



**PIRAEUS PORT AUTHORITY S.A.**

**AUDIT COMMITTEE ACTIVITY REPORT 2021**



**DECEMBER 2021**

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## **AUDIT COMMITTEE**

To: The Shareholders of the Ordinary General Meeting of the Company PPA S.A. of 2021

### **Activity Report of the Audit Committee on the audited fiscal year 01.01.2021 – 31.12.2021**

#### **Introduction**

Dear Shareholders,

In our capacity as Members of the Audit Committee of the Company under the name "PIRAEUS PORT AUTHORITY SOCIETE ANONYME" (hereinafter referred to as "the Company"), and in accordance:

- (a) with article 44 of L. 4449/2017 (the "Law"), as applicable;
- (b) with the provisions of Law 4706/2020 (Articles 1-24) on corporate governance, as applicable;
- (c) to as referred in detail in reference numbers 1302/28.04.2017 and 1508/17.07.2020 Announcements of the Directorate of Listed Companies / Department of Supervision of Listed Companies of the Hellenic Capital Market Commission (hereinafter the "Announcements"),
- (d) the provisions of the Company's Internal Operation Regulation
- (e) with Audit Committee Regulation, as approved by BoD decision dated 16.07.2021

we state our Report below and we bring to your attention, within the responsibilities of the Audit Committee, findings regarding the objects regulated by the Law and the aforementioned announcements.

#### **Composition**

The existing Audit Committee operates in accordance with the provisions of article 44 of L.4449/2017. It is a Committee of the Board of Directors and is composed of three (3) non-executive members of the Board of Directors, of which two (2) are independent under article 9 of Law 4706/2020, which were appointed by the BoD meeting that took place on 16.07.2021.

During the fiscal year 2021, the Audit Committee's composition was as follows:

- Kwong Che Keung Gordon, Board of Directors independent Non-Executive Member and Chairman of the Audit Committee.
- Arvanitis Nikolaos, Board of Directors independent Non-Executive Member and Member of the Audit Committee.

- Karamaneas Charalampis, Board of Directors Non-Executive Member and Member of the Audit Committee.

Already, following a relevant discussion made by the General Assembly of shareholders dated 15.07.2021 in terms of the Audit Committee's type, composition and term of office, as well as relevant decisions made by the Board of Directors on the 16.07.2021 and 07.09.2021, the current composition of the Audit Committee as of 07.09.2021, is as follows:

- Kwong Che Keung Gordon, Board of Directors independent Non-Executive Member and Chairman of the Audit Committee.

- Arvanitis Nikolaos, Board of Directors independent Non-Executive Member and Member of the Audit Committee.

- Politis Dimitrios, Board of Directors Non-Executive Member and Member of the Audit Committee.

The term of office of the Audit Committee will be equal to the term of office of the elected Board of Directors of the Company, whose term of office is annual, ie until 16.07.2022, which is extended, in accordance with the provisions of article 85, par. c of Law 4548/2018 until the expiration of the deadline, within which the next Ordinary General Meeting must be convened in 2022 and until the relevant decision is taken.

The members of the Audit Committee, all non-executive members, did not hold positions incompatible with their status during 2021, while both their objectivity and independence were ensured, in the absence of any transaction with the Company could affect them.

### **Purpose - Responsibilities**

The main objective of the Audit Committee is to provide support to the Board of Directors of the Company in the context of issues falling within its responsibilities, in accordance with the applicable legal and regulatory framework and its Operational Regulation.

The members of the Committee as a whole have proven sufficient knowledge in the field in which the Company operates, while the Chairman of the Committee has proven sufficient knowledge in issues of accounting and auditing.

The main responsibilities of the Audit Committee are the following:

- Monitoring the financial reporting process.
- Monitoring the effective operation of the Internal Control System and the Risk Management System.
- Monitoring of proper functioning of the Company's Internal Audit Department.
- Monitoring of the statutory audit of Financial Statements.
- Supervision of the official announcements concerning the Company's financial issues.

- Review and monitor issues related to the existence and maintenance of objectivity and independence of the External Auditor or audit firm, particularly regarding the provision from them to the Company and other non-audit services.
- Review the Financial Statements prior to approval by the Board of Directors.
- The Company's compliance with legal and regulatory framework of operation. The responsibilities and the way of operation of the Audit Committee are described in the Operational Regulation of the Committee, which has been approved by the Board of Directors.

During 2021, the Audit Committee met three (3) times while additionally in four (4) other cases decisions were issued through circulation of minutes.

