

(Emblem of the Hellenic Republic)  
Hellenic Capital Market Commission  
Legal Entity of the Public Sector

Decision  
1/891/30.9.2020  
of the Board of Directors

Re: Particularization of article 14 par. 3 sec. j and par. 4, Evaluation of the Internal Audit System (IAS) and the Application of the provisions on Corporate Governance (CG) of Law 4706/2020.

**THE BOARD OF DIRECTORS  
OF THE HELLENIC CAPITAL MARKET COMMISSION**

Having considered:

1. Paragraphs 3 and 4 of article 14 of Law 4706/2020 (GG 136/A/17.7.2020) on the “Corporate Governance of societies anonymes, modern capital market, implementation of the Directive (EU) 2017/828 of the European Parliament and the Council, measures on the application of the Regulation (EU) 2017/1131 and other provisions”.
2. Article 90 of the P.D. 63/2005 “Codification of the legislation on the Government and governmental bodies” (A 98).

**Unanimously decides**

**i. Introduction**

This decision sets out as provided in par. 4 of article 14 of Law 4706/2020 the time, the procedure, the periodicity and any more specific necessary matter on the application of the evaluation of the internal audit system that is provided in sec. j of par. 3 as well as the characteristics of the persons that carry it out.

Furthermore, according to par. 3 of the said article, it is provided that the Rules of Procedure of the company must according to sec. j of par. 3 of article 14 include the policy and procedure on the conduct of a regular evaluation of the internal audit system (hereinafter “IAS”) as well as the application of the provisions on the corporate governance of Law 4706/2020.

In particular, and in order to apply the evaluation of the IAS, the Rules of Procedure of the company must at least provide for:

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- (a) The policy on the evaluation of the IAS that consists of the general principles on the scope and the periodicity of the audit, the range of the evaluation, any significant affiliates that will be included in the evaluation, assignment and monitoring of the findings of the evaluation.

- (b) The procedure on the evaluation of the IAS that consists of the respective stages of the selection of candidates that shall carry out the evaluation by the competent body that might be the Audit Committee, the procedure on the recommendation, selection and approval of the assignment of the evaluation by the competent body as well as the competent person/body for monitoring and adhering to the agreed project.

Liable companies are the companies provided in article 1 “Scope of application” of Law 4706/2020 (hereinafter the “companies”).

ii. Selection Procedure

a. General Guidelines

The evaluation of the adequacy of the IAS is carried out based on the best international practices in order to safeguard the relevant to the IAS provisions included herein. As for the best international practices, these are but not limited to the International Federation of Accountants: International Standards on Auditing, the Institute of Internal Auditors: The International Professional Practices Framework and the COSO: Internal Control Integrated Framework.

In case of a group, especially in the case of a listed mother holdings company, prior to the commencement of the project, the significant affiliates must be determined based on the policy of the company that shall be included in the range of the evaluation as set out in article 2 of Law 4706/2020. The scope of the project is decided by the Board of Directors of the listed mother company according to its adopted policy.

b. Scope of the evaluation

The following fall within the scope of the evaluation:

1. Control Environment

The Control Environment consists of the set of infrastructures, policies and procedures that are the basis for the development of an effective IAS as well as provide for the framework and the infrastructure for achieving the fundamental objective scope of the IAS.

In essence, the control environment is the sum of many respective elements that determine the overall organization and the way to manage and operate the company. The review of the control environment consists mainly of the following:

- **Integrity, Morals & Conduct of the Management:** It is examined to what extent a clear framework of integrity and morals that run through the decision making of the Board of Directors have been implemented as well as to what extent there are monitoring procedures on full compliance so as any deviation is detected promptly and corrected appropriately.
- **Organizational structure:** It is examined to what extent the organizational structure of the company provides for a framework on the planning, execution, control and supervision of the company’s activities based on its organizational structure for each business unit and its operational activities according to which the primary areas of

responsibility within the company are determined and the suitable reference guidelines are determined depending on the size of the company and the nature of its activities.

