

TO : Companies listed on the Regulated Market and the Emerging Companies Market / Members and Custodians

FROM: Acting General Manager of the Cyprus Stock Exchange

SUBJECT: **Revised version of the Corporate Governance Code of the Cyprus Stock Exchange - Annex 3 of the Regulatory Decision on the Stock Exchange Markets RAA 379/2014**

DATE: 15 April 2024

CIRC. No.: **05-2024/ 07-2024**

Sirs,

Regarding the above, we would like to inform you that the Council of the Cyprus Stock Exchange (CSE), in the context of the revision of the CSE's Corporate Governance Code (CGC) and having taken into account the positions of the Market stakeholders participating in the Advisory Committee on the Corporate Governance Code (CGC), has decided to proceed with the issuance of a new Annex 3 “Corporate Governance Code”, 6th version April 2024. This new version includes:

- i. Amendments to Principle C2, which aim to improve the text; and,
- ii. the addition of a new Principle (Principle E) which includes Corporate Social Responsibility matters that may already be currently implemented or could be implemented by listed companies. In particular:
 - i. Amendment of Principle C.2 as follows:

*“C.2 The Board of Directors must **ensure the existence and maintenance of an adequate and effective system of internal control** to safeguard shareholders’ investments and the Company’s assets.*

Code Provisions

*C.2.1 Directors should, at least annually, **evaluate** the effectiveness of the Company’s internal control systems as well as the procedures used to confirm the accuracy, completeness and validity of the information provided to investors and should make sure to report/ certify this in the Report on*

Corporate Governance. The evaluation of the internal control systems should be based on risk assessment, which should cover the control systems, including financial and operational systems, as well as compliance systems and systems for the management of risks, which threaten the attainment of the Company's objects.

*Companies which do not have an Internal Audit Department should consider annually the need for one and should report and justify its non-existence in the Company's Annual Report on Corporate Governance. It is noted that companies which do not have an Internal Audit Department and are either listed on the Main Market or classified as Major Projects companies or Shipping companies should outsource the internal audit **function** to external professionals which provide internal audit services outside of the Company (outsourcing). **In any case, the independence of the internal audit function should be ensured.***

*Companies listed on the Alternative Market and which do not have an Internal Audit Department and have not outsourced such matters to external firms, should identify the natural person who is responsible for the review of the Company's internal control systems. **This natural person should have relevant professional and academic qualifications.** Furthermore, in case certain internal control matters are outsourced to external firms, specific reference should be made thereto.*

The Board of Directors should also certify annually in the Report on Corporate Governance that it took no cognizance of any violation of the Cyprus Securities and Stock Exchange Laws and Regulations, except those known to the competent Securities Authorities (where applicable)."

ii. Amendment of provisions C.3.8 and C.3.10 as follows:

C.3.8 In the first sentence, the word review is replaced with the word **evaluation**.

C.3.10 "The Audit Committee should:

- **safeguard** the functioning of the Internal Audit Department in accordance with the International Standards for the Professional

Practice of Internal Auditing of the International Institute of Internal Auditors (IIA),

- *define and examine the rules of the Company's Internal Audit Department,*
- *monitor and **evaluate the adequacy and** proper operation of the Internal Audit Department*
- *ensure the independence of the internal audit **function***
- *propose to the Board of Directors the appointment and termination of the Head of Internal Audit,*
- *evaluate the Head of Internal Audit, who should have adequate and relevant academic and/or professional qualifications as well as work experience,*
- *assist the Board of Directors in reviewing and approving the budget of the Internal Audit Department, ensuring that it is flexible enough to adapt to changes based on developments,*
- *review and assist the Board of Directors in approving the annual Internal Audit Plan, prepared in line with a risk-based approach,*
- *review the periodic internal audit reports,*
- *discuss extensively with the auditor major audit issues that arise during the course of the audit and which have subsequently been resolved or remained unresolved,*
- *discuss extensively with the auditor the weaknesses of the internal control system, in particular those concerning the procedures of financial reporting and the preparation of financial statements which are referred in its report,*
- *oversee the timely adoption of the necessary corrective actions by senior management to address audit weaknesses, non-compliance with the company's policies, laws and regulations and other weaknesses identified by the external and internal auditors.”*

iii. Addition of a new paragraph/ Principle E, as follows:

*“**E. Principle:** The company is encouraged to integrate environmental, social and corporate governance (ESG) issues into its actions.*

The company is encouraged to report in a specific section of the Report on Corporate Governance its Corporate Social Responsibility (CSR) policy, presenting its objectives, the strategies and the results of its actions.

This contributes to increasing corporate transparency, as well as enhancing trust on the part of the shareholders, customers, employees and society at large, demonstrating the company's responsible stance towards social and environmental issues.”

The above amendments should be implemented immediately by the companies and taken into account when preparing and sending the Annual Report on Corporate Governance for the year ended 31/12/2023 and all subsequent reports.

You will find attached the 6th version of the Corporate Governance Code as published in the Official Gazette of the Republic, as well as the relevant form to be completed by listed companies.

We are at your disposal for any clarifications/ information you may require.

Thank you.

Yours

Nicos Trypatsas
Acting General Manager

Cc: Securities and Exchange Commission

Encl.