In order to ensure the Company's independence, the meetings took place without the presence of other top management executives, except in cases where their presence was deemed necessary (such as the cases of discussion of the review of the interim and annual Financial Reports). All Committee members participated in all the meetings and all Committee decisions were taken unanimously.

The main issues handled by the Audit Committee in 2021 were the following:

- Monitoring and evaluation in collaboration with the competent bodies of the Management and the External Auditor of the Company the process of preparation of the semi-annual and annual Financial Statements, prepared in accordance with the International Financial Reporting Standards, and confirmation of their accuracy and completeness, according to the information provided to its members.
- Evaluation of the Financial Statements of the Company (annual and semi-annual) and confirmation of their completeness and consistency, before their approval by the Board of Directors.
- Discussion with the External Auditor and receiving information about their cooperation with the Management in issues of financial control.
- Discussion and provision of its agreement to all official announcements concerning the Company's financial issues.
- Evaluation and approval of the internal audit program and then reviewed the results of the audits carried out by the Internal Audit Department.
- Monitoring the effective operation of the internal control and risk management system, in accordance with international standards and the applicable legal and regulatory framework.
- Provision of its consent to the proposal of the Board of Directors to the Ordinary General Meeting of Shareholders for the re-appointment of the auditing company "PwC", for the mandatory audit of the Company for the year 2021.
- Evaluation and confirmation the objectivity and independence of the cooperating External Auditor, receiving a relevant letter.

- Assessing the nature and cost of the non-audit services provided by the auditing firm “PwC” and confirmation that they do not pose a threat to the independence of the latter regarding the regular audit of the fiscal year 2021, in accordance with the provisions of L.4449/2018 and Regulation 537/2014 of the EU.

- Information towards the Board of Directors of the Company about the issues within its competence.

In carrying out its work in general, the Audit Committee had full access to all the information necessary for the effective performance of its duties. The discussions and the decisions of the Audit Committee are recorded in minutes signed by the members.

#### **A. Audit Committee Performance in relation to:**

##### **Mandatory External Audit (article 44, par. 3, case a of the Law).**

##### **Particularly:**

a) Regarding the performance of the statutory audit (external audit) of the Company financial statements for the year ended December 31, 2021, we did not find significant deviations in the recognition, valuation and classification of assets and liabilities and we consider that the Management's assumptions and estimates are reasonable. We have found that the relevant disclosures in the notes to the financial statements are adequate.

b) During the mandatory inspection, we performed the following procedures:

1. Control of the process of registration and accounting of expenses, fixed assets, sales and other accounting circuit.
2. Control of tax issues.
3. Control of processes and procedures of Financial Information Disclosure Department.
4. Review of Internal Audit Department Report.
5. Review of External Auditor Report.

In the exercise of our responsibilities, we have not identified any material weaknesses may have an impact on the truth and fairness of the financial information presented to shareholders.

It is noted that the Audit Committee always takes into account the content of any additional reports submitted to it by the External Auditor hired by the Company, which contains the results of the statutory audit performed and meets at least the specific requirements in accordance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014.

c) Within the framework of our responsibilities, we were informed about the procedure and the schedule of preparation of the financial information by the management of the Company, as well as we were informed by the External Auditor on the statutory audit program for the year 2021 before its implementation. We evaluated it and made sure that this program

covered the most important areas of control, considering the key areas of business and financial risk of the Company. We also held meetings with the Company's management / responsible executives and the External Auditor, during the preparation of the financial statements, during the planning stage of the audit, its execution and during the stage of preparation of the audit reports, respectively.

d) We have taken into account and examined the most important issues and risks that may have an impact on the Company's financial statements, as well as the significant judgments and estimates of management during their preparation. Specifically, we examined and evaluated in detail the following issues with reference to specific actions on these issues:

(d1) Regarding the important judgments, assumptions and estimates in the preparation of the financial statements, we found that they are reasonable.

(d2) Regarding the assessment of the recoverability of assets and in particular receivables from deferred taxation, we found that deferred tax writing off was based on a realistic assumption process for arriving at a reasonable level of recoverability.

(d3) Regarding the disclosures for the above issues required by IAS / IFRS, we found that the disclosures included in the financial statements are sufficient.

