

# **Corporate Governance Code**

## **for Hellenic Corporation of Assets and Participations S.A.**

### **1. Preamble**

#### **1.1 *Background, aims of the code***

By corporate governance it is meant the way companies are managed and controlled. In the words of the OECD Principles of Corporate Governance<sup>1</sup>, the international benchmark on corporate governance and an important source of inspiration for the Hellenic Corporate Governance Code for Listed Companies<sup>2</sup> that in its terms the present code is based to, corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure by which the objectives of the company can be discussed and set, the key risks that the company faces identified, the means of attaining the corporate objectives determined and management's performance in respect thereof monitored. It is by this structure that companies also organise their risk management. The OECD Principles also stress the role of good corporate governance as a key driver of business competitiveness both in terms of internal organisational effectiveness and in terms of lower cost of capital. Finally, it is generally accepted that a more transparent and accountable corporate sector enhances transparency and accountability across the economy as a whole and affects the quality of all private and public institutions.

Particularly, companies that among other purposes, are serving the public interest, should comply with high standards of corporate governance and transparency. The corporate governance and disclosure should be at least at equivalent level of that provided by listed companies.

The purpose of the present code is to promote good governance in the belief that this will support the long-term success and competitiveness of the "Hellenic Corporation of Assets and Participations S.A." (hereinafter referred to as the "Corporation") and of its direct subsidiaries. Its implementation should not be viewed only as a compliance exercise by the Corporation or potential investors, but also as a process that adds value to the business.

A key objective of this code is to educate and guide all boards of Corporation and of its direct subsidiaries on governance best practice. Another aim of the code is to improve information and participation in corporate affairs of the sole shareholder but mainly of key stakeholders including the general public and potential investors.

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<sup>1</sup> OECD (2004), Principles of Corporate Governance

<sup>2</sup> HCGC (2013), Hellenic Corporate Governance Code for Listed Companies

## **1.2 Scope, structure, contents**

In principle, the code applies to the Corporation and may apply also to its direct subsidiaries. Other subsidiaries, including companies whose shares are held directly or indirectly, in whole or in part by the direct subsidiaries may adopt this code but especially for listed ones, the use of the Hellenic Corporate Governance Code is suggested.

The code is divided into two types of provisions: “general principles” and “special practices”. While the general principles are general in their nature due to their broad scope of applicability, they provide a best practice vantage point from which most corporate governance issues can be viewed and dealt with. The principles provide general guidance and are not meant to be part of the “comply or explain” provisions of the code.

Each general principle is followed by one or more special practices. Special practices further develop the principles and provide more detailed and specific guidance regarding their implementation, taking into account the regulatory and ownership profile, rendering governance disclosures more efficient and raising transparency.

The code follows the “comply or explain” approach and requires Corporation to implement it as a reference framework to (a) disclose its use as a reference framework and either (b) comply with the special practices of the code or (c) explain reasons for non-compliance with specific provisions.

Such explanation should not be limited to a simple reference to the principle or practice the Corporation does not comply with, but should be (a) specific to the Corporation’s position, not generic or off-the-shelf, with reference to any alternative practice that the Corporation has adopted (b) meaningful, in that it sets the context and historical background, gives a convincing rationale for the action the Corporation takes, describes mitigating action to address any additional risk and to maintain conformity with the relevant principle and indicates whether the deviation from the code’s provisions is limited in time and when the Corporation intends to return to conformity with the code’s provisions and (c) understandable and persuasive.

Every chapter of the code is introduced by a “context” section. The aim of these sections is to explain the rationale and legal or regulatory basis behind the general principles and special practices that follow. The purpose of these introductory remarks is to provide a clear outline of the principles and practices in question. As in the case of the general principles, Corporation is not required to comply or explain against whatever is referred to in the context sections.

To assist Corporation in applying the code, annexes I and II provide guidance on the preparation of the corporate governance statement and the remuneration report of the members of the boards (which comprises a part of the corporate governance statement).

## 2 Supervisory board and its members

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### 2.1 Role and responsibilities

#### *Context*

Law 4389/2016 provides the establishment of a supervisory board which is a corporate body of the Corporation, responsible for the supervision of Corporation's Board of Directors in order to ensure that it operates in accordance with the above mentioned Law, the Articles of Association, and the Internal Rulebook, in the interest of the Corporation and the general public.

The supervisory board remains fully responsible for decisions under its responsibilities. Matters reserved for the decision of the supervisory board are clearly identified in Law 4389/2016.

#### *General principles*

The main task of the supervisory board is to supervise the board of directors in the management of Corporation. The main responsibilities of the supervisory board should include:

- endorsing decisions taken by the board of directors on important issues as matters concerning the direct subsidiaries, etc.;
- monitoring the performance of the Corporation's board of directors and appointing and dismissing the members of the board of directors;
- determining the remuneration of the members of the board of directors and approving the employment contracts under which they provide services to the Corporation;
- supervising the implementation of corporate governance rules; and
- formulating, disseminating and implementing key values and principles of conduct governing the Corporation's relations with its stakeholders.

For avoidance of doubt, the supervisory board shall not operate as the senior tier of a two-tier board structure, but rather as a *sui generis* body with the responsibilities set out in Law 4389/2016 and the Articles of Association. Accordingly, its responsibilities do not include providing guidance to the Board of Directors in relation to business strategy, specific business decisions or otherwise evaluating the commercial merits of potential options available to, or decisions taken by, the Corporation. Such responsibilities are vested in the Corporation's Board of Directors, subject to the provisions of the above-mentioned Law and the Articles of Association as regards the supervisory board's role.

