



## Report on the activities of the Audit Committee of the Company

The Audit Committee (A.C.) submits the present Report on the Activities of the Committee for the fiscal year 2020 (1.1.2020 – 31.12.2020) aiming to inform shareholders, pointing out the substantial contribution and assistance of the Audit Committee in safeguarding the Company's compliance with the applicable legislative and regulatory framework, in a context of complex challenges and severe uncertainties.

### **A. Competences and composition of the Audit Committee**

The current Audit Committee operates pursuant to the provisions of Article 44 of L. 4449/2017, as amended by Article 74 of L. 4706/2020, Article 9 of L. 4643/2019, as well as the Regulation (EU) No 537/2014 of the European Parliament and of its Council.

Its purpose is to assist the Board of Directors in fulfilling its duty and responsibility towards the shareholders, the investor community, and third parties regarding the safeguarding of integrity, objectivity, adequacy and efficiency of:

1. the procedures for submission of financial reports and in particular the procedure of financial reporting and statutory audit of the separate and consolidated financial statements by independent Chartered Auditors-Accountants,
2. the systems of risk management, quality assurance and internal audit,
3. the Internal Audit Department (IAD), which it supervises, and
4. the Procurement Function of the Company.

On 31 December 2019 the Audit Committee consisted of:

- George Venieris, Independent Non-Executive Member of the Board of Directors, Chairman of the A.C., for a three-year term of office, namely from 27.6.2019 until 26.6.2022.
- Despina Doxaki, Independent Non-Executive Member of the Board of Directors, for a three-year term of office, namely from 27.6.2019 until 26.6.2022.
- Stefanos Kardamakis, Independent Non-Executive Member of the Board of Directors, for a three-year term of office, namely from 22.8.2019 until 21.8.2022.

In accordance with those stipulated in par. 1, article 9 of L. 4643/2019, the Company held an Extraordinary General Meeting of Shareholders on 8.5.2020 and elected two (2) new Independent Members to the Audit Committee with proven knowledge in the field of procurement.

Consequently, as of May 8, 2020 the Audit Committee consists of five members and the structure and composition thereof are as follows:

- Georgios Venieris, Independent Non-Executive Member of the Board of Directors, Chairman of the Audit Committee, for a three-year term of office, namely from 27.6.2019 until 26.6.2022,
- Despina Doxaki, Independent Non-Executive Member of the Board of Directors, for a three-year term of office, namely from 27.6.2019 until 26.6.2022,
- Stefanos Kardamakis, Independent Non-Executive Member of the Board of Directors, for a three-year term of office, namely from 22.8.2019 until 21.8.2022.
- Evangelos Angeletopoulos, Member of the Audit Committee, for a three-year term of office, namely from 8.5.2020 until 7.5.2023 and
- Aimilios Stasinakis, Member of the Audit Committee, for a three-year term of office, namely from 8.5.2020 until 7.5.2023.

Within the context of the effective functioning of PPC S.A.'s Internal Audit System, the Audit Committee held meetings with the participation, inter alia, of Mr. Al. Paterakis, Deputy CEO of Digital Transformation, Mr. G. Karakousis, Deputy CEO of Commercial Operations, Mr. Ar. Ekonomou, General Counsel and Chief Legal Affairs and Corporate Governance Officer, Mr. N. Aravantinos, Chief Support Operations Officer, the Director of the Internal Audit Department, the Compliance Officer, the Director of the Risk Management Department, the Director of the Financial Planning & Control Department and the Director of the Accounting Department, since they all jointly contribute to the Company's effective audit. The said meetings were organized in order to discuss in detail all matters of common interest and collaboration, which are crucial for the prompt and effective management of the company's risks, and to determine the framework for regular exchange of information and holding of meetings among the aforementioned persons. They discussed matters pertaining to the operating framework for PPC's Commercial Operations, the amendment to the Rules of Operation of the Audit Committee, the Statement of Corporate Governance, pending litigations, the Regulation on Works, Supplies and Services, the evaluation of the Procurement function and the Revision of the Regulation on the delivery and receipt of liquid fuels. Moreover, Mr. Ar. Ekonomou, General Counsel and Chief Legal Affairs and Corporate Governance Officer has briefed the Audit Committee about the implementation of the provisions of L. 4706/2020 on Corporate Governance. Furthermore, the Audit Committee was informed by executives of the Risk Management Department about the participation of PPC in the operation of the Hellenic Energy Exchange.

