

**EYDAP SA**

ANNUAL REPORT  
AUDIT COMMITTEE

Fiscal year 2022

## **Introduction**

The Audit Committee (hereinafter "the Committee") informs through this Report the General Assembly of Shareholders of EYDAP SA regarding the manner in which it has fulfilled its duties based on its responsibilities, during 2022, as well as the most important points on which its work was focused, during which the Committee dealt with important issues of the Company as they emerged during the year.

The Committee believes that continuous improvement of the internal control environment remains critical to the Company's viability.

## **1.Scope, Composition and Operation of the Committee**

### **1.1 Purpose her Commission and basic responsibilities**

The purpose of the Committee is to support the Board of Directors (hereinafter the "Board") in fulfilling the responsibilities of supervising the control procedures for compliance with the legislative and regulatory framework regarding:

- (a) Reviewing the financial reporting process and ensuring the integrity of the financial statements.,
- (b) Reviewing the adequacy of the Internal Control System and monitoring the effectiveness and performance of the Internal Control Department.
- (c) The supervision of the (external) mandatory regular audit of the individual and consolidated financial statements of the Company.

While all members of the Board individually and collectively have a duty to act in the best interests of the Company, the Committee has a particular role, acting independently of the executive members of the Board, to ensure that the interests of shareholders are properly protected in relation to financial reporting and the internal control systems. However, the Board has overall responsibility for the Company's approach to risk management and the internal control system.

The Committee reports to the Board on how it carries out its responsibilities and makes recommendations to it when deemed necessary.

A full record of the Commission's responsibilities is contained in its Operating Regulations, which were updated with the implementation of the provisions of Law 4706/2020 "Corporate governance of joint-stock companies, modern capital market, incorporation into Greek legislation of Directive (EU) 2017/828 of the European Parliament and of the Council, measures to implement Regulation (EU) 2017/1131 and other provisions".

The Operating Regulations of the Committee, approved by the Board of Directors, are available on the Company's Website at the following address:

<https://www.eydap.gr/TheCompany/RegFramework/>

The members of the Committee have declared that they accept their responsibilities and duties and that they will perform their work in accordance with the applicable Rules of Procedure of the Committee, the Internal Rules of Operation of the Company and the Law and in alignment with best practices, with the aim of enhancing the economic value of the Company and defending the interests of the shareholders.

## 1.2 Composition of the Committee, tenure, skills and experience

The Audit Committee is a committee of the Board of Directors and consists of three (3) members, of which the two are independent non executive members of Board of Directors and 1 non executive member.

According to the Committee's Regulation of Operation, the tenure of members is proportional with the tenure of Board of Directors, where is four years, except if it is otherwise decided by the General Assembly of by the Board of Directors after an Assembly's delegation.

The composition of the Committee is presented through 2022, the tenure of the members and relevant notes / explanations:

During the extraordinary General Meeting of Shareholders of EYDAP SA , held on 24/12/2021 and after a vote, the Shareholders and their representatives approved by a majority with a percentage of 99.92% of the valid votes the redetermination of the type of Audit Committee, the term of office, the number and qualifications of the Members, in accordance with article 44 paragraph 1 paragraph b of Law 4449/2017, as amended by par. 4 of article 74 of Law 4706/2020 confirming, in other words validating, repeating and to each case keeping in active:

- i) the Decision of the 37th Ordinary General Meeting of the Shareholders of EYDAP SA. that took place on 26.6.2019 and
- ii) the Decision of the Extraordinary General Meeting of the Shareholders of EYDAP SA. that took place on 15.5.2020 that voted the relevant proposal of the BoD od EYDAP as follows:

1. Type of Audit Committee: The Audit Committee shall constitute a committee of the BoD consisting exclusively of non-Executive Members of its Board of Directors.

2. Audit Committee Composition: The Audit Committee shall consist of three (3) members, the two (2) have the capacity of Independent non Executive Member of the Board of Directors and one (1) of them must be a simple non-Executive Member.

3. Audit Committee Term: The Audit Committee's term coincides with the tenure of the BoD Members which is four years.

Following the above, the General Assembly decided by majority on its ratification of the election of existing Members of the Audit Committee according to the decisions of 26.6.2019 and 15.5.2020, with a term ending on 28.6.2023, extending until the end of the deadline, within which the immediately following Annual General Meeting must be convened, namely up to them 30.9.2023 and in none case transcendent five years, as following:

1. Mrs. Aikaterini Beritsi of Konstantinou, Independent Non-Executive Member of the Board of Directors.

2. Mr. Michael Stavroulakis of Adam, Independent non Executive Member of Board of Directors

3. Mr. Christos Karaplis of Gregory, non Executive Member of Board of Directors

The voting results were posted to official website of the Company ([www.eydap.gr](http://www.eydap.gr)), according to the article 133, para. 2 of N. 4548/2018.

