



**LOULIS**  
mills

**AUDIT COMMITTEE CHARTER**

**JUNE 2021**



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## **Preface**

The Audit Committee (henceforth «Committee») of «Loulis Mills S.A.» (henceforth «Company») has been introduced and operates within the boundaries of Law 4449/2017 and 4706/2020.

The Committee assists the Board of Directors (henceforth "BoD") in the exercise of its duties, which are mainly related to the internal and external audit of the company.

The Audit Committee is an independent joint committee, consisting of two (2) independent non-executive members of the BoD and one (1) independent third individual, non-member of the BoD.

The purpose of the charter which has been approved by the BoD of the Company is to regulate the role and responsibilities of the Committee and the process of fulfilling its role.

The charter of the Audit Committee is posted on the Company's website.

## **Composition**

1. The members of the Audit Committee are appointed by the General Meeting of the Company.
2. The Committee consists of two (2) independent non-executive Members of the BoD and one (1) independent third party, non-member of the BoD, according to the provisions of Law 4706/2020.
3. The members of the Committee as a whole have sufficient knowledge in the Company's industry.
4. At least one member who is independent according to the provisions of Law 4706/2020, must be a chartered accountant suspended or retired or has sufficient knowledge in auditing and accounting.
5. In case a member of the Committee is involved in a relationship that is likely to affect his independence and objectivity according to the provisions of Law 4706/2020, it should be communicated to the shareholders of the Company.
6. The members of the Committee shall be appointed for a term of four years.
7. The Chairman of the Committee is appointed by its members and is independent according to the provisions of Law 4706/2020.
8. In case of resignation, death or loss of status of a member, the BoD appoints from its existing members, a new member to replace the one who passed away, for a period until the end of his term of office, subject, if necessary, to 1 and 2 of article 82 of law 4548/2018 (A' 104), which is applied accordingly. When the member of the previous paragraph is a third person, not a member of the BoD, the BoD appoints a third person, a non-member of the BoD, as a temporary replacement, and the next general meeting either appoints the same member or elects another, for the term until the end of his term in the Audit Committee.

## **Convening and meetings**

1. The minimum number of Committee meetings during a year emerges from its responsibilities in combination with its planning but it is no less than five (5) meetings.

Indicative meeting purposes:

- Committee body formation and appointment of the Chairman.
- Preparation of the Committee's annual action plan.
- Approval of the Internal Audit Unit annual audit plan.
- Meetings with executives about the preparation of financial statements.
- Meetings with the statutory auditors during audit planning stage, its execution, the stage of audit reports preparation and presentation of the supplementary report.

- Examination and evaluation of the quarterly reports of the internal auditor and the recommendations of the Committee as well as preparation of a respective report to the BoD.
  - Preparation of a report to the BoD about the preparation and control of the annual and semi-annual Financial Statements and the comments of the statutory auditors, before Financial Statements approval by the BoD.
  - Preparation and approval of the Committee's annual actions report.
2. The Committee Chairman invites the Committee members, at the time of the completion of the external and internal audit or extraordinarily, by invitation which is communicated to them at least two (2) working days before the meeting. The invitation shall state the agenda items, the date, time, and place of the Committee meeting. The Committee may also meet on its own initiative.
  3. Each Committee member has the right to request in writing the convening of the Committee, to discuss specific issues.
  4. The presence of all Audit Committee members is necessary for holding any meeting.
  5. In addition to its members, if necessary, other persons may participate in Committee meetings, without the right to vote, such as the head of the internal audit unit, members of the Company's Management, as well as the external auditors. The Committee shall consider and decide which individuals may attend its meetings.
  6. In all Committee meetings, minutes are kept, with the issues discussed and the decisions taken, which are signed by the present members in accordance with article 93 of Law 4548/2018. Copies of the minutes shall be formally issued by the Chairman of the Committee without the need of further ratification.
  7. The Committee meets every time at the company's headquarters. It also validly meets outside its headquarters in another place, either at home or abroad, as well as by video conference.
  8. The Committee member who is a certified public accountant/auditor suspended or retired or has sufficient knowledge in auditing and accounting, is obliged to attend the meetings of the audit committee related to the approval of the financial statements.