Within the scope of the AC competences, twenty-three (23) meetings were held in 2020, during which minutes were kept. These meetings concerned mainly, per category (Internal or External Audit), the following:

## **B. External Audit / Financial Reporting Procedure**

In 2020, the Audit Committee (by authorizing PPC's Accounting Department for the carrying out of all procedures and actions required) launched a Request for Tenders concerning the "Audit of the Corporate and Consolidated Financial Statements of PPC S.A. and its subsidiaries" for the fiscal years 2020-2022, which provided that the Audit Firm which will be awarded the contract shall sign separate annual contract/s with each of the Group Companies and that the Group Companies shall have the right to renew the contract for an additional one (1) year each time, under the same terms over a total period of three (3) years (2020-2022). The required supporting documents to be submitted by the tenderers included, inter alia: a) a declaration stating that there is no conflict of interest according to the international practice, in case they are awarded the aforementioned Services, and b) a declaration of the tenderer that he/she meets the criteria of independence pursuant to the applicable legislation, as well as the requirements provided for in the IESBA Code of Ethics. Following the completion of the procedure for the Request for Tenders, the contract was awarded to the lowest tenderer, the Chartered Auditors-Accountants Firm ERNST & YOUNG (HELLAS) CHARTERED AUDITORS-ACCOUNTANTS S.A.

The A.C. submitted then a recommendation to the Board of Directors concerning the statutory audit of the separate and consolidated financial statements of the Company for the fiscal year 2020 by ERNST & YOUNG (HELLAS) CHARTERED AUDITORS-ACCOUNTANTS, which provided that the annual contract to be signed with the Company will give the latter the right to proceed each time to renewal thereof for an additional one (1) year, over a total period of three (3) years (2020-2022). The said recommendation was submitted and approved by the Ordinary General Meeting of the Company.

In addition, the Audit Committee proceeded with the preapproval of the entire auditing and non-auditing services to be provided to the Company by ERNST & YOUNG-CHARTERED AUDITORS-ACCOUNTANTS S.A.

Furthermore, the A.C. proceeded to the following actions:

A. The monitoring of the financial reporting procedure and of the progress of the statutory audit of the separate and consolidated financial statements of the Company, for the fiscal year 2019. To this end:

- 1) The A.C. was briefed by the chartered auditor-accountant on the annual schedule of the statutory audit prior to its implementation and proceeded to its evaluation and approval.
- 2) Held meetings with the Chartered Auditor-Accountant and the competent Departments of the Company on matters pertaining to the audit of the separate and consolidated financial statements for the fiscal year 2019.
- 3) Was briefed in detail on a) the project of estimating the fair value of the fixed assets of the Company and the Group on 31.12.2019, the assumptions used and the results thereof, b) the use of the assumption of the going concern, c) significant judgements, assumptions and estimates of the Management for preparing the separate and consolidated financial statements for the fiscal year 2019, d) the adequacy of disclosure of the major risks faced by the

Company and the Group combined with the impact on the financial activity of the measures taken for the mitigation of the COVID-19 pandemic and e) important transactions carried out with related parties.

- 4) Was also briefed on all matters regarding pending litigations which were to be included in the separate and consolidated financial statements for the fiscal year 2019, as well as the content of the Statement of Corporate Governance, which was included in the report on the Activities of the Board of Directors for the fiscal year 2019.
- 5) Reviewed the financial reports prior to their approval by the Board of Directors, in order to assess their completeness and consistency with regard to the provided information and the accounting principles applied by the Company.
- 6) Was informed on the contents of both the Audit Report and the Additional Audit Report of the Chartered Auditor-Accountant for the fiscal year 2019.