Following this, the members of the Audit Committee met on 04/01/2022 according to the Operating Regulations of the Audit Committee, which was approved by the 18958/15-7-2016 Decision of the 1189<sup>th</sup> Meeting of the BoD,

updated with the sub No. 19412/8-11-2017 Decision of the 1236th meeting of the Board of Directors of EYDAP S.A. and 20411/06-11-2019 Decision of the 1350th meeting of Board of Directors of EYDAP S.A. and subsequently with Decision no. 20943 of the 2420th / 20-10-2021 Meeting of the Board of EYDAP SA, with unique issue of the Agenda:

1. Formation in body of the Audit Committee, based on the No. 3 Decision of the 24/12/2021 Extraordinary General Assembly of Shareholders of EYDAP SA.

Present were the members of the Audit Committee Ms. Ekaterini Beritsi, Mr. Michael Stavroulakis , and M r Christos Karaplis.

According to no. 4 of section 2 of the Operating Regulations of the Audit Committee with unanimous decision of the members of the Audit Committee, Mrs. Aikaterini Beritsi was appointed as Chairman of the Audit Committee. {The Chairman of the Audit Committee is **appointed by members of** or is elected by the General Assembly of the shareholders of the Controlled Entity – Business and is independent from the controlled entity (§ 1, article 44, law 4449)}.

After the formation of a body and the election of the Chairman of the Audit Committee, the Committee of the BoD consists of :

| NAME                 | PROPERTY  |
|----------------------|---|
| Aikaterini Beritsi   | Chairman of the Audit Committee<br>of the Board of Directors EYDAP SA |
| Christos Karaplis    | Member of the Audit Committee<br>of the Board of Directors EYDAP SA   |
| Michael Stavroulakis | Member of the Audit Committee<br>of the Board of Directors EYDAP SA   |

The members of the Committee have skills related to the sectors in which the Company operates, as they have sufficient knowledge in the relevant service sector, auditing or accounting and experience in the areas of Corporate Governance and Internal Control Systems.

The Audit Committee unanimously determined that the members of the Committee who will compulsorily attend its meetings, regarding the approval of the financial statements, will be two (2):

1. Ms. Aikaterini Beritsi President of the Audit Committee, and
2. Mr. Michael Stavroulakis Member of the Audit Committee

given that they meet all the criteria and conditions of Article 44 of Law 4449/2017 and the independence criteria of Article 9 par. 1 and 2 of Law 4706/2020

They are independent non-executive members of the Board of Directors, with sufficient knowledge and experience in the field in which the Company operates, as well as accounting knowledge related to international standards.

Detailed biographies of all Committee members are attached to this Report.

Finally, the Committee has at its disposal the necessary resources to receive the assistance of an external consultant if and when needed.

### **1.3 Meetings and operation of the Committee**

The Committee meets on a regular basis, according to the annual meeting plan that it prepares and holds extraordinary meetings when required.

During 2022, the Committee met on a regular basis (12 meetings in total) and discussed all matters falling within its areas of competence, with an emphasis on the following: a) External Audit and Financial Reporting, b) Internal Audit, c) System of Internal Audit, d) Organizational Matters of the Committee, e) Other matters related to the responsibilities / purpose of the Committee. All decisions of the Committee were taken unanimously.

All members of the Committee participated in all the meetings for 2022. The meetings of the Committee concerning the approval of the financial statements were attended by all members of the Committee who have sufficient knowledge and experience in auditing or accounting.

In addition to the members of the Committee, the Secretary of the Committee participates in the meetings. The Secretary of the Committee collects the issues, draws up the agenda table and distributes it to the members in a secure manner together with the information material, at least three (3) days before the meeting of the Audit Committee. The Audit Committee, for each meeting, keeps Minutes of Meetings, which record the decisions taken, the attendees and the agreed actions, which are signed by the members present, in accordance with article 93 of Law 4548/2018. In cases where decisions have been taken by majority, the opinion of the minority must be recorded in the Minutes.

It is up to the Committee to invite, whenever deemed appropriate, other members of the Board of Directors, or other persons inside and outside the Company, in order to inform it and/or attend a specific meeting or specific items on the agenda. Depending on the topics of the meetings, the heads of the units responsible for Financial Reporting, Internal Audit, Sustainable Development, Legal Services, the CEO and Deputy CEO, as well as CPAs were invited to participate. .

The relevant information material (reports of the internal audit, administrative reports, reports and presentations of Sworn Auditors, financial and non-financial information, etc.) was distributed in time to the members of the Committee for study in order to express an opinion. The President of the Board of Directors is invited to all meetings of the Committee.

