

# **POLICY ON SUITABILITY OF MEMBERS OF THE BOARD OF DIRECTORS**

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## 1. INTRODUCTION

This Suitability Policy for members of the Board of Directors (“Suitability Policy”) was drawn up by the “PAPOUTSANIS SA” Board of Directors. (hereafter the “company”) based on the provisions of Article 3 of Greek Law 4706/2020 and Hellenic Capital Market Commission circular no. 60 on “Guidelines for the Suitability Policy under Article 3 of Law 4706/2020” and was approved with Board resolution [...] and then by resolution [...] of the company's general meeting of shareholders.

The Suitability Policy enters into force with the entry into force of articles 1 to 24 of Law 4706/2020 or with the election of a new Board of Directors in the year 2021, whichever occurs first.

Its scope applies to the members of the Board of Directors. The Suitability Policy is consistent with the company's internal operating regulation, as in force from time to time, and with the Code of Corporate Governance the company applies.

With assistance from the Remuneration and Nomination Committee, the Board of Directors nominates members to serve on the Board of Directors at the general meeting, whether they are new members or existing members up for re-election, as specified in law regarding the Suitability Policy. The Board of Directors constantly monitors the suitability of its members and, where necessary under the applicable laws and the Suitability Policy, re-evaluates their suitability and, if necessary, takes the appropriate steps to replace them.

The Suitability Policy aims to ensure staffing with qualified personnel, efficient operation and fulfilment of the role of the Board of Directors based on the overall strategy and the medium/long-term business pursuits of the company to further its interests.

The Suitability Policy is approved by the Board of Directors, as specified in Article 3(1) of Law 4706/2020 and submitted for approval to the general meeting, as specified in Article 3(3) of Law 4706/2020. Amendments to the Suitability Policy are approved by the Board of Directors and if substantive are submitted for approval by the general meeting as specified by Article 3(3) of Law 4706/2020. The Suitability Policy and every substantive amendment to it enters into force no earlier than its approval by the general meeting. Substantive amendments are those which introduce derogations, or which significantly change the content of the Suitability Policy, particularly as to the general principles and criteria being applied. The Suitability Policy in force from time to time is updated and posted on the company website.

## 2. KEY SUITABILITY CRITERIA

Each member of the Board of Directors must meet the following key criteria:

- They must be honest, of impeccable character and enjoy a good reputation.
  - They must have the intellectual capacity, the will, knowledge and fortitude to form their own opinion on corporate issues with the company's interest in mind, regardless of the views of the other Board members; to pose reasonable questions to other Board members and to persist in receiving specific answers; to submit proposals and to underline points and areas that require improvement. Non-executive members in particular must be able and willing to exercise oversight and control over executive members where law mandates it. These qualifications should be combined with the willingness and ability to work with constructive cooperation and in a spirit of trust and teamwork.
  - They must be willing and able to devote sufficient time and energy to performing their duties as members of the Board of Directors. Their presence and participation in
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meetings or decision-making, their preparedness for such and their active participation are viewed as indicators of the time members devote to performing their duties.

- They must have abilities, experience and a background which supplement corresponding characteristics of already existing members.
- When selecting and nominating potential Board members to the general meeting, or when appointing new members to replace departing members, the Board of Directors endeavours, with the support of the Remuneration and Nomination Committee, to nominate potential members whose election ensures that the Board of Directors, as a collective body, itself possesses the following characteristics:
  - It has a deep knowledge of the company's sector of activity. Members of the Board specifically must have an appropriate mix of experience and adequate time to effectively oversee the company's operations. Board members should also understand the legal and regulatory requirements which apply to a company listed on an organised stock exchange.
  - It should have sufficient representation of both genders.
  - The principle of diversity is observed when selecting members of the Board. Diversity is a factor that can enrich the function of the Board of Directors and foster independence of opinions and constructive challenges during the decision-making process.

The Board of Directors assures the company of a suitable succession plan for the smooth continuity of company affairs and decision-making following the departure of Board members, particularly executive or committee members.

### **Incompatibility of Board members:**

The following professional capacities are incompatible with being a member of the company Board of Directors:

- Capacity of a director, member of a Board of Directors, employee of, or otherwise associated with, a company that is amongst the company's competitors because there may be regular conflicts with the company's interests.
- Employee or associate of an auditing firm that has been designated as the company's external auditor.