#### *Special practices*

2.1.1 The role of the supervisory board should be clearly defined and documented in the Corporation's statutes or its internal regulations or other similar documents.

2.1.2 The main responsibilities of the supervisory board (in the sense that the relevant decision should be taken or ratified by the supervisory board) should be exercised by the supervisory board.

## **2.2 Size and composition**

### *Context*

By Law 4389/2016, the supervisory board consists of five (5) members appointed by the General Assembly of the sole shareholder. In particular, three (3) members are selected by the shareholder, with the consent of the European Commission's opinion and the European Stability Mechanism acting jointly and two (2) members, including the Chairman of the Supervisory Board, are selected by the European Commission and the European Stability Mechanism, acting jointly, after obtaining the consent of the Minister of Finance. Law 4389/2016 requires also that the duration of the supervisory board members' term shall be five (5) years.

Law 4389/2016 includes specific formal rules and criteria for the selection process of the members of the supervisory board.

Supervisory board members must possess adequate experience, knowledge and leadership qualities. Moreover, diversity in the supervisory board's composition is essential to broaden the perspective of the Corporation and enable it to read effectively the social context in which the Corporation operates and inspire confidence in its stakeholders and particularly to the general public.

### *General principles*

The composition of the supervisory board should enable the effective fulfilment of its responsibilities.

The supervisory board has to be composed in such a way that demonstrates a high level of integrity and its members as a group possess the knowledge, ability and expert experience required to properly complete its tasks. Moreover, the supervisory board should be diversified as to include a diversity of skills, views, competences, knowledge, qualifications and experience, relevant to the supervisory board's role. Optimum diversity in the composition of supervisory board should be pursued.

### *Special practices*

2.2.1 The supervisory board's members should be free of material conflict of interest with the Corporation and its subsidiaries.

2.2.2 Supervisory board members shall not exercise directorships or similar positions or advisory tasks for important competitors of the Corporation or its subsidiaries (direct or not).

2.2.3 A corporate governance statement included in the annual report should provide information on the supervisory board's composition and include the names of the chairman, and the supervisory board secretary.

2.2.4 The corporate governance statement should state the term of appointment of each supervisory board member, should contain a brief curriculum vita of each member, as well as a brief curriculum vitae of the supervisory board secretary. The selection process should be mentioned.

### **2.3 Role and profile of the chairman of the supervisory board**

#### *Context*

According to Law 4389/2016, the chairman of the supervisory board is selected by the European Commission and the European Stability Mechanism, acting jointly, after obtaining the consent of the Minister of Finance.

#### *General principles*

The chairman should be responsible for setting the Supervisory Board's agenda and ensuring that the work of the supervisory board is well organised and meetings conducted efficiently. The chairman is also responsible for ensuring that supervisory board members receive accurate and timely information. The chairman should ensure effective communication with the board of directors of the Corporation and with the shareholder.

#### *Special practices*

2.3.1 The responsibilities of the chairman should be clearly established by the supervisory board; they should be set out in writing and communicated to the shareholder.

2.3.2 The chairman should facilitate the effective contribution by supervisory board members to the work of the supervisory board and seek constructive relations between them.

2.3.3 The chairman, acting on behalf of the supervisory board, should be available to the shareholder to discuss issues of corporate governance.

### **2.4 Duties and conduct of supervisory board members**

#### *Context*

One of the aims of this code is to provide supervisory board members with a framework for meeting the standard commensurate with the powers and responsibilities of the supervisory board. For this purpose, this code identifies the key duties and responsibilities of supervisory board members towards the Corporation, such as the duty to avoid and be transparent about conflicts of interest with the Corporation, the duty to protect the confidentiality of information. It is required that supervisory board members perform their duties with integrity, objectivity and professionalism, and devote sufficient time to the fulfilment of their responsibilities. Accordingly, it is recommended to limit the number of appointments of supervisory board members in unaffiliated publicly listed and other of public interest companies and emphasises the need to provide the shareholder with information on the diligence of supervisory board members.

Finally, this code focuses on the careful management of conflicts of interest and related party transactions.

### *General principles*

Each supervisory board member has a duty of loyalty to the Corporation, the shareholder and thus the general public. Supervisory board members should act with integrity and in the best interest of the Corporation, as well as protect the confidentiality of information that has not been disclosed to the public. They should not compete with the Corporation and should avoid any position or activity which creates or appears to create a conflict between their personal interests and the interests of the Corporation, including holding board or executive positions in competing companies without the approval of the body that appointed them. Supervisory board members should contribute their expertise and devote to their duties the necessary time and attention. Supervisory board members should also limit the number of other professional commitments (in particular any directorships held in other companies) to the extent that allows for their satisfactory performance as supervisory board members. Finally, supervisory board members should endeavour to attend all meetings of the supervisory board.

### *Special practices*

2.4.1 As part of the internal regulations of the Corporation, the supervisory board should adopt practices/procedures ensuring that the supervisory board and the board of directors has sufficient information to base its decisions on related parties transactions in accordance with the business judgement rule. Such practices should also apply to the transactions of the Corporation's subsidiaries with related parties. The corporate governance statement shall make specific reference to the policies applied by the Corporation in relation to the above.

