

**CORPORATE GOVERNANCE REPORT OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR THE YEAR 2020**

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**I. PART ONE – The Adoption of the Corporate Governance Code**

**A. THE COMPANY’S RESOLUTION– The Members of the Governance Committees**

On 6 March 2003, the Company’s Board of Directors resolved to implement all of the provisions of the Corporate Governance Code (“the Code”)<sup>2</sup>. Through the Code Committees, the Company also implements the provisions of the Code for all its subsidiary companies, with the exception of the provisions concerning the composition of the boards of directors, where it is deemed that their composition is more effective by Executive directors.

During 2020, and up until the drafting of this Report, the positions of the officers and members of the Code Committees have been held by the following individuals:

1. **Reference Officer** (*§ A.2.5. of the Code The Board of Directors must appoint one of the Independent, Non-Executive Directors to be the Senior Independent Director. He/she shall be available to listen to the concerns of the shareholders which have not been resolved through normal communication channels).*

George Papaioannou (Non-Executive, Independent Director).

2. **Nomination Committee** (*§ A.4.1. of the Code – A Nomination Committee must be established to present its views to the Board of Directors on recommendations for the appointment of new Directors. The majority of the Members of this Committee must be Non-Executive Directors and its Chairman may be either the Chairman of the Board of Directors (in case he/she is Non-Executive) or a Non-Executive Director. The Chairman and the members of the Nomination Committee must be stated in the Annual Report).*

Up to 25/03/2020: George Papaioannou (Non-Executive, Independent Director, Chairman), Varnavas Irinarchos (Executive Director), Takis Klerides (Non-Executive, Independent Director) and Anastasios Athanasiades (Non-Executive, Independent Director).

From 26/03/2020: Takis Klerides (Non-Executive, Independent Director, Chairman), Varnavas Irinarchos (Executive Director), George Papaioannou (Non-Executive, Independent Director), Anastasios Athanasiades (Non-Executive, Independent Director) and Christoforos Hadjikyprrianou (Non-Executive, Independent Director).

3. **Remuneration Committee** (*§ B.1.1. of the Code –To avoid potential conflicts of interest, the Board of Directors must set up a Remuneration Committee comprising exclusively Non-Executive Directors which shall make recommendations to the Board of Directors, based on agreed terms of reference, on the framework and amount of the remuneration of the Executive Directors, determining on behalf of the Board of Directors specific remuneration packages for each Executive Director, including pension rights and any compensation payments. Companies are urged to include in the Remuneration Committee at least one member with knowledge and experience in remuneration policy.)*

Up to 25/03/2020: Takis Klerides (Chairman, Non-Executive, Independent Director), Nicos Michaelas (Non-Executive, Non-Independent Director) and Anastasios Athanasiades (Non-Executive, Independent Director).

From 26/03/2020: Takis Klerides (Chairman, Non-Executive, Independent Director), Nicos Michaelas (Non-Executive, Non-Independent Director) (up to 13/10/2020) and Christoforos Hadjikyprrianou (Non-Executive, Independent Director).

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2.The present report is drafted on the basis of the Code in force at the time of the reporting period, namely Annex 3 to RAA 21/2019 (5th Edition- January 2019) which is posted on the website of CSE  
<http://www.cse.com.cy/CMSPages/GetFile.aspx?guid=c97d387c-f342-4620-af39-3c58684863aa>

4. **Audit Committee** (§ C.3.1. of the Code – *The Board of Directors must set up an Audit Committee comprising at least two Non-Executive Directors with written terms of reference which must expressly set out their powers and duties. The members of the Committee, the majority of whom must be Independent Non-Executive Directors, must be stated in the Annual Report. The Chairman of the Committee or any other Member thereof must have experience in Accounting or Audit. The Committee must meet at regular intervals, at least four times a year.*)

Up to 25/03/2020: Anastasios Athanasiades (Chairman, Non-Executive, Independent Director), Takis Klerides (Non-Executive, Independent Director), Nicos Michaelas (Non-Executive, Non-Independent Director), and George Papaioannou (Non-Executive, Independent Director).  
 From 26/03/2020: Anastasios Athanasiades (Chairman, Non-Executive, Independent Director), George Papaioannou (Non-Executive, Independent Director), Nicos Michaelas (Non-Executive, Non-Independent Director) (up to 13/10/2020) and Andreas Constantinides (Non-Executive, Independent Director).

5. **Risk Management Committee** (§ C.3.8. and § C.3.9 of the Code – *The risk management systems are supervised by a separate Risk Management Committee which comprises Non-Executive Directors. The Risk Management Committee must meet at least once every quarter and its Chairman must report to the Board of Directors – All companies whose securities are listed in the Main Market are required to set up a Risk Management Committee [...].*)

Up to 25/03/2020: Nicos Michaelas (Chairman, Non-Executive, Non-Independent Director), Takis Klerides (Non-Executive, Independent Director) and Anastasios Athanasiades (Non-Executive, Independent Director).  
 From 26/03/2020: Nicos Michaelas (Chairman, Non-Executive, Non-Independent Director) (up to 13/10/2020), Takis Klerides (Non-Executive, Independent Director), Anastasios Athanasiades (Non-Executive, Independent Director), George Papaioannou (Non-Executive, Independent Director) and Christoforos Hadjikyprianou (Non-Executive, Independent Director). On 29/10/2020 Andreas Constantinides (Non-Executive, Independent Director) was appointed Chairman of the Risk Management Committee.