### **Role - Responsibilities**

Subject to the responsibility of the members of the BoD of the Company, the Committee, among other things, fulfills its role by exercising the following responsibilities, in relation to the provisions of Article 44 of Law 4449/2017 and, inter alia, no. 1302 / 28/4/2017 and 1508/17/7/2020 letters of the Hellenic Capital Market Commission, which are fully applicable to the Company's Committee:

- a) informs the BoD of the Company about the result of the statutory audit and explains how the statutory audit contributed to the integrity of financial information and what was the role of the Committee in this process.
- b) monitors the financial reporting process and makes recommendations or proposals to ensure its integrity.
- c) monitors the effectiveness of the Company's internal control system, quality assurance and risk management and, where appropriate, the internal audit unit, regarding the Company's financial information, without violating the unit's independence.
- d) monitors the statutory audit of the annual and consolidated annual financial statements and in particular its performance, taking into account any findings and conclusions of the Hellenic Capital Market Commission or any other competent authority in accordance with paragraph 6 of Article 26 of Regulation (EU) no. 537/2014,
- (e) supervises and monitors the independence of chartered accountants or audit firms in



accordance with Articles 21, 22, 23, 26 and 27; and Article 6 of Regulation (EU) 537/2014 and in particular the suitability of non-audit services provided to the Company in accordance with article 5 of Regulation (EU) no. 537/2014,

(f) is responsible on the selection process of chartered accountants or auditing firms and proposes the chartered accountants or auditing firms to be appointed in accordance with Article 16 of Regulation (EU) 537/2014, unless paragraph 8 of article 16 of Regulation (EU) no. 537/2014 is implemented.

Particularly:

### **Internal Control System**

1. Monitors the effectiveness of the Internal Control Systems (henceforth «ICS»), quality assurance and risk management of the company.
2. Monitors the effectiveness of the ICS, quality assurance and risk management of the company and, where appropriate, its internal audit unit, regarding the financial information, without violating the independence of the internal audit unit.
3. Confirms that the recommendations of the internal and external audit are implemented by Management.

### **Financial Analysis**

1. The Committee shall be informed on the significant financial risks and shall examine whether Management has taken all necessary measures to deal with them effectively.
2. Examines with internal and external auditor possible cases of fraud, illegal activities, weaknesses in the internal control system and other issues that are likely to affect the company's financial statements.
3. Examines important issues of financial results presentation, including recent changes in legislation and regulations and examines their impact on the company's financial statements.

### **Annual Financial Statements**

1. Monitors the financial information process and submits recommendations or proposals to ensure its integrity.
2. It is informed about the procedure and schedule of financial information preparation by the administration. To this end, the Committee meets with management and respective managers during the preparation of the financial statements.
3. Examines the annual financial statements and confirms that they are complete and in accordance with the information known to the members of the Committee. It also assesses whether financial statements have been prepared in accordance with the required accounting principles and International Financial Reporting Standards (henceforth «IFRS»).
4. Examines the most important issues and risks that may have an impact on the company's financial statements as well as the important judgments and assessments of management during their preparation. Indicatively examines and evaluates:
  - i. The acceptance by management of the ongoing activity.
  - ii. Other significant judgments, assumptions and estimates in the preparation of the financial statements.
  - iii. The valuation of assets at fair value.
  - iv. The recoverability of assets.
  - v. The accounting treatment of acquisitions.
  - vi. The adequacy of disclosures about the significant risks faced by the company in the financial statements.

