



Report on the activities of the Company's Audit Committee for the year 2021

The Audit Committee (A.C.) submits for the information of the Company's Shareholders the present Report on its activities for the fiscal year 2021 (1.1.2021 - 31.12.2021), outlining its substantial contribution and assistance in the Company's efforts to comply with the laws and regulations governing its operations, in an environment of complex challenges and high uncertainty.

I. Responsibilities - Objective of the Audit Committee

The present Audit Committee operates in accordance with the provisions of Article 44 of Law 4449/2017, as amended by Article 74 of Law 4706/2020, Article 9 of Law 4643/2019 and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014.

Its purpose is to assist the Board of Directors (BoD) in fulfilling its duties and responsibilities towards shareholders, investor's community and third parties, and particularly by assisting the BoD to ensure integrity, objectivity, adequacy and effectiveness of the following:

1. The financial reporting relating processes and in particular the provision of financial information and the statutory audit of the separate and consolidated financial statements carried by independent Certified Auditors.
2. The systems of Corporate governance, quality assurance and internal controls.
3. The Internal Audit Department (IAD), which it supervises, and
4. The Company's Procurement function.

The role, responsibilities and the operational framework of the Audit Committee, are detailed in the A.C. Charter, which has been drafted in accordance with the current institutional framework and is available at the following hyperlink on the company's website <https://www.dei.gr/en/ppc-group/ppc/corporate-governance/administrative-structure/bod-committees/audit-committee/>

II. Composition of the Audit Committee

The Audit Committee of PPC S.A. consists of five (5) members, who have been appointed by the General Assembly of the Company's Shareholders, as follows: Three (3) non-executive and independent members of the Board of Directors, pursuant to article 44 of Law 4449/2017, as applicable and to the provisions for independence of the Law 4706/2020, and two (2) third persons, non-members of the Board of Directors, pursuant to Article 9 of Law 4643/2019, who are selected from a list of individuals with proven experience in the field of works', supplies' and services' contracts, who are independent of the Company, within the meaning of the provisions of Law 4706/2020.

From 1.1.2021 to 16.12.2021 the Company's A.C. had the following composition and structure:

- Georgios Venieris, Independent Non-Executive Member of the Board of Directors, Chairman of the A.C., with a three-year term of office, namely from 27.6.2019 to 26.6.2022.
- Despina Doxaki, Independent Non-Executive Member of the Board of Directors with a three-year term of office, namely from 27.6.2019 to 26.6.2022.
- Stefanos Kardamakis, Independent Non-Executive Member of the Board of Directors with a three-year term of office, namely from 22.8.2019 to 21.8.2022.
- Evangelos Aggeletopoulos, Non-Member of the Board of Directors, Member of the A.C., with a three-year term of office, namely from 8.5.2020 to 7.5.2023 and
- Aimilios Stasinakis, Non-Member of the Board of Directors, Member of the A.C., with a three-year term of office, namely from 8.5.2020 to 7.5.2023.

However, due to the expiry of the term of Mr. Georgios Venieris, as an independent Member of the Board of Directors and Chairman of the Audit Committee and in full compliance with the requirements of Law No. 4706/2020, an Extraordinary General Meeting of the Company's Shareholders was held on 16 December 2021, at which Ms. Maria Psillaki was elected as an independent Member of the Board of Directors and Member of the Audit Committee from 17.12.2021 to 16.12.2024.

Following the above, the present Audit Committee was constituted into a body at its meeting on 22 December 2021 as follows:

- Maria Psillaki, Independent Non-Executive Member of the Board of Directors, Chairman of the Audit Committee, with a three-year term of office, namely from 17.12.2021 to 16.12.2024.
- Despina Doxaki, Independent Non-Executive Member of the Board of Directors with a three-year term of office, namely from 27.6.2019 to 26.6.2022.
- Stefanos Kardamakis, Independent Non-Executive Member of the Board of Directors with a three-year term of office, namely from 22.8.2019 to 21.8.2022.
- Evangelos Aggeletopoulos, Non-Member of the Board of Directors, Member of the A.C., with a three-year term of office, namely, from 8.5.2020 to 7.5.2023 and
- Aimilios Stasinakis, Non-Member of the Board of Directors, Member of the A.C., with a three-year term of office, namely from 8.5.2020 to 7.5.2023.