2.4.2 As part of the internal regulations of the Corporation, the supervisory board should adopt practices for managing conflicts of interests between supervisory board members and board of directors' members or persons to whom the board of directors has delegated any of its competencies and the Corporation or its subsidiaries and for protecting the confidentiality of information. These procedures should define how a supervisory board member or a board of directors member and persons to whom board of directors' responsibilities have been delegated should disclose to the boards in a timely and adequate manner any interest in related parties transactions or any other potential conflicts of interests with the Corporation or its subsidiaries.

2.4.3 A supervisory board member's other professional commitments (including significant non-executive engagements in companies and non-profit institutions) should be disclosed to the supervisory board before appointment and thereafter in the corporate governance statement. Changes to such commitments should be reported to the supervisory board as they arise. Supervisory board members should undertake at appointment that they will have sufficient time to meet what is expected of them.

2.4.4 Supervisory board members' annual attendance to supervisory board meetings should be disclosed in the corporate governance statement.

## **2.5 Nomination of supervisory board members**

### *Context*

Law 4389/2016 limits the term of supervisory board members to 5 years. They are appointed by the General Assembly and are selected with the consent of the European Commission and the European Stability Mechanism acting jointly and the Minister of Finance. This code also aims at ensuring that the supervisory board understands the business of the Corporation to a satisfactory level. Supervisory board composition should reflect in the broadest possible way the interests of the shareholder and the general public.

### *General principles*

Nominations to the supervisory board should be made on merit using objective criteria.

### *Special practices*

2.5.1 The names of supervisory board members submitted for election or re-election should be accompanied by sufficient biographical details and any other relevant information to enable the competent bodies (European Commission, European Stability Mechanism, and Minister of Finance) to make an informed decision.

2.5.2 The diversity policy for the supervisory board members shall be published on the Corporation's website. The corporate governance statement shall make specific reference to the diversity policy in relation to the composition of the supervisory board.

## **2.6 Functioning of supervisory board**

### *Context*

Law 4389/2016 provides general rules regarding the organisation of supervisory board meetings and the decision-making process of the supervisory board. This code proposes a more developed system the supervisory board's work in this respect. It also recommends that a clear and concise description of duties and responsibilities of supervisory board members be part of the internal regulation of the Corporation or of a separate corporate document.

A key task of supervisory board members is to understand the aims and nature of the Corporation's business. They should therefore be adequately inducted to the business of the Corporation from the beginning of their tenure onwards and their skills should be honed during their tenure.

The proper functioning of the supervisory board also requires the full time services of a supervisory board secretary who supports the supervisory board members. This person should be senior enough to be able to deal with and meet the needs of individual supervisory board members.

Minutes should be approved by the whole supervisory board in a timely manner.

### *General principles*

The supervisory board should meet sufficiently regularly to discharge its duties effectively. The supervisory board should be supplied by the board of directors and, if necessary, the management in a timely manner with information in a form and of a quality to enable it to discharge its responsibilities effectively.

### *Special practices*

2.6.1 The formal policy and procedure for the functioning and responsibilities of the supervisory board should be clear and well documented. The supervisory board should adopt an agenda in order to ensure that it properly, fully and timely fulfils its responsibilities and adequately considers all matters submitted to it for consideration.

2.6.2 The supervisory board should be assisted by a competent, suitably qualified and experienced supervisory board's secretary, who attends supervisory board meetings. All supervisory board members should have access to the services of the supervisory board's secretary, whose role is to provide practical support to the supervisory board members both as a group and individually, and ensure that the supervisory board comply with internal rules and relevant laws and regulations. Supervisory board's secretary should be one of its members or other person e.g. a senior employee or attorney.

2.6.3 The supervisory board's secretary's responsibilities should include ensuring good information flows within the supervisory board and between the board of directors and the supervisory board. She/he should also include facilitating induction and assisting with professional development of supervisory board members as required. Both the appointment and removal of the supervisory board's secretary should be a matter for the interested board as a whole.

2.6.4 The proceedings and decisions of the supervisory board should be recorded in minutes. Minutes of every meeting should be distributed and approved in a timely manner and kept by the supervisory board's secretary.

2.6.5 The supervisory board should ensure that an induction programme is established for new supervisory board and board of directors' members. Supervisory board members should receive, mainly by board of directors, regular briefings on business developments, and changes in the risk profile of the Corporation. They should also be apprised in a timely manner of changes in the legislation and the market environment.

2.6.6 Supervisory board members should have the right to request from board of directors any information they consider necessary to fulfil their responsibilities at any point in time.

## **2.7 Supervisory board evaluation**

### *Context*

The regular identification and assessment of strengths and weaknesses is a prerequisite for the improvement of board effectiveness. This code limits the scope of supervisory board evaluation to the assessment of collective supervisory board effectiveness. This code only

requires the individual evaluation of the supervisory board chairman; whose performance is a sine qua non condition for the effectiveness of the whole supervisory board.

#### *General principles*

The supervisory board should undertake a regular evaluation of its own performance.

#### *Special practices*

2.7.1 The evaluation of the performance of the supervisory board should take place at least every 2 years in line with a clearly established procedure. The evaluation exercise should be led by the chairman and its results discussed by the supervisory board. The chairman should act on the results of the performance evaluation by addressing the weaknesses of the board. The board should also evaluate the performance of its chairman. This should be led by another supervisory board member.

2.7.2 The supervisory board should briefly describe in the annual corporate governance statement how the performance evaluation of the supervisory board has been conducted.

