



## **CORPORATE GOVERNANCE**

### **CODE**

**June 2019**

## Contents

1. Introduction.....	3
2. The Board of Directors .....	4
2.2. Responsibilities.....	4
2.3. Composition and Operation .....	5
2.3.1. Election Procedure for Nominees .....	6
2.3.2. Conducting the Operations of the Board of Directors – Corporate Secretary.....	7
2.4. The Chairman of the Board of Directors .....	7
2.5. Responsibilities and Obligation of Board Members.....	8
2.5.1. Conflict of interests .....	8
2.5.2. Protecting the confidentiality of information .....	9
2.6. Board evaluation .....	9
3. Investment Policy .....	9
3.1. Investment Committee .....	10
4. Internal Control and Risk Management .....	10
4.1. Audit Committee .....	11
4.1.1. Information Mechanisms, Risk Management, Internal Control Systems .....	12
4.1.2. Internal Audit .....	12
4.1.3. Ordinary Audit.....	12
5. Remuneration.....	13
6. Relations – Communication with Shareholders – Investors .....	13
6.1. General Meeting of Shareholders .....	14

## **1. Introduction**

The present Corporate Governance Code (CGC) refers to the overall established rules and business practices applied by TERNA ENERGY SA, so as to ensure its ongoing and efficient operation, to the benefit of its shareholders and other related parties.

The CGC is a foundation for the integration of a corporate governance system that continuously evolves and adjusts to the changing conditions of the company's economic, social and business environment, while it warrants the adherence to transparency principles, business ethics and proper management of all company resources at each management level.

The Board of Directors is the principal and responsible authority for practicing such principles throughout the company's operation, while it is also an advocate of the company's management philosophy. The Board's members are elected according to the following criteria: contribution to growth prospects, managerial ability and effectiveness, reliability and integrity, deep knowledge of corporate affairs, congruent cooperation with the company's senior executives and employees, high loyalty towards the company. These criteria together with the proportion between executive and non-executive members ensure coherence, continuity and smooth succession at the highest corporate level and contribute to maintaining the company's efficiency at high levels.

The adherence to corporate governance principles, the efficiency of the company's operation and the protection of all Shareholders' rights are monitored by the Board of Directors, which assesses the information it receives on a regular basis from the internal control system and mechanisms, as well as from the company's senior executives, regarding internal and external factors that expose the company and the attainment of its goals at risk.

Moreover, in the context of transparency and effective management of business risks, the company facilitates access of relevant senior executives from and to senior management on a daily basis, in order to gain direct insight on the risks and to proceed promptly and dynamically with making the necessary decisions and taking the appropriate corrective measures. The company continues to base its development on the above principles and practices.

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## **2. The Board of Directors**

### **2.1. Role**

As the highest authority in the company's management, the Board of Directors sets the guidelines and sees to the effective implementation of its strategy, by aiming at ensuring and promoting the long-term interest of all company Shareholders, under terms and methods that establish a sense of reliability for the company in the financial-business community and in the broader social environment, thus ensuring at the same time respect from and towards any related or relevant party.

### **2.2. Responsibilities**

As a collective body, the Board manages the company and handles its affairs, taking into account all the necessary decisions for all issues that fall under its responsibility according to the company's Articles of Association, the resolutions of the General Meeting and the relevant law. It is responsible before the General Meeting of Shareholders for ensuring their interests and for the overall efficiency and operation of the company. It decides on all corporate affairs, apart from those, which according to the legal framework and the company's Articles of Association, fall under the responsibility of the General Meeting. In the latter case, the role of the Board is to provide proposals.

The responsibilities of the Board of Directors, with the exception of the previous note, include:

- the long-term strategic and mid-term business planning of the company
- decisions of strategic importance, such as acquisitions, mergers, liquidations, high budget investments
- the planning of the general, as well as specific, basic policies for the company's operation
- the approval, supervision and evaluation of the implementation of annual projects and budgets
- ensuring the reliability and completeness of the accounting – financial systems and data and the company financial statements derived from such
- ensuring the smooth and proper operation of the appropriate systems and mechanisms for the company's internal audit, adhering to the company's legal – operational framework, as well as assessing and managing the business risks it faces
- the continuous effort for the avoidance or prudent handling of a possible conflict of interest of the Board of Directors or its members or basic shareholders with the interests of the company, by adopting transparency and monitoring rules on its transactions
- the selection of the Managing Director and the remaining members of the Board, which are also evaluated on their overall activity

