

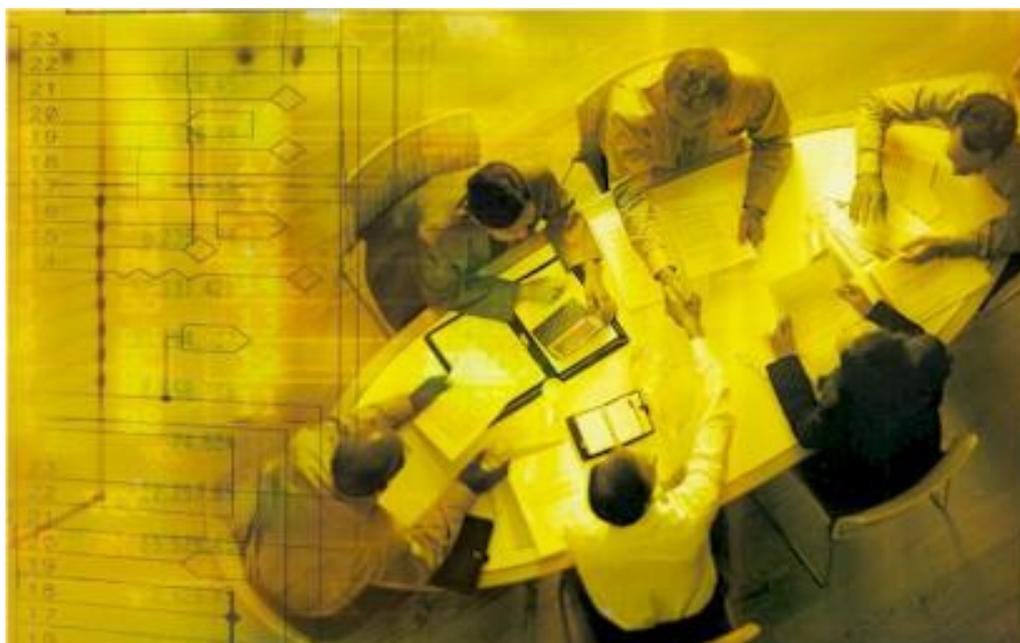
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CYPRUS STOCK EXCHANGE ("CSE")



Corporate Governance Code



4th Edition

April 2014

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INTRODUCTION

This Code replaces the Corporate Governance Code issued by the Cyprus Stock Exchange Council in March 2011 and is amended in September 2012.

Paragraph B.3.1 shall be applied by all listed companies excluding companies of the non regulated market of the Cyprus Stock Exchange. Specifically its application is obligatory for all companies listed in the regulated market of the Stock Exchange, irrespectively of whether the company selects to comply with the Corporate Governance Code of the Cyprus Stock Exchange.

The aim of the proposed regulations is to strengthen the monitoring role of the Board of Directors in listed companies, protect small shareholders, adopt greater transparency and provide timely information as well as sufficiently safeguard the independence of the Board of Directors in its decision-making.

Furthermore, the establishment of regulatory indicators of compliance with desirable rules of corporate governance and their wide application by both individual and institutional investors in the selection of listed securities and the creation of investment portfolios internationally, calls for all listed companies to conform directly with internationally accepted rules of corporate governance.

The proposed recommendations of best practice may become enriched by developments both in current Cypriot business practice as well as international practice.

This Code proposes the establishment of three Committees of the Board of Directors, namely the Nomination Committee, the Remuneration Committee, the Audit Committee and the Risk Management Committee. When the Board of

Directors of each company, given the particularities thereof, considers it expedient to establish more committees, it may proceed therewith.

The terms of reference as well as the activities of each Committee of the Board of Directors should be included in the Annual Report on Corporate Governance.

Annual Report on Corporate Governance

Listed companies have an obligation to include in their Annual Report, a Report by the Board of Directors on Corporate Governance as follows: In the first part of the Report, the Company should report whether it complies with the Code and the extent to which it implements its principles.

In the second part of the Report, the Company should confirm that it has complied with the Code provisions and in the event that it has not, should give adequate explanation.

Where a listed company applies the provisions of the Corporate Governance Code it is deemed that the Code also applies to the whole Group of Companies to which the Company belongs, namely also to the subsidiary through central subcommittees as Central Audit Committee e.t.c. Where the subsidiary companies of the listed company themselves maintain Committees which are referred to in the Corporate Governance Code of the CSE, namely the Nomination Committee, the Remuneration Committee and the Audit Committee, then the subsidiary companies themselves must also apply the provisions of the Corporate Governance Code of the CSE.

In addition to the existing Code of the Cyprus Stock Exchange listed companies should also take into account any other Code by another supervisory Authority (e.g Central Bank, Registrar of Insurance Companies, etc) which may be applicable to them.