III. Meetings of the Audit Committee

In the context of the PPC S.A. Internal Controls System operation , the A.C. held meetings with the participation of Executive members of the Company, including, inter alia, Mr. Al. Paterakis, Deputy CEO of Digital Transformation, Mr. Arg. Economou, General Counsel and Chief Legal Affairs and Governance Officer, Mr. N. Aravantinos, Chief Support Operations Officer, Mr. D. Metikanis, Chief Lignite Generation Officer, Mr. K. Alexandridis, Chief Financial Officer and the Directors of the Departments of Internal Audit, Compliance, Risk Management, Sustainable Development, Production Assets Withdrawal Management and Accounting as the discussions and presentations of the above Departments are related to the effective control of the Company. The meetings were held in order to discuss and develop issues of common interest and collaboration, which are critical to the timely and effective risk management of the Company, and to establish a framework for the regular exchange of information and meetings among those stakeholders. The issues discussed included the amendment of the Audit Committee Charter, the Corporate Governance and Compliance, the Digital Transformation, the Regulation on Works, Supplies and Services, the Draft Risk Management Framework, the progress of the Lignite Phase out projects, and the evaluation of the Procurement function. In addition, Mr. Arg. Economou, General Counsel and Chief Legal Affairs and Governance Officer informed the Audit Committee on the implementation of the provisions of Law 4706/2020 on Corporate Governance and the basic mission of the Internal Audit Department.

The A.C. convened twenty-one (21) times in 2021. Until the expiration of his term of office, on 16-12-2021, according to the above, Mr. George Venieris, Chairman of the A.C. participated in twenty (20) meetings. Ms. Maria Psillaki, who was

elected at the Extraordinary General Meeting held on 16-12-2021 to replace Mr. Venieris and was subsequently appointed by the members of the Audit Committee as its Chair, attended one (1) meeting, the 21st meeting regarding the constitution of the A.C. and her appointment as its Chair. Ms. Despina Doxaki attended eighteen (18) meetings, Mr. Stefanos Kardamakis attended eighteen (18) meetings, Mr. Evangelos Angeletopoulos attended twenty-one (21) meetings and Mr. Aimilios Stasinakis also attended twenty-one (21) meetings.

Minutes were kept for all Audit Committee meetings held in 2021 and mainly concerned the following issues per category:

A. External Audit / Financial Reporting Process

Having been informed by the certified auditor-accountant of ERNST & YOUNG (Hellas) Certified Auditors Accountants S.A., of the Management Letter for the financial year 2019, the A.C. communicated, through its Chairman, with the Finance Division to discuss and clarify some issues relating to the content, which will be reported once finalized.

Given that the Ordinary General Meeting of the Company held on June 24th, 2020 approved the assignment of the statutory audit of the separate and consolidated financial statements of the Company for the fiscal years 2020, 2021 and 2022 to the Certified Auditors-Accountants of ERNST & YOUNG (HELLAS) CERTIFIED AUDITORS - ACCOUNTANTS S.A., providing for the conclusion of an annual contract which may be renewed each time for one (1) more year and until a total of three (3) years (2020-2022) are completed, the A.C. reassessed the independence of the above-mentioned Company of Certified Auditors - Accountants and the absence of conflict of interest in accordance with international practice, in view of the assignment of the above-mentioned Services for the fiscal year 2021.

In addition, as a matter of policy, based on its Charter, the A.C. pre-approves all audit and non-audit services provided to the Company by the Certified Auditors'- Accountants' Company ERNST & YOUNG (HELLAS) CERTIFIED AUDITORS - ACCOUNTANTS S.A.

The A.C. also proceeded to the following actions:

The monitoring of the financial reporting process and the progress of the statutory audit of the Company's separate and consolidated financial statements for the fiscal year 2020. For this purpose:

1. The AC was briefed by the certified auditor-accountant on the annual statutory audit plan / schedule prior to its implementation and proceeded to its assessment and approval.

2. Held meetings with the Certified Auditor - Accountant and the involved Departments of the Company regarding the audit of the separate and consolidated financial statements for the fiscal year 2020, as well as significant issues concerning the progress of the audit.
3. Was informed in detail about a) the appropriateness of Management's use of the going concern basis of accounting, b) the significant judgments, assumptions and estimates of the Management in the preparing the separate and consolidated financial statements for the fiscal year 2020, c) the adequacy of the disclosures on the significant risks faced by the Company and the Group, in respect of the impact of measures to mitigate the Covid-19 pandemic's impact on the financial activity and d) the important transactions with related parties.
4. Was also informed of all pending litigations that would be included in the separate and consolidated financial statements for the 2020 fiscal year, as well as the content of the Corporate Governance Statement, which was included in the Executive Summary of the Board of Directors for the 2020 fiscal year.
5. Reviewed the financial reports prior to their approval by the Board of Directors in order to assess their completeness and consistency with the information brought to its attention and with the accounting principles applied by the Company.
6. Was informed on the content of both the external Audit Report and the Additional Audit Report of the Certified Auditor Accountant for the fiscal year 2020.

