

## LOGICOM PUBLIC LIMITED

### CORPORATE GOVERNANCE REPORT OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR THE YEAR 2017

I Part One -The Adoption of the Corporate Governance Code

II Part Two - The Implementation of the Corporate Governance Code

## I. PART ONE – The Adoption of the Corporate Governance Code

### A. THE COMPANY’S RESOLUTION– The Members of the Governance Committees

On 6 March 2003, the Company’s Board of Directors resolved to implement all of the provisions of the Corporate Governance Code (“the Code”)<sup>2</sup>. Through the Code Committees, the Company also implements the provisions of the Code for all its subsidiary companies, with the exception of the provisions concerning the composition of the boards of directors, where it is deemed that their composition is more effective by Executive directors.

During 2017, and up until the drafting of this Report, the positions of the officers and members of the Code Committees have been held by the following individuals:

1. **Reference Officer** (*§ A.2.5. of the Code – The Board of Directors must appoint one of the Independent, Non-Executive Directors to be the Senior Independent Director. He/she shall be available to listen to the concerns of the shareholders which have not been resolved through normal communication channels*).

George Papaioannou (Non-Executive, Independent Director).

2. **Nomination Committee** (*§ A.4.1. of the Code – A Nomination Committee must be established to present its views to the Board of Directors on recommendations for the appointment of new Directors. The majority of the Members of this Committee must be Non-Executive Directors and its Chairman may be either the Chairman of the Board of Directors (in case he/she is Non-Executive) or a Non-Executive Director. The Chairman and the members of the Nomination Committee must be stated in the Annual Report*).

Adamos Adamides (Chairman, Non-Executive, Non-Independent Director), Varnavas Irinarchos (Executive Director), Takis Clerides (Non-Executive, Independent Director), George Papaioannou (Non-Executive, Independent Director) and Anastasios Athanasiades (Non-Executive, Independent Director).

3. **Remuneration Committee** (*§ B.1.1. of the Code –To avoid potential conflicts of interest, the Board of Directors must set up a Remuneration Committee comprising exclusively Non-Executive Directors which shall make recommendations to the Board of Directors, based on agreed terms of reference, on the framework and amount of the remuneration of the Executive Directors, determining on behalf of the Board of Directors specific remuneration packages for each Executive Director, including pension rights and any compensation payments. Companies are urged to include in the Remuneration Committee at least one member with knowledge and experience in remuneration policy.*)

Takis Clerides (Chairman, Non-Executive, Independent Director), Nicos Michaelas (Non-Executive, Non-Independent Director) and Anastasios Athanasiades (Non-Executive, Independent Director).

---

2. The Corporate Governance Code in force is Annex 3 to RAA 379/2014 (4th Edition– April 2014). It is posted on the website of the CSE [http://www.cse.com.cy/CMSPages/GetFile.aspx?guid=152de83a\\_defa\\_48cb\\_8fb1\\_8230321dc5e5](http://www.cse.com.cy/CMSPages/GetFile.aspx?guid=152de83a_defa_48cb_8fb1_8230321dc5e5) as well as on the company’s website <http://www.logicom.net/EN/CorporateGovernance/Documents/Corporate%20Governance%20Code%20%20September%202012.pdf>

## LOGICOM PUBLIC LIMITED

4. **Audit Committee** (§ C.3.1. of the Code – *The Board of Directors must set up an Audit Committee comprising at least two Non-Executive Directors with written terms of reference which must expressly set out their powers and duties. The members of the Committee, the majority of whom must be Independent Non-Executive Directors, must be stated in the Annual Report. The Chairman of the Committee or any other Member thereof must have experience in Accounting or Audit. The Committee must meet at regular intervals, at least four times a year.*)

*The Company's Audit Committee was recomposed in June 2017 for conformity purposes with the additional requirements of the Auditors Law 53(I)/2017, which refer to the composition being exclusively by non-executive board members with sufficient knowledge in the field in which the Company is operating and the appointment of the Chairman from the other members of the Committee or from the Supervisory Board.*

Anastasios Athanasiades (Chairman, Non-Executive, Independent Director), Varnavas Irinarchos (Executive Director until 08/06/2017), Takis Clerides (Non-Executive, Independent Director), Nicos Michaelas (Non-Executive, Non-Independent Director), George Papaioannou (Non-Executive, Independent Director).