6. **Corporate Governance Code Compliance Officer** (§ C.3.7. of the Code – *The Board of Directors must appoint a competent executive as Corporate Governance Code Compliance Officer.*)

Adamos Adamides (up to 25/03/2020) and Demos Anastasiou (from 26/03/2020).

7. **Investor Liaison Officer** (§ D.2.4. of the Code – *The Board of Directors must appoint a management executive or officer of the company as Investor Liaison Officer. The information pertaining to the company must be distributed to all shareholders fairly, timely and free of charge.*)

Demos Anastasiou.

## **B. TERMS OF REFERENCE**

The Terms of Reference of each Officer and Committee, approved by the Board of Directors upon their recommendation, are as follows:

### **B.1. Terms of Reference of the Reference Officer**

The Reference Officer addresses the concerns and problems of the shareholders arising from their relations with the Company which have not been resolved through other communication procedures.

### **B.2. Terms of Reference of the Nomination Committee**

- 2.1. The purpose of the Committee is to assist the Board of Directors in:
- finding qualified individuals to become members of the Board of Directors,
  - determining the composition of the Board of Directors and its Committees,
  - monitoring the procedures for the evaluation of the efficiency of the Board of Directors, and

- developing and implementing the Company’s Corporate Governance guidelines.
- 2.2. For this purpose, the Committee shall have the following powers and responsibilities:
- a. Guide the search for qualified individuals to become members of the Board of Directors and select candidate directors to be proposed to the shareholders for approval at the annual general meeting. The Committee shall select candidate directors of utmost personal and professional integrity, who have demonstrated particular skill and judgment and are highly competent to work as a team, in collaboration with the other directors, in order to serve the long-term interests of the shareholders.
  - b. Review the composition of the committees of the Board of Directors and recommend to the Board the appointment of Directors to each committee. The Committee shall review and recommend the composition of the Committees on an annual basis and shall propose additional members to fill vacancies, if required.
  - c. Elaborate and propose Corporate Governance guidelines to the Board of Directors for approval. The Committee shall review these guidelines on an annual basis or more frequently if deemed necessary, and propose changes if required.
  - d. Elaborate and propose the annual reporting process on the work of the Board of Directors and its committees to the Board of Directors for approval. The Committee shall supervise the annual reports.
  - e. Review on an annual basis the remuneration and benefits of the Directors.
  - f. Delegate any of its responsibilities to sub-committees, as the Committee shall deem appropriate.
  - f. Assign investigations on candidate directors and retain external advisors, as the Committee shall deem appropriate. The Committee shall have exclusive power to approve the relevant remuneration and terms of reference.
- 2.3. The Committee shall have respective powers and responsibilities for the entire Group of the Company.
- 2.4. The Committee shall submit a report on its actions and recommendations to the Board of Directors after each meeting and shall prepare and present to the Board an annual performance report. The Committee shall review the adequacy of these terms of reference at least once a year and shall propose any changes to the Board of Directors for approval.

### **B.3. Terms of Reference of the Remuneration Committee**

- 3.1. The purpose of the Committee is to have the overall responsibility arising from the obligations of the Board of Directors to control and determine the remuneration of the Company’s executive officers.
- 3.2. In order to be able to fulfil its purpose, the Committee shall have the following powers and responsibilities:
  - a. Periodically review the remuneration policy of executive or managing directors on a periodic basis, including the policy on share-based remuneration and its implementation.

Similarly, it shall assess the degree of success and fulfilment of the objectives by each officer and, based on that assessment, shall recommend to the Board of Directors their proposed remuneration, including salary, bonus, incentives, etc., and the form in which these shall be paid (Share Options, etc.)

The amount of the remuneration must be adequate, but not excessive, to attract and retain in the service of the Company, the Chief Executive Officer and the other Executive Directors that enhance the Company’s management. Part of the remuneration of the Chief Executive Officer and the other Executive Directors must be determined in such manner as to link this remuneration to the performance of both the Company and the individual concerned.

The Committee shall request the views of the Chairman and the Chief Executive Officer on the proposals relating to the remuneration of the other Executive Directors.

The Remuneration Committee shall not determine the remuneration of the Directors for participating in activities of the committees. This shall be determined by the Company’s Board of Directors.

- b. Process and revise the incentive schemes for the Company’s personnel and propose to the Board of Directors schemes or changes that will encourage the personnel to make even greater effort towards fulfilling the Company’s objectives.

The incentive schemes must:

- (i) aim at the long-term increase of the performance of the incentives, in order to encourage officers and other members of personnel to remain with the Company;
- (ii) not burden the Company's profitability; and
- (iii) be compatible with the shareholders' interests.

3.3.

