

## Overview of the Audit Committee Activities in 2019

### **1 COMPOSITION**

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- 1) This is a three-member committee consisting of Charitonas (Charis) Kyriazis (CEO, non-Director and independent in the sense of the provisions of Law 3016/2002) and Eleni Papakonstantinou and Alexis Komninos (Directors), both independent non-executive members of the Board of Directors of ELLAKTOR. <sup>(1)</sup>
- 2) The operation of the Committee is governed by the applicable legal framework and the Regulation of the Committee. <sup>(2)</sup>

### **2 MEETINGS**

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To carry out its work, the Audit Committee conducted seven (7) official and 2 unofficial meetings in 2019, with full quorum in all but one of them.

### **3 OPERATIONS RELATED TO THE MONITORING OF THE STATUTORY AUDIT**

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- 1) The Audit Committee monitors the performance of the statutory audit of the Company's individual and consolidated financial statements. Within this context, it cooperated with the external auditors and financial services and
  - i. It discussed the external auditor's audit schedule prior to its implementation, it assessed the audit fields <sup>(3)</sup> and the areas of focus of the audit.
  - ii. It was informed, through interim meetings, for any important issues arising during the audit;
  - iii. It evaluated their annual Report for the year 2018, the relevant Supplementary Report, as well as reports on the overview of interim statements;
  - iv. It monitored any potential threats to the independence of auditors and it thoroughly implemented the Policy on the Assignment of non-Audit Works to an External Auditor;
  - v. It requested and received information by HAASOB related to the quality audit carried out by the Authority on PWC <sup>(4)</sup>;

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<sup>1</sup> They were appointed by the General Meeting of 25th July 2018. Mr. Ch. Kyriazis is a Civil Engineer and Economist with 17 years of experience as a partner in networks of international audit companies and 7 years of experience as an HAASOB BoD member. Eleni Papakonstantinou is a lawyer and Alexis Komninos is an economist. Their CVs are available at <https://ellaktor.com/arxikh/council/>

<sup>2</sup> <https://ellaktor.com/epitropi-elegchov/kanonismos-leitovrgias-epitropis-elegchov/>

<sup>3</sup> They cover the minimum of the areas indicatively mentioned in the Capital Market circular no.1302/28-4-2017 p.4

<sup>4</sup> Pursuant to case (d) of Article 44(3) and (5) of Law 4449/2017

- vi. It responded to a field research carried out by HAASOB.
- 2) The statutory audit has significantly contributed to the accuracy, completeness and correctness of financial information, including relevant notifications which are approved by the Board of Directors and published by the Company. Given its contribution, the Audit Committee requested from the Management that the external auditors permanently overview all the non-statutory publications of the Company including financial information, until the transition to a new organisational structure and staffing is completed and the Group's operation is restructured.
- 3) Based on the works of the external auditor, the Audit Committee suggested to the BoD to approve the financial information on the year 2018, the first semester of 2019 and the 3-month and 9-month period of 2019.
- 4) Moreover, the Audit Committee, according to its permanent request, asked that the certified auditor issues the tax certificate for the year 2019.
- 5) There was no reason to discuss the change of the external auditor during 2019. In view of the change of external auditors which, in accordance with the current legislation, must take place in the 2023 fiscal year at the latest, a preliminary step plan was registered for the election of a new auditing company prior to this time limit imposed by law with an appropriate transparent preselection and competitive process. The first steps for the preselection will be made in 2020.

#### **4 INTERNAL AUDIT SYSTEM, INTERNAL AUDIT DIVISION**

- 1) The Audit Committee monitors the effectiveness of all the policies, procedures and safeguards of the Company. To this end, at times it has submitted detailed proposals to the Management to cover any weaknesses and gaps in various areas of the Group.<sup>2</sup>  
<sup>3\*</sup>
- 2) In early 2019, the Management of the Group decided to adopt common policies and procedures for its entire operation, regardless of activity or geographical location. It was also decided to develop a comprehensive system of powers and responsibilities clearly reflecting the relationship between the Group and the Subsidiaries, as well as the responsibility and decision limits for a number of operations in which the established committees and the Management Team of Ellaktor, as well as the Management Teams of the subsidiaries as grouped per operation may be involved.
- 3) In May 2019, this project began, under the supervision and coordination of the Internal Audit Division and with the assistance of external consultants. A special procedure registration and design software (Motivian) was also supplied. This project has already made significant progress, but it still needs to be completed in terms of critical operations, and in particular in terms of Construction, and several proposals need to be approved by the Management to be implemented.
- 4) This task was still going on at the end of 2019 and is continuously monitored by the Committee. On 10 December 2019, the Management received a note with pending cases in this field which should be handled within 2020. It shall be highlighted that when the above actions are completed, the Audit Committee aims to request the

evaluation of the Group's Internal Audit by a certified, independent evaluator <sup>(5)</sup>.

- 5) The Audit Committee also monitors and supervises the proper functioning of the Internal Audit Division, in accordance with the professional standards and the applicable legal and regulatory framework, and evaluates its work, competence and efficiency, without, however, affecting its independence. It shall be noted that the Audit Committee is the only competent body to evaluate the Internal Auditor.
- 6) The Audit Committee reviews the staffing and organisational structure of the Internal Audit Division. In 2019, several proposals regarding the reinforcement of the Management staff personnel were implemented
- 7) The Audit Committee has approved the annual audit schedule of the Internal Audit Division prior to its implementation, assessing it according to the key business and financial risk domains, as well as to the results of the previous audits.
- 8) The Audit Committee becomes aware of the work of the Internal Audit Division and of its reports (regular and extraordinary). In 2019, 19 ordinary audit reports (7 for operations abroad and 12 for domestic operations), 3 extraordinary audit reports, as well as the Follow-up Report were discussed. The Committee also monitored the participation of the Internal Audit Division in consulting works, and ensured that these works represented in any case less than 30% of the available working hours of the permanent Management staff.
- 9) The Internal Audit Director attends the meetings of the Committee throughout the duration of its operations.

## **5 REGULATORY COMPLIANCE**

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The responsibility of supervising the operation of the Group's Regulatory Compliance was transferred to the newly established BoD "Regulatory Compliance and Sustainable Development" Committee by virtue of BoD decision dated 22-2-2019.

## **6 RISK MANAGEMENT**

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- 1) The Audit Committee assessed the key risks and uncertainties of the Company mainly through scheduling the work of the external and internal auditors.
- 2) It also suggested to the BoD the establishment of a distinct Risk Management function within the Group whose scope will be beyond the responsibilities of the Committee. The relevant proposal was approved by the BoD on 16-5-2019.
- 3) The Management also hired an experienced officer as Chief Risk Officer. CRO full integration in the Group's functions is expected to be attained in 2020.

## **7 COOPERATION WITH THE MANAGEMENT**

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- 1) Apart from the invitation of executives to the Committee meetings, the Chairman of the Committee systematically cooperates with the Group's CEO and other senior executives (almost 20 meetings took place in 2019).

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<sup>5</sup> In accordance with the International Standards for the Professional Practice of Internal Auditing (IPPF1312).

- 2) Throughout the year, the services of the Group cooperated smoothly both with external and with internal auditors, provided them seamless and full access to the information they required and in general facilitated their work.
- 3) The Chairman of the Audit Committee is invited and attends the BoD meetings.

## **8 COMMITTEE EVALUATION**

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The Audit Committee also carried out a self-evaluation and also evaluated the sufficiency of its current Rules of Procedures. There were no relevant suggestions on changes.