

## **Report from the Chairman of the Audit Committee to the shareholders to the Annual General Meeting on the activities of the Audit Committee based on the planned activities.**

### **3.1 Audit Committee**

The purpose of the Audit Committee is to assist the Board of Directors in carrying out its supervisory duties in relation to (i) the Financial Reporting process, (ii) the internal control system, (iii) the internal control, (iv) the external audit process, (v) the procedures of the GEK TERNA Group for the monitoring of the compliance with the laws, the regulations, and the Code of Ethics and (vi) the Corporate Governance System. The Committee has been set up and operates in accordance with all applicable laws and regulations.

#### **Composition**

The General Assembly of July 1, 2021, elected a new four-member Audit Committee with a two-year term, consisting of:

1. Apostolos Tamvakakis, independent non-executive member of BoD, who was appointed as Chairman of the Committee,
2. Spyridon Kapralos, independent non-executive member of the BoD
3. Dimitrios Afentoulis, non-executive member of the BoD and
4. Aggelos Tagmatarchis, who is the third independent person, non-member of the BoD.

The above composition of the Audit Committee is in accordance with the provisions of article 44 of Law 4449/2017, namely all members of the Audit Committee have sufficient knowledge in the field in which the Company operates.

In addition, Messrs Tamvakakis and Tagmatarchis possess sufficient knowledge in the field of auditing and accounting.

#### **Operating conditions**

The Audit Committee meets at least four times a year, with the jurisdiction to convene additional meetings if the circumstances so require in accordance with its action plan in order to carry out the tasks and responsibilities assigned to it.

The secretary of the Audit Committee, after communication with the Chairman and the other members of the Committee, the Head of the Internal Control Unit and other executives or third parties, if required, sends (himself or by another authorized executive) to the members of the committee, its issues agenda and an e-mail invitation to those expected to attend or an

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e-invitation via a video conferencing platform if the meeting is teleconferenced.

All members of the Audit Committee are expected to attend the meetings, either in person or by teleconference or video conference. Decisions are taken by a majority of the members present. The Committee may invite members of the Company's Management, executives of the Company or its subsidiaries, or another person (employee, associate, etc.) to participate in meetings and provide relevant information, where necessary.

It organizes meetings with the external auditors and meetings with the Executive Directors. If required, joint meetings may be held with the Audit Committees of the Group's subsidiaries. The agendas are prepared and provided in advance to the members, along with the appropriate information materials. Minutes are kept with a complete record of decisions and actions on the topics of discussion.

Every six (6) months or more regularly, if necessary, the Committee prepares and submits to the Board of Directors reports on its activities on important issues and once a year, a report of activities (including the evaluation of its work and the description of the Sustainable Development Policy implemented by the Company) which is addressed to the annual General Assembly of shareholders.

The Audit Committee will be evaluated periodically every 3 years. During 2022, the Audit Committee evaluated itself through the self-evaluation of the Board of Directors and its Committees and additionally an evaluation of the Audit Committee was carried out by an external evaluator (chosen among the BIG4 companies). The results of the self-assessment and evaluation were deemed satisfactory.

The Rules of Operation of the Audit Committee, approved by the Board of Directors of the Company, is posted at the following link:

[https://www.gekterna.com/userfiles/25cf6784-d046-4d9e-ac0f-a34d00d4050d/GEKTERNA\\_Audit\\_Committee\\_Charter\\_September\\_2022\\_GR.pdf](https://www.gekterna.com/userfiles/25cf6784-d046-4d9e-ac0f-a34d00d4050d/GEKTERNA_Audit_Committee_Charter_September_2022_GR.pdf)

## **Responsibilities**

The Audit Committee has the following, by section, key responsibilities:

- Monitors the process of preparation of the financial statements and other reports of financial information of the Company and examines their reliability. Informs the Board of Directors about the result of the mandatory audit. Monitors the financial information process and submits recommendations or proposals to ensure its integrity.
- Ensures the smooth conduct of internal audit works by providing support to the relevant Internal Control Unit and periodically evaluating the adequacy and reliability of the methods and procedures it uses to carry out its work. Its main goal is the timely diagnosis and analysis of business risks so that the Board of Directors can react quickly to address them.
- The Audit Committee receives the reports of the Internal Control Unit, evaluates their content, proposes to the BoD the head of the Service, evaluates its efficiency and effectiveness

and on the basis of these suggests the continuation or cessation of the performance of his/her duties.

- Monitors the work of the regular auditor and evaluates whether it is in accordance with the relevant legal-regulatory framework, international standards, and best practices. It also researches and evaluates the adequacy of knowledge, professional consistency, independence, and effectiveness of the regular auditor, and based on these it suggests to the BoD the continuation or cessation of the performance of his/her duties.