5. **Risk Management Committee** (§ C.3.8. and § C.3.9 of the Code – *The risk management systems are supervised by a separate Risk Management Committee which comprises Non-Executive Directors. The Risk Management Committee must meet at least once every quarter and its Chairman must report to the Board of Directors – All companies whose securities are listed in the Main Market are required to set up a Risk Management Committee [...].*)

Nicos Michaelas (Chairman, Non-Executive, Non-Independent Director), Takis Clerides (Non-Executive, Independent Director) and Anastasios Athanasiades (Non-Executive, Independent Director).

6. **Corporate Governance Code Compliance Officer** (§ C.3.7. of the Code – *The Board of Directors must appoint a competent executive as Corporate Governance Code Compliance Officer.*)

Adamos Adamides.

7. **Investor Liaison Officer**(§ D.2.4. of the Code – *The Board of Directors must appoint a management executive or officer of the company as Investor Liaison Officer. The information pertaining to the company must be distributed to all shareholders fairly, timely and free of charge.*)

Demos Anastasiou.

### B. TERMS OF REFERENCE

The Terms of Reference of each Officer and Committee, approved by the Board of Directors upon their recommendation, are as follows:

#### B.1. Terms of Reference of the Reference Officer

The Reference Officer addresses the concerns and problems of the shareholders arising from their relations with the Company which have not been resolved through other communication procedures.

#### B.2. Terms of Reference of the Nomination Committee

- 2.1. The purpose of the Committee is to assist the Board of Directors in:
- finding qualified individuals to become members of the Board of Directors,
  - determining the composition of the Board of Directors and its Committees,
  - monitoring the procedures for the evaluation of the efficiency of the Board of Directors, and
  - developing and implementing the Company's Corporate Governance guidelines.
- 2.2. For this purpose, the Committee shall have the following powers and responsibilities:

## LOGICOM PUBLIC LIMITED

- a. Guide the search for qualified individuals to become members of the Board of Directors and select candidate directors to be proposed to the shareholders for approval at the annual general meeting. The Committee shall select candidate directors of utmost personal and professional integrity, who have demonstrated particular skill and judgment and are highly competent to work as a team, in collaboration with the other directors, in order to serve the long-term interests of the shareholders.
  - b. Review the composition of the committees of the Board of Directors and recommend to the Board the appointment of Directors to each committee. The Committee shall review and recommend the composition of the Committees on an annual basis and shall propose additional members to fill vacancies, if required.
  - c. Elaborate and propose Corporate Governance guidelines to the Board of Directors for approval. The Committee shall review these guidelines on an annual basis or more frequently if deemed necessary, and propose changes if required.
  - d. Elaborate and propose the annual reporting process on the work of the Board of Directors and its committees to the Board of Directors for approval. The Committee shall supervise the annual reports.
  - e. Review, on an annual basis, the remuneration and benefits of the Directors.
  - f. Delegate any of its responsibilities to sub-committees, as the Committee shall deem appropriate.
  - g. Assign investigations on candidate directors and retain external advisors, as the Committee shall deem appropriate. The Committee shall have exclusive power to approve the relevant remuneration and terms of reference.
- 2.3. The Committee shall have respective powers and responsibilities for the entire Group of the Company.
- 2.4. The Committee shall submit a report on its actions and recommendations to the Board of Directors after each meeting and shall prepare and present to the Board an annual performance report. The Committee shall review the adequacy of these terms of reference at least once a year and shall propose any changes to the Board of Directors for approval.

### **B.3. Terms of Reference of the Remuneration Committee**

- 3.1. The purpose of the Committee is to have the overall responsibility arising from the obligations of the Board of Directors to control and determine the remuneration of the Company's executive officers.
- 3.2. In order to be able to fulfill its purpose, the Committee shall have the following powers and responsibilities:
- a. Review the remuneration policy of executive or managing directors on a periodic basis, including the policy on share-based remuneration and its implementation.

Similarly, it shall assess the degree of success and fulfillment of the objectives by each officer and, based on that assessment, shall recommend to the Board of Directors their proposed remuneration, including salary, bonus, incentives, etc. and the form in which these shall be paid (Share Options, etc.)

The amount of the remuneration must be adequate, but not excessive, to attract and retain in the service of the Company, the Chief Executive Officer and the other Executive Directors that enhance the Company's management. Part of the remuneration of the Chief Executive Officer and the other Executive Directors must be determined in such manner as to link this remuneration to the performance of both the Company and the individual concerned.

The Committee shall request the views of the Chairman and the Chief Executive Officer on the proposals relating to the remuneration of the other Executive Directors.

The Remuneration Committee shall not determine the remuneration of the Directors for participating in activities of the committees. This shall be determined by the Company's Board of Directors.