### **3 Board of directors and its members**

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#### **3.1 Role and responsibilities**

##### *Context*

Law 4389/2016 (referring also to Law 2190/1920 for sociétés anonymes) requires the establishment of a board of directors (the “board”) as governing body of the Corporation, competent to decide on every act concerning the management of the Corporation, the administration of its assets and the pursuance of the Corporation’s objectives, within the limits of the law and except for matters decided by the supervisory board or the General Assembly of the sole shareholder. Every member of the board of directors should manage the company’s affairs with the diligence of a prudent businessman and for the general public interest.

Law 4389/2016 requires Corporation to establish an audit committee. The board, nevertheless, remains fully responsible for decisions under its responsibilities. The audit committee aims at developing specialised knowledge, discuss issues within their remit in depth, and make recommendations to the board.

The delegation of authorities to management by the board is often done in a “wholesale” fashion, in other words the board resolves to delegate all authorities to one person, the chief executive. The code recommends that matters reserved for the decision of the board be clearly identified in the Corporation’s internal regulations. In addition, the board should retain adequate oversight over further delegation of authority by the chief executive to key senior executives or third parties.

##### *General principles*

The board should provide effective leadership and direct the Corporation’s affairs in the interest of the Corporation and the shareholder (thus the general public), ensuring that management properly implements the Corporation’s strategy.

In discharging its role, the board should take into account the interests of key stakeholders such as employees, clients, citizens, creditors so long as this does not go against Corporation’s and general public’s interests. The main retained responsibilities of the board (in the sense that the relevant decision should be taken or ratified by the board) should include:

- Setting out strategic plans after receiving the Strategic Guidelines by the sole shareholder and approving annual budgets, business plans and proposing to the sole shareholder for approval major capital expenditures, acquisitions and divestitures;
- selecting and replacing, if necessary, the executive leadership of the corporation (other than CEO and the other executive member of the board of directors), and succession planning;
- monitoring the performance of senior management, and aligning executive remuneration, as determined in the Remuneration Policy, with the longer term interests of the Corporation, the shareholder, and the general public;

- ensuring the integrity of the Corporation's accounts, financial reporting systems and public disclosures, as well as the effectiveness of the systems of internal control and risk management;
- being alert to and adequately addressing actual and potential conflicts of interests between the Corporation, on the one hand, and its management, board members or the shareholder, on the other; to this end, the board should put a set of procedures in place for supervising transactions in order to ensure transparency and protect Corporation's and general public's interests;
- ensuring that there is an established compliance function and a satisfactory process for monitoring the Corporation's compliance with relevant laws, regulations and best practices; and
- deciding on and monitoring the effectiveness of the Corporation's governance processes including its system of decision-making and delegation of authorities and duties to other key executives.

### *Special practices*

3.1.1 The role of the board and the role of management should be clearly defined and documented in the Corporation's statutes or its internal regulations or other similar documents. The board should formulate a clear policy for the delegation of authorities, which should include a formal list of matters specifically reserved for the decision of the board.

3.1.2 The board, in order to prepare its decisions and ensure that the decision-making process is free from material conflicts of interests, establishes an audit committee responsible for monitoring financial reporting and the effectiveness of the systems of internal control and risk management, as well as supervising and monitoring statutory audits and matters concerning the objectivity and independence of the external auditors.

## **3.2 Size and composition**

### *Context*

By Law 4389/2016, the board of directors consists of no fewer than 5 and no more than 7 members, appointed by the supervisory board. Law 4389/2016 requires also that the duration of the board of directors, members' term shall be four (4) years.

According to Law 4389/2016, one representative, appointed by the European Commission and the European Stability Mechanism, acting jointly, should attend meetings of the board of directors, as an observer without voting rights. The above representative should be kept fully informed on issues of board agenda and may request in writing from the board any information on the matters related to the operations of the Corporation. This information is provided to her/him without undue delay. The mandate of the above representative is 4 consecutive years, without the right to renewal for the same person.

Law 4389/2016 requires also at most two members of the board to be executive members. Specifically, supervisory board appoints the chief executive officer among the board

members. Apart from the chief executive officer, the supervisory board could appoint another one executive member.

In the code, an executive member is defined as a board member engaged in the daily management of the Corporation as his/her primary occupation. A non-executive board member is a board member without any executive responsibilities in the Corporation. Ultimately the status of a board member as executive or non-executive is selected by the supervisory board and validated by the board of directors.

### *General principles*

The size and composition of the board should enable the effective fulfilment of its responsibilities.

The board has to be composed in such a way that demonstrates a high level of integrity and its members as a group possess the knowledge, ability and expert experience required to properly complete its tasks. Moreover, the board should include a diversity of skills, views, competences, knowledge, qualifications and experience, relevant to the business objectives of the Corporation.

Within such context, the Corporation should pursue the optimum diversity, in the composition of its board and senior executive team. Such composition aims at the efficient achievement of Corporation's targets on the basis that the Corporation gains access to a wider talent pool; thus increasing the Corporation's competitiveness, productivity and innovation.

### *Special practices*

3.2.1 The board should comprise of non-executive members who are free of material conflict of interest with the Corporation and do not have close ties with the management, controlling shareholders or the company.

3.2.2 The board shall disclose the personal and business relations of each individual candidate with the Corporation or its subsidiaries, the executive bodies and with a shareholder holding a material interest in the Corporation or its subsidiaries.