A. BOARD OF DIRECTORS

A.1 Board of Directors

Principle: Every listed Company should be headed by an effective Board of Directors, which should lead and control the company.

Code Provisions

A.1.1. The Board of Directors should meet regularly, at least 6 times a year.

A.1.2. The Board of Directors should have a formal schedule of matters specifically reserved for its decision. The schedule of such matters should include at least the following:

- (a) the objects and strategic policy of the Company;
- (b) its annual budget and business plan;
- (c) the significant capital expenditures as set out by the Board of Directors;
- (d) the unusual transactions the context of which is set out by the Board of Directors;
- (e) the mergers, acquisitions and allocations of a significant part of the Company's assets;
- (f) the adoption and any changes in the application of accounting principles;
- (g) the material transactions of the Company and/or its subsidiaries and associated companies, of any form, in which any Director, Chief Executive Officer, Senior Executive, Secretary, Auditor or major shareholder of the Company' who directly or indirectly holds more than 5% of the Company's issued share capital or voting rights, has directly or indirectly any material interest;

- (h) the selection, appointment and termination of the services of the Chief Executive Officer (Chief Executive Officer or Managing Director or Director General or CEO or any other title used) of the Company;
- (i) the drafting of the retirement policy for executive management.

A.1.3. The degree of issues being exclusively reserved for the Board of Directors for decision-making, as stipulated in paragraph A.1.2 hereinabove for which there was not a respective assignment to the Company's Executive Management, should be communicated to the Company's Executive Management.

A.1.4. There board should ensure that directors have access to independent professional advice if necessary, at the company's expense where they judge it necessary.

A.1.5. All Directors should have access to the advice and services of the Company's Secretary, who is responsible to the Board of Directors for ensuring that Board procedures are followed and that applicable regulations are complied with. Both the appointment and removal of the Company's Secretary should be a matter for the Board of Directors as a whole.

A.1.6. All Directors should bring an independent and unbiased judgment during the exercise of their duties.

A.1.7. Every Director should be appropriately briefed and receive training on the first occasion that he or she is appointed to the Board of Directors of a listed company, and subsequently as necessary. Furthermore, he should have cognisance of the Cyprus Securities and Stock Exchange Law, as well as of the Companies Law and, in particular, of the points pertaining to the position he holds.

A.1.8. Every Director should dedicate the required time and attention in carrying out his duties and should limit the number of his other professional obligations (especially positions in Board of Directors of other companies) to such extent so as to allow him to carry out his duties in due performance.

A.1.9. The Board of Directors should function on the basis of the principle of collective responsibility and no category of its members should absolve itself from the responsibility towards another category. (Some directors – executive or non-executive – may undertake special responsibilities as regards specific issues for which they are accountable to the Board of Directors, which meets as a quorum. Irrespective of these special responsibilities assigned to some of its directors, the Board of Directors is responsible, as a whole, for carrying out its duties).

A.1.10. The Board of Directors should take care to ensure the smooth transfer of power in the Company's Chief Executive Management.

A.1.11. The Board of Directors is responsible for the monitoring and settlement of any matters of conflict of interest between Executive Directors, members of the Board of Directors and shareholders, including the cases of mismanagement of assets or transactions with associated parties.

A.2. Board Balance

Principle The Board of Directors should include a balance of Independent Non-Executive Directors and remaining Directors, such that no individual Director or small group of Directors can dominate the Board's decision-making.

Code Provisions

- A.2.1. The Board of Directors should include a sufficient number of Non-Executive Directors and with sufficient abilities, knowledge and experience, so their opinions carry significant weight in the Board's decision making. Companies not listed on the CSE's Main Market or on the Major Projects Market or on the Shipping Companies Market. Non-Executive Directors should comprise not less than one third of the Board of Directors.
- A.2.2. Executive Directors should be represented in the Board of Directors. Only Investment Organisations with a Fund Manager are exempted from the appointment of Executive Directors.
- A.2.3. For the larger companies, listed either on the CSE's Main Market or on the Major Projects Market or on the Shipping Companies Market, at least 50% of the members of the Board of Directors, excluding the Chairman, should comprise independent Non-Executive Directors. If the 50% criterion is not met, at least the one third of the Board of Directors must be Independent Non – Executive Directors and additionally the Companies must give a relevant explanation for the number of the Directors who are not Independent Non – Executive and who exceed the percentage of 50%, in the second part of the report, and submit a relevant application to the Council of the CSE for a reasonable time period for compliance.

The Council of the CSE may approve the Companies' applications for compliance, for each case separately, but this shall not in any case exceed the period of 12 months.