- b. Process and revise the incentive schemes for the Company's personnel and propose to the Board of Directors schemes or changes that will encourage the personnel to make even greater effort towards fulfilling the Company's objectives.  
The incentive schemes must:
  - (i) Aim at the long-term increase of the performance of the incentives, in order to encourage officers and other members of personnel to remain with the Company;
  - (ii) Not burden the Company's profitability; and

## LOGICOM PUBLIC LIMITED

(iii) Be compatible with the shareholders' interests.

3.3.

- a. The Committee shall be able to access professional advice both within and outside the Company and take into consideration the remuneration paid in comparable companies in view of determining the remuneration of the Chief Executive Officer and other Executive Directors, with due regard to the principle of maintaining and increasing the performance of the Company and/or the area of responsibility of each officer in question and that remuneration increases must reflect a corresponding improvement in the Company's performance.
- b. When determining salary increases, the Remuneration Committee must take into consideration the terms of remuneration and employment conditions at all levels of the Company, so that all members of personnel perceive the distribution by the Company of its positive results as being equitable, to the extent that this reflects their role and contribution towards improving the Company's performance.
- c. The Committee must examine the compensation-related commitments (including pension contributions) arising from the employment contracts of the Chief Executive Officer and other Executive Directors, if any, in case of early termination, and pursue the inclusion of an express provision on this matter in the initial contract. The employment contracts of these Officers must not include provisions which may reasonably be considered as prohibitive in cases of acquisition or merger of the Company, nor provisions that burden the Company with any fines that may be imposed on the Directors.
- d. In case the initial contract does not include an express provision on compensation-related commitments, in case of early removal, the Committee must, in accordance with the legal framework and depending on the specificities of each case, adapt its approach with the broader aim of avoiding the reward of decreased performance, applying fair treatment where the removal is not due to decreased performance and ensuring strict treatment aiming at reducing compensation in the cases of retiring Executive Directors so as to reflect the obligation of those retiring to mitigate the loss.

3.4. The Committee has respective powers and responsibilities for the entire Group of the Company.

3.5. The Committee shall prepare the Annual Remuneration Report which shall be submitted by the Board of Directors to the Company's shareholders as well as the part of the Corporate Governance Report which relates to the remuneration of the Directors, in accordance with the instructions and provisions of the Corporate Governance Code of the Cyprus Stock Exchange.

### **B.4. Terms of Reference of the Audit Committee**

4.1. The role of the Committee is to assist the Board of Directors in supervising the quality and accuracy of the Company's financial statements, complying with legal and administrative rules, examining the professional level of the auditors, their audit work and independence, as well as the performance of the internal control. The Chairman of the Audit Committee must have experience in Accounting or Finance.

4.2. The number of the Committee's Members is determined by the Board of Directors. The majority of the Members must be Non-Executive Directors.

4.3. The Committee's duties and responsibilities are as follows:

- a. Assess the standard of internal audit, review the Company's internal financial controls and internal control systems and ensure the implementation of the provisions of the Corporate Governance Code relating to the staffing, operation and independence of the Department.
- b. Review all of the Company's financial statements and overview of the financial information procedure and the submission of recommendations or suggestions for the safeguard of its integrity.
- c. Make suggestions and recommendations for improving the management control.
- d. Review circulars, financial reports or other information relating to the rights of the shareholders before these are forwarded to them.
- e. Responsibility for the procedure of selection and appointment suggestion of the statutory auditors or audit firms.
- f. Inform the Board of Directors about the results of the statutory audit and the explanation of the statutory audit contribution to the integrity of the financial information and the role of the Committee in this procedure.
- g. Assume responsibility for the Company's relations with the statutory auditors in general, including discussions on the auditors' personnel who shall be responsible for the Company's audit.

## LOGICOM PUBLIC LIMITED

- h. Review the extent and effectiveness of the audit as well as of the independence and effectiveness of the statutory auditors or audit firms and especially the adequacy of the provision of non audit services from the statutory auditors based on the current legislation.
- i. Monitor the observations/suggestions of the statutory auditors on the Company's management, the preparation and presentation of its financial statements and the monitoring of their implementation.
- j. Submit to the Board of Directors an annual report which includes:
  - (i) The remuneration for auditing and advisory services paid to the Company's Statutory Auditors by the Company and its subsidiaries
  - (ii) The assignment to Auditors of advisory duties if deemed essential, either on the basis of the significance of the matter for the Company and its subsidiaries or on the basis of the remuneration to the statutory auditors.
- k. Supervise the selection procedures by the Chief Financial Officer of the Accounting Policies and Accounting Estimates used in the Company's financial statements.
- l. Draft, with the assistance of the Corporate Governance Code Compliance Officer, the Board of Directors' Report on Corporate Governance, to be included in the Company' Annual Report.
- m. Review the Company's transactions referred to in paragraph A.1.2 (g) of the Corporate Governance Code in order to ensure they are carried out at arm's length.