- a. The Committee shall be able to access professional advice both within and outside the Company and take into consideration the remuneration paid in comparable companies in view of determining the remuneration of the Chief Executive Officer and other Executive Directors, with due regard to the principle of maintaining and increasing the performance of the Company and/or the area of responsibility of each officer in question and that remuneration increases must reflect a corresponding improvement in the Company's performance.
- b. When determining salary increases, the Remuneration Committee must take into consideration the terms of remuneration and employment conditions at all levels of the Company, so that all members of personnel perceive the distribution by the Company of its positive results as being equitable, to the extent that this reflects their role and contribution towards improving the Company's performance.
- c. The Committee must examine the compensation-related commitments (including pension contributions) arising from the employment contracts of the Chief Executive Officer and other Executive Directors, if any, in case of early termination, and pursue the inclusion of an express provision on this matter in the initial contract. The employment contracts of these Officers must not include provisions which may reasonably be considered as prohibitive in cases of acquisition or merger of the Company, nor provisions that burden the Company with any fines that may be imposed on the Directors.
- d. In case the initial contract does not include an express provision on compensation-related commitments, in case of early removal, the Committee must, in accordance with the legal framework and depending on the specificities of each case, adapt its approach with the broader aim of avoiding the reward of decreased performance, applying fair treatment where the removal is not due to decreased performance and ensuring strict treatment aiming at reducing compensation in the cases of retiring Executive Directors so as to reflect the obligation of those retiring to mitigate the loss.

3.4. The Committee has respective powers and responsibilities for the entire Group of the Company.

3.5. The Committee shall prepare the Annual Remuneration Report which shall be submitted by the Board of Directors to the Company's shareholders as well as the part of the Corporate Governance Report which relates to the remuneration of the Directors, in accordance with the instructions and provisions of the Corporate Governance Code of the Cyprus Stock Exchange.

#### **B.4. Terms of Reference of the Audit Committee**

4.1. The role of the Committee is to assist the Board of Directors in supervising the quality and accuracy of the Company's financial statements, complying with legal and administrative rules, examining the professional level of the auditors, their audit work and independence, as well as the performance of the internal control. The Chairman of the Audit Committee must have experience in Accounting or Finance.

4.2. The number of the Committee's Members is determined by the Board of Directors.

4.3. The Committee's duties and responsibilities are as follows:

- a. Assess the standard of internal audit, review the Company's internal financial controls and internal control systems and ensure the implementation of the provisions of the Corporate Governance Code relating to the staffing, operation and independence of the Department.
- b. Review all of the Company's financial statements and overview of the financial information procedure and the submission of recommendations or suggestions for the safeguard of its integrity.
- c. Make suggestions and recommendations for improving the management control.
- d. Review circulars, financial reports or other information relating to the rights of the shareholders before these are forwarded to them.
- e. Assume responsibility for the procedure of selection and appointment suggestion of the statutory auditors or audit firms.

- f. Inform the Board of Directors about the results of the statutory audit and the explanation of the statutory audit contribution to the integrity of the financial information and the role of the Committee in this procedure.
- g. Assume responsibility for the Company's relations with the statutory auditors in general, including discussions on the auditors' personnel who shall be responsible for the Company's audit.
- h. Review the extent and effectiveness of the audit as well as of the independence and effectiveness of the statutory auditors or audit firms and especially the adequacy of the provision of non audit services from the statutory auditors based on the current legislation.
- i. Monitor the observations/suggestions of the statutory auditors on the Company's management, the preparation and presentation of its financial statements and the monitoring of their implementation.
- j. Submit to the Board of Directors an annual report which includes:
  - (i) The remuneration for auditing and advisory services paid to the Company's Statutory Auditors by the Company and its subsidiaries
  - (ii) The assignment to Auditors of advisory duties if deemed essential, either on the basis of the significance of the matter for the Company and its subsidiaries or on the basis of the remuneration to the statutory auditors.
- k. Supervise the selection procedures by the Chief Financial Officer of the Accounting Policies and Accounting Estimates used in the Company's Financial Statements.
- l. Draft, with the assistance of the Corporate Governance Code Compliance Officer, the Board of Directors' Report on Corporate Governance, to be included in the Company's Annual Report.
- m. Review the Company's transactions referred to in paragraph A.1.2 (g) of the Corporate Governance Code in order to ensure they are carried out at arm's length.

4.4 The Committee has respective powers and duties for the entire Group of the Company.

#### **B.5. Terms of Reference of the Risk Management Committee**

5.1. The Committee has the following objectives:

- a. Form the strategy for undertaking every form of risk that corresponds to the Company's corporate objectives and the adequacy of available resources in both technical means and personnel.
- b. Verify the independence, adequacy and effectiveness of the functioning of the Risk Management Directorate of which the Committee shall have responsibility to appoint and supervise.
- c. Ensure the development and ongoing effectiveness of the internal risk management system and its integration into the business decision making process with regard to any form of risk.
- d. Determine the principles that must regulate the risk management in terms of identification, prediction, measurement, monitoring, control and addressing them, in accordance with the business strategy implemented at the time and adequacy of available resources.
- e. Be informed on a regular basis and monitor the Company's overall risk profile, guide the Risk Management Directorate in the implementation of the risk taking strategy and their policy management.
- f. Ensure that the Company's Board of Directors is adequately informed in relation to all issues regarding the underwriting strategy, the tolerance level and risk profile when executing its strategic and supervisory duties.

5.2. The Committee has the following powers and responsibilities:

- a. To investigate any activity that falls within the scope of its operation and obtain all necessary information.
- b. To appoint external, legal or other professional consultants who will be deemed necessary for the implementation of its work and to secure resources for the payment of the respective remunerations and expenses.
- c. To form on an annual basis and suggest to the Board of Directors the risk undertaking strategy of the Company, to observe the implementation of the Board of Directors' relevant decisions and to suggest appropriate amendments.
- d. To approve and review on an annual basis and any other time that this is required, the risk management principles and policies.