- **Board of Directors:** The structure, organization and the way of operation of the Boards of Directors and its committees are examined: in particular, with regard to a) the relation with the executive administration, b) the supervision authority on the operation and the effectiveness of the IAS and c) the composition of the Board of Directors (e.g. the size, the suitability and the variety of the members of the Board of Directors etc.).
- **Corporate responsibility:** The operation of the higher executive administration and the way in which it implements under the supervision of the Board of Directors, the appropriate infrastructures, reference lines, areas of responsibility and power in order to achieve the scope of the company are examined.
- **Human resources:** The following but not limited to the recruitment practices, fees, training and evaluation of the performance of the personnel are examined in order to establish the commitment of the Administration to the principles of integrity, morals and sufficient knowledge of the personnel).

## **2. Risk Management**

It consists of the review of the risk acknowledgement and assessment procedure (risk assessment), management and response procedures of the company to the said risks (risk response) and the procedures on the monitoring of the development of the risk (risk monitoring).

In particular, the following are reviewed:

- The role and operation of the Risk Management Committee (if any) or any other body of the company with respective powers.
- The work and the duties of the Unit for Risk Management, if any, or otherwise the office or the employees to whom the said duties have been assigned.
- The implementation of the appropriate and effective policies, procedures and tools (such as keeping a risk register) on the determination, analysis, control, management and monitoring of any kind of risk inherent to the operation of the company.

## **3. Control Activities**

It consists of the review of the mechanisms on the control of the critical safety net emphasizing on the safety net related to conflict of interest issues, separation of duties and governance and security of information systems.

## **4. Information and Communication**

It concerns the review of the procedure of the development of the financial (including the reports of the auditing mechanisms (e.g. Supervisory, Regulatory and Regulating Authorities, Chartered Auditors etc.) and non-financial information (e.g. sustainable development policy, environmental, social and labor issues, respect of human rights, fight against corruption, issues on bribery as provided in article 151 of Law 4548/2018) as well as the review

of the procedures on the critical internal and external communication of the company.

Pursuant to its Rules of Procedure, the company must dispose of appropriate channels of internal and external communication such as communication with the members of the Board of Directors, the shareholders and the investors, communication with the existing Committees of the company, complaint on whistleblowing, communication with the Regulatory Authorities etc.

## **5. Monitoring**

It concerns the review of the infrastructure and the mechanisms of the company that are competent for the constant evaluation of the components of the IAS and the report of the findings to be corrected or improved. In particular, the operation of the following infrastructure and mechanisms are reviewed:

### *Audit Committee*

It concerns the review by the evaluator of the procedure on the monitoring of the efficiency of the IAS by the audit control.

### *Internal audit unit*

It includes the review by the evaluator of the following elements on the organization and operation of the internal audit unit and the compliance with the provisions of articles 15 and 16 of Law 4706/2020 and the applicable regulatory framework, i.e. the policies, procedures, practices and applicable legislative and regulatory requirements and in particular:

- The implementation and application of an approved by the Board of Directors Rules of Procedure of the internal audit unit.
- The integration of the operation of the internal audit unit to the framework of the governance of the company, its organizational independence and the sufficiency of its staffing.
- The review of the tools and techniques used by the internal audit unit.
- The review of the combination of the knowledge and qualifications of the personnel of the internal audit unit.
- The “random” review of the audit reports on the internal audit unit of the company and its affiliates as to the prompt filing as well as the appropriateness and completeness thereof based on the provisions of article 16 of Law 4706/2020.
- The effective operation of the provided in the regulatory framework and the Rules of Procedure of the company, supervisory bodies of the internal audit unit.

### *Regulatory Compliance:*

It refers to the review by the evaluator of the monitoring procedure on the compliance with the regulatory and legal framework as well as the internal regulations that govern the operation of the company. The provisions on corporate governance of Law 4706/2020 are included in the said framework. In particular, the following are reviewed:

- The Regulatory Compliance Unit, if any, and in the contrary, the respective competent office or the personnel as to its independence, possibility to access all the necessary sources of information, the prompt and truthful communication of all its findings and its training

and information on the monitoring of the effective adoption and the application without any deviations of the changes in the regulatory framework.