Every independent Non-Executive Director should meet the following minimum requirements:

- (a) He should not have any business or close family ties (up to first degree) or have an employer-employee relationship with other executive

members of the Board of Directors or with a shareholder who controls directly or indirectly the majority of the Company's share capital or voting rights, which could (significantly) affect their independent and unbiased judgment;

(b) He should not have any other material relationship with the Company which, by its nature, may affect his independent and unbiased judgment and, in particular, he should not be a supplier of goods or a provider of services, which, by their nature, (significantly) affect his independent and unbiased judgment, nor should he be a member of the Company, which is an advisor to the said Company. Additionally Directors shall not be considered independent if they personally, or their spouses, their children who are minors, their parents as well as companies in which they hold a percentage of over 20% of their share Capital and in which they exercise material control, have loans or Guarantees of a total amount which exceeds €500.000.

(c) He should not be an Executive Managing Director or Executive member of the Board of Directors of a directly or indirectly associated or subsidiary company presently or during the past 12 months;

(d) He should not have been an employee of the Company or of the Group within the last 5 years;

(e) He should not have nor had within the last 3 years any material business relation with the Company, either directly, or as a partner, shareholder, Director or Senior Employee of an Organisation which has a business relationship with the Company, which could, by its nature, affect his independent and unbiased judgment;

(f) He should not have any business relationship or close family ties with any of the company's advisers;

(g) He should not hold cross-directorships or has significant links with other Directors through involvement in other companies or bodies;

(h) He should not serve on the Board of Directors for more than 9 years continuously or not.

(i) As regards companies where the Government is the main shareholder, the following persons shall not be deemed to be independent Executive Directors: Ministers, members of the House of Representatives, members of Municipal Councils or other Local Authorities, Religious Officers, Civil Servants and members of the Armed Forces or of the Security Forces of the Republic.

(j) The Directors who are considered independent must submit to the CSE a signed confirmation of independence confirming that they comply with the criteria referred to in this provision, with the Annual Report of the Corporate Governance Code.

Where the Board of Directors of a company considers that a Director of the Company is independent, even if not all the provisions of independence are fulfilled, a comprehensive explanation of the reasons for which the Director is regarded as independent should be given in the Annual Report on Corporate Governance.

A.2.4. The board should identify in the Annual Report each Non-Executive Director it considers to be independent. The Annual Report should identify the Chairman and the Chief Executive Officer.

A.2.5. The Board of Directors should appoint one of the independent Non-Executive Directors to be the Senior Independent Director. The Senior independent director should be available to shareholders if they have concerns which through the normal channels had failed to resolved.

A.2.6.. The roles of Chairman and Chief Executive Officer should not be exercised by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established, set out in writing and agreed by the board. If these positions are not separated, there should be a relevant explanation in the second part of the Report.

A.3. Supply of Information

Principle **The Board of Directors should be supplied in a timely manner with valid information in a form and of a quality appropriate to enable it to discharge its duties.**

Code Provisions

A.3.1. Management has an obligation to provide the Board of Directors with timely, reliable and (accurate) information, especially with regard to facts which changed or may change the prospects or financial condition of the Company. In the event that such information volunteered by management is insufficient, the Directors should make further enquiries. The Chairman should ensure that all Directors are suitably informed on issues arising during Board meetings.

A.3.2. All Directors should be timely briefed in writing on meetings of the Board of Directors and should have in due time at their disposal all relevant documents for the meeting in order to have sufficient time to study them. All Directors should also be informed in good time of any extraordinary meetings.

A.3.3. The Chairman of the Board of Directors is responsible for the proper running of the Board and should ensure that all the issues on the agenda are sufficiently supported by all available information.

A.3.4. The minutes of a meeting of the Board of Directors, which should contain detailed decisions taken, should be at the disposal of all Directors the soonest possible after a meeting and definitely before the next Board meeting.

A.4. Appointments to the Board

Principle There should be a formal and transparent procedure for the appointment of new Directors to the Board of Directors. The Board of Directors should consist of competent and suitable individuals able to participate in the Company's Board of Directors.

Code Provisions

A.4.1. There should be a nomination Committee which should lead the process for board appointments and make recommendations to the Board of Directors. A majority of the members of this Committee should be Non-Executive Directors and its Chairman should be either the Chairman of the Board of Directors (if he is non-Executive) or a Non-Executive Director. The Chairman and members of the Nomination Committee should be identified in the Annual Report.

A.4.2. The appointment of a suitable and competent person should also take into consideration, apart from his/her knowledge and experience, his/her honesty and integrity.

A.5. Re-election

Principle All Directors should be resign at regular intervals and at least every three years. In case they wish, they can submit themselves for re-election.

Code Provisions

- A.5.1. Subject to Companies Law provisions relating to the removal of Directors and their obligation to be subject to re-election, Non-Executive Directors should be appointed for a specific term, and their re-election should not be automatic.
- A.5.2. All Directors should be subject to election by shareholders at the first annual general meeting after their appointment, and to re-election thereafter at intervals of no more than three years. The names of Directors submitted for election or re-election should be accompanied by sufficient biographical details to enable shareholders to take an informed decision on their election.