- e. To obtain and review the quarterly submitted Risk Management reports relevant to the Company's total risk tolerance level and the improvement and efficiency of the risk management process, to inform the Board of Directors about the significant risks that the Company has undertaken and to observe and confirm their effective treatment.
- f. To annually assess the adequacy and effectiveness of the Company's risk management policy based on the annual Risk Management report and especially its adherence to the defined risk tolerance level.
- g. To formulate suggestions and recommend corrective actions to the Board of Directors, in the case where it identifies a weakness in the implementation of the strategy that has been formed for the Company's risk management or deviations on its implementation.
- h. To formulate suggestions to the Board of Directors regarding any matter that falls within its purpose and duties.
- i. To prepare and review a Risk Management Manual which will record:
  - i. The Company's risk management policy (risk appetite/tolerance, risk capacity, risk target, actual risks),
  - ii. The risks that the Company faces (credit risk, market risk, liquidity risk, operational risk),
  - iii. The procedure of Risk Management (risk measurement, risk control, risk mitigation, risk monitoring and performance).

5.3. The Committee has respective powers and duties for the entire Group of the Company.

#### **B.6. Terms of Reference of the Compliance Officer**

The Compliance Officer is responsible for the implementation of the Code. In performing his duties, he may consult with the other members of the Board of Directors and obtain advice from the Company's internal and external advisors, as the case may be. The Directors may address the Compliance Officer to ensure that their actions are in full compliance with the Code. The Directors who are informed or suspect that a breach of the Code has occurred or may occur must immediately notify the Compliance Officer.

#### **B.7. Terms of Reference of the Investor Liaison Officer**

The Investor Liaison Officer shall act in order to:

1. Ensure the ongoing and smooth communication with all the shareholders;
2. Provide the shareholders with sound and accurate information on material changes in the Company concerning its financial situation, performance, assets and their governance, in an ongoing and timely manner;
3. Encourage the shareholders to have a greater participation in the General Meetings and their business and provide them with the opportunity to express their views on various matters affecting the Company;
4. Where deemed necessary by the Board of Directors, organize meetings, workshops, seminars and lectures aimed at providing additional information to investors;
5. Ensure the Company's presence and participation in press conferences, meetings and other activities that may be organized by the Cyprus Stock Exchange in Cyprus and abroad.

The Investor Liaison Officer must have knowledge of the Company's financial situation and growth strategy and be updated on any significant developments in the Company.

#### **B.8. The Corporate Governance Code applicable at any time**

The Terms of Reference of the Committees and the Officers will also include all powers and responsibilities provided for in the Corporate Governance Code applicable at any time.

## II. PART TWO – The Implementation of the Corporate Governance Code

### A. DIRECTORS

#### A.1. Board of Directors

During 2020 the Board of Directors held 14 meetings. It has also taken 27 Written Decisions according to the article 112 of the Company's Article of Association. The Board's regular meetings were scheduled for the last Thursday of each month. The Management of the Company is informed of the meeting schedules of the Board of Directors, as well as, the agenda if this is deemed advisable. The Group Planning and Development Manager, the Director of Distribution, the Group Director of Sales Marketing and Services and the Director of Group Operations are usually present or advisable at the meetings of the Board of Directors.

The Directors hold offices on other boards of directors as well. Unless otherwise expressly stated, holding such offices on other boards of directors does not affect the Board of Directors' independence.

The exclusive responsibility of the Board of Directors covers all the matters set out in provision A.1.2. of the Code.

In view of the better exercise of their duties, Directors may obtain independent, professional advice at the Company's expense, provided they notify the Board of Directors or, in exceptional cases, the Chairman or another member of the Board of Directors. The Directors have access to the advice and services of the Company's Secretary.

It is deemed that the judgment of the Directors is impartial and independent and is taken in the interests of the Company and, by extension, of its shareholders.

There is no specific training programme for the Directors in relation to the legislation on the Stock Exchange and the companies. They are, however, informed about the basic provisions that regulate the status and function of directors of public companies and the relevant amendments made from time to time.

The responsibilities of the Board of Directors are exercised collectively and performed with the authorization granted by the Managing Director.

The managerial staff is considered to be the backbone of the Company's business and the employment procedure follows rational criteria aimed at recruiting the best available candidates under the circumstances.

For management purposes, the Board of Directors shall implement through the Nomination Committee of the Corporate Governance Code, a diversity policy that recognises the benefits of diversity in the composition of the Board of Directors and in particular in the diversity, training and specialisation of the directors to better meet the requirements of the Company's operating sectors. The final selection decision is made on the basis of objective criteria aimed at the composition of the Board of Directors by members with high academic training, successful professional background and a wide range of experiences while taking into consideration that experience is an important element of perception and fair judgement. The extend and importance of these parameters, however, is assessed with the need for age renewal. There is no gender discrimination in measuring these criteria.