- defining the remuneration of Board members and proposing their approval by the General Meeting of Shareholders, as well as deciding on the remuneration of the company's senior executives
- deciding on the company's organizational structure, management systems and procedures, as well as the amendment of such when deemed necessary by the company's internal and external operation conditions
- the establishment and effort to ensure the proper operation of committees specified by the Corporate Governance Principles (Audit Committee and Committee for Election of Nominee Board Members and their Remuneration)
- the establishment of collective bodies when deemed necessary for the improvement of the company's efficiency and operation
- the definition and effort to lay out and apply basic company values and principles, including those of corporate governance, throughout its overall relationship with all related parties.

### **2.3. Composition and Operation**

The Board of Directors may consist of five (5) to eleven (11) members, which are appointed by the General Meeting of Shareholders and are distinguished between executive and non-executive members. At least 1/3 of the Board members are non-executive, and from the latter at least two (2) are independent.

The executive or non-executive character for each Board member is defined by the Board itself and ratified by the General Meeting. The independent members are appointed by the General Meeting of Shareholders following a proposal by the Board of Directors and the confirmation that the nominees meet all the relevant independency requirements stated by law. The Managing Director is an executive member. The Chairman of the Board and the company's managers who participate in the Board of Directors may be executive members.

The non-executive members of the Board of Directors, independent or not, participate in the company's Audit Committee and Nominee and Remuneration Committee constituting the majority thereof, as more analytically described in the relevant chapter herebelow and ensure that they are informed systematically on the developments of corporate affairs and on developments of the legal, financial and business framework that governs the company's operation and that they are in a position to contribute to assessing and handling the business risks to which the company is exposed. The criteria for their selection include knowledge, experience, prestige and ability to form an objective, broad view on all the above and ability to communicate such with no bias to the company's Board of Directors.

The responsibilities and the structure of the Committees are described below, in the respective by content, chapter of the CGC.

### **2.3.1. Election Procedure for Nominees**

The Board of Directors, following a relevant proposal by the Nominee and Remuneration Committee, submits an extensive proposal for its structure to the General Meeting of Shareholders, which has the legal right to select and elect members of the Board. Through such a proposal, the Board of Directors suggests a Board composition that represents and ensures the interests of Shareholders in the broadest possible level, meets the company's requirements at each time as well as the requirements of its business environment, and ensures the smooth succession of its members in order to maintain an ongoing and efficient continuance of the company's operations through time.

#### **Nominee and Remuneration Committee**

The Nominee and Remuneration Committee consists of three (3) non-executive members of the Board of Directors, the majority of whom are independent. The Chairman of the Committee is the independent non-executive member.

The Committee, in the context of exercising its responsibility in relation to proposing nominee Board members and their evaluation, convenes at least once a year and whenever deemed necessary by the circumstances. The Committee's responsibilities include, among others, the following:

- defining the company's requirements as regards to the size and composition of its Board of Directors, with the objective to achieve unity and balance of knowledge, experience and management skills at the highest corporate level
- defining the role, responsibilities and skills of each position within the Board of Directors
- defining the criteria for proposing nominees according to the above requirements
- the periodic review of the Board's size and composition and the submission of proposals for changes – improvements when deemed necessary
- the description and execution of the nominee proposal procedure for members and the proposal towards the General Meeting for their election

### **2.3.2. Conducting the Operations of the Board of Directors – Corporate Secretary**

The company abides by the rules set by the Law on Société Anonyme Companies as regards to the assembly of the Board of Directors, its activities and the relevant decision making processes.

It convenes at least once a month and at any other time deemed necessary by the Chairman or by two (2) other members, according to those stated in the company's Articles of Association.

The Board is supported by a corporate Secretary, who ensures the systematical and smooth exchange of information between senior management executives and the Board of Directors, as well as members of the Committees and the Board. The Secretary also ensures the Board's compliance with the relevant legal – regulatory framework, as well as with the company's internal operation rules. Finally, the corporate Secretary is responsible for organizing the General Meetings and coordinating the necessary communication between shareholders and the Board of Directors, in order to adhere to the relevant provisions stipulated by the legal framework and the company's Articles of Association and to promote its relations with investors.

### **2.4. The Chairman of the Board of Directors**

The Chairman represents the basic instrument for applying Corporate Governance Principles in the company, with responsibility, among others, for the efficient operation of the Board of Directors and the active participation of all its members in making and reviewing the application of business decisions, as well as for the smooth communication between the company and its shareholders.