### **Induction and ongoing training for Board members:**

Before assuming their position, candidates for the Board of Directors are briefed by the company's Remuneration and Nomination Committee on the company's culture, values and general strategy. During their term of office, they are also informed about the company's management and operation, financial risks, regulatory compliance and corporate governance, etc.

### **Nominee selection and election of Board members:**

- The Remuneration and Nomination Committee draws up and manages the policy and procedure for selecting Board members who will be appointed by the Board of Directors or who the Board of Directors will nominate to the General Meeting.
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- Board members are elected by the General Meeting for a term specified by the company's articles of association and may be re-elected without limitations.

### 3. CRITERIA FOR BOARD MEMBER SUITABILITY

The Remuneration and Nomination Committee draws up and manages the procedure for selecting Board members who will be elected by the Board of Directors or who the Board of Directors will nominate to the General Meeting.

Suitability constitutes two aspects – individual and collective.

#### 3.1 Individual suitability

##### a. Professional training, experience, competence.

Members of the Board must understand the company's business activity and the risks it assumes to a sufficient level befitting their area of responsibility. This includes a sufficient understanding of the divisions for which one individual member may not be directly responsible, but for which all members of the Board are collectively and jointly responsible.

Members of the Board must clearly understand the company's governance regulations, their corresponding role and responsibilities and any potential conflicts of interest that may arise.

Members of the Board must be able to help maintain the appropriate mentality, corporate values and conduct within the Board and the company.

In this case, as part of evaluating sufficient knowledge, skills and experience, the following should be examined: (a) the role and duties of the position and the required qualifications; (b) the knowledge and skills which have been acquired through education, training and practical experience; (c) practical and professional experience acquired at previous positions; and (d) knowledge and skills that have been acquired and are demonstrated by the professional conduct of the Board member. For instance:

- **Professional experience.** The nature of any management position, hierarchical level, the nature, complexity and organisational structure of the organisation where the position was held, range of competencies, powers and decision-making responsibilities, number of subordinates, type of professional experience, relevance to the company's business sector are all assessed.
- **Specialised experience**, such as with strategic planning, regulatory compliance, risk management, accounting and auditing, sales and export development, sustainable development, human resources management, research and innovation, etc., is considered.
- **Participation in boards of other companies and general experience in managing legal entities**
- **Participation on committees of other legal entities**

The existence of required preconditions will be verified through CVs by details on education and professional experience, as well as other information, including diplomas, recommendations from previous employers, executive and non-executive memberships in boards of directors, and other professional activities, memberships in professional associations, attendance at seminars and trainings, etc.

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To evaluate the theoretical knowledge of a member, the level and type of education (field of studies and specialisation) is taken into account, as substantiated through diplomas or certificates from seminars attended.

Practical experience is demonstrated through a detailed list of information from previous positions of responsibility held by the candidate. As part of the process, the member's type of previous employment is evaluated, taking account of the length of tenure in each position, the size of the entity where the member was employed, the scale and complexity of the business activity, the competencies performed there, the number of subordinates, the nature of the entity's activities, etc. Details of practical experience are gathered from recommendation letters by previous employers.

## **b. Personal skills**

Additional evaluation criteria for new Board members include personal skills, such as decisiveness and ability to take decisions, communication skills, critical thinking ability, leadership skills, dedication, negotiating and persuasive skills, team spirit, sense of responsibility, and others.

Aspects of the character and contribution of candidates or existing Board members are evaluated through, amongst other things, their progress to date, the kind of input they contribute, through personal discussions/interviews with the evaluatee and generally through their overall participation in the company's management and operations.

## **c. Reputation, ethos, honesty and integrity**

Members of the Board must perform their duties with integrity, objectivity and professionalism. In general, they must manage corporate affairs with diligence and good faith and act to the standard of a proper entrepreneur solely for serving the corporate interest. In addition, they must:

- distinguish themselves for their ethos, primarily to be honest and of excellent character. These characteristics are presumed to apply if there is no evidence to indicate otherwise, or if there is cause for reasonable doubt.
- not face any legal obstacles, such as in the provisions in Article 3 pars. 4 and 5 of Law 4706/2020. As regards the non-existence of an obstacle in the aforementioned provision, each candidate member (or person to whom management and agency powers are to be assigned) must submit a solemn declaration as specified by these provisions and notify the company that a final court judgment has been issued.
- meet the independence criteria under Law 4706/2020, where independent, non-executive members are concerned (see procedure for disclosing dependent relations by independent, non-executive members of the Board of Directors).