### **1.4 Work schedule of the Committee for 2022**

The Commission approved its work program for the year 2022 including distinct sections regarding:

- Internal Audit Issues (indicative: approval of the annual Audit Plan, discussion of audit reports, course of implementation of proposed corrective actions based on audit findings, etc.).
- External Auditor Issues – Meetings with the External Auditors to discuss audit issues, performance evaluation and independence issues.
- Matters of the financial statements, in the presence of the Managing Director, the Financial Director and the External Auditors.
- Internal Control System issues and discussion with Management on corrective actions.

### **1.5 References to the BoD.**

The Committee informs the Board, at least once per quarter and additionally whenever deemed necessary, about its work.

This update includes indicatively:

- the important, critical and essential issues related to the preparation of the financial statements and how to deal with them,
- evaluating the effectiveness of the regular audit process and recommending the appointment of the statutory auditor,
- the outcome of the regular audit and an explanation of how it contributed to the integrity of the financial reporting and the role of the Committee, and
- the reports submitted to the Committee by the Internal Audit Director regarding the work of the Internal Audit Department.
- special issues that concerned the Committee

The Committee prepared and submitted reports regarding its activities, as above, to the Board of Directors, for the year ending December 31, 2021, as well as for the quarters ending December 31, 2021, March 31, 2022, June 30 2022 and on September 30, 2022.

## **2. External Audit and Financial Information**

During its meetings, the Committee devoted considerable time to being informed and discussing issues related to the process of preparing the annual and half-yearly financial statements. The main topics discussed and the activities of the Committee are the following:

### **2.1 Report of the work of the Audit Committee to the Board of Directors on the 2021 Financial Statements**

The statutory auditors submitted and presented to the Committee their supplementary report to the Committee, in accordance with Article 11 of Regulation (EU) 537/2014 regarding their audit of the Company's Financial Statements, on an individual and consolidated level, for the year which ended December 31, 2021.

The Committee, after reviewing the Financial Statements of the Company and the Group for the year ended 31 December 2021 and the discussions it had with the Financial Services Department and the statutory auditors, assessed and concluded that the annual financial report as a whole together with the annual financial statements and the annual management report of the Company, depict in a true, fair, balanced and comprehensible manner the evolution, performance and position of the Company, as well as of the companies included in the consolidation, and provide the required information to the shareholders. Also, the Committee informed the Board that the Statutory Auditors have substantially contributed to integrity of the Financial Statements with their experience and independent assurance that the financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2022, their financial performance and their cash flows for the year which expired on this date. It then prepared an informative report for the Board of Directors.

## **2.2 External (Chartered) Auditors - Appointment of External Auditors**

The Committee has primary competence in the selection of the main audit partner (regular auditor). The relevant tasks of the Commission include: the scope of the audit, the initiation of the tender process, the expression of opinion on the responsible main partner of the project and the recommendation to the Board for the appointment.

In April 2022, the Committee, during its 4th/18-04-2022 meeting, evaluating the work of Grant Thornton, the Company's statutory auditor and taking into account the financial offer it submitted and deemed the most favorable, decided to propose to the Board of Directors the re-appointment of the auditing firm Grant Thornton as statutory auditor for the 2022 financial year.

## **2.3 Ensuring independence and objectivity and maintaining efficiency**

In its relationship with statutory auditors, the Committee must ensure that it maintains its independence and objectivity and is effective in conducting regular audits. Both the Board and the statutory auditors have policies and procedures designed to protect the independence and objectivity of the statutory auditor.

The Committee takes into account the statutory auditor's annual declaration of independence and discusses with him threats that may endanger his independence, as well as the ways in which these threats are addressed. The Committee considers whether the relationships, taking into account the views of the statutory auditor, Management and internal control, as appropriate, appear to be capable of affecting the independence and objectivity of the statutory auditor.

The statutory auditors in 2022 submitted to the Committee the declaration of independence from the Company in accordance with the Code of Ethics for Professional Auditors of the International Standards Board of Auditors (ISA Code) and the ethical requirements related to the audit of financial statements in Greece.

## **2.4 Regular Audit Planning**

The Auditors presented to the Committee the Audit planning, in relation to the schedule of the regular audit of the corporate and consolidated statements of the Company and its subsidiaries for the year 31.12.2022, the audit teams and experts, as well as reference to the important issues in the design of the audit and in particular the recognized risks of the financial statements.

## **2.5 Financial Information**

The Financial Statements of EYDAP SA have been prepared in accordance with the International Financial Reporting Standards "IFRS". (International Financial Reporting Standards).

The analysis of the important accounting policies is made in par 3 of the Financial Statements. This paragraph analyzes the policies applied by the company regarding recognition:

- Goodwill
- Revenue
- Leases
- Grants
- Current and deferred income tax

- Tangible assets
- Intangible assets
- Requirements
- Stocks
- Predictions
- Financial instruments
- Obligations

Paragraph 2 of the Financial Statements describes new standards, interpretations and amendments to existing standards.