4.4 The Committee has respective powers and duties for the entire Group of the Company

### **B.5. Terms of Reference of the Risk Management Committee**

5.1. The Committee has the following objectives:

- a. Form its strategy for undertaking every form of risk that corresponds to the Company's corporate objectives and the adequacy of available resources in both technical means and personnel.
- b. Verify the independence, adequacy and effectiveness of the functioning of the Risk Management Directorate of which the Committee shall have responsibility to appoint and supervise.
- c. Ensure the development and ongoing effectiveness of the internal risk management system and its integration into the business decision making process with regard to any form of risk.
- d. Determine the principles that must regulate the risk management in terms of identification, prediction, measurement, monitoring, control and addressing them, in accordance with the business strategy implemented at the time and adequacy of available resources.
- e. Be informed on a regular basis and monitor the Company's overall risk profile, guide the Risk Management Directorate in the implementation of the risk taking strategy and their policy management.
- f. Ensure that the Company's Board of Directors is adequately informed in relation to all issues regarding the underwriting strategy, the tolerance level and risk profile when executing its strategic and supervisory duties.

5.2. The Committee has the following powers and responsibilities:

- a. Investigate any activity that falls within the scope of its operation and obtain all necessary information.
- b. To appoint external, legal or other professional consultants who will be deemed necessary for the implementation of its work and to secure resources for the payment of the respective remunerations and expenses.
- c. To form on an annual basis and suggest to the Board of Directors the risk undertaking strategy of the Company, to observe the implementation of the Board of Directors' relevant decisions and to suggest appropriate amendments.
- d. To approve and review on an annual basis and any other time that this is required, the risk management principles and policies.
- e. To obtain and review the quarterly submitted Risk Management reports relevant to the Company's total risk tolerance level and the improvement and efficiency of the risk management process, to inform the Board of Directors about the significant risks that the Company has undertaken and to observe and confirm their effective treatment.

## LOGICOM PUBLIC LIMITED

- f. To annually assess the adequacy and effectiveness of the Company's risk management policy based on the annual Risk Management report and especially its adherence to the defined risk tolerance level.
- g. To formulate suggestions and recommend corrective actions to the Board of Directors, in the case where it identifies a weakness in the implementation of the strategy that has been formed for the Company's risk management or deviations on its implementation.
- h. To formulate suggestions to the Board of Directors regarding any matter that falls within its purpose and duties.
- i. To prepare and review a Risk Management Manual which will record:
  - i. The Company's risk management policy (risk appetite/tolerance, risk capacity, risk target, actual risks),
  - ii. The amount of the audit and advisory remuneration paid by the Company and its subsidiaries to the Auditors of the Company.
  - iii. The procedure of Risk Management (risk measurement, risk control, risk mitigation, risk monitoring and performance).

5.3. The Committee has respective powers and duties for the entire Group of the Company.

### **B.6. Terms of Reference of the Compliance Officer**

The Compliance Officer is responsible for the implementation of the Code. In performing his duties, he may consult with the other members of the Board of Directors and obtain advice from the Company's internal and external advisors, as the case may be. The Directors may address the Compliance Officer to ensure that their actions are in full compliance with the Code. The Directors who are informed or suspect that a breach of the Code has occurred or may occur must immediately notify the Compliance Officer.

### **B.7. Terms of Reference of the Investor Liaison Officer**

The Investor Liaison Officer shall act in order to:

1. Ensure the ongoing and smooth communication with all the shareholders;
2. Provide the shareholders with sound and accurate information on material changes in the Company concerning its financial situation, performance, assets and their governance, in an ongoing and timely manner;
3. Encourage the shareholders to have a greater participation in the General Meetings and their business and provide them with the opportunity to express their views on various matters affecting the Company;
4. Where deemed necessary by the Board of Directors, organize meetings, workshops, seminars and lectures aimed at providing additional information to investors;
5. Ensure the Company's presence and participation in press conferences, meetings and other activities that may be organized by the Cyprus Stock Exchange in Cyprus and abroad.

The Investor Liaison Officer must have knowledge of the Company's financial situation and growth strategy and be updated on any significant developments in the Company.

### **B.8. B.8. The Corporate Governance Code applicable at any time**

The Terms of Reference of the Committees and the Officers will also include all powers and responsibilities provided for in the Corporate Governance Code applicable at any time.