3.2.3 Board members shall not exercise directorships or similar positions or advisory tasks for important competitors of the Corporation or its subsidiaries.

3.2.4 A corporate governance statement included in the annual report should provide information on the board's composition and include the names of the chairman, the chief executive, as well as the heads and members of all board committees and the board of directors' secretary.

3.2.5 The corporate governance statement should state the term of appointment of each board member and contain a brief curriculum vita of each member, as well as a brief curriculum vitae of the board of directors' secretary.

### **3.3 Role and profile of the chairman of the board**

#### *Context*

The chairman of the board plays a crucial role in the governance of the Corporation.

According to Law 4389/2016, the chairman and the chief executive officer are different persons and they are appointed by the supervisory board.

#### *General principles*

The chairman should be responsible for leading the board, setting its agenda and ensuring that the work of the board is well organised and meetings conducted efficiently. The chairman is also responsible for ensuring that board members receive accurate and timely information. The chairman should ensure effective communication with the shareholder and the supervisory board. She/he should also ensure the fair treatment of shareholder's interests.

The chairman is selected among the board members considering the competencies to create the appropriate conditions for overall board and individual non-executive member effectiveness.

#### *Special practices*

3.3.1 The responsibilities of the chairman should be clearly established by the board and clearly distinguished from those of the chief executive; they should be set out in writing and communicated to shareholder.

3.3.2 The chairman should facilitate the effective contribution by non-executive board members to the work of the board and ensure constructive relations between executive and non-executive board members.

3.3.3 The chairman should be available to the shareholder to discuss issues of corporate governance.

3.3.4 Between meetings, the chairman of the board shall maintain contact with the supervisory board and consult with them on issues of, compliance of Corporation. The chairman of the board of directors should inform the supervisory board and the sole shareholder without delay of important events which are essential for the assessment of the situation and development as well as for the management of the Corporation.

### **3.4 Duties and conduct of board members**

#### *Context*

The code provides board members, as well, with a framework for meeting the standard of the prudent management of the Corporation's affairs. For this purpose, this code identifies the key duties and responsibilities of board members towards the Corporation, such as the duty to avoid and be transparent about conflicts of interest with the Corporation, the duty to protect the confidentiality of information and the duty to defend the Corporation's competitiveness.

It is required that board members perform their duties with integrity, objectivity and professionalism, and devote sufficient time to the fulfilment of their responsibilities. Accordingly, it is recommended to limit the number of board appointments of board members in unaffiliated publicly listed and other of public interest companies and emphasises the need to provide the shareholder with information on the diligence of board members.

In this context, board members should be responsible and collectively liable for the proper preparation of annual financial statements and disclosures, the annual report and the corporate governance report.

Finally, the code focuses on the careful management of conflicts of interests and related party transactions.

### *General principles*

Each board member has a duty of loyalty to the Corporation, to the shareholder, and thus to the general public. Board members should act with integrity and in the best interest of the Corporation, as well as protect the confidentiality of information that has not been disclosed to the public. They should not compete with the Corporation and should avoid any position or activity which creates or appears to create a conflict between their personal interests and the interests of the Corporation, including holding board or executive positions in competing companies without the approval of the supervisory board. Board members should contribute their expertise and devote to their duties the necessary time and attention. Board members should also limit the number of other professional commitments (in particular any directorships held in other companies) to the extent that allows for their satisfactory performance as board members. Finally, board members should endeavour to attend all meetings of the board of directors and the relevant committees.

### *Special practices*

3.4.1 As part of the internal regulations of the Corporation, the board should adopt procedures ensuring that the shareholder, the supervisory board and the board of directors has sufficient information to base their decisions on related parties' transactions in accordance with the business judgement rule. Such policies should also apply to the transactions of the Corporation's subsidiaries with related parties. The corporate governance statement shall make specific reference to the policies applied by the Corporation in relation to the above.

3.4.2 As part of the internal regulations of the Corporation, the board should adopt procedures for managing conflicts of interests between board of directors' members or persons to whom the boards has delegated any of its competencies and the Corporation or its subsidiaries and for protecting the confidentiality of information. These should define how board of directors' members and persons to whom board of directors' responsibilities have been delegated should disclose to the boards in a timely and adequate manner any interest in related parties transactions or any other potential conflicts of interests with the Corporation or its subsidiaries.

3.4.3 A board member's other professional commitments (including significant non-executive engagements in companies and non-profit institutions) should be disclosed to the board of directors and to the supervisory board before appointment and thereafter in the corporate governance statement. Changes to such commitments should be reported to the board of directors and to the supervisory board as they arise, and a notification to the shareholder could be adequate. Non-executive board members should undertake at appointment that they will have sufficient time to meet what is expected of them.

3.4.4 An executive board member's appointment as a non-executive board member in a company other than a subsidiary or a related company should be reported to the board of directors and approved by the supervisory board, and a notification to the shareholder could be adequate.

3.4.5 Board members' annual attendance to board and board committee meetings should be disclosed in the corporate governance statement.

### **3.5 *Nomination of board members***

#### *Context*

Law 4389/2016 limits the term of board members to 4 years and they are appointed by the supervisory board. This code also aims at ensuring that the board knows the Corporation and understands its business to a satisfactory level. Board composition should reflect in the broadest possible way the interests of the shareholder and the general public.