- Specific amendments concerning:
  - in IFRS 3 "Business Combinations", in IAS 16 "Tangible Fixed Assets",
  - in IAS 37 "Provisions,
  - in Contingent Liabilities and Contingent Assets" and
  - in the "Annual Improvements 2018 - 2020" have been introduced in May 2020 by the IASB. The above amendments were applied for annual periods beginning on or after 01/01/2022. The Company has examined the relevant amendments and determined that they have no particular effect on the Financial Statements.
- The accounting policies applied by the company do not differ from those applied in the comparative period. The following are noted:
  - On 02.02.2022, the contract of Law 4812/2021 (Contract for the Sale of Water and Exclusive Right) was signed between EYDAP SA, the Greek State and the public law entity EPEYDAP, based on which, among others, the State – EPEYDAP grants the intangible and special right provided by the Law of the exclusive supply of raw water to EYDAP SA and agrees to the supply of raw water per year and for twenty (20) years starting on 01.01.2021 and ending on 31.12.2040, as specifically defined in article 10 of this contract. In implementation of the provision with article 10 of the Exclusive Right Agreement, the Price of this (Raw Water) was also agreed upon, determined based on a price per cubic meter valid for each reference year, according to a table included in said Agreement. The price for this right was set at €87.5 million.

The Management evaluated the requirements of IFRS and the provisions of the contracts and concluded that the right to exclusive supply of water for the period 2021 - 2040, brings together the conceptual characteristics of the intangible asset in accordance with the requirements of IAS 38 "Intangible assets". Furthermore, the intangible asset in question is subject to amortization corresponding to the commitment period of the above contract (twenty years).

Based on the above, the Company recognized the specific intangible asset, amounting to €87.5m in the Financial Statements for the year 2021 as well as the corresponding annual depreciation for this year.

In the year 2022 the company followed the same accounting policy and recognized the corresponding depreciation for this year.

- The International Financial Reporting Standards Interpretations Committee ("IFRIC"), issued in May 2021 a decision on "Allocation of benefits over periods of service (IAS 19)" (the "Decision"). The decision in question significantly affected the calculation of staff compensation provisions based on the provisions of the Greek labor legislation (law 2112/20, law 3198/55 & law 4093/12).

The Company examined the Decision, in conjunction with SOEL's Guidelines. Based on this study, it decided that the Decision does not apply to EYDAP, for the reasons analyzed in par. 29 of the Financial Statements, and does not apply its forecasts for both the 2021 and 2022 financial years.

## **2.6 Financial Results A' Half 2022**

The Directorate of Financial Services informed the Committee about the financial results of the 1st half of 2022 and the assurances about the correctness and accuracy of the information.

The auditors informed the members of the Committee of the review they carried out on the individual and consolidated financial statements of the Company and its subsidiaries for the six-month period from 01.01.2022 to 30.06.2022 in accordance with International Auditing Standards and submitted a relevant report to the Committee - presentation. The statutory auditors referred, among other things, to the scope and areas of the Group's review procedures, the determination of materiality, the unresolved disputes and the significant review issues.

The Committee drew up a relevant report on the overview of the company's six-monthly individual and consolidated financial statements to the Board of Directors.

## **2.7 Annuals Financial Statements 2022**

The Committee was informed by the Financial Services Department about the Financial Statements of the Company and the Group prepared in accordance with IFRS for the year ending 31 December 2022 as well as about the main accounting assumptions adopted by the Company for the preparation of the Financial Statements and the main issues that occupied the Directorate of Financial Services during the preparation of the Statements.

The statutory auditors submitted and presented to the Commission their supplementary report to the Commission, in accordance with article 1 of Regulation (EU) 537/2014 regarding their audit of the Company's Financial Statements, on an individual and consolidated level, for the year which ended December 31, 2022.

The Committee discussed with the statutory auditors (Grant Thornton) and the Financial Services Department the main audit issues during the audit of the Company's annual financial statements for the corporate year ending on 31.12.2022.

The Committee reviewed the financial statements, based on the above, before their approval by the Board of Directors, assessed their completeness and accuracy,

according to the information disclosed to the members of the Audit Committee, as well as that the appropriate accounting principles were adopted and expressed its opinion on them, paying particular attention to the following:

- a) Evaluation of the use of the going concern assumption,
- b) Significant judgments, assumptions and estimates of the Management during the

preparation of the financial statements,

c) Adequacy of disclosures about the significant risks faced by the company

- Group,

d) Significant transactions with related parties, e) Significant unusual transactions.

The Committee prepared an informative report to the Board of Directors, and explained to the Board of Directors how the mandatory audit contributed to the integrity of the financial information and what was the role of the Committee in this process.

Also, the Committee informed the Board that the Statutory Auditors have substantially contributed to the integrity of the Financial Statements with their experience and independent assurance that the financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2022, their financial performance and cash flows for the year ended on that date.