Specifically, the following are taken into serious consideration:

- a. final administrative or judicial judgments against them, particularly for violations or offences connected to their capacity as members of a board of directors or with failure to comply with provisions of the Capital Market Commission laws or financial crimes in general;
  - b. final judicial judgments for crimes with a high degree of social depravity;
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c. the existence of investigations or pending court procedures related to the foregoing.

In evaluating these, particular consideration is taken of the relevance of the offence or the extent of the member's role, the seriousness of the offence or measure, the general conditions, including mitigating factors, the role of the person involved, the penalty imposed, the stage reached by the legal proceedings and what remedial measures were applied; also the length of time that has passed and the conduct of the person after the violation or offence are also considered.

The above may also be verified at the discretion of the Board of Directors based on:

- solemn declarations by the candidate;
- extracts of criminal records, to the extent they can be requested as permitted by the law on protection of personal data;
- investigation to the extent permitted by the law on protection of personal data;
- obtaining other data and related supporting documents for any final administrative or judicial judgments.

#### **d. Conflict of interest**

According to the company's Conflict of Interest Policy in place, the extent to which there are no obstacles that could prevent members from effectively performing their duties as required by their role is examined as part of evaluating a candidate member of the Board and during regular evaluations.

For example, the degree of compliance with independence criteria is examined, as specified in the "Disclosure procedure for dependent relationship of independent, non-executive members of the Board", particularly related to independent members of the Board, as well as potential instances related to the family, professional or social status of the candidate that could actually or potentially lead to a conflict of interest.

#### **e. Dedicating sufficient time**

The Remuneration and Nomination Committee considers whether Board members are able to devote sufficient time to performing their duties and competencies, including understanding the company's business activity, its key risks and the impacts of its business strategy and risk strategy. Members should be able to fulfil their duties during periods of increased activity, approval of financial statements, stock acquisitions, mergers, buy-outs and other crisis situations, or in the event of a serious difficulty involving one or more of its activities, considering that at such times, it may be necessary to devote more time than would normally be required.

In evaluating whether members are devoting sufficient time, information that is taken into account includes the number of positions a Board member may hold at one time, the size, nature, field and complexity of activities of the entity at which the member holds a board seat, the member's place of residence and the travel time needed for the specific role, the number of scheduled Board meetings, the positions held by the Board member at the same time in organisations which are not of a primarily commercial nature, possible essential meetings that are to be held, the nature of the specific position and competencies of the member, including special roles such as CEO, Chair of the Board or as Chair or member of a committee, and whether the member holds an executive or non-executive position.

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As such, the Remuneration and Nomination Committee notes in writing the expected time required for each position, also taking into account the need to devote sufficient time for induction and training.

Each member of the Board is informed of the amount of time they are expected to devote to their duties and the Remuneration and Nomination Committee requires each member to confirm their ability to devote that time to performing their roles.

The Board of Directors keeps track of whether its members are devoting sufficient time to performing their duties. Their presence and participation in meetings or decision-making, their preparedness for such and their active participation are viewed as indicators of the time members devote to performing their duties.

### 3.2 **Collective suitability**

Aside from individual suitability, members of the Board must be collectively able to take appropriate decisions with respect to the business model, risk appetite, strategy and markets in which the company is engaged. All areas of knowledge required for the company's business activities must be covered by the Board of Directors. The Board should also have a sufficient number of members with knowledge in each area to make it possible to carry out a discussion when decisions must be taken. The members of the Board should collectively have the necessary skills to present their views and influence the decision-making process. As such, the make-up of the Board should reflect the knowledge, skills and experience required to exercise its competencies. This includes the requirement that the Board collectively understands to an adequate degree the areas in which members are collectively responsible and has the necessary skills to exercise actual management and oversight of, amongst other things:

- its business activity and key risks associated with it;
- strategic planning;
- financial reporting;
- compliance with the legislative and regulatory framework;
- understanding of corporate governance issues;
- ability to identify and manage risks;
- the effect of technology on its activity;
- adequate representation by gender.