The composition of the Board of Directors during the period under review allows the effective exercise of its responsibilities, reasonably reflects the activity and shareholding structure of the Company and allows fair and equal treatment of all its shareholders, while it is considered compatible with the provision A.1.12. of the Code as well as the mentioned diversity policy and are as follows:

Takis Klerides, 69 years old. He holds a business Studies Diploma of the United Kingdom and he is a member of the Association of Chartered Certified Accountants UK and member of The Institute of Certified Public Accountants of Cyprus. He exercised the profession of Certified Accountant up to 1999. From 2003 onwards, he exercises the profession of Business Consultant specialised in the field of banking, financing and insurance activities. He served as a Minister of Finance and he was a member of The Institute of Certified Public Accountants of Cyprus Board. He serves on the Board of Directors of the Company since 15 September 2003.

Varnavas Irinarchos, 62 years old. Graduate of Stockholm University Business Administration school and post graduate of the same University in Computers Science. He is an entrepreneur in the sector of information technology. He serves on the Board of Directors of the Company, of which he is the founder, since 9 December 1986.

George Papaioannou, 58 years old. Graduate of Ehtniko Kapodistriako University Law School of Athens. From 1990 up to 2002 he served at the Law Office of the Republic of Cyprus, as an Attorney of the Republic with a specific interest in issues of administrative and criminal law. He took part in legal congresses and was a member of the anti-corruption committee in the Council of Europe. In 2002 he resigned from his position in the Republic's Law Office and he runs his own law firm in Nicosia, with specific interest in issues of criminal nature. He serves on the Board of Directors of the Company since 21 August 2008.

Anthoulis Papachristoforou, 52 years old. He holds a Bachelor's degree in Accounting and Finance from the London South Bank University, and a degree in Business Studies from the Institute of Commercial Management in Bournemouth, UK, and professionally specialised in the field of finance. He is a member of the Association of Chartered Certified Accountants (ACCA) and the Institute of Certified Public Accountants of Cyprus (ICPAC). He serves on the Board of Directors since 17 November 2013.

Anastasios Athanasiades, 52 years old. He holds a Bachelor of Arts Honours Degree in Economics, Accounting, and Finance from the University of Manchester. He is a Fellow Member of the Institute of Chartered Accountants in England and Wales (FCA) and a member of the Institute of Certified Public Accountants of Cyprus. He exercises the profession of Certified Accountant and Tax Consultant, specializing on the issues of international tax and audit of Financial Statements. He served as Deputy Chairman and Deputy Government Commissioner of the Cyprus Securities and Exchange Commission. He serves on the Board of Directors of the Company since 7 December 2015.

Andreas Constantinides, 61 years old. He holds a Bachelor Degree in Economics Sciences from the University of Warwick. He is a member of the Institute of Chartered Accountants in England and Wales (ICAEW). He was a partner at PriceWaterhouseCoopers Limited in Cyprus, specialised in the fields of Consumer Markets, Information Technology and Agricultural Industry. He also served as member of the Board of Directors of the Cyprus Broadcasting Corporation (CyBC). He is a member in various Committee Councils, such as, inter alia, that of the Pancyprian Gymnasium Association (GSP), Junior and Senior School of Nicosia and the Cyprus-Austria Association. He serves on the Board of Directors of the Company since 24 February 2020.

Christoforos Hadjikyprianou, 60 years old. He holds a BSc in industrial technology and an MBA in Business Administration from the Southern Illinois University, U.S.A. He also holds a Doctorate degree (PhD) in Enrolment Management and Consumer Behaviour from Middlesex University, UK. He is the CEO and President of the Council of the European University Cyprus and he is also a member of the executive committee Galileo Global Education. He also serves in various social and athletic committees and he is currently Secretary General of the Cyprus University Sports Federation. He serves on the Board of Directors of the Company since 24 February 2020.

#### A.2. Balance in the Board of Directors

The Board of Directors comprises of seven members, Takis Klerides (Chairman of the Board of Directors), Varnavas Irinarchos, George Papaioannou, Anthoulis Papachristoforou Anastasios Athanasiades, Christoforos Hadjikyprianou (from 24/02/2020) and Andreas Constantinides (from 24/02/2020). Nicos Michaelas resigned from the position of the director of the Company on 13/10/2020.

Based on the criteria of the Code, amongst the Non-Executive Directors, Anastasios Athanasiades, Christoforos Hadjikyprianou and Andreas Constantinides are Independent Directors. On 15/09/2012 Takis Klerides and on 24/08/2017 George Papaioannou completed nine years of service on the Board of Directors and according to provision A.2.3.(h) of the Code, following that date they ought to have been considered as Non-Independent. However, the Board of Directors is of the opinion that their personality, scientific knowledge, professional experience and background, on the one hand, and proven objectivity and impartiality in the exercise of their duties as Directors of the Company on the other, as well as the absence of any interconnection with the Management or the Main Shareholders and of any direct or indirect conflict of interest with the interests of the Company and its shareholders, confirm and guarantee that their independence is not affected. For the reasons stated above, the Board of Directors considered them to be Independent Directors.



Chief Executive Officer is the Vice-Chairman and Managing Director Varnavas Irinarchos and Deputy Chief Executive and Managing Director Anthoulis Papachristoforou. Anthoulis Papachristoforou is also the Group's Chief Financial Officer.

Based on the above, from 14/10/2020, out of the six members of the Board of Directors, excluding the Chairman, four are Independent Directors and two are Executive Directors.

During the period under review and until 13/10/2020, out of the seven members of the Board of Directors, excluding the Chairman, four were Independent Directors, two were Executive Directors and one was Non-Executive, Non-Independent Director.