He/she is an individual widely accepted by the company's social, business and internal environment with deep knowledge on the company's corporate issues and historic developments. For this reason, the Chairman is also the basic representative that ensures a smooth succession of management and the ongoing operation of the company through time.

When the Chairman is an executive member, the Board of Directors may appoint an independent Vice-Chairman, which will be responsible for the smooth flow of information from and to all Board members and other relevant, according to the circumstances, company bodies.

The responsibilities of the Chairman of the Board of Directors include:

- convening and addressing the Board's activities on the issues of the daily agenda prepared by the Chairman himself according to the company's needs and the relevant requests by other Board members, while together with the latter the Chairman extensively discusses such issues
- making efforts for the efficient coordination and smooth communication between all Board members, as well as between the company and shareholders – investor, in order to ensure that all Board members are fully informed on both the internal evaluation of its operation and efficiency, and on its image towards the directly linked and broader external company environment

- ensuring that the above communication is based on the prompt, clear and reliable provision of information towards Board members on the total activities and operation of the company
- ensuring the smooth incorporation of other members to the Board of Directors and their motivation in order to encourage their active and substantial participation in corporate affairs and the decision making process

## **2.5. Responsibilities and Obligation of Board Members**

The members of the Board of Directors, while exercising their responsibilities, must exhibit “diligence of a prudent businessman”, namely they must dedicate sufficient time needed for the efficient management of the company, act with integrity, accountability and proper judgment and avoid actions that endanger the company’s competitiveness and conflict with its interests.

### **2.5.1. Conflict of interests**

In case where the interest of one member may conflict the corporate interest, then the member must disclose the possible conflict of interest in writing to the Chairman of the Board or declare the conflict during the first meeting of the Board after the conflict is established, in order to record it in the minutes. Also, the Board members, as well as the senior executives of the company must declare their possible intention to develop activities or conduct transactions that relate to the company or a basic client or supplier of the company.

In the same context, members must declare to the Chairman of the Board any of their participations in board of directors or other administrative bodies of other legal entities – organizations of any character and activity, as well as any other relationship and/or activity that may conflict the company’s interests.

Nominee members must disclose their professional commitments of any kind in other companies and in non-profit organizations, prior to their appointment in the company’s Board of Directors. An executive member of the Board that intends on undertaking the position of a non-executive Board member in another, non-related company, must previously receive the approval of the Board from the first company.

The Board of Directors sees to the effective management of possible conflicts of interest between its members and the company and the protection of the confidentiality of critical information that may affect the share’s price, the image, operation and competitiveness of the company.



### **2.5.2. Protecting the confidentiality of information**

The members of the Board, as well as several senior or other company executives, have access to internal/privileged information that provides them with a significant advantage against any other interested party for the purchase or sale of company shares. Such individuals are obliged to avoid exploiting this advantage for their own benefit, as well as to avoid transmitting the privileged information they have towards any third party. They must also be informed on their legal obligations in relation to issues of privileged information and must disclose directly and in a proper manner any transaction they perform on company shares.

The Investor Relations – Shareholders’ Service Department systematically informs the above individuals about their specific obligations and ensures that all Shareholders and interested investors simultaneously receive any information that may affect their decision to realize any transaction on the company’s shares.

### **2.6. Board evaluation**

The Board of Directors is the highest management body of the company, and is liable towards its shareholders for the protection and promotion of their interests relating to the company. To ensure the above goals are achieved, the Board evaluates its own effectiveness, as well as the effectiveness of committees supporting its work, at least every other year from when it assumes responsibilities. The relevant procedure is carried out with the responsibility of the Board’s Chairman, who proposes the required improvement measures in cases of detected weaknesses. The effectiveness of the Chairman is evaluated by the other Board members under the responsibility of one non-executive member or the independent Vice-Chairman, given that the latter is independent.

## **3. Investment Policy**

The mid-long-term strategic planning for the company’s development includes, among others, the following investment policy in order to achieve and maintain its business objectives through time.

The company’s Board of Directors is the responsible body that sets and applies investment policy. In this context the Board bases its decisions on the appropriate proposals submitted by the Investment Committee as regards to acquisitions, mergers, strategic alliances, high budget investments, liquidation of assets and any other action of strategic importance that may affect the capital structure and future development of the company. The Investment Committee convenes once every quarter and at any other time deemed necessary for the Board to make investment decisions.