## II. PART TWO – The Implementation of the Corporate Governance Code

### A. DIRECTORS

#### A.1. Board of Directors

During 2017, the Board of Directors held 12 meetings. It has also taken 40 Written Decisions according to the article 112 of the Company's Article of Association. The Board's regular meetings were scheduled for the last Thursday of each month. The Company's Management is aware of the schedule of the meetings of the Board of Directors and the issues on the agenda, where deemed advisable. The Group Planning and Development Manager, the Director of Distribution, the Group Director of Sales, Marketing and Services, and the Director of Group Operations as a rule, attend the meetings of the Board of Directors.

The Directors hold offices on other boards of directors as well. Unless otherwise expressly stated, holding such offices on other boards of directors does not affect the Board of Directors' independence.

The exclusive responsibility of the Board of Directors covers all the matters set out in provision A.1.2. of the Code.

In view of the better exercise of their duties, Directors may obtain independent, professional advice at the Company's expense, provided they notify the Board of Directors or, in exceptional cases, the Chairman or another member of the Board of Directors. The Directors have access to the advice and services of the Company's Secretary.

It is deemed that the judgment of the Directors is impartial and independent and is taken in the interests of the Company and, by extension, of its shareholders.

There is no specific training programme for the Directors in relation to the legislation on the Stock Exchange and the companies. They are, however, informed about the basic provisions that regulate the status and function of directors of public companies and the relevant amendments made from time to time.

The responsibilities of the Board of Directors are exercised collectively and performed with the authorization granted by the Managing Director.

The managerial staff is considered to be the backbone of the Company's business and the employment procedure follows rational criteria aimed at recruiting the best available candidates under the circumstances.

#### A.2. Balance in the Board of Directors

The Board of Directors comprises seven members (Adamos Adamides, Varnavas Irinarchos, Takis Clerides, Nicos Michaelas, George Papaioannou, Anthoulis Papachristoforou and Anastasios Athanasiades).

Adamos Adamides, Takis Clerides, Nicos Michaelas, George Papaioannou and Anastasios Athanasiades are Non-Executive Directors.

Based on the criteria of the Code, amongst the Non-Executive Directors, Anastasios Athanasiades is an Independent Director.

On 15/09/2012 Takis Clerides and on 21/08/2017 Geroge Papaioannou completed nine years of service on the Board of Directors and according to provision A.2.3.(h) of the Code, following that date they ought to have been considered as Non-Independent. However, the Board of Directors is of the opinion that their personality, scientific knowledge, professional experience and background, on the one hand, and proven objectivity and impartiality in the exercise of their duties as Directors of the Company on the other, as well as the absence of any interconnection with the Management or the Main Shareholders and of any direct or indirect conflict of interest with the interests of the Company and its shareholders, confirm and guarantee that their independence is not affected. For the reasons stated above, the Board of Directors considers them to be Independent Directors.

Amongst the Non-Executive Directors, Adamos Adamides was at the material time a partner in the firm of the Company's legal advisors and a member of the board of directors of the Company's Secretary.

## LOGICOM PUBLIC LIMITED

The Chairman of the Company is Adamos Adamides and the Chief Executive Officer is the Vice-Chairman and Managing Director Varnavas Irinarchos and from 24/08/2017 Deputy Chief Executive and Managing Director Anthoulis Papachristoforou.

Anthoulis Papachristoforou is the Group's Chief Financial Officer.

Pursuant to provision A.2.3.(g) of the Code, Nicos Michaelas is considered to be Non-Independent.

Based on the above, out of the seven members of the Board of Directors, excluding the Chairman, three are Independent Directors, two are Executive Directors and one is a Non-Independent Director.

Independent Directors have confirmed their independence in accordance with the criteria laid down in provision A.2.3. of the Code.

There have been no issues between the Shareholders and the Company and no reports have been made to the Compliance Officer to resolve any such issues.

### **A.3. Provision of Information**

The Board of Directors has been regularly informed about the Company's financial situation and prospects. Directors are notified of the items to be discussed prior to the meetings.

The businesses of the Board of Directors are held on the basis of the agenda which is drafted following liaison between the Chairman, the Managing Director and the other members of the Board and forwarded to the Secretary at least three days prior to the date set for the meeting. In addition to the issues on the agenda, at its meetings the Board of Directors also addresses issues raised by the Directors after the drafting of the agenda.

The minutes of each meeting are prepared and forwarded to the members of the Board of Directors prior to the date of the next meeting and, upon approval, are signed by all Directors present at the meeting in question.