The monitoring of the review process of the interim separate and consolidated financial statements of the Company for the first half of 2021 by the Certified Auditors - Accountants. For this purpose:

- It held meetings with the Certified Auditor - Accountant and the Company's Departments involved, regarding the review of the Company's interim separate and consolidated financial statements for the first half of 2021.
- It examined issues referred to in points (3) to (5) above, in conjunction with the new financial conditions created by the Covid-19 pandemic, by applying mutatis mutandis the provisions for the statutory audit of the Company's annual separate and consolidated financial statements.
- It was informed on the content of the Review Report of the Certified Auditor - Accountant for the first half of 2021.

The monitoring of the process of internally preparing the Company's 3-month and 9-month separate and consolidated financial statements for the year 2021, as well as being informed on the Company's disclosed key operating and financial figures for the respective time periods.

Its information on the amount of the letters of guarantee issued and outstanding by the end of the first and the second half of 2020

It is noted that during the fiscal year 2021 the Audit Committee met five (5) times with the external auditors to supervise the process of the audit of the financial statements' audit.

B. Internal Controls and Risk Management System/Internal Audit Department

The Audit Committee dealt with the following:

Oversight of issues related to the operation of the Internal Audit Department (IAD) in accordance with the applicable regulatory framework, monitoring of the Company's internal controls and risk management system, as well as of the Internal Audit activity in critical areas of audit interest.

Regarding the audit activity of the IAD, the A.C. monitored its work and took note of the reports, the findings and the progress of the audits carried out in critical areas of audit interest, such as:

- application of PPC S.A.'s Regulation on Works, Supplies and Services in the context of the A.C. duties and responsibilities, pursuant to article 9 of L. 4643/2019,
- procedures relating to corporate governance issues, such as the remuneration of Board members, the shareholders' service process, the corporate announcement procedures and the related party transactions,
- carrying out stock inventories (Rhodes-Soroni Thermal Power Plant, Kattavia Thermal Power Plant, West Macedonia Lignite Center),
- purchase and management of liquid fuel stocks,
- operation of the Sales Stores of the Sales General Division,
- customer billing process,
- securitisation of receivables - collections through alternative networks (conducting receivables securitisation transactions up to 60 days),
- debt management (Low Voltage customers), including changes in accounts receivable (Low Voltage customers) and collections through alternative networks,
- activities relating to permanent staff and payroll,
- compliance of Mining and Generation Activities with the applicable laws and regulations relating to the natural environment,
- electricity and energy product transactions,
- security of the Information Systems of the Company,

C. Evaluation of the IAD operation

The A.C. was briefed in February 2021 on the outcome of the external evaluation of the IAD conducted by an independent evaluator in compliance with the International Standards (the Standards) for the Professional Practice of Internal Auditing of the International Institute of Internal Auditors and taking as well into account both the extent of adoption of best practices in Internal Audit and the extent of alignment with the expectations of the Company's stakeholders. The A.C. was briefed regarding the overall conclusion of the external evaluation which was "Overall Compliance", the existence of individual areas achieving a rating of either "Partial Compliance" or "Non-Compliance" with the Standards, and the proposed action plan to improve compliance level.

Strategic & Organisational Plan of the IAD: The A.C. was informed in October 2021 about the three-year strategic and organisational plan of the IAD, which determines the actions of the IAD in the pillars of strategy, organisational structure, human resources and technology. The A.C. informed the Board thereof and is monitoring the progress until implementation.

IAD Risk Assessment and preparation of the Annual Audit Plan:

The A.C. monitors the Risk Assessment projects carried out by the Internal Control System with the involvement of the IAD, and the preparation of the annual audit plan that is consistent with the assessment of the risks arising from the strategic priorities, the new business plan of the company and in full compliance with the enhanced requirements of the institutional framework governing the corporate governance of listed companies.