Independent Directors have confirmed their independence in accordance with the criteria laid down in provision A.2.3. of the Code.

There have been no issues between the Shareholders and the Company and no reports have been made to the Compliance Officer to resolve any such issues.

### **A.3. Provision of Information**

The Board of Directors has been regularly informed about the Company's financial situation and prospects. Directors are notified of the items to be discussed prior to the meetings.

The businesses of the Board of Directors are held on the basis of the agenda which is drafted following liaison between the Chairman, the Vice-President and Managing Director and the other members of the Board and forwarded to the Secretary at least three days prior to the date set for the meeting, except in urgent cases. In addition to the issues on the agenda, at its meetings the Board of Directors also addresses issues raised by the Directors after the drafting of the agenda.

The minutes of each meeting are prepared and forwarded to the members of the Board of Directors prior to the date of the next meeting and, upon approval, are signed by all Directors present at the meeting in question.

### **A.4. Appointments to the Board of Directors**

The composition of the Nomination Committee is set out in Part I.A.2. of this Report. The majority of the Members of the Nomination Committee are Non-Executive Directors (including the Chairman) and the Chairman until 25/03/2020 was George Papaioannou, while from 26/03/2020 Takis Klerides took over the duties of the Chairman of the committee. The Terms of Reference of the Nomination Committee are set out in Part I under B.2., with reference also to paragraph 1.B.8..

### **A.5. Re-election**

According to article 94 of the Company's Articles of Association, at every Annual General Meeting 1/3 of the members of the Board of Directors (or the nearest percentage thereof) retires by rotation. Moreover, according to Provision A.5 of the Code, Directors are required to resign [...] at least every three years [...] but may offer themselves for re-election. According to Order A.5.2. of the Code all Directors must be subject to re-election by shareholders at the earliest opportunity after their appointment and subsequently to re-election, at intervals not exceeding three years.

According to the provision mentioned above, the members of the Board of Directors retiring by rotation at the Annual General Meeting of 2021 are Takis Klerides, George Papaioannou and Anastasios Athanasiades who offer themselves for re-election.

Takis Klerides was born in 1951. He holds a business Studies Diploma of the United Kingdom, he is a member of the Association of Chartered Certified Accountants UK and members of The Institute of Certified Public Accountants of Cyprus. He worked in United Kingdom and Greece before returning to Cyprus. From 1977 to 1981 he worked for Metaxas Loizides Syrimis & Co. (KPMG) and from 1981 to 1999 he was a partner in the same company specialising, inter, alia, in the fields of banking, finance and insurance. In March 1999 he was appointed Minister of Finance, a position he held until February 2003. Among other, he was a member of the board of The Institute of Certified Public Accountants of Cyprus and a representative of Cyprus in the world assemble of the Association of Chartered Certified Accountants of the United Kingdom, as well as President of the Cyprus Basketball Federation and a member of the executive board of the Cyprus Olympic Committee. Since April 2013 he has been the Executive Chairman of the business consulting company CMK Eurofinance Consultants Ltd. He is a member of a number of Board of Directors of companies in Cyprus and abroad.

George Papaioannou was born in Nicosia in 1962. He is a graduate of Ethniko Kapodistriako University Law School of Athens. He distinguished himself in his academic studies and excelled in the entrance exams of the profession of law. From 1990 to 2002 he served in the Law Office of the Republic of Cyprus with a special interest in administrative and criminal law. He participated in legal conferences and was a member of the Council of Europe on combating corruption. In 2002 he resigned from the Law Office of the Republic of Cyprus and since then he runs his own law firm in Nicosia.

Anastasios Athanasiades was born on 16/03/1969. He holds a Bachelor of Arts Honour Degree in Economics, Accounting and Finance from the University of Manchester, in United Kingdom in 1991. He worked in Cyprus as a Director of Audit at Coopers and Lybrand from 1994 to 1996 and from 1996 to 2000 in the public sector (Treasury of the Republic of Cyprus) as Head of Internal of the Ministry of the Republic of Cyprus. In 2000 he was appointed by the Council of Ministers as Deputy Chairman and as Deputy Government Commissioner in the Cyprus Securities and Exchange Commission, a position he held until 2001. Since then he is working on the Audit of the Financial Statements. He is a member of the Institute of Certified Public Accountants of Cyprus and Fellow of the of the Institute of Chartered Accountants in England and Wales. He specialises in the audit of financial statements and international tax matters.

Except as stated above, no member of the Board has been elected or re-elected for a period exceeding three years.

## ***B. REMUNERATION OF DIRECTORS***

### **B.1. Procedure**

The composition of the Remuneration Committee is set out in Part I.A.3 of this Report. The Members of the Committee are Non-Executive Directors and have no business or other relationship that could materially affect the performance of their duties. All members of the Remuneration Committee are Independent Directors. Due to his long-standing experience with a business consulting firm, the Chairman of the Remuneration Committee has knowledge and experience in remuneration policy issues. The Terms of Reference of the Remuneration Committee are set out in Part I.B.3 with reference also to paragraph I.B.8.

### **B.2. The level and composition of the remuneration – Remuneration Policy - Remuneration Report**

During the year under review, it was not deemed necessary to use the services of a consultant on market standards for remuneration systems.