#### *General principles*

Nominations to the board should be made on merit using objective criteria. The supervisory board should ensure the orderly succession of board of directors' members so as to ensure the long-term success of the Corporation. Especially, for the appointment of the chief executive officer, Law 4389/2016 requires the consultation of the supervisory board with the non-executive members of the board of directors, with the exception of the first appointment.

#### *Special practices*

3.5.1 The names of board members submitted for election or re-election should be accompanied by sufficient biographical details and any other relevant information, such as justifications why each of those members was selected from a pool of competent candidates, to enable the supervisory board to make an informed decision.

3.5.2 The supervisory board should ensure that there is an effective and transparent procedure for the nomination of board of directors' members. The responsibilities of the supervisory board should include:

- determining selection criteria and appointment procedures for board of directors' members;
- periodically assessing the size and composition of the board of directors;

- evaluating the balance of skills, views, competences, knowledge, qualifications and experience, relevant to the business objectives and, in light of this evaluation, preparing a description of the role and capabilities required for a particular appointment to the board of directors;
- in relation to the appointment of the CEO, consulting with non-executive members of the board of directors;
- implementing the process for nominee identification and selection.

3.5.3 The diversity policy for board of directors' members, as adopted by the supervisory board, shall be published on the Corporation's website. The corporate governance statement shall make specific reference to the diversity policy applied by the Corporation in relation to the composition of its board of directors and senior executive team.

3.5.4 Executive board members should undertake to resign from the board upon the termination (in whatever manner) of their executive duties.

### **3.6 Functioning of the board**

#### *Context*

Law 4389/2016 provides only general rules regarding the organisation of board meetings and the decision-making process of the board. This code proposes a more developed system the board's work in this respect. It also recommends that a clear and concise description of duties and responsibilities of board members be part of the internal regulation of the Corporation or of a separate corporate document.

A key task of board members is to understand the aims and nature of the Corporation's business and to be updated regularly on these issues. They should therefore be adequately inducted to the business of the Corporation from the beginning of their tenure onwards and their skills should be honed during their tenure.

Minutes should be approved by the whole board at the following board meeting.

#### *General principles*

The board should meet sufficiently regularly to discharge its duties effectively. The board should be supplied by the management in a timely manner with information in a form and of a quality to enable it to discharge its responsibilities effectively.

#### *Special practices*

3.6.1 The formal policy and procedure for the functioning and responsibilities of the board should be clear and well documented. At the beginning of every calendar year, the board should adopt a calendar of meetings and a 12-month agenda, which may be reviewed depending on the Corporation's needs, to ensure that it properly, fully and timely fulfils its responsibilities and adequately considers all matters submitted to it for consideration.

3.6.2 The board of directors should be assisted by a competent, suitably qualified and experienced board of directors' secretary, who attends board of directors' meetings. All board members should have access to the services of the board of directors' secretary, a

senior employee or attorney, whose role is to provide practical support to board members both as a group and individually, and ensure that the board comply with internal rules and relevant laws and regulations.

3.6.3 The board of directors' secretary's responsibilities should include ensuring good information flows between the board of directors and its committees and between the board of directors and the supervisory board. Furthermore, the board of directors' secretary should ensure the effective communication with the shareholder and the supervisory board, with a view to ensuring that statutory and regulatory requirements are met. Both the appointment and removal of the board of directors' secretary should be a matter for the interested board as a whole.

3.6.4 The proceedings and decisions of the board and its committees should be recorded in minutes. Minutes of every meeting should be distributed and approved at the next board or committee meeting and kept by the board of directors' secretary.

3.6.5 The board should ensure that an induction programme is established for new board members and that continuing professional development programmes are available to other board members.

3.6.6 Board members should receive regular briefings on business developments, and changes in the risk profile of the Corporation. They should also be apprised in a timely manner of changes in laws and the market environment.

3.6.7 Board members should have the right to request from management, via the board chairman, any information they consider necessary to fulfil their responsibilities at any point in time.

3.6.8 The board should have access to independent professional advice at the Corporation's expense where the board judges it necessary to fulfil its responsibilities. For this purpose, any member should have the right to propose the appointment of professional consultants after a fully justified and documented proposal.

### **3.7 Board evaluation**

#### *Context*

The regular identification and assessment of strengths and weaknesses is a prerequisite for the improvement of board effectiveness. Often, chairmen hire external consultants to facilitate board evaluation and make the process more rigorous.

This code limits the scope of board evaluation to the assessment of collective board effectiveness. This code only requires the individual evaluation of the board chairman; whose performance is a sine qua non condition for the effectiveness of the whole board.

#### *General principles*

The board should undertake a regular evaluation of its own performance and that of its committees.

### *Special practices*

3.7.1 The evaluation of the performance of the board and its committees should take place at least every 2 years in line with a clearly established procedure. The evaluation exercise should be led by the chairman and its results discussed by the board. The chairman should act on the results of the performance evaluation by addressing the weaknesses of the board. The board should also evaluate the performance of its chairman. This should be led by another non-executive board member.

3.7.2 The non-executive board members should convene periodically without the executive members, in order to evaluate the latter's performance.

3.7.3 The board should briefly describe in the annual corporate governance statement how the performance evaluation of the board and its committees has been conducted.

## 4 Cooperation between boards<sup>3</sup>

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### *Context*

Law 4389/2016 sets specific and discrete duties and responsibilities for the supervisory board and the board of directors. The board of directors should cooperate with the supervisory board to ensure that the supervisory board is able to carry out its specific duties.