### **A.4. Appointments to the Board of Directors**

The composition of the Nomination Committee is set out in Part I.A.2. of this Report. The majority of the Members of the Nomination Committee are Non-Executive Directors and its chairman is the Chairman of the Company's Board of Directors. The Terms of Reference of the Nomination Committee are set out in Part I under B.2., with reference also to paragraph 1.B.8.

### **A.5. Re-election**

According to article 94 of the Company's Articles of Association, at every Annual General Meeting 1/3 of the members of the Board of Directors (or the nearest percentage thereof) retires by rotation. Moreover, according to Provision A.5 of the Code, Directors are required to resign [...] at least every three years [...] but may offer themselves for re-election.

The members of the Board of Directors retiring by rotation at the Annual General Meeting of 2018 are George Papaioannou and Anastasios Athanasiades who offer themselves for re-election. Adamos Adamides after restricting his service to one year following his re-election in the Annual General Meeting of 2017, resigns and does not offer himself for re-election.

George Papaioannou was born in Nicosia in 1962. Graduate of Ehtniko Kapodistriako University Law School of Athens. He was distinguished in the academic studies and excelled at the law profession entry exams. From 1990 up to 2002 he served at the Law Office of the Republic of Cyprus, as an Attorney of the Republic with a specific interest in issues of administrative and criminal law. He took part in legal congresses and was a member of the anti-corruption committee in the Council of Europe. In 2002 he resigned from his position in the Republic's Law Office and he runs his own law firm in Nicosia.

## LOGICOM PUBLIC LIMITED

Anastasios Athanasiades was born on 16/03/1969. He holds a Bachelor of Arts Honors Degree in Economics, Accounting, and Finance from the University of Manchester, United Kingdom in 1991. In Cyprus, he was employed by Coopers and Lybrand as Audit Manager from 1994 to 1996, before moving to the Public Sector (Treasury of the Republic of Cyprus). There, he was in charge of the Ministry's Internal Audit from 1996 to 2000. In 2000, he was appointed by the Council of Ministers as Deputy Chairman and Deputy Government Commissioner of the Cyprus Securities and Exchange Commission until 2001. He has since been engaged in the auditing of financial statements. He is a member of the Institute of Certified Public Accountants of Cyprus and Fellow of the Institute of Chartered Accountants in England and Wales. He specializes in the audit of financial statements and international tax.

Save as stated above, no member of the Board has been elected or re-elected for a period exceeding three years.

### **B. REMUNERATION OF DIRECTORS**

#### **B.1. Procedure**

The composition of the Remuneration Committee is set out in Part I.A.3 of this Report. The Members of the Committee are Non-Executive Directors and have no business or other relationship that could materially affect the performance of their duties. The majority of the Members are Independent Directors. Due to his long-standing experience with a business consulting firm, the Chairman of the Remuneration Committee has knowledge and experience in remuneration policy issues. The Terms of Reference of the Remuneration Committee are set out in Part I.B.3 with reference also to paragraph I.B.8.

#### **B.2. The level and composition of the remuneration – Remuneration Policy**

In the year under review, it was not deemed necessary to use the services of a consultant on market standards for remuneration systems.

The Company's policy on the remuneration of its managerial staff consists in correlating remuneration to individual performance and the Company's overall progress and the competitive comparison against other businesses of similar operations and comparable size. The bonus' calculation is connected to the net profitability of the business sector/division in which the managerial staff works.

The report of the Remuneration Committee was approved by the Board of Directors and is submitted to the Company's shareholders for approval as part of this Report and of the Annual Report.

#### **B.3. Notification**

The remuneration and other benefits of the Executive Directors in 2017 were as follows:

Varnavas Irinarchos, Managing Director- €176.800 (Salary €151.800 plus Entertainment Expenses €25.000). Running and maintenance costs of privately owned car are also covered, amounting to €15.629 in the period under review. His employment contract was renewed and is valid from 01/01/2018 until 31/12/2018 with a salary of €150.000 plus entertainment expenses of €25.000 plus running and maintenance costs of privately owned car.

Anthoulis Papachristoforou, Deputy Managing Director- €175.800 (Salary €151.800 plus Entertainment Expenses €24.000). He is provided with a car the value of which was fully depreciated in 2012 and the relevant running and maintenance costs amounting to €4.674 in the period under review are covered.

The Executive Directors participate in the Share Option or other Bonus Schemes, if and where applicable to the Company's regular personnel, but are not remunerated for their participation in the Board of Directors and its committees. No Share Option Schemes or Options were in force during 2017 and are not in force at the present time.