The Audit Committee received assurances from the Regular External Auditors that, based on the procedures carried out and the data gathered by the audit team, no events or indications have arisen that would raise doubt regarding the Group's and the Company's ability to continue as a going concern. their activity.

The Audit Committee examined the most important issues and risks that may have an impact on the financial statements and the significant judgments and estimates of the Management during their preparation, including:

- Revenue recognition
- Assessing recoverability of trade receivables
- Employee benefit obligations
- Provisions for pending litigation – Contingent liabilities

The Audit Committee, taking into account and examining the above, considers it imperative:

The further intensification of the Administration's actions to reduce bad debts. It is pointed out that the total of private customer claims appears significantly reduced compared to 2021, by 22.33% but this improvement is mainly due to the normalization, during the current period, of the suspension of the issuance of water bills.

As regards the total amount of claims from OTAs, DEKO and GOVERNMENT, this appears to have increased by 16.51%.

- Utilization of the significant number of real estate stocks of the Company with the aim of limiting its administrative costs and sequestering funds.

Also, the Audit Committee drew attention, in its report to the Board, to the significant discrepancies, both in absolute size and in percentage that appear in important categories of income and expenses between the 2022 fiscal year budget, which was submitted and approved by the Board in February of 2022 and the usage report

2022 and which had as a final result the appearance of a negative deviation, by 82%, between the profits before taxes that were budgeted and the final profitability

The Audit Committee pointed out in its report to the Board that according to the principles of budgeting, any revenue and expenditure forecast contained in the budget must be as accurate as possible and not overstate or understate the actual figures on which the budget is based. predictions so that large deviations do not occur.

For this reason, it was proposed to evaluate the methodology of drawing up the budget and the relevant forecasts, to investigate the reasons for any deviations in order to draw useful conclusions, and implementable proposals, which will contribute to the drawing up of the company's annual budget as accurately as possible.

Additionally, during the review of the 2022 interim Financial Statements, the Audit Committee

had referred to the need to revise the budget following the important events that had taken place in the first half of 2022 and were affecting the evolution of key figures.

## **2.8 Tax Audit**

The statutory auditors, in their meeting with the Committee without the presence of managers of the Company's financial services, informed the members of the Committee about:

- the completion of the tax audit conducted in accordance with article 65A par. 1 of Law 4174/2013 and POL. 1124/2015, as amended, on the Company itself and on those of its Greek subsidiaries that have been subject to the tax audit for the 2021 fiscal year.
- the Tax Compliance Reports they issued in the context of the above tax audit and the evolution of the tax audits by the authorities.

## **2.9 Provision of permitted non-audit services by statutory auditors**

The Committee monitors the auditor's compliance with the provisions of Regulation (EU) no. 537/2014, as applicable from time to time, as well as the other relevant regulatory requirements, regarding the amount of the total fees paid by the Company to him in relation to the total revenue of the statutory auditor or the total revenue from audit services , so that the independence and objectivity of the statutory auditor is not called into question due to the size of the services provided to the Company.

The Committee is responsible for approving the provision of non-audit services to Group Companies, which are not prohibited by law. The Committee considers that the statutory auditors possess significant knowledge of the Group's activity and the manner in which the accounting policies are applied. This means that in some cases it is more efficient for statutory auditors to provide non-audit services themselves. Also, in some cases there may be confidentiality reasons that make statutory auditors the preferred choice to provide certain non-audit services.

However, ensuring the objectivity and independence of statutory auditors is a top priority. For this reason the Committee ensures that in any case the provision of such services will not alter their independence or objectivity.

For non-audit services not prohibited by law, the Committee judges and evaluates the following:

- potential threats to independence and objectivity resulting from the provision of the service and any safeguards to eliminate or reduce these threats as long as they do not endanger the auditor's independence and objectivity,
- the nature of the non-audit services;
- whether the skills and experience of the audit firm make it the most suitable provider of the non-audit service;
- the fees incurred or to be incurred for the non-audit services both for individual services and in the aggregate, in relation to the fees for the audit services, including special terms and conditions (e.g. and possible fee adjustments) and
- the criteria governing the remuneration of the persons who carry out the audit

During 2022, the Committee reviewed non-audit services proposed to be undertaken by the statutory auditor to the Company or subsidiaries of the Group and, having assessed the nature of the proposed services and received relevant clarifications, statements and assurances from the statutory auditor, determined that no are a threat to the independence of a statutory auditor in accordance with the provisions of Article 44 of Law 4449/2017 and Article 5 of Regulation (EU) 537/2014. These non-audit services concerned:

## **2022**

| <b>AA</b> | <b>DESCRIPTION OF WORK</b>   | <b>Amount</b> |
|-----------|--|---------------|
| 1         | EYDAP SA 2022 ADDITIONAL ANNEX TO THE REGULAR AND TAX AUDIT AGREEMENT FOR THE YEAR 2021 REGARDING THE ASSURANCE REPORT OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH THE REGULATORY REQUIREMENTS SPECIFIED IN THE REGULATION (EU) 2019/815 USE 2022 | 2,800         |
| 2         | ASSURANCE WORK ON THE COMPLETENESS OF THE REMUNERATION REPORT <b>USE 2022</b>  | 2,000         |
| 3         | ICS ASSESSMENT (Evaluation of internal control) <b>USE 2022</b>  | 48,000        |
| 4         | AGREED POLLUTANTS PROCEDURES ETMEAR <b>USE 2022</b>  | 3,000         |
| 5         | EXTERNAL VERIFICATION OF CSR <b>USE 2022</b>   | 18,500        |
| 6         | AGREED PROCEDURES EQUITY DEVELOPMENT 1999-2021   | 6,000         |
|           |  | <b>80,300</b> |

The relevant tasks are foreseen from relevant legal provisions

Both the work performed and the fees of the non-audit services engaged did not jeopardize the independence or objectivity of the statutory auditors.

### **3. Supervision of the Internal Audit Department**

The Committee for the purpose of monitoring the activity, role and effectiveness of the Internal Audit Department as well as the

of its audit program, held regular meetings with the Director of Internal Audit. Every quarter, reports were received from the Internal Audit Directorate, with the most important issues and its proposals regarding the tasks provided for by Law 4706/2020, Article 16 par.1. which were then forwarded to the Board of Directors for information.

The main issues considered within 2022 are the following:

#### **3.1 Preparation of the audit plan for 2022**

During the review of the audit plan proposed by the DIE for 2022, in addition to the results of the risk assessment, the following criteria of audit interest were taken into account:

The strategy and objectives of the company, significant changes in information systems, legal framework, the size and importance of the audited entity, the frequency of previous audits in the specific area, the assurance provided by other audit mechanisms, any observations of the external auditors as formulated in management letter, the requests of the Audit Committee and the Management, the requirements of legal and regulatory compliance, findings of previous audits as well as the degree of response of the audited units to them. Based on this overall assessment, the objects of the audit were reviewed and the EU, as provided by the legal and regulatory framework for the operation of the Audit Committee within the

framework of its duties, unanimously approved the sending of the draft audit program 2022 for discussion and approval at a meeting of the Board of Directors of EYDAP S.A. with a proposal from the EU drawn up by the President of the EU, based on the above and unanimously approved, for its dispatch to the Board of Directors on January 12, 2022.

Subsequently, the Board of Directors approved the Audit Program for the year 2022

The Committee was informed at regular intervals by the Internal Audit Directorate on the progress of the implementation of the audit program for the year 2022.

In September 2022, the Internal Audit Department submitted the revision of the Internal Audit Program which was approved by the EU and subsequently sent to the Board of Directors for finalization, taking into account:

- the emerging risks during the year,
- the findings of ongoing audits,
- the emerging operating conditions of the company,
- the available resources of the Internal Audit Department

### **3.2 Scope of the Internal Audit Directorate's audit coverage**

The Committee monitored the progress of the audits carried out by the Internal Audit Department, which related to significant risk areas, based on the annual audit plan for 2022 (which was prepared according to the Company's risk assessment).

### **3.3 Results of internal audit**

The Committee was informed by the Internal Audit Directorate about the audits it carried out and the reports it issued throughout 2022. The most important findings of the internal audits were examined, as well as the Management's responses.

The completed final reports are sent as attachments to the quarterly activity reports submitted by the Internal Audit Department to the Audit Committee and subsequently forwarded by the Audit Committee to the Board of Directors.

The Audit Committee evaluates at least once a year, the adequacy, quality and efficiency of the Internal Audit Department, with the aim of promoting more effective approaches and improvement actions, where deemed necessary, without infringing its independence.

Criteria of the performance and work of the IEA according to the General Framework of Internal Audit Competencies of the IIA are as follows:

- Timely implementation / processing of tasks
- Performing additional responsibilities
- Added value to the Organization
- Timely and quality information of the Board of Directors
- Compliance with company policies and procedures
- Adherence to the regulation, policies and procedures of the Directorate, the Code of Ethics and International Standards
- Contacts/collaboration climate with auditees
- Auditing and technical skills and knowledge

Of the 16 audits included in the 2022 audit plan, 11 were implemented (percentage 68%), marking a 10% decrease compared to the previous year (percentage 2021: 78%) for the following reasons:

- extraordinary absences due to illnesses and covid-quarantine (total 2,241 hours),
- trainings for the acquisition of mandatory certifications regarding the compliance of the operation of the DIE in accordance with the legal requirements for the occupation of the internal auditor (total 2,364 hours).

- Inability to reinforce the Directorate with the number of auditors that was set as a condition when approving the audit program for 2022.