### **3.1. Investment Committee**

The Investment Committee (I.C.) consists of five members, while three (3) members from the company's and its parent's Boards participate in the Committee together with two (2) senior executives or advisors of the company, according to the issue to be discussed. The Chairman and Managing Director of the parent company may be members of the Investment Committee.

As is the case for other company committees, the I.C. has the character of providing proposals and not making decisions. Its basic responsibilities include the following:

- preparing the investment policy and long-term investment plan of the company
- evaluating and approving the implementation of the annual investment plan, as well as any new significant investment that is separately submitted and for which the I.C. performs the following:
  1. it examines the company's capital adequacy to implement the investment
  2. it evaluates the business risks associated with such
  3. it evidences its objective and confirms that its implementation is included in the application measures of the company's approved business strategy.

### **4. Internal Control and Risk Management**

The internal control system is defined by the total rules and measures applied by the company, which aim at the preventive and restrictive audit of operations and procedures at all levels of the company's hierarchy and organization, in order to ensure: the legality and security of management and transactions, the accuracy and reliability of published financial statements and any other financial information and announcement, as well as the effectiveness of the company's operational systems and activities.

The Board employs the internal control system so as to protect the company's assets, estimate the evident risks from its operations and to provide accurate and complete information towards shareholders as regards to the actual condition and prospects of the company, as well as the manner in which detected risks are handled.

To implement the above, the Board defines the operational context of the internal control, approves the conduct and evaluation procedures of its results and decides on its composition, adhering to the relevant legal and regulatory framework. It establishes a special internal audit division, which is independent, is not subject to any hierarchy in relation to any other organizational unit and is supervised by the company's Audit Committee.

With the contribution of the Audit Committee, it evaluates the adequacy and effectiveness of the special internal audit division and the extent to which its reports are utilized by the Board for the continuous improvement of the company's operation at all levels and the effective management of business risks. Moreover, the Audit Committee maintains direct and regular contact with the external auditors, in order to be systematically informed on the adequacy and reliability regarding the operation of the internal control and risk management systems, as well as the accuracy and reliability of the financial information.

#### **4.1. Audit Committee**

The Audit Committee consists of at least three (3) members. It shall be composed of non-executive members of the Board of Directors and/or members appointed by the shareholders' general meeting. The Audit Committee members as a whole shall have competence relevant to the sector in which the company is active and the majority thereof must be independent from the Company, as per the provisions of law 3016/2002. The Chairman of the Audit Committee is appointed by its members or by the shareholders' general meeting and must be independent from the Company. At least one member of the Audit Committee is a chartered accountant in suspension or retired or has adequate knowledge in auditing and accounting.

The Audit Committee supports the Board of Directors in fulfilling its responsibility to ensure:

- compliance of the company's bodies and actions with the provisions of the legal – institutional – regulatory framework and the Corporate Governance Principles that govern its operation
- the completeness and reliability of accounting, IT and administrative systems of the company and the derived by such published financial statements and other reports
- the smooth and effective operation of all the company's control mechanisms in order promptly identify, apart from the above, business risks and handle such prudently and effectively.

The Audit Committee convenes at least four times a year and whenever else it deems necessary. It invites the ordinary auditor to its meeting at least twice a year to provide clarifications – explanations on its activity and its comments – conclusions on the financial statements and the general financial information of the company.

The Audit Committee has the following, by subject, basic responsibilities:

#### **4.1.1. Information Mechanisms, Risk Management, Internal Control Systems**

The Audit Committee:

- oversees the production procedure of the company's financial statements and other financial reports, examines their reliability and approves the content of announcements that refer to its effectiveness, as well as the relevant to such estimations and assessments by Management
- sees to the smooth operation of the internal control's activities, which it monitors, and also periodically reviews the adequacy and reliability of internal control mechanisms and mechanisms for the management of business risks with the following criteria, the prompt identification of business risk, the quick response to handle such and the clarity and completeness of their disclosure
- supports the company's internal audit service during the conduct of its audits in order to ensure the required freedom and independence of its actions, as well as to facilitate the collection of all required information from internal sources under complete discreteness and confidentiality
- investigates possible transactions of the company with any related party in detail and submits relevant reports to the Board of Directors in order to evaluate the possibility of present conflicts of interest with complete transparency and to prevent possible damage or loss for the company.