(d4) Regarding the transactions with related parties, as shown in the Annual Financial Report for the year 2021, we did not find any significant unusual transactions.

e) Finally, we had timely and substantial communication with the External Auditor of the preparation of the audit report and its supplementary report to the Audit

Committee and reviewed the financial reports before their approval by the Company's Board of Directors and considered that is complete and consistent in relation to the information that was brought to our attention, as well as to the accounting principles applied by the Company.

### **Financial information process (article 44, par. 3, per. B' of the Law).**

#### **Particularly:**

In relation to the process of preparing the financial information, the Audit Committee monitored, examined and evaluated:

(1) the mechanisms and systems of flow and dissemination of financial information produced by the involved organizational units of the Company and

(2) other disclosed information in any way (e.g. stock market announcements, press releases) in relation to financial information.

In the exercise of our responsibilities, we did not find any material weaknesses in the process of compiling the financial information.

**Procedures of internal control and risk management systems and the internal control unit (article 44, par. 3, point B' of the Law).**

**Particularly:**

In connection with the monitoring, examination and evaluation of the adequacy and effectiveness of all the policies, procedures and safety controls of the Company regarding the internal control system and the assessment and management of risks, in relation to the financial information, the Audit Committee proceeded to actions below:

- (a) Evaluation of the proper functioning of the Internal Audit Department according to the professional standards as well as the current legal and regulatory framework and evaluation of the work it performs, its adequacy and effectiveness, without however affecting its independence,
- (b) Overview of the disclosed information regarding the internal audit and the main risks and uncertainties of the Company in relation to the financial information,
- (c) Evaluation of the staffing and organizational structure of the Internal Audit Department and its weaknesses, i.e. if it does not have the necessary means, if it is insufficiently staffed with insufficient knowledge, experience and training,
- (d) Assessing the existence or non-existence of restrictions on the work of the Internal Audit Department, as well as the independence that it must have, in order to perform its work unobstructed,
- (e) Evaluation of the annual audit program of the Internal Audit Department before its implementation, taking into account the main areas of business financial risk as well as the results of previous audits,
- (f) Considering that the annual audit program, in conjunction with any corresponding medium-term programs, covers the most important areas of control and financial information systems,
- (g) Organizing regular meetings with the head of the Internal Audit Department on matters within its competence and gaining knowledge of its work and its regular and ad-hoc reports,
- (h) Monitoring the effectiveness of internal control systems through the work of the internal control unit and the work of the External Auditors,
- (i) Overview of the management of the main risks and uncertainties of the Company and their periodic review, evaluating the methods used by the Company to identify and monitor the risks, the treatment of the main ones through the internal audit work of the Internal Audit Department as well as their disclosure in the published financial information in a proper manner.

The Audit Committee was informed and has evaluated the reports of the audit program for the year 2021 and evaluated and approved the audit program of the year 2022 (before its submission for discussion to the Board of PPA SA) having thoroughly considered the proposed areas for scrutiny, in line with the Internal Audit Department proposals, and judging that the control environment in relation to risk assessment is adequately reflected, in line with



the risk-based approach followed by the regulatory framework and International Standards on Internal Auditing.

From the internal audit process, the Audit Committee became aware of the following actions:

- Risk Assessment.
- Tender Procedures.
- Ad Hoc Audits.
- Internal Complaints Process (ICP) Monitoring.
- Internal Operation Organization Regulation (IOOR-ex KEOL).
- Review of Projects Department internal operating procedures for: adequacy, completeness, compliance with regulatory framework, effective design, implementation and completeness.
- Review of Property management sector internal operating procedures for: adequacy, completeness, compliance with regulatory framework, effective design, implementation and the completeness.
- Review for the adequacy and completeness of Information Systems Security, Information System Operations and Application controls, in all layers of information system infrastructure.
- Internal Audit Manual.
- External Complaints Process (Customers, 3rd parties etc.).

The Audit Committee, having taken into account the effects and risks of the pandemic due to coronavirus COVID-19, was informed of the following main risks for the year 2021:

- Risk of loss of assets.
- Property insurance.
- Third Party Liability and Employer's Liability.
- Maximum Probable Loss (MPL) analysis.
- Business Risks Associated with the Company's business activities.
- Fair Value.
- Credit Risk.
- Foreign Exchange Risk.
- Interest rate risk.
- Liquidity risk.
- Commercial - Operation Risk, associated with:

Wider Economic Environment.

Economic instability.

New forms of energy.

Non-expanded clientele (Container terminal).

Geopolitical conditions.

- Information Systems Risk, related to:

Data Security (Cyber Security).

Information System Users Access / Authorization.