Annex - Full audit titles:

- Corporate Governance - Audit of the Remuneration of the Board of Directors
- Corporate Governance - Shareholder Service
- Corporate Governance - Corporate Announcements
- Liquid Fuels Markets and Stocks
- Conducting Stock Inventories (RODOS SORONI TPP, KATTAVIA TPP, WMLC)
- Compliance of Mining Activities with Applicable Laws and Regulations relating to the Natural Environment
- Compliance of Generation Operations with the Applicable Laws and Regulations relating to the Natural Environment
- Retail Electricity Sales of Nafplio Sales Store
- Retail Electricity Sales of the Livadeia Sales Store

- Retail Electricity Sales - Solving customer billing problems
- Retail Electricity Sales - Securitisation of receivables. Collections through alternative Networks, - Execution of Receivables Securitisation Transactions up to 60 days (T60)
- Retail Sales of Electricity - Collections through Alternative Networks (outside Sales Stores)
- Retail Sales of Electricity - Changes in Accounts Receivable of Low Voltage Customers (excluding Sales Stores)
- Retail Electricity Sales - Debt Management
- Retail Electricity Sales - External partners for debt collection
- Activities relating to permanent staff and Payroll- Independent service Units
- Information Systems Audits: Payroll (permanent staff, temporary staff, statistics), SAP – ERP
- Relationships and Transactions of the Company with related parties.

D. Procurement Function.

The A.C. by virtue of the provisions of paragraph 2, article 9 of L. 4643/2019 addressed the following issues.

1. **Law 4643/2019 Provisions Utilisation:** The potential provided by Law 4643/2019, article 9, para 4, in conjunction with article 10 of the same law, were pointed out.
2. **Procurement Regulation Amendment:** By virtue of Law 4782/09.03.2021 (National Official Gazette Vol. A' issue 36) "Modernization, simplification and reform of the regulatory framework of public contracts, special procurement arrangements in the fields of defense and security and other provisions for the development, infrastructure and health", specific provisions of Law 4412/2016 on which the existing Regulation on Works, Supplies and Services was based, were amended, supplemented or substituted, which deemed necessary the readjustment of the relevant regulatory framework of PPC SA.

Based on the above, specific provisions of the PPC S.A. Procurement Regulation and the attached thereto Templates Document were amended.

3. **Organizational and Procedural Changes - Procurement Manual:** The management consulting firm, McKinsey & Company, in the context of the project "Creating a Procurement Excellence Structure", has completed the Diagnostic Audit and submitted its proposals, which if adopted and

implemented in the proper way, are estimated to bring about a series of positive organizational, procedural and regulatory changes that will render the procurement function more efficient. In addition, McKinsey & Company, following the above project, has also undertaken the development of the company's «Procurement Manual" which addresses all the above issues and incorporates all the above changes, as well as the existing Procurement Regulation. The new "Procurement Manual" (upon approval and implementation) is expected to constitute a complete, simple, easy to use and comprehensible "tool" for all those involved with procurement of the company, even if they do not have specialized legal qualifications.

4. **Digital Transformation - Digital Transformation of the Procurement Function:** At the 12th Meeting of the A.C. held on June 10, 2021, the Committee was informed of the project "Digital Transformation of PPC SA" which will focus on four (4) axes:

- Customer-centric approach with the utilization of business information from all communication channels and the creation of modern and Self-Service solutions.
- Transforming the corporate culture and the way of working by adopting new methods and tools for collaboration.
- Modernization of the operations by creating seamless and simplified processes driven by technology.
- The Digital Transformation of the Procurement Function, which shall take the following form:
 - Definition of new key principles that will govern the new procurement policy.
 - Definition and coordination of a new and uniform model of procurement operations based on the matrix model.
 - Definition of a new and uniform classification model (simplifying from ~1,500 to 200-300 categories) and creating structure and transparency in expenses, based on a cutting-edge expenditure analysis model.
 - Definition of new KPIs that will govern the monitoring of operating figures.
 - Recognition of a saving potential between 6-11% (EUR20-37mn) based on the 2020 expenditure model and the analysis of selected procurement categories.
 - Upgrading of the Procurement Department into a value-added unit.

5. **Procurement Sampling Audit:** By the time of submission of the present report, the recording of all active procurements for the year 2021 will have been completed, namely 8,207 procurements amounting to € 3,456,042,017, out of which:

- 5,948 contracts amounting to €329,606,477 concern the fiscal year 2021,
- 1,595 contracts amounting to €442,080,186 concern the fiscal year 2020 and

- 664 contracts amounting to € 2,684,355,354 concern the years 1998- 2019.

For the procurement of 2021, a sampling audit will be conducted using statistical sampling methodology on a representative sample of 95 contracts. In addition, a data analysis and study will be carried out for all 2021 open contracts, which were (2,722 contracts amounting to € 70,097,010) evaluated and conducted following the negotiation procedure meaning without prior publication of a contract notice / invitation to an economic operator.