The company has the primary responsibility for identifying gaps in anything related to collective suitability. To that end, the Board of Directors undergoes self-evaluation annually. The Board may decide to have the evaluation conducted by third-party consultants.

Aside from a high level of managerial skills, the Board must collectively have sufficient management skills to effectively organise its tasks and to be able to understand and challenge administrative practices in effect and the decisions taken by senior management.

A key criterion is to ensure as far as possible a sufficient representation of both genders, as well as the principle of diversity when selecting members for the Board of Directors. Current

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legislation holds that there must be a minimum representation by gender of 25% of the total Board membership. In the event of a fractional number, the rate is rounded down.

Diversity is a factor that can enrich the function of the Board of Directors and foster independence of opinions and constructive challenges during the decision-making process. Assembling a broad range of qualifications and skills when selecting Board members ensures a variety of views and experiences with the aim of taking sound decisions. Aside from adequate representation by gender, it is prohibited to exclude candidates based on discrimination on the basis of gender, race, colour, ethnicity or social status, religion or beliefs, wealth, birth, disability, age or sexual orientation.

The assessment of collective suitability takes into account each time details such as the current size of the company and the prospect for growth, geographic presence, business model and main business strategy, the nature and complexity of business activities, organisational structure, risk strategy and risk appetite, etc. The competence level of the overall composition of special Board committees is another important parameter.

Specifically, the type of knowledge, skills and experience brought to the Board's collective suitability by each Board member is assessed, as well as how the member is included in the Board's collective suitability and how that member's appointment and presence to date complements the Board's collective suitability.

As regards new and to-be-inducted members of the Board, any weaknesses identified in the overall make-up of the Board are assessed along with the manner in which the evaluatee will contribute to resolving some or all of those weaknesses.

#### **4. PROCEDURE FOR ASSESSING CANDIDATES SUBJECT TO THE POLICY**

Assessment of suitability and credibility of candidates subject to the policy should take place before the new member is elected to the Board.

The procedure for assessing candidate members includes the following steps:

1. The necessary documents are gathered for each candidate member and an "Assessment Report" (hereafter "report") is drafted to document whether this individual sufficiently meets the suitability criteria.
2. Depending on the candidate's qualifications, the report examines whether the candidate:
  - fully meets the criteria;
  - partially meets the criteria, whereby it is then specified whether these criteria are critical and specifically whether their absence means:
    - (a) the fulfilment of duties with professional competence and knowledge of the object is not assured;
    - (b) there are obstacles in relation to the provisions of the law.
3. Following the review and approval of the report contents, a recommendation is drawn up about whether to select the candidate or not.

With regard to rules of disclosure, it is noted that in selecting its members, the Board of Directors posts an update on each candidate member on the company website at least 20 days before the general meeting as part of its recommendation to include the following:

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- The justification for nominating the candidate member.
- The detailed CV of the candidate member to include information regarding current or previous activities, as well as the candidate's participation in executive positions of other companies or participation on other boards and board committees of other legal entities.
- The confirmation of suitability criteria of candidate members for the Board, according to the company's Suitability Policy and, provided the candidate is nominated for election as an independent member of the Board, the fulfilment of conditions specified in Article 9 of Law 4706/2020.

## **5. IMPLEMENTATION AND AMENDMENT OF THE SUITABILITY POLICY.**

Overseeing the implementation of the Suitability Policy is the responsibility of the Board of Directors.

The Board is primarily assisted by the Remuneration and Nomination Committee, which monitors and implements the Suitability Policy as part of its competencies. Also assisting in this process is the company's Internal Audit Unit and the Regulatory Compliance Unit, if such exist, and if not, the department or personnel to whom said competencies have been assigned.

In the event it is found that one or more of the suitability criteria ceases to apply to a member of the Board for reasons which the individual could not prevent even through extreme diligence, the Board immediately proceeds to terminate and replace the member within 3 months.

The Board of Directors records the results of the suitability assessment, and particularly any deficiencies identified between the required and actual individual and collective suitability, and measures which must be taken to address such deficiencies.

The company's annual Corporate Governance Statement includes a reference to the Suitability Policy.

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