### Evaluation method

The Committee evaluates its work annually. In the context of the annual evaluation of the Board of Directors, the members of the Committee answered a questionnaire concerning the said Committee with sections of questions on a) the composition of the committee, b) its role and responsibilities and c) its organization and operation. The Committee conducts an annual review of its work, a summary report of which is submitted to the BoD. This includes suggestions for improving its operation and efficiency.

### Proceedings

The Audit Committee met sixteen (16) times within 2022.

NAME	NUMBER OF MEETINGS DURING THE TERM OF EACH MEMBER	NUMBER OF MEETINGS PARTICIPATED	PARTICIPATION PERCENTAGE IN THE MEETINGS
Tamvakakis Apostolos	16	16	100%
Afentoulis Dimitrios	16	16	100%
Kapralos Spyridon	16	16	100%
Aggelos Tagmatarchis	16	16	100%

The topics of the meetings also included meetings with the Internal Control Unit, the Heads of the Financial, Administrative Services and other Directorates, the Risk Officer, the Compliance Officer, and the Certified Auditors of the company Grant Thornton, directors of the parent company and the subsidiaries. The Chairman of the Audit Committee informs the Board of Directors in most of its meetings, about the work of the committee or important issues that arise.

More specifically, the activities of the Audit Committee are summarized in the following points:

### Financial information

- Examined and evaluated the adequacy and effectiveness of all the policies, procedures and safeguards of the Company regarding, on the one hand, the internal control system and, on the other hand, the assessment and management of risks, in relation to financial

information.

- Recommended to the Board of Directors the renewal of the appointment of the auditing company Grant Thornton and the amount of their remuneration after taking into account a) the existing good cooperation with the auditing company for 4 consecutive years b) the contribution of the auditing company, in its upgrade quality and integrity of the financial information and c) the absence of threats that alter the independence of judgment of the specific auditing company in relation to the Company.
- Regularly contacted the Certified Auditors, who participated in four (4) meetings of the Audit Committee within 2022 - in order to inform it regarding the planning, the evolution of the statutory audit of the financial statements of the Company and the Group and received the additional audit report of article 11 of Regulation 537/2014. It was informed about the findings (Key Audit Matters) and the results of the audits which it discussed with the Certified Auditors
- It was informed about the following sections, during the planning of the audit of the Financial Statements for the year 2022, by the Certified Public Accountants of the company:
  - Areas of audit interest
  - Audit Risks
  - Important events
  - Audit Schedule
  - Audit approach
  - Independence
  - Use of specialist work
- More specifically, the areas of audit interest that were discussed and analyzed are a) the management override of controls, b) the acquisition of stake in HERON by GEK TERNA, c) the recognition of revenues from construction contracts, d) the impairment of non-current assets, e) provisions for bad debts accounts and f) hedge accounting.
- Conducted meetings with the Financial Director of GEK TERNA and was informed about the significant items of the annual and the semi-annual Financial Statements for the fiscal year 2022, about the significant changes in relation to the previous period and about the following issues:
  - The evaluation of the use of the going concern assumption,
  - The significant judgements, assumptions and estimates in the preparation of the financial statements,
  - The valuation of assets at fair value,
  - Assessing the recoverability of assets,
  - The accounting treatment of acquisitions,
  - The adequacy of the notifications for the significant risks faced by the company,
  - Significant transactions with related parties,
  - Significant unusual transactions,
  - Significant accounting policies.

- Followed the process of preparation by the Financial Management of the Group of the interim and annual financial statements of the Company and the Group which were prepared in accordance with the applicable accounting standards.
- Reviewed the annual and semi-annual financial statements of the Group and the Company, as well as the content of the Audit Report of the Certified Auditors before their submission for approval by the Board of Directors and received the necessary assurances regarding the completeness and consistency of these statements in relation to the information considered.
- Pre-approved all non-audit services provided by Grant Thornton in 2022 and aggregated total remuneration, non-audit services provided for 2022. It considered that the work carried out and the remuneration of the assigned non-audit services did not endanger the independence or objectivity of the Certified Auditors.
- Examined the independency of the Certified Auditors in the following ways:
  1. Completing a predetermined questionnaire according to Law 4449/2017 – Article 21,
  2. The monitoring of non-audit tasks and 3. The supplementary report received by the Certified Auditor (according to article 11 of EU Regulation 537/2014)

#### **Internal Control Unit Operations**

- Collaborated and co-worked systematically and throughout the year with the Internal Control Unit of the Company, providing the appropriate instructions for carrying out the internal audit work by topic and priority. The Internal Control Unit participated in 15 of the 16 meetings of the Audit Committee in the year 2022.
- Received from the Internal Control Unit all the audit reports produced during 2022. The Audit Committee reviewed and commented at the meetings on all audit reports. In addition, during 2022 the Internal Audit Unit carried out additional important tasks, and other tasks for the organization of the Internal Audit Unit, the evaluation of the readiness of the Internal Audit System and the evaluation of the Internal Audit System. Regarding the Internal Control System of GEK TERNA, the Internal Control Unit supported the work of the consultant and the evaluator.
- Discussed the findings as well as the conclusions and the relevant suggestions with the Head of the Internal Control Unit of the Company. Where necessary, a meeting was scheduled with the participation of the Audit Committee, the head of the Internal Control Unit, the head of the department / project that was audited and, as the case may be, the heads of other departments who were involved in the audit.
- Monitored throughout the year the progress of the audit activities of the Internal Control Unit and the general operation of the Unit.
- Received the annual report of the work of the Internal Control Unit for the fiscal year 2022.
- Reviewed and approved the audit program for 2023 by the Internal Control Unit.
- Carried out the annual evaluation of the Head of the Internal Audit Unit and the Internal Audit

Unit.