B. DIRECTORS' REMUNERATION

B.1. Procedure

Principle Companies should establish a formal and transparent procedure for developing a policy on executive Director's remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her remuneration.

Code Provisions

- B.1.1. To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee consisting exclusively of Non-Executive Directors to make recommendations to the Board, within agreed terms of reference, on the executive Directors' context and level of remuneration and to determine on their behalf specific packages for each of the Executive Directors, including pension rights and any compensation payments. Companies are urged to include at least one member with knowledge and experience in remuneration policy in the Remuneration Committee.
- B.1.2. The majority of the members of the Remuneration Committee should be non-Executive Directors who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent and unbiased judgment.
- B.1.3. The members of the Remuneration Committee should be listed each year in the Board's Remuneration Report to shareholders (see B.3.2 below).

- B.1.4. The remuneration of Directors, in their capacity as members of the Committees of the Board of Directors, should be determined by the Board itself and should be in accordance with the time they devote to the affairs of the Company. The remuneration of Directors, in their capacity as members of the Board of Directors, should be approved by the shareholders at a General Meeting.
- B.1.5. The Remuneration Committee should give the Chairman and Chief Executive Officer the opportunity to express their views as regards its proposals for the remuneration of other Executive Directors and should also have access to professional advice inside and outside the Company.
- B.1.6. The Remuneration Committee should periodically review the remuneration policy for Executive Directors or Managing Directors, including the policy regarding remuneration based on shares and its application.
- B.1.7. The Remuneration Committee shall, when using the services of a consultant to obtain information on market standards for remuneration systems, ensure that this consultant is not also giving advice to the human resources department or the Executive or Managing Directors of the Company.

B.2. The Level and Make-up of Remuneration

Principle **The level of remuneration should be sufficient to attract and retain the Directors needed to run the Company successfully, but Companies should avoid paying more than is necessary for this purpose. It is recommended that a proportion of Executive Directors' remuneration be structured so as to link rewards to corporate and individual performance.**

Code Provision

Remuneration Policy

- B.2.1. The Remuneration Committee should provide the remuneration needed to attract, retain and motivate Executive Directors of the knowledge and experience required but should avoid paying more than is necessary for this purpose.
- B.2.2. The Remuneration Committee should judge where to position its Company in relation to other companies. It should be aware what comparable companies are paying and should take account of relative performance. But it should use such comparisons with caution, in view of the risk that that they can result in an upward ratchet of remuneration levels with no corresponding improvement of performance.
- B.2.3. The Remuneration Committee should be sensitive to the wider scene, including pay and employment conditions elsewhere in the group, especially when determining annual salary increases. Additionally, the remuneration of Executive Directors or Managing Directors are in proportion to the remuneration of other Executive or Managing Directors and other staff members of the Company.
- B.2.4. In case part of the remuneration of Executive Directors is related to performance, this part should be designed to align their interests with those of shareholders and to give Executive Directors keen incentives to perform at the highest levels. Performance criteria should be based on the long-term viability of the Company and include non-financial criteria relating to creating long term value of the Company as is compliance with applicable rules and procedures.
- B.2.5. Where the remuneration policy includes variable remuneration, companies should set limits on the variable component/s. The non-

variable component of remuneration should be sufficient to allow the company to retain variable remuneration when performance criteria are not met.

- B.2.6. Executive Director's share options should not be granted at a price lower than the average closing price of the last 30 trading days prior to the granting date. Schemes under which share options are granted should only be adopted following the approval of an Extraordinary General Meeting of the Company's shareholders. Share options should not be exercised indicatively for at least 3 years after their allocation. Additionally shares should not be sold indicatively for at least 3 years after their allocation.
- B.2.7. The remuneration of Non-Executive Directors should be in accordance with the time they devote to the meetings and the decision-making to the affairs of the Company. Remuneration of Non – Executive Directors should not be linked to the Company's profitability and should not include share options. Additionally, the remuneration of Non-Executive Directors should not have the form of participation in the Company's insurance/pension schemes.
- B.2.8. Where a variable remuneration component is awarded, a large part of the variable component should be deferred for a minimum period. The part of the variable component subject to deferred payment should be determined in relation to the relative weight of the variable component, compared to the non-variable component of remuneration.
- B.2.9 The allocation of shares and the exercise of options, share options or any other stock option should be subject to predetermined and measurable performance criteria.
- B.2.10 After the allotment, the Directors should retain part of the shares until the end of their term as members of the Board, subject to the need to

finance any costs associated with the purchase of the shares. The number of shares to be retained should be determined [Indicatively they should be double the total annual remuneration (variable and non variable components)].

