides to the audited public-interest entity, its parent undertaking or its controlled undertakings, for a period of three or more consecutive financial years, non-audit services other than those referred to in article 18A of the Act, the total fees for such services shall be limited to no more than seventy (70) per cent of the average of the fees paid in the last three consecutive financial years for the statutory audit(s) of the audited entity and, where applicable, of its parent undertaking, of its controlled undertakings and of the consolidated financial statements of that group of undertakings. **For the purpose of this paragraph, the terms "auditor" and "audit firm" shall not include any other members of, or affiliated entities from, the same network to which the audit firm or auditor belongs, and shall not include any connected undertaking of the same audit firm or auditor.***



The principle has been adopted by the CEAOB (Committee of European Auditing Oversight Bodies) on 21 September 2018 as per below extract from the CEAOB's note:

“The basic requirement is that the cap applies solely at the level of the statutory auditor or audit firm that audits the respective PIE and not to the whole network. If NAS are provided by affiliated entities from a same network even within the same Member State, the cap will not apply to NAS provided by these firms.”

In fact, as disclosed in Note 20 of the annual report, fees in relation to non-assurance services amounting to €62,000 have been charged by another member firm belonging to the same network of the audit firm and fees amounting to €18,000 have been charged by connected undertakings of the audit firm. Therefore, these fees should not be taken into consideration when calculating the fee cap, resulting in a 0% of NAS to audit fees for the financial year 2021.