### *General principles*

In order to achieve an efficient communication, the provision of sufficient information to the supervisory board is the joint responsibility of the supervisory board and the board of directors.

Good corporate governance as well as proper management requires an open discussion between the supervisory board and the board of directors.

### *Special practices*

4.1.1 The board of directors informs the supervisory board regularly, without delay and comprehensively, of all issues of importance to the Corporation with regard to business development, risk situations, risk management and compliance. The board of directors points out deviations of the actual business development from previously formulated plans and targets, indicating the reasons therefor.

4.1.2 The supervisory board shall specify to the board of directors information and reporting duties in detail. The board of directors' reports to the supervisory board should be submitted in writing. Documents required for decisions are to be sent to the members of the supervisory board in due time before the meeting.

4.1.3 All boards' members ensure that the staff members they appoint to support them observe the confidentiality obligation accordingly.

4.1.4 The supervisory board and the board of directors shall report each year on corporate governance and publish this report in connection with the statement on corporate governance.

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<sup>3</sup>This part is partly based on the "German Corporate Governance Code" (2014).

## 5 Internal controls

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### 5.1 System of internal controls

#### *Context*

The establishment of an audit committee is a legal requirement by Law 4389/2016 for the Corporation. In line with European best practice and the Greek legislation, the code recommends the establishment of audit committee composed of non-executive board of directors' members.

It is recommended to Corporation to review regularly its internal control system. Internal control has been defined as a process, effected by an entity's board, management and other personnel, designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations<sup>4</sup>.

#### *General principles*

- The board of directors should present a balanced and clear assessment of the Corporation's position and prospects and ensure the integrity of financial statements and disclosures to the shareholder and to the general public.
- The board of directors should maintain a sound system of internal control to safeguard the Corporation's assets, and ensure that significant risks are identified and adequately managed. The board of directors should regularly review the corporate strategy, the main risks to the business, and the effectiveness of the system of internal control in managing these risks. The review should cover all material controls, including financial, operational and compliance controls, as well as the risk management systems. The board of directors, through its audit committee should also develop a direct and ongoing relationship with and receive regular reports from the Corporation's auditors in respect of the effective functioning of the internal control system.

#### *Special practices*

5.1.1 The board of directors, supported by its audit committee, should set appropriate policies on internal control and ensure that the system is functioning effectively. The board of directors should also define the process to be adopted for the monitoring of the effectiveness of internal control. This should encompass both the scope and frequency of the reports it receives from the internal audit service and reviews during the year, as well as the process for the annual assessment of internal control. The Corporation should use a recognised framework (e.g. the one proposed at the Hellenic Corporate Governance Code) and disclose it.

5.1.2 The board of directors establishes an internal audit department, which operates

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<sup>4</sup>This definition has achieved global acceptance and has been adopted by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the US. More information on **Internal Control Systems** and their implementation on listed companies can be found at the Hellenic Corporate Governance Code annexes.

under written terms of reference. The internal audit function should be independent from other business units and should report administratively to the chief executive and functionally to the audit committee of the board of directors.

5.1.3 The board of directors should undertake an annual assessment of the system of internal control. The assessment should consider the effectiveness and scope of the internal audit function; the adequacy of risk management and internal control reports to the audit committee of the board of directors; management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses. The board of directors should report to shareholders in the corporate governance statement that they have reviewed the main risks to the business and the system of internal control.

5.1.4 The audit committee is set up in order to assist the board of directors in its financial reporting, internal control and external audit oversight responsibilities. The audit committee should be composed of non-executive members of the board of directors. The committee includes at least one member with proven, adequate auditing and accounting experience.

5.1.5 The audit committee should meet at least four times per year to fulfil its responsibilities effectively. At least twice per year, the audit committee should meet the corporation's external auditor without the presence of members of the executive management.

5.1.6 The main role and responsibilities of the audit committee should be set out in written terms of reference and made available on the Corporation's website.

5.1.7 The corporate governance statement should describe the work of the audit committee and the number of meetings held during the year. The corporate governance statement should explain to shareholders how, if the regular auditor provides non-audit services as well, auditor objectivity and independence is safeguarded.

5.1.8 The audit committee may use the services of external consultants and, therefore, should be provided with an adequate budget for this purpose.

## 6 General Assembly and stakeholders

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### *Context*

Law 4389/2016 provides that the General Assembly is the supreme governing body of the Corporation and the sole shareholder is represented by the Minister of Finance. The Corporation should respect the rights of key stakeholders that include, among others, the sole shareholder who represents the general public as well as potential investors.

In order to keep the shareholder well informed of corporate developments is a prerequisite to organise meetings with the chief executive, chief financial officer, other executives and the board of directors' chairman on issues of broad strategy, planning, business planning, risk management and risk situations and corporate governance and should inform him/her of important concerns.

The Corporation should put modern technology to use and ensure that it has at the least a well maintained and informative website in order to communicate information about the Corporation as well as its subsidiaries (including the SOEs) to stakeholders in a timely, convenient and inexpensive way.

### *General principles*

The supervisory board as well as the board of directors should maintain a continuous and constructive dialogue with the shareholder and possibly other important key stakeholders, regarding their discrete roles.

### *Special practices*

6.1.1 The supervisory board and the board of directors' chairmen should be available to meet the shareholder to discuss eventual governance concerns, regarding their discrete roles.