Employment Contracts and Compensation of Executive Directors

- B.2.11. The Board of Directors are advised to set fixed employment contracts which do not exceed five years and reduce the notice period of indefinite contracts to one year or less. The Board of Directors should set this as an objective; but they should recognise that it may not be possible to achieve it immediately.
- B.2.12. The Remuneration Committee should consider what compensation commitments (including pension contributions) their directors' contracts of service, if any, would entail in the event of early termination. They should in particular consider the advantages of providing explicitly in the initial contract for such compensation commitments except in the case of removal for misconduct. Employment contracts of Executive Directors should not contain clauses that can be interpreted as being prohibitive in cases of acquisition or merger of the Company, nor should there be clauses subjecting the Company to fines imposed on Directors.
- B.2.13. Where the initial contract does not explicitly provide for compensation commitments, the Remuneration Committee should, within legal constraints, tailor its approach in individual early termination cases to the wide variety of circumstances. The broad aim should be to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance and to take a robust line on reducing compensation to reflect departing Executive Directors obligations to mitigate loss.

B.2.14 The employment contracts with Executive or Managing Directors should include provisions that permit the Company to recover variable remuneration components which were awarded on the basis of information which subsequently proved to be inaccurate.

B.3. Disclosure

Principle The Company's Report on Corporate Governance should contain a statement of the remuneration policy and related criteria as well as details of the remuneration of the Executive and Non-Executive Directors.

Code Provisions

B.3.1. The total amount of remuneration should be analysed between remuneration for services rendered as members of the Board of Directors and remuneration for executive services. The remuneration of the Directors should be analysed for each Director separately by name and shall include information for fixed income such as salary as well as variable income such as bonus, shares, share options etc, in order to attain full transparency relating to the remuneration and the benefits of all the Directors.

B.3.2. The Board of Directors should submit a Remuneration Report to the Company's shareholders each year. This Report should form part of or be annexed to the Company's Annual Report. It should be the main vehicle through which the Company reports to shareholders on Directors' remuneration.

B.3.3. The Report should make reference to the Company's policy on the remuneration of Executive Directors and CEO in case he is not a member of the Board of Directors. The said Report should point out factors that especially concern the Company and should be submitted

to the Annual General Meeting of shareholders for voting. The Report on the Company's remuneration policy should also be placed on the Company's official website.

The exact content of the Report on the Company's Remuneration Policy is described in Annex 1 of the Code.

- B.3.4. The total remuneration and other benefits granted to Directors within the year must be identified in detail in the annual accounts or the notes of the annual accounts or, where applicable, in the Report on the Remuneration Policy.

The exact content of the Company's statement of remuneration is described in Annex 2 of the Code.

- B.3.5. In the cases of Directors who receive Shares, Warrants, Rights, etc. as remuneration or their remuneration is related to the price of shares, this must be subject to shareholders' approval through a resolution at a General Meeting prior to the adoption of the said schemes. Any acceptance thereof pertains to the scheme as a whole and not to every Director individually.

The exact content of the resolution and the cases in which it should be submitted are described in Annex 3 of the Code.

C. ACCOUNTABILITY AND AUDIT

C.1. Financial Reporting

Principle The Board of Directors should submit a balanced, detailed and understandable assessment of the Company's position and prospects.

Code Provisions

C.1.1. The Board's responsibility to submit a balanced, detailed and understandable assessment extends to all public reports, reports to regulators, as well as to information required to be presented by statutory requirements.

C.1.2. The Board of Directors should state in the Annual Report on Corporate Governance that the Company intends to continue to function as a going concern for the next twelve months.

C.2. Internal Control

Principle The Board of Directors should maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets.

Code Provisions

C.2.1. Directors should, at least annually, conduct a review of the effectiveness of the Company's internal control systems as well as of the procedures used to confirm the accuracy, completeness and validity of the information provided to investors and should make sure to report/certify this in the Report on Corporate Governance. The review should cover all systems of internal control, including financial and operational

systems, as well as compliance systems and systems for the management of risks, which threaten the attainment of the Company's objects.

Companies which do not have an Internal Audit Department should consider annually the need for one and should report and justify its non-existence in the Company's Annual Report on Corporate Governance. It is noted that the companies which do not have an Internal Audit Function and are listed either on the Main Market or on the Major Projects Market or on the Shipping Companies Market should outsource internal control issues to external professionals which provide internal audit services, outside of the Company (outsourcing). Companies listed on the other Markets and which do not have an Internal Control Department and have not outsourced such matters to external firms, should identify the natural person who is responsible for the review of the effectiveness of the Company's internal control systems. Furthermore, in case some internal control matters are outsourced to external firms, specific reference should be made thereto.

The Board of Directors should also certify annually in the Report on Corporate Governance that it took no cognizance of any violation of the Cyprus Securities and Stock Exchange Laws and Regulations, except those known to the competent Securities Authorities (where applicable).