B. The monitoring of the procedure for the review of the separate and consolidated financial statements of the Company for the first half of 2020 by the Chartered Auditors-Accountants. To this end:

- It held meetings with the Chartered Auditor-Accountant and the Company's Departments involved with regard to matters pertaining to the review of the separate and consolidated financial statements of the Company for the first half of 2020. It examined those referred to in indents (3) to (5) herein above (except for indent 3a), in conjunction with the new economic situation due to COVID -19 pandemic and applied accordingly those laid down for the statutory audit of the annual separate and consolidated financial statements of the Company. It was informed on the contents of the Review Report of the Chartered Auditor-Accountant for the first half of 2020.

C. The monitoring of the procedure of the internally prepared 3-month and 9-month separate and consolidated financial statements of the Company for the year 2020, as well as the Company's main operational and financial figures, which were published for the corresponding periods.

D. Its briefing on the amount of the Letters of Guarantee, which were issued and remained in effect in the second half of 2019.

### **C. Internal Audit System**

The Audit Committee reviewed issues pertaining to the functioning of the Internal Audit Department (IAD), as well as to the auditing activity of the IAD in critical areas of audit interest, namely the monitoring of Contract execution, the management of inventories, the operation of the Stores of the Sales Business Unit, the purchases of liquid fuels and the relevant "Regulation on the delivery and receipt of liquid fuels", the procedures related to the Corporate Communication, the procedures for monitoring PPC's budget, and the operation of the cash management, taking cognizance of the results and findings on the audits conducted by the IAD.

Following the presentation of the findings which resulted from the internal audits performed by the Internal Audit Department, the Audit Committee held meetings with the competent Divisions and Business Units in order to discuss all major findings, focusing on the ways to handle them and on corrective actions. In particular, the Audit Committee held meetings with the Chief Generation Officers and the Chief Human Resources & Organization Officer and pointed out areas of improvement in particular regarding:

- The monthly inventories of liquid fuels at the autonomous power plants of the Thermal & Hydro Generation Business Unit.
- The procedure of delivery and receipt of liquid fuels at the autonomous power plants. A working group established to that purpose updated the relevant regulation on the delivery and receipt of liquid fuels.
- The management of useless or redundant materials and equipment at the company's power plants to be withdrawn (PTOLEMAIDA LIPTOL TPP & AG. GEORGIOS TPP).

The Audit Committee was briefed by the IAD on the progress of the implementation of corrective actions with regard to major findings and informed accordingly the Board of Directors of the Company.

The Audit Committee was also briefed by the IAD on the annual Schedule of Audits for the year 2021, which was approved by the Company's Board of Directors.

#### **D. The Procurement Function of the Company's**

The A.C in line with the provisions of paragraph 2, article 9 of L.4643/2019, addressed the following issues:

- 1. Making use of the Provisions of L. 4643:** The capabilities provided under paragraph 4, article 9 of L. 4643/19 in conjunction with article 10 of the same law were pointed out.
- 2. Organizational and Procedural Changes:** The proposals made by the consulting firm McKinsey & Company in the context of the project "Creating a Procurement Excellence Structure", when properly adopted and implemented are considered to bring out a series of positive organizational, procedural, and regulatory changes and lead to a more efficient procurement function.
- 3. Modification of the Procurement Regulation on Works, Supplies and Services:** The current regulatory framework of the company needs further improvements to become more complete, simple, easy to use, understandable "tool" for all the users of the Company, even for those who do not have specialized legal knowledge.

In addition, a revision of this regulatory framework is mandatory due to changes in the current national legal framework on which this regulation is based on.

- 4. Digital Transformation of the Procurement Function:** The Procurement Function, as well as the regulatory framework on which it is based, in the context of the Digital Transformation of the Company, should operate in a digital environment where all

authorized users of the system will have access on it, in real time and to a fully up-to-date and valid information.