- vii. Any significant transactions with related parties.
- viii. Any significant unusual transactions.
- 5. Discusses with Management and the auditors, audit findings that are likely to affect the financial statements.
- 6. Examines other parts of the annual statements, especially Management remarks and judges whether the information is sufficient and in accordance with the knowledge of the members about the company and its functions.
- 7. Assesses Management's judgments regarding valuation of contingent liabilities or other events that may have occurred after the submission of the financial statements (post balance sheet events).
- 8. The Committee examines the financial statements before submitting them to the BoD for approval and expresses its views on it, mainly on the following issues:
  - i. the basic accounting policies and practices applied and any changes thereto,
  - ii. compliance with the obligation to comply with applicable accounting standards,
  - iii. any significant or unusual transactions that have had a material effect on the financial statements, and the manner in which they are disclosed.
  - iv. the accuracy and completeness of the notifications, as well as their consistency in relation to the information available to the Committee.
  - v. any significant changes proposed by the auditor.
  - vi. the written assurances required by the auditor, before being signed by Management.
  - vii. the observance of compliance obligations with relevant laws and regulations governing the publication and disclosure of the financial statements, in accordance with article 44 of Law 4449/2017.

#### **Internal Audit Unit (henceforth «IAU»)**

- 1. Monitors IAU and inspects its proper operation in accordance with International Professional Standards as well as the current legal and regulatory framework, with emphasis on issues related to its degree of independence, quality, and scope of audits. Also oversees the overall effectiveness of this function. Suggests to the BoD the Internal Auditors remuneration as well as the text of the IAU charter and any revision of the latter.
- 2. Examines the activities and IAU organizational structure to confirm that there are no restrictions on the execution of the internal audit work.
- 3. Evaluates and approves the IAU annual audit plan.
- 4. Examines the IAU staff qualifications in order to confirm its satisfactory staffing.
- 5. Has the responsibility of hiring or replacing the IAU head.
- 6. Meets, often during the financial year, with the IAU head, where he informs about IAU work progress, the most important findings and weaknesses identified, as well as about future planning Audits of the Unit.
- 7. Confirms that the significant problems and weaknesses identified by the IAU, as well as relevant suggestions, have been notified and discussed in a timely manner with Management. In addition, it examines whether Management has taken the necessary corrective measures.
- 8. Under the responsibility of the IAU Head, the Committee shall be informed at least once quarterly on these matters through respective reports.

#### **Statutory Audit**

- 1. It is informed by the certified public accountant on the annual mandatory audit program before its implementation.
  - i. Evaluates the statutory audit program and ensures that it will cover the most important areas

of audit, taking into account the main areas of business and financial risk of the company and explains how statutory audit contributed to the integrity of financial information and what was the role of the Committee in this procedure.

ii. Holds meetings with the statutory auditor during audit planning phase, during its execution and during the audit report preparation phase.

iii. Has timely and effective communication with the chartered accountant in view of the audit report preparation and the supplementary report of the latter to the Committee.

2. Examines the proposed audit object and method in order to confirm that no restrictions are placed on external auditor's work.

3. Oversees and monitors the independence of chartered accountants or auditing firms in accordance with Articles 21, 22, 23, 26 and 27, and Article 6 of Regulation (EU) No 537/2014 and in particular the adequacy of non-audit services offered to the company in accordance with Article 5 of Regulation (EU) no. 537/2014.

4. Monitors the statutory audit of the annual and consolidated annual financial statements and in particular its performance, taking into account any findings and conclusions of any competent authority in accordance with paragraph 6 of Article 26 of Regulation (EU) no. 537/2014.

5. Meets during the financial year with the external auditors in order to be informed about important issues that were observed during the audit. This meeting takes place before the final approval of the financial statements.

6. Facilitates communication between the BoD, Management, Internal and External auditors of the company for the exchange of views and information.

7. Is responsible for the selection process of chartered accountants or auditing firms and proposes the chartered accountants or auditing firms to be appointed in accordance with Article 16 of Regulation (EU) 537/2014, unless par. 8 of article 16 of Regulation (EU) no. 537/2014 is applied.