C.2.2. In case the Company's external auditors provide, apart from audit services, other services too, the manner in which their objectivity and independence are safeguarded should be explained in the Annual Report on Corporate Governance. Furthermore, the Company's external auditors are restricted from providing Internal Control services to the same Company.

C.2.3. Any loans granted and any guarantee provided to Directors of the Company or of the subsidiaries or affiliated companies either by the

Company itself or by such subsidiaries or affiliated companies as well as any receivables by the Company in which a Director and/or a person related to him is involved, should be stated in the Company's Report on Corporate Governance, or through reference to its accounts, provided there is reference thereto. In particular, as regards the granting of loans, every Director should state the average loan received as well as the maximum loan amount received over the last 12 months, as well as its date of repayment. (It is clarified that in the case of Banks or other financial institutions, the transactions between the Directors and the Company made in the Company's usual course of business, under usual commercial conditions and with transparency, are not subject to the provisions of this paragraph).

It is noted that any reference to a Director should include the persons related to him up to first degree, the spouse as well as the companies in which he holds more than 20% of voting rights.

Furthermore, the responsibility of the Director to make the suitable enquiry in order to establish whether any transactions have been made in relation to him and proceed with a relevant declaration to the Company is hereby indicated.

C.3. Audit Committee, Auditors and Compliance with the Code

Principle The Board of Directors should establish specific and transparent arrangements for considering how they should apply financial reporting, corporate governance and internal control principles and for maintaining an appropriate relationship with the Company's auditors.

Code Provisions

C.3.1. The Board of Directors should establish an Audit Committee of at least two Non-Executive Directors, with written terms of reference who will expressly set out its powers and duties. The members of the

Committee, a majority of whom should be independent Non-Executive Directors, should be named in the Annual Report. The President or any other Member of the said Committee should have experience in accounting or audit. The Committee should meet regularly and at least four times a year, in order to effectively perform its duties.

C.3.2. The duties of the Audit Committee should include a proposal to the Board of Directors as regards the appointment, termination and remuneration of the Company's auditors and keeping under continuous review the scope and results of the audit and its cost-effectiveness and the independence and objectivity of the auditors. Where the auditors also supply a substantial volume of non-audit services to the Company, the Committee should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and added value provided.

C.3.3. The Audit Committee should submit each year to the Board of Directors a report which will include:

(a) the amount that the Company and its subsidiaries pay to the Company's auditors for their audit and consultancy services;

(b) the assignment to the auditors of material consultancy duties either according to their significance to the company and its subsidiaries, or according to the amount of the relevant remuneration. The companies should not entrust significant consultancy services to entities belonging to the same group as the Company's auditors, unless the auditors are in a position to confirm (written confirmation to the Company) that this assignment will not affect their independence and objectivity.

C.3.4. The Chief Financial Officer (CFO) or the person appointed to carry out his duties, should suggest to the Board of Directors the matter regarding the selection of accounting policies and accounting estimates for the

Company's financial statements. In such case, he should collect accurate data, which will be prepared by the Company's Financial Department, under the technical supervision of the auditors (where deemed necessary) and submit to the Board of Directors for review, an advisory report, which would point out all consequences of the final decision. The Audit Committee should supervise the aforementioned procedures and ensure that there is a mechanism to safeguard the assets of the company, including the prevention and detection of fraud.

- C.3.5. The duties of the Audit Committee should include the drafting, with the assistance of the Compliance with Code of Corporate Governance Officer, of a Report on Corporate Governance on behalf of the Board of Directors which will be included in the Company's Annual Report. In the first part of the Report on Corporate Governance, the Company should state whether it applies the Code's principles. In the second part of the Report, the Company should confirm that it has complied with the provisions of the Code and, if not, provide a relevant explanation.
- C.3.6. The duties of the Audit Committee should include a review of the Company's transactions referred to in paragraph A.1.2 (g), in order to ensure that these are carried out at arm's length.
- C.3.7. The Board of Directors should appoint a suitable executive as the Compliance with Code of Corporate Governance Officer.
- C.3.8. The duties of the Audit Committee should include the review of the company's internal financial controls. Additionally they should include the review of the company's internal control systems and risk management systems, unless the risk management systems are supervised by a separate Risk Management Committee consisting of only non Executive Directors. Where there is a Risk Management Committee, it must meet at least once every trimester and its President must inform the Board of Directors.

C.3.9 Companies which are in the Main Market, the Shipping Companies Market and the Large Projects Market must have a Risk Management Committee.