Limitations that the DIE has and affect its smooth operation:

- Lack of qualitatively and quantitatively sufficient human resources in the DEE, despite the repeated actions of the Administration. .
- Emergency conditions due to the Covid 19 pandemic and restrictive measures (emergency special purpose permits, remote work of auditors and auditees)
- Difficulty and delays in data collection and responses from audited units.
- Lack of documented procedures, inadequacy of quality safeguards, and incomplete development of the second line of defense function.

In addition to the quantitative coverage of the program, due to the above limitations, the importance of the results obtained from the audit process was taken into account at the judgment of the Audit Committee, contributing through the importance of the findings that emerged, to the identification of essential problems, identifying the causes and submitting proposals on issues that can be corrected or improved.

The Audit Committee monitored the course of the "open" findings and the progress of the implementation of the relevant corrective actions to remove the findings of previous audits carried out by the Internal Audit Department, in

from regular Management presentations and Follow-Up Audit Reports drawn up by the Internal Audit Department, subsequently transmitting the information to the Board of Directors.

With reference to the effectiveness of the DIE, in the context of the External Evaluation of the Internal Control System carried out in accordance with the requirements of Law 4706/2020 and international best practices and based on the Report of the Results of the External Evaluation of the Internal Control System carried out by Grant Thornton:

No significant weakness or finding regarding the operation of the Internal Audit Department was found. Only one proposal was recorded by the external evaluator regarding the updating of the methodology for characterizing audit report findings and its readjustment to a four-level scale. The Internal Audit Department responded immediately to the proposal developed by the External Assessor and updated its methodology, which was approved by the Audit Committee.

The Audit Committee, taking into account all of the above, considers the operation and performance of the DIE satisfactory, for the year 2022, based on the quantitative and qualitative coverage of the execution of the 2022 audit program.

#### **4. Evaluation of the Internal Control System in accordance with Law 4706/2020**

An External Evaluation of the Company's Internal Control System was carried out in application of the provisions of Law 4706/2020 in accordance with paragraphs 3 and 4 of article 14.

The Audit Committee monitored the process for the evaluation of the Internal Control System in terms of meeting the schedules and monitoring the agreed project.

The Results of the External Evaluation Report of the Internal Audit System carried out by the Grant Thornton Company, were presented and discussed at a special meeting of the Audit Committee by the Grant Thornton project team.

The final evaluation report of the adequacy and effectiveness of the EMS dated 29/03/2023,

concludes that from the work carried out and the evidence obtained regarding the assessment of the adequacy and effectiveness of the Company's EMS, no weaknesses were identified that could to be considered as essential weaknesses in the Company's EGM, in accordance with the Regulatory Framework, with the exception of the finding of insufficient representation by gender in the Board of Directors, as the percentage of female members of the Board of Directors falls short of 25% of all members of the Board of Directors (2 of the 13 members of the Board of Directors are women) in deviation from the relevant requirement of the law for sufficient representation per sheet.

With regard to the effectiveness of the Control Mechanisms and the Security Shields of the Company's Organizational Structure and the non-essential weaknesses identified, the views of the EU are listed as below

- Regarding the lack of recorded procedures and organization of existing ones, where identified:

The Control Committee has repeatedly pointed out the necessity of strengthening the First Line of Defense, through the recording of procedures, where they do not exist, and the evaluation of the security barriers in the existing ones. Documenting detailed procedures with built-in safeguards will also contribute to the elimination of conflicts between the three Lines of Defense of the Internal Control System, through a clear understanding of roles and responsibilities/obligations and the relationships between them.

The Audit Committee proposes within 2023 that the Company commissions an External Consultant to carry out a GAP Analysis study, good practices and procedures and submit proposals to improve existing ones that will have a positive impact on business operations.

- Regarding the delays in the course of implementing corrective actions on internal audit findings:

The Audit Committee systematically monitors the course of implementation of corrective actions and has repeatedly pointed out in Board of Directors meetings that there are numerous internal audit findings that remain "open" for a long time.

The Committee proposes the establishment of a risk acceptance framework by the Management, after categorization, through the recording and re-evaluation of the existing ones, in terms of their rating and the continuous evaluation and optimization of the risk management procedures. Also, the Committee has given instructions to the Internal Audit Directorate for the sorting and categorization of corrective actions in terms of the required time frame for implementation (short-term-long-term), as well as for, from now on, the readjustment of the methodology for characterizing the findings of audit reports (review), to help Senior Management prioritize existing risk management needs and make the most rational and efficient decisions for the allocation of available resources.

- Regarding the organization and effectiveness of the Control Mechanisms and Security Valves in the company's information systems:

More generally, with regard to the organization and effectiveness of the Control Mechanisms and Security Valves, weaknesses of medium importance, which need further improvement, which are expected to occur during the implementation of the system, have emerged through the audit reports of the Internal Audit Directorate, in some areas business planning (ERP) with the most rational organization and utilization of the Company's data and resources and the automation of several processes.