8. Examines and submits proposals, in accordance with article 16 of Regulation (EU) 537/2014 and the provisions of Law 4449/2017 and in general the current legal and regulatory framework, to the BoD regarding the appointment, reappointment, removal, replacement, terms of employment and remuneration of the External Auditor, which proposals will be submitted for approval by the Annual General Meeting of Shareholders.

9. Carries out an annual evaluation of the effectiveness, independence and objectivity of the External Auditor and supervises the periodic rotation of both the External Auditor and the key associates of the auditing firm, who carry out the audit. In particular, the duration of the audit assignment contracts should not exceed five years and in any case the financial audit company will be rotated after up to five consecutive years. The auditor or the main partner of the auditing company is not involved again in the provision of services for the financial audit of the Company before the lapse of two consecutive years.

10. Recommends the remuneration of the External Auditor, in accordance with the current legal and regulatory framework about the annual financial statements regular audit and submits a relevant proposal to the Board.

11. Consults with the auditor, during audit planning stage, during its execution and during the reporting stage after its completion. Finally, the Committee meets along with the External Auditor at least once a year, without the presence of the Management, to discuss issues and problems related to the conduct and results of the audit and resolves any disputes between management and the External Auditor.

12. Informs the BoD about the result of the statutory audit and explains, through the report submitted by the auditors, how statutory audit contributed to the integrity of the financial



information and the role of the Committee in this process.

13. Submits proposals to the BoD about special areas where additional audits by the auditors might be required.

14. Conducts timely discussions with the independent auditor on the following:

- i. All critical accounting policies and practices.
- ii. All alternative methods of managing financial information within generally accepted accounting principles relating to significant matters discussed with management, matters related to the use of these alternative disclosures and approaches and the method of management chosen by the independent auditor and other important communications carried out in writing between the independent auditor and management.

15. Receives and reviews at least one report annually from the independent auditor describing:

- i. The independent auditor internal quality control procedures.
- ii. Any significant issues arising from the most recent internal quality control review or peer review, or any questions or inquiries from government or professional authorities.

This report should be used to assess the qualifications, performance and independence of the independent auditors. In addition, the Committee will review the experience and qualifications of the lead partner each year and decide whether all partner rotation requirements are met, in accordance with applicable rules and regulations. The Committee will also consider whether the independent auditor himself should be replaced. The Committee should present its conclusions to the entire BoD.

16. Adopt policies consistent to the laws and regulations governing the recruitment of independent auditor staff.

17. To review on a regular basis the adequacy and effectiveness of the company's audits and notification procedures and its internal control system, in terms of financial information, including any defects and significant changes in internal audits.

### **Reporting**

1. The Committee communicates the results of its work, in accordance with the above responsibilities, to the BoD.

2. The Committee shall promptly inform the BoD of events that have come to its knowledge and are likely to significantly affect the Company's activities or the adequacy and effectiveness of the ICS and risk management.

3. The annual report of the Committee, which is issued together with the annual financial report of the company, is submitted to the regular General Meeting of the company. The Annual General Meeting of Shareholders is informed by the Board of Directors about the operation of the Committee and the number of meetings during the year.

### **Empowerment**

The BoD of the company authorizes the Committee within the framework of its role and responsibilities, to:

1. Request any information or other assistance it deems appropriate from:

- i. Any employee of the company or its subsidiaries.
- ii. Any third party that cooperates with the company.

2. Request the presence in its meetings, of any employee or executive of the company deems necessary.

3. Have access to any company document which deems necessary, in the execution of its work.



4. Use any resources it deems appropriate, for the fulfillment of its purposes, including services by legal or other external consultants.

The Committee immediately reports to the BoD any restriction or other obstruction imposed on its work by any employee of the company.

**Charter amendment**

The Committee charter is approved by the Board of Directors of the Company.

The Committee periodically reviews charter adequacy in terms of possible new needs and risks and investigates the possibility of amending it.

Any suggestions for amendment of the charter are submitted by the Committee or any other member of the BoD to the BoD of the Company, which has the final responsibility for approving the amendments to the said Committee charter.