C.3.10 The Audit Committee should:

- ensure the functioning of the Internal Audit Department in accordance with the International Accounting Standards for the professional application of the Internal Control, of the International Institute of Internal Auditors (IIA),
- define and examine the rules of the Internal Audit Department of the company,
- follow and supervise the proper operation of the Internal Audit Department and examine the results of the internal auditors' work on a periodic basis,
- ensure the independence of the internal audit department and proposes to the Board of Directors the appointment or termination of the Head of Internal Audit,
- evaluates the Head of Internal Audit Department, who should have adequate and relevant academic and / or professional qualifications as well as work experience,
- discusses extensively with the Auditor major audit issues that arise during the course of the audit which have subsequently been resolved or remained unsolved,
- discusses extensively with the Auditor the weaknesses of the internal control system, in particular those concerning the procedures of financial reporting and the preparation of financial statements, which are referred in its report.

D. RELATIONSHIP WITH SHAREHOLDERS

D.1. Constructive use of the Annual General Meeting

Principle The Board of Directors should use the Annual General Meetings in order to communicate with investors and encourage their participation therein.

Code Provisions

- D.1.1. Companies should count all proxy votes and, except where a secret vote is called for, should indicate the number of proxy votes submitted for each decision, as well as the number of votes in favour and against a decision, after the vote by raising hands.
- D.1.2. Companies should propose a separate resolution at the Annual General Meeting for each substantially separate issue and should, in particular, propose a resolution at the Annual General Meeting relating to the Report and accounts.
- D.1.3. The Chairman of the Board of Directors should make sure that the Presidents of the Audit, Remuneration and Appointment Committees are available to answer to questions at the Annual General Meeting.
- D.1.4. The Chairman of the Board of Directors should make sure that the agenda and the overall organisation of the General Meetings do not eliminate substantial dialogue and the decision-making procedure. Proposals submitted to an Extraordinary General Meeting, or proposals considered to be of unusual nature, should be adequately and clearly explained to shareholders, who should be given sufficient time before the date of the meeting in order to evaluate them. This also applies in cases where the proposals submitted to General Meetings pertain the

assignment to the Board of Directors of the right to issue and grant shares at its absolute discretion.

D.2. Equitable Treatment of Shareholders

Principle: Corporate Governance Practices should stem from the principle of equitable treatment of all shareholders and all categories of shareholders, including minority shareholders. The procedures at General Meetings should guarantee the equitable treatment of all shareholders.

Code Provisions

D.2.1. All shareholders of the same category should be treated equally:

- a) For every category, all shareholders within the same category should have the same voting rights. All investors should be able to be briefed on the voting rights for all categories of shares prior to their purchase. Any changes in voting rights should firstly be subject to a vote by the shareholders of the said category.
- b) Proxy votes should be cast after a written proxy by the legal shareholder.
- c) The conditions and procedures of General Meetings should guarantee the equitable treatment of shareholders. The Company should adopt simple and inexpensive procedures for casting votes.
- d) Shareholders should furnish themselves with timely and sufficient information, including the date, place and agenda of the General Meeting, as well as be fully briefed on issues to be discussed at the Meeting.

e) Shareholders, provided they represent a sufficient number of shares (5%), should be given the opportunity to place items on the agenda of the General Meetings of the shareholders **in accordance with the procedures provided for by the Companies Act.**

D.2.2. The members of the Board of Directors and the Executive Directors should be obliged, subject to the continuous obligations for immediate communication of information, to immediately communicate any information to the Board of Directors and the shareholders through the Company's Annual Report and accounts, pertaining to any own material interest which might arise from transactions of the Company, which fall within their duties, as well as to any other conflict of own interests with those of the Company or companies related thereto, which arises from the exercise of their duties.

D.2.3. The acquisition of a Company should be carried out in an efficient and transparent way.

The rules and regulations governing acquisitions of companies on the stock markets as well as unusual transactions, such as mergers and sell-offs of a significant part of the Company's assets, should be clearly disclosed in order for investors to understand the consequences and their rights. For these transactions, the redemption prices and the conditions, which are fair, should be stated in order to protect the rights of all shareholders according to their category.

D.2.4. The Board of Directors should appoint a management executive or an officer of the Company as Investor Liaison Officer. All information pertaining to the Company should be distributed fairly, in a timely fashion and costless to all shareholders.

D.2.5. Institutional Investors should enter into constructive dialogue with the companies.

D.2.6. Shareholders should be given timely and precise reports on all material changes concerning the Company, including its financial condition, performance, ownership and corporate governance.

These reports should include, *inter alia*, the following material information:

- a) Financial statements of the Company;
- b) Targets and activities of the Company, if diversified;
- c) Major shareholders and voting rights;
- d) Material foreseeable risks;
- e) Material issues concerning employees (upgrade and restructuring of personnel) and shareholders;
- f) Structure of governance and policies;
- g) Unusual transactions of the Company.