- Legal risk, related to:

Pending legal claims against third parties.

Legal claims of third parties.

In the exercise of our responsibilities on the above-mentioned issues, we have not identified any material weaknesses that may have an impact on the truth and fairness of the financial information presented to shareholders.

### **B Sustainable development policy followed by the Company**

In accordance with the provisions of article 44 par. 1 of Law 4449/2017, as replaced by the provisions of article 74 par. 4 case 9 of L.4706/2020, the Audit Committee is obliged to include in the annual report of the proceedings to the ordinary general meeting also a description of the sustainable development policy followed by the Company.

The Company, implements a Sustainable Development Policy and seeks, over time, to create value for its stakeholders, i.e. shareholders, customers, employees and society in general.

To achieve this goal, the Company places particular emphasis on, among others, the training and development of its personnel, health and safety at work, as well as respect for the environment, following the principles of sustainable development.

The Sustainable Development Policy of the Company reflects the approach and commitment of the Management to the issue of responsible operation. Responsible operation is a continuous commitment to action of substance, in order to generate value for all stakeholders that meet the modern needs of society and contribute in general to its prosperity. The Company has a specific strategy, which focuses on the important issues related to its activity and seeks its continuous responsible development, focusing on the critical pillars of business responsibility: Economy, Society, Environment.

Sustainable development is an integral part of the Company's business practice model and culture. In the context of the implementation of Sustainable Development, the Company develops activities, among others, in the following areas:

- a) Personnel health and safety
- b) Training and development of Personnel
- c) Corporate Social Responsibility
- d) Environmental protection
- e) Market
- f) Protection of personal data
- g) Corporate governance

For the above main issues concerning the Company, individual Sustainable Development goals are set, which are evaluated on an annual basis in terms of their effectiveness and are reviewed when necessary. The policy, the results of the Company's performance in the issues of Sustainable Development, as well as the implementation of the programs and the achievement of the objectives, are published on an annual basis, in order to fully and comprehensively inform under a general framework of transparency of all partners, which are considered during the annual Management Review for all the above issues.

PPA SA Supports the United Nations 2030 Agenda, as set out in the 17 Sustainable Development Goals, with a view to actively contributing to their achievement by promoting the prosperity and security of the people; environmental protection and the fight against poverty.

The priority of PPA SA is the fulfillment of the objectives that are directly related to the activities and challenges of the sector in which it operates, as well as to the essential issues arising from the Corporate Responsibility and Sustainable Development Report, which details the connection of the programs and of the Company's actions with the Sustainable Development Goals.

The strategy, programs, results and related commitments are analyzed in the annual Corporate Responsibility and Sustainable Development Report, which is based on the Global Reporting Initiative (GRI) guidelines and more specifically the Standards (In Accordance - Core), which are the most internationally recognized and demanding guidelines of their kind, and is available in the Company's website.

### **C. Other Issues –**

- The Committee, throughout the fiscal year, closely monitored and assessed the impact of the COVID-19 pandemic on the Company's smooth operation and performance which, as it turned out, were not particularly affected. Specifically, the Company was not significantly affected by the COVID-19 pandemic, given that they did not suspend their production process, while the administrative services operated as dictated by the circumstances, applying modern methods of service provision, such as telework. The impact of the delays on the supply of materials and services at the Company sites was not significant and, in any case, manageable.
- Moreover, the Committee approved the 1st revision of its Operation Regulation, which regulates issues concerning the Audit Committee's composition, responsibilities, as well its members' duties and obligations, pursuant to the provisions of Law 4706/2020 (Articles 1-24) on corporate governance, as applicable, of Law 4449/2017 (Article 44) on the mandatory audit of annual and consolidated financial statements and on the public supervision of the auditing work, as modified with Article 74 of Law 4706/2020 and as applicable and, finally, the provisions of the Company's Internal Operation Regulation (Article on the Internal Audit Committee).

- The Audit Committee continuously kept the Board of Directors of the Company informed about its activities, while, based on the provisions of the Corporate Governance Code, it evaluated its work, the results of which were also communicated to the Board of Directors of the company.

We remain at your disposal for any additional information or clarification.

With kind regards

Mr. **KWONG Che Keung Gordon**, Chairman of PPA SA AUDIT COMMITTEE.

Mr. **ARVANITIS Nikolaos**, Member of PPA SA AUDIT COMMITTEE.

Mr. **POLITIS Dimitrios**, Member of PPA SA AUDIT COMMITTEE.