- The adequacy of the procedures as to the prevention and fight against money laundering from criminal activities, where applicable.
- The sufficient staffing with persons that have the sufficient knowledge and experience to carry out the said duties.
- The adoption of an approved by the Audit Committee annual action plan and the monitoring of its implementation.

c. Evaluation report and recipients of the report

The evaluator of the IAS upon the completion of his evaluation shall submit a findings report of the evaluation that shall consist not only of the summary of his comments but also the analysis thereof, the date of its preparation, the date of reference of the evaluation and the period that the evaluation report covers for that shall commence on the day after the date of reference of the previous evaluation.

The summary consists of the conclusion of the evaluator depending on the evaluation standards that he refers to with regard to the sufficiency and the efficiency of the internal audit system. Moreover, it includes the most important findings of the evaluation, the risks and the consequences that arise from them as well as the response of the company's Administration to them including also the relevant actions plans with clear and realistic time schedules.

The detailed report includes the set of findings of the evaluation with the respective analysis.

The recipients of the evaluation report are the principals of the evaluation according to the Rules of Procedure of the company and in any case the Audit Committee and the Board of Directors of this company. The company shall immediately and in any case within three (3) months from the date of reference of the evaluation report submit to the Capital Market Commission the summary of the report and if necessary, the entire report.

The annual declaration on corporate governance includes the relevant report on the findings of the evaluation report.

iii. **Characteristics of the persons that carry out the evaluation**

The evaluator is a legal or natural entity or association of persons. The evaluator shall have the following characteristics:

1. **Matters of independence and objectivity**

When selecting the evaluator of the IAS, matters of independence and integrity are taken into consideration. The evaluator and the members of his taskforce must be independent and do not have any dependency according to par. 1 of article 9 as particularized in par. 2 of Law 4706/2020 as well as be objective in the course of exercising his duties.

Objectivity is the impartial attitude and ways of thinking that shall allow for the evaluator to perform his duties as he thinks proper and do not settle as to its quality. The objectivity requires for the evaluator not to be affected by third parties or other facts.

In the course of ensuring the independence and the objectivity, the evaluation of the IAS shall not be carried out by the same evaluator for three subsequent evaluations.

2. **Proven relevant professional experience and training**

When selecting the evaluator of the IAS matters related to the knowledge and his professional experience are taken into consideration. In particular, the head of the taskforce of the evaluation of the IAS and in any case the signatory of the evaluation must have the appropriate professional qualifications (depending on the professional standards that he refers to) as well as proven relevant experience (such as in evaluations of other IAS and structures of corporate governance).

The evaluator implements all the necessary measures in order in the course of his work the persons that participate therein have the appropriate knowledge and experience as to the duties assigned to them and he uses the suitable systems on quality assurance, sufficient human and material resources and procedures in order to ensure the continuity, periodicity and quality of the performance of the works.

**iv. Time – Periodicity**

The evaluation is carried out either periodically or on a case-by-case basis.

Periodicity is the time period between two successive evaluations and is set to three (3) years starting from the date of reference of the last evaluation.

Time is the moment when it is required either for the periodical evaluation or the evaluation on a case-by-case basis to be carried out. The Capital Market Commission may decide to request for the evaluation of the IAS of the company on a case-by-case basis under the condition that no such evaluation has been carried out over the past twelve (12) months.

In any case the evaluation of the IAS forms part of the overall evaluation of the corporate governance system of the company according to article 4 par. 1 of Law 4706/2020.

**v. Sanctions**

In case of an infringement of the provisions hereof, the Board of Directors of the Capital Market Commission imposes sanctions provided in par. 1 of article 24 of Law 4706/2020.

**vi. First application**

The first evaluation of the IAS must be completed based on the provisions of this decision by March 31<sup>st</sup> 2022 with reference date December 31<sup>st</sup> 2021 and reference period as of the entry in force of article 14 of Law 4706/2020.

The provisions hereof do not cause for any expenses in the State Budget.

This must be published in the Government Gazette.

The Secretary

Alexandra Ninasiou

The Chairman

Vasiliki Lazarakou

The 1<sup>st</sup> Vice-Chairman

Nikolaos Kontaroudis

The 2<sup>nd</sup> Vice-Chairman

Anastasia Stamou

The members

Anastasios Virvilios

Panagiotis Giannopoulos

Christina Papakonstantinou

Spyridon Spyrou