The Company's policy on the remuneration of its Executive directors recognises the necessity of the determination of remuneration of which the level and composition will be able to allow the attraction, retention and motivation of Executive directors which fulfil the required criteria, academic qualifications, knowledge and experience. Consists in correlating remuneration to individual performance and the Company's overall progress and the competitive comparison against other businesses of similar operations and comparable size.

Not any factor exists in the composition of the Executive directors' remuneration which consists wholly of non-variable factors without any predetermined or quantifiable performance criteria.

There is no annual bonus scheme and other benefits to the Executive directors, except as referred to in paragraph B.3. below and except the bestowal of a car or the reimbursement of maintenance and running expenses of a private car.

There are no retirement or early retirement plans or option plans or share-option plans to the benefit of Executive directors.

The report of the Remuneration Committee has been approved by the Board of Directors and is submitted to the shareholders of the Company for approval as part of this Annual Report.

The amount and the composition of the remuneration of the Executive Board of Directors are listed in Part II.B.3.

### **B.3. Notification**

The remuneration and other benefits of the Executive directors in 2020 were as follows:

Varnavas Irinarchos, Managing Director- €176.650 (Salary €151.650 plus Entertainment Expenses €25.000). Running and maintenance costs of privately bought owned car are also covered, amounting to €4.328 in the period under review. His employment contract was renewed and is valid from 01/01/2021 until 31/12/2021 with a salary of €150.000 plus entertainment expenses of €25.000 plus running and maintenance costs of privately owned car.

Anthoulis Papachristoforou, Deputy Managing Director- €271.000 (Salary €197.000 plus Entertainment Expenses €24.000 plus Bonus €50.000 - the bonus was granted based on the evaluation of the results of the Group for the year 2019). He is provided with a car the value of which was fully depreciated in 2012 and the relevant running and maintenance costs amounting to €6.422 in the period under review are covered.

The Executive directors have the right to participate in the Share Option or other Bonus Schemes, if and where applicable to the Company's regular personnel. No Share Option Schemes or Options were in force during 2020 and are not in force at the present time. The Executive Directors are not remunerated for their participation in the Board of Directors and in the committees of the Board of Directors.

The amount and the composition of the remuneration of the Non-Executive Directors is determined in the General Meeting. It is recognised, in one hand, that the remuneration of Non-Executive Directors should not include rights to purchase share or other information related to the Company's performance and, on the other hand, that it should reasonably reflect the time commitment, requirements and responsibilities of their role, without however, its composition being able to influence the independence of the Non-Executive Independent Directors.

The remuneration of the Non-Executive Directors for their participation in the Board of Directors which were determined with the decision taken by the Annual General Meeting in 2019 are the following: Chairman annual lump sum amount of €25.000 plus €500 per participation at the meetings of the Board of Directors and Non-Executive Directors annual lump sum amount of €7.000 plus €400 per participation at the meetings of the Board of Directors. The chairman of the Audit Committee and the Risk Management Committee are remunerated with an additional annual lump sum amount of €2.000. and €1.000 respectively.

The remuneration of the Non-Executive Directors for their participation in the Committee of the Corporate Governance Code, unless otherwise decided by the Board of Directors, is equal to the remuneration for the participation in the meetings of the Board of Directors.

The total remuneration received by the Chairman and the Non-Executive Directors during 2020, referring to the period between the Annual General Meetings of 2019 and 2020, are as follows: Takis Klerides (Chairman) €43.500, Nicos Michaelas €23.934 (the remuneration covers the period until the resignation of Nicos Michaelas on 13/10/20). George Papaioannou €21.400, Anastasios Athanasiades €24.200, Christoforos Hadjikyprianou €8.707 and Andreas Constantinides €8.307.

No remuneration is paid for the participation of members of the Company's Board of Directors in the boards of directors of its subsidiary companies.

The Independent Non-Executive Directors do not receive and did not receive any reimbursement from the Company except from their remuneration as members of the Board of Directors within the twelve months preceding their appointment, as this was approved with a decision of the Annual General Meeting of 2019.

## ***C. RESPONSIBILITY AND INTERNAL AUDIT – RISK MANAGEMENT***

### **C.1. Financial Statements**

The notifications, reports and statements of the Company, reflect the true picture of the Board of Directors data and estimates at the material time. Notifications are issued where required under statutory obligations and where deemed advisable in order to provide shareholders and investors in general with timely information.

The Company intends to continue to operate as a going concern for the next 12 months.

### **C.2. Internal Control and Risk Management Systems**

The Audit Committee ensures that the Company maintains a sufficient Internal Audit System to guarantee the maximum possible protection of the Shareholders' investments and the Company's assets. The Audit Committee inspects the Internal Audit Systems through the Company's Internal Audit Department and provides assurances to the Board of Directors that their effectiveness is satisfactory.

The internal control services are carried out by the Internal Audit Department, headed by Rovertos Giousellis, members of the Association of Chartered Certified Accountants (ACCA) and the Institution of Certified Public Accountants of Cyprus (ICPAC).

The Company's statutory auditors do not provide internal audit services.

The audit by the Internal Audit Department of the Internal Audit and Risk Management Systems is carried out on a sample basis in accordance with the International Standards of Internal Audit and covers audits of the financial and operating systems, as well as, compliance and management systems that threaten the achievement of the Company's objectives.