Regarding open contracts of 2020, taking into consideration that they had been included and evaluated in the recently completed sampling audit for 2020, no re-audit will take place at this stage.

For all open procurement contracts, which were concluded in the years 1998-2019, a diagnostic study will be carried out and proposals will be submitted for the settlement of any existing pending issues that will be identified and the closure thereof, where feasible.

The planned "Audit and Monitoring of the Correct Implementation of the Regulation on Works, Supplies and Services on a Sample Basis - Year 2021" is underway and is expected to have been completed by the end of May 2022.

6. Performance Measurement (KPI's) of the Procurement Function for the Fiscal Year 2021. Since there is no system or model for measuring the performance of the Procurement Function (either at Company level or at PPC Group level) and since the necessary data based on which some KPI's could be created are not available, the management consulting firm (McKinsey & Company) undertook, within the framework of the project "Creating a Procurement Excellence Structure", the design of the said system and, taking into account the existing potential, created a system of Key Performance Indicators (KPI's) for the Monitoring of the Procurement Transformation. The said system consists of the following five (5) KPI's:

- Average lead time per process archetype
- Share of Tenders run on Procurement Platform
- Share of spend under frame agreement / catalogues
- Number of L3 categories with high concentration of A-suppliers
- Share of spend under procurement visibility

McKinsey & Company created pilot index values for the above KPI's using 2020 as the reference year base by exploiting the McKinsey & Company own "tools" and using data collected from the conducted audit.

Following the above, guidelines have been provided to the company's responsible departments and data collection and recording have been initiated, so that gradually the first actual Index Values to be produced (in the first quarter of 2022), aiming to the formal operation of the Performance Measurement System in 2023.

All the above are presented and detailed in the "Annual Report for the Year 2021 of the Audit Committee on Issues pertaining to the Procurement Function to be submitted to the Board of Directors of PPC SA".

E. Sustainable Development Policy

The A.C. has also been involved in monitoring the implementation of the Sustainable Development Policy. The involvement of the A.C. in this matter derives from the provision of Law 4706/2020, Article 74, paragraph (i), which stipulates that the Annual Report on the Activities of the A.C. "shall include a description of the sustainable development policy followed by the audited entity."

In this context, the A.C. was informed about the progress of the Sustainable Development Policy in two meetings. Also, in February 2022, the Sustainability Department submitted its 2020 Annual Sustainable Development Report, which was prepared slightly late due to its recent establishment and staffing. The 2021 report, which will record the company's up-to-date position on this subject will be submitted to the A.C. in the near future.

The main points presented to the A.C. on Sustainable Development issues are the following:

- PPC has taken the strategic decision to bring Sustainability issues to the forefront of management and its Policy is based on the strategic approach of "Creating Shared Value", in other words creating and measuring (total value) the shared benefits among the company, the society and the environment.
- In this context, the company expects to make a decisive contribution to the development of the Greek Economy and to contribute positively to the achievement of the 17 Sustainable Development Goals set by the UN for 2030, while at the same time it aims to enhance its competitiveness by integrating new forms of energy generation, through the ongoing transformation of the Group.
- In October 2021, the company established the Sustainability Department (SD), which reports directly to the Chairman and CEO. The Department was tasked to formulate the framework that will strengthen the implementation of Sustainability policies, the measurement and recording of the resulting shared benefits among the company, the society and the environment, and finally the monitoring of best international practices that can be applied in PPC.

In the operational field, the following actions have already been implemented by the SD:

- Completed the 2020 Sustainable Development Report, which included all the Group's subsidiaries (PPC, HEDNO, PPC-Renewables, smaller

subsidiaries). The report was prepared according to the Global Reporting Initiative (GRI) standards - "Core option" and received for the first time an independent limited assurance on 14 key indicators for PPC and 7 indicators for HEDNO and PPC Renewables.

- Presented in November 2021 the Company's performance based on the ESG guide of the Athens Stock Exchange.

The objectives of the SD for 2022 can be summarised as follows:

- Preparation and publication of the 2021 report
- Coordination of the department with the rest of the company's units on Sustainability issues and
- To complete several operational initiatives that will achieve proper recording of the company's sustainability performance.

It is noted that in the course of its duties, the A.C. had and continues to have unhindered and full access to all information required.

Maria Psillaki
Board Member and
Chairman of the Audit Committee