## LOGICOM PUBLIC LIMITED

The remuneration of the Non-Executive Directors for their participation in the Board of Directors is determined by the Annual General Meeting. According to the resolution taken in the Annual General Meeting of 2008 and repeated in the Annual General Meetings of 2009, 2010, 2011 and 2012, the remuneration of the Chairman was determined on an annual lump sum amount of €20.000 plus €500 per participation at the meetings of the Board of Directors, while for the other Non-Executive Directors it was determined on an annual lump sum amount of €2.500 plus €350 per participation at the meetings of the Board of Directors. The chairman of the Audit Committee is remunerated with an additional annual lump sum amount of €1.000. The Annual General Meeting of 2013, with the abstention of the shareholding company controlled by the Vice-Chairman and Managing Director, adopted the recommendation of the Chairman and the Non-Executive Members of the Board of Directors to reduce their remuneration by 20% that was submitted taking into account the prevailing conditions as a result of the economic crisis. Therefore, the remuneration of the Chairman at the time was revised to an annual lump sum amount of €16.000 plus €400 for every Board meeting attended and of the other Non-Executive Directors to the annual lump sum amount of €2.000 plus €280 for every Board meeting attended, while the additional lump sum amount for the chairman of the Audit Committee was revised to €800. At the Annual General Meeting of 2015 it was resolved to restore the remuneration of the Non-Executive Members of the Board to the levels that had been determined at the Annual General Meeting of 2008.

Unless otherwise resolved by the Board of Directors, the remuneration of the Non-Executive Directors for their participation in the Committees set up pursuant to the Code, is equal to their remuneration for participating in the Board of Directors meetings.

The above arrangements were maintained by resolution of the Annual General Meeting of 2016 and 2017.

The total remuneration received by Non-Executive Directors in 2017 relating to the period between the Annual General Meetings of 2016 and 2017 is as follows: Adamos Adamides (Chairman) €26.050 Takis Clerides €10.200, Nicos Michaelas €11.600, George Papaioannou €9.500 and Anastasios Athanasiades €12.600.

Total fees for legal and advisory services provided by the law firm Skordis, Papapetrou & Co LLC, as well as the total fees for Adaminco Secretarial Ltd, which provides Secretarial services to the Group's companies, are referred to in Note 8 Administrative expenses, to the Consolidated and Separate Financial Statements.

No remuneration is paid for the participation of members of the Company's Board of Directors in the boards of directors of its subsidiary companies.

### **C. RESPONSIBILITY AND INTERNAL AUDIT – RISK MANAGEMENT**

#### **C.1. Financial Statements**

The notifications, reports and statements of the Company, reflect the true picture of the Board of Directors data and estimates at the material time. Notifications are issued where required under statutory obligations and where deemed advisable in order to provide shareholders and investors in general with timely information.

The Company intends to continue to operate as a going concern for the next 12 months.

#### **C.2. Internal Control and Risk Management Systems**

The internal control services are carried out by the Internal Audit Department, headed by Mr. Michael Kourtellas, member of the Association of Chartered Certified Accountants.

The Company's statutory auditors do not provide internal audit services.

The Directors have reviewed the Company's internal control systems as well as the procedures for verifying the accuracy, completeness and validity of the information provided to investors and confirm their effectiveness. The review carried out and the confirmation provided covers all the control systems including financial and operational systems as well as compliance and risk management systems that threaten the fulfillment of the Company's objectives and in respect of which relevant procedures apply and the Internal Auditor has submitted a relevant report.

## LOGICOM PUBLIC LIMITED

The Board of Directors has not become aware of any breach of the Laws and Regulations that regulate the operation of the Cyprus Stock Exchange and the Securities and Exchange Commission.

No loans or guarantees have been granted to any Directors (or to any person associated with the same within the first degree or to their spouses or to companies in which they hold more than 20% of the voting rights) of the Company or the Company's subsidiaries either by the Company itself or its subsidiaries or by a company associated with the Company and, with the exception of normal business practice, there are no amounts receivable from a Director or any person associated therewith as stated above.

### **C.3. Audit Committee, Auditors and Compliance with the Code – Risk Management Committee**

The Audit Committee comprises four members and its composition is set out in Part I.A.4 of this Report. Its Chairman and two of the members are Non-Executive, Independent Directors and have no business or other relationship that could materially affect the exercise of their duties. The other member is an Executive Director and the other is a Non-Executive, Non-Independent Director. The Terms of Reference of the Audit Committee are set out in Part I.B.4 with additional reference in paragraph I.B.8. The Chairman of the audit Committee has experience in Accounting and Audit and is a Qualified Accountant/Auditor. The members of the Committee, as a whole, have sufficient experience in the area in which the Company operates.