The Internal Audit Department helps the Group to achieve its objectives by applying a systematic and disciplined methodology in the assessment and improvement of the Risk Management Systems and Internal Control Systems and in the implementation of the Corporate Governance Code by each company.

No loans or guarantees have been granted to any Directors (or to any person associated with the same within the first degree or to their spouses or to companies in which they hold more than 20% of the voting rights) of the Company or the Company's subsidiaries either by the Company itself or its subsidiaries or by a company associated with the Company and, with the exception of normal business practice, there are no amounts receivable from a Director or any person associated therewith as stated above.

### **C.3. Audit Committee, Statutory Auditors and Compliance with the Code – Risk Management Committee**

The Audit Committee comprises three members and its composition is set out in Part I.A.4 of this Report. Its Chairman and two members are Non-Executive, Independent Directors and have no business or any other relationship that could materially affect the exercise of their duties. The Terms of Reference of the Audit Committee are set out in Part I.B.4 with additional reference in paragraph I.B.8.. The Chairman of the audit Committee has experience in Accounting and Audit and is a Qualified Accountant/Auditor. The members of the Committee, as a whole, have sufficient experience in the area in which the Company operates.

In 2020, the Audit Committee held 10<sup>3</sup> meetings and, as per its Terms of Reference, examined, amongst other issues, the issues related to the services of the Auditors, which have been found to be adequate, including their remuneration, which it considers reasonable. The relevant report has been submitted to the Board of Directors.

The statutory auditors and the entities belonging to the same group as the statutory auditors of the company do not provide to the Company any other services which as statutory auditors are not allowed to provide.

The accounting policies and accounting estimates followed are deemed to be satisfactory. The Company has adopted the International Financial Reporting Standards in relation to its business.

There have been no material transactions of the Company or its subsidiaries or associated companies, of any kind, in which the Chief Executive Officer, any senior management executive, secretary, auditor or major shareholder of the Company holding directly or indirectly more than 5% of the Company's issued share capital or voting rights, has any material interest, either directly or indirectly.

It is hereby confirmed that the Company has complied with the provisions of the Code.

This Report was drafted with the assistance of the Compliance Officer.

#### *Risk Management Committee*

The Risk Management Committee comprises five members who are Non-Executive Directors. Its composition is set out in Part I.A.5 of this Report. The Committee's Terms of Reference are set out in Part I.B.5 with additional reference in paragraph I.B.8.

The Risk Management Committee has perused, approved and adopted a Risk Management Manual, prepared by the Company's Internal Auditor, which records in detail, the categories of risks encountered by the Company and the Management's policy and procedures for addressing these risks.

In 2020, the Risk Management Committee held 4 meetings. At the quarterly meetings of the Committee, the Management presented the results of the methods and processes of managing the risks based on the Manual and the Committee confirmed the ongoing effectiveness of the internal risk management system and its continuous development across the range of the Company's operations. The Chairman of the Committee informed the Board of Directors accordingly.

## ***D. RELATIONSHIP WITH SHAREHOLDERS***

### **D.1. Constructive use of the Annual General Meeting**

The Annual General Meeting was convened and held in accordance with legal and regulatory provisions as well as with the provisions of the Corporate Governance Code.

The procedures followed at the general meetings permit, challenge and support the participation of the shareholders in the discussion of the issues on the agenda and the adoption of relevant resolutions. The shareholders are provided with satisfactory evidence and adequate time is provided for investigation and additional explanations in relation to the issues concerning extraordinary business at the annual general meetings or issues relating to the agenda of an extraordinary general meeting. Prior to and after concluding the business of the general meetings, opportunities are provided for communication and discussion amongst the shareholders and the members of the Board of Directors and the other officers and management executives of the Company.

### **D.2. Equal Treatment of Shareholders**

The entire authorized and issued share capital is divided into ordinary shares and there are no shareholders holding any titles with varied rights in relation to the exercise of voting rights or participation in the Company's profits. During voting, every shareholder is entitled to one vote for every share held.

Participation in the general meeting by proxy requires authorizations for which relevant forms are proposed and attached to the invitation.

The invitations are sent out within the deadlines determined by the Companies Law.

Provided they represent an adequate number of shares (5%), shareholders may propose issues to be discussed at the general meetings of the shareholders in accordance with the procedures established by the Companies Law.

The members of the Board of Directors and management executives are aware of their obligations, subject to their ongoing obligations for immediate announcement, to communicate information to the Board of Directors and to the shareholders through the Company's annual report and the accounts, relating to any material own interest which may arise from Company's transactions that fall within their duties, as well as any other conflicts of interest with those of the Company or its associated companies arising in the performance of their duties.

The information concerning the Company is provided to all shareholders fairly, promptly and free of charge.

The Company has a website providing information on important developments in the Company's operations, including the announcements made to the Stock Exchange, and allows visitors to personally contact the Investor Liaison Officer.

The Company's announcements and reports provide prompt and accurate information on the material changes concerning the Group and its business, including issues relating to the Company's financial statements, the objectives and activities, as amended, the main shareholders and voting rights, material foreseeable risks, material issues concerning employees (upgrading and restructuring of personnel) and the shareholders, governance structure and policies and the Company's extraordinary transactions.

Nicosia, 15 April 2021

By order of the Board of Directors,

Adaminco Secretarial Limited  
Secretary of Logicom Public Limited