- Regarding the delay in carrying out regular audits in the newly established Risk Management and Regulatory Compliance Unit:

The Risk Management and Regulatory Compliance Unit is scheduled to be audited within the 2024 financial year as it was established in 2021 and its activities are still in development.

- Regarding the improvement of the operation of the Internal Audit Department:

In relation to the Operation of the Internal Audit Department, the Audit Committee has repeatedly raised at the meetings of the Board of Directors the need to strengthen the staffing of the DIE with specialized personnel in special audit areas.

The Audit Committee formulated its positions, as above, to the Board of Directors of the Company, during the presentation of the External Evaluation Report.

#### **4.1 ESG**

The Committee was informed by the Management about the main categories of ESG risks and the role of the Management in managing and dealing with them.

EYDAP has integrated Sustainable Development as a dominant element of its business strategy. Its primary objective is to ensure an operational framework and provide high-level services to its consumers, partners and employees, with responsibility and respect for society and the natural environment in which it operates and develops, and by achieving the dynamic goals of the regulatory environment which governs these matters. To ensure the above, EYDAP has recognized the risks of ESG issues that may affect the implementation of the sustainable development strategy it has drawn up, taking into account the essential issues and the needs of the interested parties. These risks have been intrinsically assessed and the necessary control mechanisms have been foreseen and activated, for corporate shielding against the relevant commitments and corporate obligations. The monitoring of ESG risks is done with all the foreseen mechanisms of the external environment.

The Company within 2022 continued to incorporate ESG criteria in the disclosure of non-financial information to its stakeholders. In particular, the Company continued to disclose non-financial information based on internationally recognized standards such as the GRI, the SASB Standard with an emphasis on the essential issues of the Water Utility and Services sector as well as the Guide of the Athens Stock Exchange for the disclosure of non-financial information. In the same context, the Company proceeded with external assurance of a limited scope for the 2021 Report (based on the AA1000 standard).

In addition, in order to strengthen its score in the ESG ratings of independent rating agencies, in 2022 the Company participated for the first time in the Climate Disclosure Project (CDP) on climate change and the questionnaire assessment (CSA) of S&P Global, significantly improving its rating compared to the previous year and exceeding the industry average.

### **5. Policy of Sustainable Development**

In accordance with Law 4706/2020 (article 74), the Audit Committee is required to submit to the General Meeting of Shareholders this report, including a description of the Company's Sustainable Development Policy.

Sustainable Development is an integral element of EYDAP's long-term business strategy. It is the driving force through which the Company aspires to remain competitive over time, to face modern challenges and, by developing appropriate partnerships, to contribute to a new efficient development model without social exclusions, as reflected through the Global Sustainable Development Goals.

The Company's Sustainable Development strategy aims to create long-term and sustainable value, for shareholders and other groups of its Social Partners, through a holistic approach that combines financial stability with social and environmental sustainability. It is implemented through three main levels, which are inextricably linked to each other, while it is governed by specific Principles that ensure completeness (Principle of Materiality), quality (Principle of Participation of Social Partners) and transparency (Principle of Accountability) throughout the scope of its activity .

EYDAP, realizing not only its institutional corporate role but also its responsibility towards society, integrates sustainable development goals into its operation and carries out actions in the context of corporate social responsibility following the following principles:

- Optimization of Corporate Governance
- Supporting the Economy: research and innovation
- Respect for the Environment & Climate
- Respect for Human Rights & Employees
- Supporting Society · Culture

The Audit Committee reviewed the Sustainable Development Report including issues related to disclosures regarding sustainable development and the areas of Environment, Society and Governance.

The Audit Committee for the overview of the Sustainable Development Policy of EYDAP additionally requested the provision of services from the GRAND THORTON Company in terms of the preparation of an external verification report of its economic, social and environmental performance indicators (ESGs) for the year 2022, with a reference period from January 1, 2022 to December 31, 202, with the aim of confirming that the Company meets the needs and expectations of EYDAP stakeholders according to the way the Company manages its most significant impacts, in the context of Sustainable Development.

Based on the above and according to Grant Thornton's view:

- Nothing came to our attention that would lead us to the conclusion that the Company's 2021 Sustainable Development Report does not meet the requirements of the basic level of agreement according to GRI Standards ("In accordance" – Core).
- No element came to our attention that would lead us to the conclusion that the indicators such as those mentioned in the "Scope of Work" paragraph, and included in the Company's 2021 Sustainable Development Report, are materially inaccurate.

The Audit Committee fulfilled its obligations with a sense of responsibility towards the shareholders and other interested parties, as an assistant in the work of the Board of Directors and with a firm aim of consolidating the auditing culture and supporting the work of the Management to achieve sustainable business development and optimization of the operations of the Company.

**For the Audit Committee of the Board of**

**Directors of EYDAP SA**

**The Chairman**

**Aikaterini Beritsi**

Annex – Resumes Notes