In 2017, the Audit Committee held 8<sup>3</sup> meetings and, as per its Terms of Reference, examined, amongst other issues, the issues related to the services of the Auditors, which have been found to be adequate, including their remuneration, which it considers reasonable. The relevant report has been submitted to the Board of Directors.

The statutory auditors and the entities belonging to the same group as the statutory auditors of the company do not provide to the Company any other services which as statutory auditors are not allowed to provide.

The accounting policies and accounting estimates followed are deemed to be satisfactory. The Company has adopted the International Financial Reporting Standards in relation to its business.

There have been no material transactions of the Company or its subsidiaries or associated companies, of any kind, in which the Chief Executive Officer, a senior management executive, secretary, auditor or major shareholder of the Company holding directly or indirectly more than 5% of the Company's issued share capital or voting rights, has any material interest, either directly or indirectly.

It is hereby confirmed that the Company has complied with the provisions of the Code.

This Report was drafted with the assistance of the Compliance Officer.

---

3. On 07/02/2017, 21/03/2017, 02/05/2017, 25/05/2017, 02/06/2017, 27/07/2017, 03/10/2017, 23/10/2017

## LOGICOM PUBLIC LIMITED

### **Risk Management Committee**

The Risk Management Committee comprises three members who are Non-Executive Directors. Its composition is set out in Part I.A.5 of this Report. The Committee's Terms of Reference are set out in Part I.B.5 with additional reference in paragraph I.B.8.

The Risk Management Committee has perused, approved and adopted a Risk Management Manual, prepared by the Company's Internal Auditor, which records in detail, the categories of risks encountered by the Company and the Management's policy and procedures for addressing these risks.

In 2017, the Risk Management Committee held 4 meetings. At the quarterly meetings of the Committee, the Management presented the results of the methods and processes of managing the risks based on the Manual and the Committee confirmed the ongoing effectiveness of the internal risk management system and its continuous development across the range of the Company's operations. The Chairman of the Committee informed the Board of Directors accordingly.

### **D. RELATIONSHIP WITH SHAREHOLDERS**

#### **D.1. Constructive use of the Annual General Meeting**

The Annual General Meeting was convened and held in accordance with legal and regulatory provisions as well as with the provisions of the Corporate Governance Code.

The procedures followed at the general meetings permit, challenge and support the participation of the shareholders in the discussion of the issues on the agenda and the adoption of relevant resolutions. The shareholders are provided with satisfactory evidence and adequate time is provided for investigation and additional explanations in relation to the issues concerning extraordinary business at the annual general meetings or issues relating to the agenda of an extraordinary general meeting. Prior to and after concluding the business of the general meetings, opportunities are provided for communication and discussion amongst the shareholders and the members of the Board of Directors and the other officers and management executives of the Company.

#### **D.2. Equal Treatment of Shareholders**

The entire authorized and issued share capital is divided into ordinary shares and there are no shareholders holding any titles with varied rights in relation to the exercise of voting rights or participation in the Company's profits. During voting, every shareholder is entitled to one vote for every share held.

Participation in the general meeting by proxy requires authorizations for which relevant forms are proposed and attached to the invitation.

The invitations are sent out within the deadlines determined by the Companies Law.

Provided they represent an adequate number of shares (5%), shareholders may propose issues to be discussed at the general meetings of the shareholders in accordance with the procedures established by the Companies Law.

The members of the Board of Directors and management executives are aware of their obligations, subject to their ongoing obligations for immediate announcement, to communicate information to the Board of Directors and to the shareholders through the Company's annual report and the accounts, relating to any material own interest which may arise from Company's transactions that fall within their duties, as well as any other conflicts of interest with those of the Company or its associated companies arising in the performance of their duties.

The information concerning the Company is provided to all shareholders fairly, promptly and free of charge.

The Company has a website providing information on important developments in the Company's operations, including the announcements made to the Stock Exchange, and allows visitors to personally contact the Investor Liaison Officer.

## **LOGICOM PUBLIC LIMITED**

The Company's announcements and reports provide prompt and accurate information on the material changes concerning the Group and its business, including issues relating to the Company's financial statements, the objectives and activities, as amended, the main shareholders and voting rights, material foreseeable risks, material issues concerning employees (upgrading and restructuring of personnel) and the shareholders, governance structure and policies and the Company's extraordinary transactions.

Nicosia, 1 March 2018

By order of the Board of Directors,

Adaminco Secretarial Limited  
Secretary of Logicom Public Limited