ANNEX 1

Remuneration Policy Report

1. The Remuneration Report should in general include the way in which the Company's Remuneration Policy has been implemented in the previous financial year. However, the said Report should focus on the Company's Remuneration Policy for the coming financial year and, if possible, for the years to follow. Special emphasis should be placed on the significant changes in the Company's Remuneration Policy compared to the previous year.

The Remuneration Policy should at least include the following:

- Explanation of the relevant significance of the variable and non-variable composition of Directors' Remuneration;
- Sufficient information on the predefined and measurable performance criteria which should be based on the long-term viability of the Company and explanation of the method used for their selection. In addition these criteria should include non-financial criteria relating to creating long term value of the Company and on which the granting of share options, shares and variable components of remuneration shall be based in accordance with provision B.2.4.
- Sufficient information on the relation between remuneration and performance;
- Sufficient information on the periods of deferment of the variable components of remuneration, in accordance with provision B.2.8.
- Sufficient information regarding the periods of allotment of share-based remuneration in accordance with provision B.2.6.
- Sufficient information on the policy regarding the retention of shares after the allotment, in accordance with provision B.2.10.
- The main parameters and the reason behind every annual bonus scheme and any other non-cash benefits;

- Description of the main characteristics of the complementary pension or early pension schemes.
- Sufficient information on the policy regarding payments for termination of employment in accordance with provision B.2.14.
- Sufficient information on the composition of peer groups of companies whose remuneration policy has been examined in relation to the setting of the remuneration policy of the Company involved.

The disclosure of the above information in the Remuneration Report does not entail the disclosure of information, which is confidential to the Company.

2. The Remuneration Report should summarise and explain the Company's policy as regards to the terms of Executive Directors' contracts. In particular, it should include, *inter alia*, information on the duration of such contracts and details on the compensation provisions (and other related payments) in the case of early termination of contracts.

3. The Remuneration Report should include information on the preliminary procedure and the decision-making process for the Company's Remuneration Policy. In particular, it should include information on the terms of reference and the composition of the Remuneration Committee, the names of the External Advisors, the services of whom have been used in order to establish the Remuneration Policy, as well as the role of the Annual General Meeting of shareholders on this matter.

ANNEX 2

Disclosure of Directors' Remuneration

The disclosure of Directors' Remuneration should include the following:

A. Remuneration

- i. The total remuneration of Directors for their services within the previous year, including their remuneration for every meeting of the Board of Directors;
- ii. The remuneration and benefits received from every company belonging to the same group;
- iii. The remuneration paid in the form of profit and/or bonus distribution and the reasons why such remuneration was given;
- iv. Where this is legal, the additional payments to Directors for extra services rendered outside the scope and operation of the Board of Directors;
- v. The remuneration paid to previous Directors in connection with the termination of their employment during the previous financial year;
- vi. Overall assessment of the value of the benefits, which are considered to form a remuneration and have not been covered in paragraphs (i) to (v).

B. Shares – Warrants, Share options, etc.

- i. The number of share options granted during the year and the terms

for their implementation;

- ii. The number of share options exercised during the year, the number of the resulting shares as well as their exercise price;
- iii. The number of share options not exercised by the end of the year, the exercise price, the exercise date as well as the main conditions for their exercise;
- iv. Any change in the terms and conditions of the existing share options during the year.

C. Complementary pension schemes

- i. When the pension scheme is a defined-benefit scheme, the changes in the cumulative benefits of Directors during the year in question should be reported;
- ii. When the pension scheme is a defined-contribution scheme, the details of the contribution made by the Company to the benefit of Directors during the year in question should be reported;

D. Loans, guarantees and prepayments to every person who served as a Director during the year.

See provision C.2.3 of the Code.

ANNEX 3

Share-based remuneration

1. The General Meeting of the shareholders should approve the following:
 - Offer of a share-based remuneration scheme, including the granting of share options to Directors;
 - Fixing of their maximum number and the main conditions of the granting procedure.
 - Share options' exercise period;
 - The conditions for each subsequent amendment to the share options' exercise price, if this is possible;
 - Any long-term incentive schemes according to which beneficiaries are the Directors and not any other Company employee.
2. The General Meeting should also fix the last date by which the Board of Directors may offer the said remuneration schemes to Directors.
3. Every significant amendment to the terms and conditions of the schemes should be subject to the General Meeting's approval after explaining first the reasons of such amendment. In such cases, the shareholders should be briefed on all amendments as well as on the outcome of the proposed amendments.

4. Subject to the provisions of the legislation, every arrangement under which share options are converted into shares at a price lower than the share's market value at the date at which the exercise price is fixed or the average market value a number of days prior to the date at which the exercise price has been fixed, should obtain the shareholders' approval.

5. Paragraphs 1, 2 and 3 do not apply in case the Company's employees (or the employees of any subsidiaries of the Company) participate in the scheme under the same terms and the scheme has been approved by the General Meeting of shareholders.