In particular, with regard to the Regulatory Framework, the A.C considers that the Procurement Function, regardless of the organizational scheme to be adopted and implemented, should be supported by an integrated and carefully structured, modern and functional regulatory framework, eventually in the form of a Digital Procurement Hand Book or Manual in which all issues (legal, technical, regulatory, procedural, etc.) related to the procurement function will be described and detailed.

**5. Audit Sampling:** By the time of submission of the present document, the recording of all active purchases for the year 2020 had been completed, namely 7,933 purchases amounting in total to € 5.7 billion, while the "On Sampling Bases Audit and the Monitoring of the Proper Implementation of the existing Procurement Regulatory Framework for the year 2020 " is in progress.

**6. Performance Measurement (Key Performance Indicators - KPI's) of the Procurement Function for the Financial Year 2020.** There is no system or model for measuring the performance of the Procurement Function, neither at Company level nor at PPC Group level and therefore the required data on which some KPI's could be defined for the financial year 2020 is not available. Based on the above, the A.C., on the one hand, decided not to include in its annual report any relevant assessment and on the other submitted proposals to the Board of Directors, which combined with the relevant proposals of the consulting firm McKinsey & Company in the context of the project "Creating a Procurement Excellence Structure" are expected to address the issue for the next financial year.

All the above are presented and detailed in the "Audit Committee Annual Report 2020 on matters pertaining to the Procurement Function" submitted to the Board of Directors of PPC S.A.

### **E. Sustainable Development Policy**

PPC's Sustainable Development Policy is the basic framework of the Company's commitment to making continuous efforts to improve the economic, environmental and social value it generates for its stakeholders as well as for society as a whole.

The strategic philosophy of PPC is based on the "Creating Shared Value" principle, that is creating and measuring (total) shared value between the company, society and the environment, which will result through the transformation of the value chain and the operation of the company, and through the shaping of a new corporate culture guided by Sustainable Development and the principles of the circular economy, where applicable.

For this reason, PPC S.A. approaches Sustainable Development in full relation to its business model and its transformation needs, investing in integrated, innovative and high quality services and products, shaping a better working environment and relationships of mutual benefit, based on the pillars of economic growth (Profit), environmental care (Planet) and social welfare (People).

Sustainable Development Policy is gradually developed, integrated and implemented aiming at: (a) strengthening the Company (b) the national energy transformation of the country through a just transition development plan in the context of implementation of the Green Deal, and (c) the business development of the Group in Southeastern Europe.

Enhancing the customer-centric character of the company's structures, based on the needs of the wider Greek society, digitization and operational efficiency, expansion into new activities and protection of biodiversity and environment are the main pillars of our broader strategy.

The goal of the Sustainable Development Policy is to make PPC a point of reference for both employees and society, while at the same time the company aims to attract more long-term international investment funds which will boost the plan for the transformation of the company.

In this context, PPC is committed to monitoring and to being evaluated based on international ESG criteria and standards (Environment - Social - Governance), having as for ultimate goal the transparency and the provision of information to all stakeholders on the company's performance on climate change and sustainable development.

PPC lays the foundations for the integration of the Sustainable Development Policy at Group level as well, with gradual harmonization and adoption of the Principles of this Policy by its subsidiaries.

Finally, based on the best practices in terms of organizations' transparency and self-commitment to Sustainable Development and Responsible Entrepreneurship, PPC prepares an Annual Sustainable Development Report based on international standards, which includes (a) the Group's strategy for Sustainable Development, which is based on the analysis of the material and other important topics of Sustainable Development, opportunities and risks related to the Group's business model and depending on the environment in which it operates, (b) the programs implemented, (c) the results thereof, (d) its commitments, (e) the objectives set, and f) the data/indicators which the company is required to follow and publish in order to inform all stakeholders, with full transparency, reliability, consistency and continuity for the coming years.

Georgios Venieris

Board Member and

Chairman of the Audit Committee