6.1.2 The chairmen should ensure that the views of the shareholder are communicated to the whole boards.

6.1.3 The Corporation should maintain an active and up-to-date website that includes a description of its corporate governance, its management structure, its ownership, contact information and other useful shareholder and investor information.

6.1.4 The Corporation should adopt a special practice regarding communication with its stakeholders mainly the shareholder and potential investors that includes the policy for submission of questions to the board.

6.1.5 A summary of the minutes of the General Assembly should be available on the Corporation's website within 5 days after the General Assembly in Greek and in English.

6.1.6 All board of directors' members and the board of directors' secretary, the internal and the external auditor should be available to answer questions by shareholder relevant to their responsibilities and be available for attending a General Assembly at the shareholders' request.

### **7.1 Annex I<sup>5</sup>: Guidelines for preparing the corporate governance statement**

This Annex aims to provide guidance on the presentation and content of the corporate governance statement.

In line with this code, for each financial year, the Corporation should:

1. Include in its annual report a separate section with the corporate governance statement, which should contain:
  - a. a statement that it has voluntarily decided to comply with this code, and
  - b. an explanation of which special practices it departs from and the reasons for doing so.
  - c. Such explanation should not be limited to a simple reference to the principle or practice the Corporation does not comply with, but should be (a) specific to the Corporation's position, not generic or off-the-shelf, with reference to any alternative practice that the Corporation has adopted (b) meaningful, in that it sets the context and historical background, gives a convincing rationale for the action the Corporation takes, describes mitigating action to address any additional risk and to maintain conformity with the relevant principle and indicates whether the deviation from the code's provisions is limited in time and when the Corporation intends to return to conformity with the code's provisions, (c) understandable and persuasive.
2. Include in the annual report for the relevant financial year:
  - a. a short description of how the board operates, including:
    - i. the number of meetings of the supervisory board as well as of the board of directors and individual attendance by board members;
    - ii. the number of meetings of board committees and individual attendance by committee members;
    - iii. a short description of the composition, terms of reference and main issues discussed by each board committee;
    - iv. a description of how the performance evaluation of supervisory board and board of directors and its committees has been conducted.
  - b. information on board members including:
    - i. the identification of the chairman, the chief executive as well as the chairmen and members of board committees;
    - ii. short biographies of each board member and the Corporation's Secretary;
    - iii. the term of appointment of each board member (and the date the term ends);
    - iv. other professional commitments of each board member (including significant non-executive engagements in companies and non-profit institutions);
  - c. information on risk management and internal control:
    - i. a description of the main features of the company's internal control and risk management systems;

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<sup>5</sup>This part is taken from the Hellenic Corporate Governance Code.

- ii. a statement that the board has reviewed the corporate strategy, the main risks to the business and the system of internal control;
- iii. an explanation of how auditor objectivity and independence is safeguarded if the auditor provides non-audit services;
- d. information on board remuneration: the board remuneration report should be included in the corporate governance report, in accordance with Annex II.
- e. specific reference to the diversity policy applied by the Corporation in relation to the composition of its board and the percentage of each gender in the composition of the board and senior executive team.
- f. specific reference to policies ensuring that the board has sufficient information for deciding on related parties transactions, including transactions of subsidiaries with related parties.

## 7.2 Annex II<sup>6</sup>: Guidelines for the disclosure of all boards member's remuneration

### 1. Non-share-based cash or in-kind compensation to each executive board member

Executive board members	Salary		Bonus		Other awards & benefits <sup>7</sup>	
	Financial year N -1	Financial year N <sup>8</sup>	Financial year N -1	Financial year N	Financial year N -1	Financial year N
<b>CEO</b>						
<b>Executive A</b>						
<b>Executive B</b>						
<b>Executive C</b>						

### 2. Share-based awards to each executive board member

Executive board members	Shares awarded during the financial year		Share options granted during the financial year			Share options exercised during the financial year		
	Number	Vesting date <sup>9</sup>	Number	Exercise price	Vesting date	Number	Exercise price	Value
<b>CEO</b>								
<b>Executive A</b>								
<b>Executive B</b>								
<b>Executive C</b>								

### 3. Please disclose details regarding the executive director service contracts between the Corporation and the all boards members, including:

- duration of contract, severance payments, social security contributions, rights to a share of the profits and other benefits such as firm's car, travel expenses;
- method of assessing performance and/or calculating variable, performance-related compensation;
- specific provisions in executives' contracts regarding the following:
  - a. full or partial deferral of performance-related compensation and the terms of deferral;
  - b. conditional awards and performance conditions;

<sup>6</sup>This part is taken from the Hellenic Corporate Governance Code.

<sup>7</sup>Quantifiable sums of money, i.e. pension contributions, attendance payments.

<sup>8</sup>N: Most recent reporting year.

<sup>9</sup>Other details regarding any share-based remuneration plans for executives should also be disclosed in a narrative.

c. criteria and terms of participation in share award and/or stock option programmes.

Quantitative criteria:

Qualitative criteria:

Terms/Criteria for vesting of shares:

Terms/Criteria for vesting of stock options:

4. Compensations to non-executive boards (Supervisory and BoD) members

Chairman and non-executive board members	Board membership fees (for attending meetings)		Committee membership fees (for attending meetings)		Fees from participation in board of other group companies	
	Financial year N -1	Financial year N	Financial year N -1	Financial year N	Financial year N -1	Financial year N
<b>Chairman</b>						
<b>Other board members</b>						