#### **4.1.2. Internal Audit**

The Audit Committee:

- supervises the operation of the Internal Audit Division in order to conduct its activities impartially, with objectivity and professional consciousness, adopting international standards and practices
- receives the reports of the Internal Audit Division, assesses their contents and invites their Head to provide further clarifications – explanations when deemed necessary
- proposes the head of the Division to the Board of Directors, evaluates the effectiveness and efficiency of such, and based on the above proposes the continuity or termination of his/her responsibilities

#### **4.1.3. Ordinary Audit**

The Audit Committee:

- monitors the conduct of activities by the ordinary auditor and assesses whether such is in accordance with the relevant legal – regulatory framework, the international standards and best practices

- examines and evaluates the adequacy of knowledge, professional consistency, independence and effectiveness of the ordinary auditor, and based on such proposes to the Board of Directors the continuance or termination of the relationship with the ordinary auditor

## **5. Remuneration**

When defining remuneration of Board members, senior executives and other company employees, clarity and objectivity are basic factors that contribute substantially to the success of the company and the promotion and maintenance of its value through time. They substantiate meritocracy at all company levels and constitute an incentive to attract professional executives with the ability to contribute effectively to enhancing the maintaining the company's growth rate.

Because the determination of the above remuneration is an issue of particular sensitivity for the overall operation of the company, it is assigned to the special **Nominee and Remuneration Committee**, which:

- processes and proposes the system that defines remuneration of employees
- process and proposes the criteria for defining remuneration of Board members and senior executives, distinguishing those applied for executive from the respective for non-executive members
- forms the proposals that must be submitted by the Board of Directors to the General Meeting of Shareholders for approval
- prepares and submits to the Board proposals for the corporate remuneration policy and assesses its application according to the relevant annual remuneration report
- evaluates the effectiveness of the remuneration system for the company's overall employees
- meets to discuss remuneration issues at least twice a year and whenever else deemed necessary, especially when, due to changes in circumstances, differences result in the terms of contracts between Board members and the company.

## **6. Strategic Planning Committee**

The purpose of the Strategic Planning Committee is to define the long-term strategy of the Group and the persons involved may not only be members of the Board of Directors but also persons who may contribute to the Company's business (energy and environment). The persons that each time compose the Strategic Planning Committee are appointed by a special decision of the Board of Directors. The Members of the Committee may invite other executives of the Company for specific issues, while allowing all executives to present to the Committee any new ideas, which the Committee shall be able to examine and present, in turn, to the Board of Directors.

## **7. Relations – Communication with Shareholders – Investors**

The Board of Directors emphasizes greatly on protecting the rights of all company Shareholders, by

facilitating the information they receive on the development of corporate affairs and by encouraging their participation in the General Meetings, where they have the opportunity to communicate directly with Management, submit questions they may have and contribute to the final positioning of the company's strategic directions.

The company has a special Investor Relations and Shareholders' Service Department, which ensures the direct, responsible and complete provision of information, as well as the facilitation of shareholders to exercise their rights.

In the same context, the Chairman of the Board and/or Managing Director:

- may realize individual meetings with company shareholders that own a significant share of its capital, with the objective to provide more detailed information on corporate governance issues
- collect the views stated by shareholders, transfer such to the remaining Board members and ensure that the principles and procedures of corporate governance and any other information useful for shareholders and investors are promptly available and easily accessible through modern means.

### **7.1. General Meeting of Shareholders**

The company adheres to the total relevant terms and provisions stipulated by the effective legal – regulatory framework as regards to the General Meeting of its Shareholders, with particular dedication on reinforcing their ability to smoothly exercise their rights, based on the completeness, accuracy and clarity of the information such receive promptly by the relevant company bodies, through all means available to the company.

Aiming at the largest possible presence of its shareholders (institutional and private) during the General Meeting, the company promptly announces, through any appropriate means, the daily agenda issues, the date and location where the General Meeting will convene. To facilitate their active participation in the General Meeting's activities, it provides complete information on the manner and deadline for exercising the right to list issues on the daily agenda, as well as to submit questions. Also, it informs shareholders about the number of shares and voting rights, the voting procedures and offers any other required supplementary document in order to conduct the General Meeting's activities most effectively.

Members of the Board of Directors, the company auditors and any other senior company executive, who are considered essential for the provision of detailed information and clarifications on shareholders' inquiries, are present at the General Meetings.