- Received the evaluation of the Internal Audit Unit for 2022 according to the International Standards for the Conduct of Internal Audit and the expression of opinion on compliance. The opinion was that the Internal Audit Unit (complies) operates in accordance with International Standards for the Conduct of Internal Auditing.
- Made decisions regarding the staffing of the Internal Control Unit. It attended the selection and recruitment process of the two new members of the Internal Audit Unit, which now consists of 3 people. Decided and recommended to the Board of Directors the strengthening of the Internal Control Unit with one additional member.
- Based on the above, it judged the adequacy and performance of the Head and the Internal Control Unit as satisfactory.
- Reviewed the Internal Audit Unit Report for 2022 and the 2023 audit program for TERNA ENERGY company.

### **Risk Management Unit**

The Risk Management Unit maintains regular communication with the Internal Audit Unit on risk management issues, among which is the provision of information in the context of the preparation of the annual control plan by the Internal Audit Unit based on the risk assessment approach (risk-based approach), with the aim of ensuring the limitation of overlap of work between them.

In addition, the Internal Audit Unit communicates to the Risk Management Unit the internal audit reports, through which weaknesses of the Company's Internal Control System are highlighted, and are therefore a key factor in the update/revision of the risk register.

### **Regulatory Compliance Unit**

The Regulatory Compliance Unit informed the Internal Audit Unit regarding the findings of the internal audit that fall within the scope of responsibility of the Regulatory Compliance Unit so that it operates in a targeted manner to eliminate the identified weaknesses and, by extension, informs the Internal Audit Unit for any corrective actions. In addition, the Internal Audit Unit received the inspection schedule as well as the Regulatory Compliance Plan.

### **Internal Control System**

- Received the evaluation of the readiness of the Internal Control System (ICS) of the GEK TERNA company and its report. Where deemed necessary, he monitored the corrective actions carried out by the company's Management.
- Made the selection of the Independent Evaluator for the evaluation of the Internal Control System that will take place in 2023 based on Law 4706/2020.
- Received the detailed and summary evaluation report of the Internal Control System (ICS) of the GEK TERNA company (see section 6.4 below).
- The Chairman of the Audit Committee sent the summary evaluation report of the Internal Audit System (IAS) of the company GEK TERNA, to the Capital Market Commission, within the deadline

provided by the Regulatory Framework.

- Discussed and monitored the new Law 4706/2020 on Corporate Governance and the relevant circulars by the Hellenic Capital Market Commission (Internal Control System).
- Revised and approved the new Rules of Operation of the Audit Committee that entered into force with the decision of the Audit Committee of 29.09.2022.
- Reviewed and approved the Revised Rules of Operation of the Internal Control Unit.
- The Audit Committee monitored the implementation of the Group's commitments regarding sustainable development and corporate responsibility, as the latter promote social prosperity, protect the environment and are the only sustainable business practice.
- It was informed about the work carried out by the ESG Committee on ESG

The Audit Committee constantly informed the Board of Directors of the company about its activities.

### **Sustainable Development**

The Group's approach to Sustainable Development is based on dialogue with stakeholders, as well as the recognition and regular evaluation of the most important economic, social and environmental impacts of its activities. It aims to enhance the positive effects and reduce the negative ones, through best practices, sustainable initiatives, and reliable partnerships, looking forward to continuous improvement for the benefit of shareholders, investors, employees and society.

The Unit responsible for the development and updating of this policy is the Directorate of Strategic Communication, Press Office, CSR, and Sustainable Development.

### **Other important issues**

- The audit committee compiled and presented to the Board of Directors and the General Assembly of shareholders the transactions for the first half of 2022 and for the year 2022.
- It was updated on Information Systems issues.
- It was informed of a letter sent by the Hellenic Capital Market Commission to the Internal Auditor requesting information on the company's liable persons. The Committee followed up on the issue and the company's response.
- The Committee for the results of important internal audits invited the relevant managers for a further update (eg progress of projects, HERON I and HERON II companies).
- The Audit Committee met with other executives of the company and subsidiaries to discuss important issues of the group. (Chairman of the Audit Committee of Terna Energy, Head of the Internal Audit Unit of Terna Energy, Head of Corporate Governance of GEK TERNA, Head of Financial Planning and Analysis).