



# **CORPORATE GOVERNANCE REPORT 2010**

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# 1. INTRODUCTION

Corporate governance refers to a number of principles and practices adopted by a company, aiming to uphold its performance and the interests of its shareholders and all stakeholders.

OTE implements best corporate governance practices across its operations, based on international and European standards. By reinforcing its procedures and organizational structure, the company manages not only to comply with the regulatory framework but also develop a special corporate culture, founded on business ethics and committed to protect the rights of its shareholders and the interests of all stakeholders.

As a large capitalization company, listed on the Athens and London Stock Exchanges, OTE complies with applicable domestic and international corporate governance legislation. It should be noted that following OTE's delisting from New York Stock Exchange, OTE's ADSs (American Depositary Shares) trade in the OTC (Over The Counter) market through the Level I ADSs program. OTE continues to report to SEC (US Securities and Exchange Commission) .

All relevant provisions and practices are incorporated in the company's Articles of Incorporation, Bylaws, Internal Operations Regulation, Code of Ethics and Business Conduct, Personnel Regulation, and in all other company regulations or policies overriding its business functions.

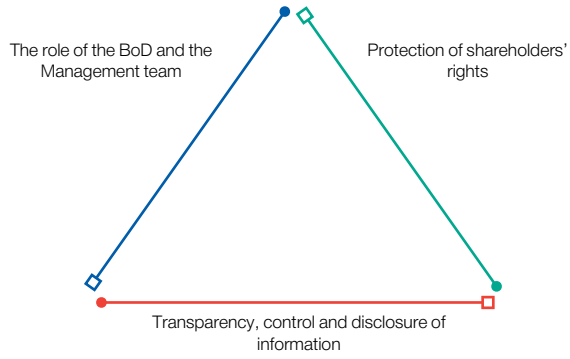
## **OTE'S CORPORATE GOVERNANCE SYSTEM**

Law 3873/2010, which was enacted in September 2010, requires that all Greek listed companies disclose, on an annual basis, information with regards to the corporate governance principles and practices that they apply. The Law obliges companies to release a Corporate Governance Statement, which is part of the Annual Report of the Board of Directors and provides information on the Corporate Governance Code that the company has decided to apply, as well as on the corporate governance practices that it applies beyond legal requirements. In particular, the Statement includes informa-

Following Law 3873/2010, OTE complies with the special practices that the Corporate Governance Code of the Hellenic Federation of Enterprises (SEV) specifies. The code is available at: <http://www.sev.org.gr/online/index.aspx> and [http://www.sev.org.gr/Uploads/pdf/KED\\_TELIKO\\_JAN2011.pdf](http://www.sev.org.gr/Uploads/pdf/KED_TELIKO_JAN2011.pdf). OTE's Corporate Governance Statement is published in the 2010 Annual Financial Report, which is included in the company's 2010 Annual Report

tion on the General Assembly of Shareholders, Shareholders' rights, the way these are exercised, the composition and the function of the Board of Directors (or any other administrative, managerial or supervising body or committee of the company) and the internal audit and risk management system, related to the preparation of the company's financial statements.

OTE applies corporate governance principles and practices on the basis of three key priorities, which include the definition of the role of the Board of Directors and the Management team, the protection of shareholders' rights and the enhancement of transparency, control and information disclosure.



**Corporate Governance at OTE**

## 2. BOARD OF DIRECTORS

### 2.1 ROLE AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors (BoD) is the top administrative body of the company. Its aim is to safeguard the general interests of the company and ensure its operational efficiency. Pursuant to the provisions of the Articles of Incorporation (as in force since 21-7-2010), as part of its responsibilities, OTE's Board of Directors:

- > *Convenes Ordinary or Extraordinary General Assemblies of Shareholders and proposes on their agenda*
- > *Prepares and approves the company's annual financial reports and submits them to the General Assembly of Shareholders*
- > *Approves the company's strategy and decides upon the establishment of subsidiaries or upon the company's participation in the share capital of other companies (domestic or foreign)*
- > *Decides upon share capital increases through the issuance of new shares and convertible bonds, following the authorization granted by the General Assembly of Shareholders*
- > *Decides upon the issue of convertible or exchangeable bonds*

The Chairman of the BoD sets the agenda, presides over its meetings and administers its operations. The BoD may choose to transfer its authority and competence to its members, to other executives, to third parties or to Committees.

The BoD convenes whenever necessary or pursuant to a request submitted to its Chairman by at least two (2) members. With the exception of certain provisions of the Articles of Incorporation, about special quorums and majorities, the BoD is in quorum and convenes validly when half-plus-one of its members are present. Resolutions are reached by simple majority, unless otherwise provided by Law 2190/1920 as currently in force, or by the company's Articles of Incorporation. In 2010, the BoD met 22 times. As a rule, the BoD meets at least once per month.

## 2.2 COMPOSITION OF THE BOARD OF DIRECTORS

Pursuant to the provisions of the Articles of Incorporation, as currently in force, the Board of Directors (BoD) consists of nine (9) to eleven (11) members, who may or may not be shareholders in the company. From June 2009 to the present, the BoD consists of ten members.

The members of the BoD are either executive or non-executive members, of which at least two (2) are independent. They are elected by the General Assembly of Shareholders, which also appoints the independent members among them. From June 2009 until June 2010, the BoD comprised of three (3) executive members and seven (7) non-executive members, of whom four (4) were independent. From June 2010 to date, the BoD comprises of two (2) executive members and eight (8) non-executive members, of whom four (4) are independent. According to the Shareholders' Agreement between the Greek Government and Deutsche Telekom, the BoD consists of members proposed by Deutsche Telekom and the Greek Government.

Pursuant to the provisions of the company's Articles of Incorporation, the members of the BoD serve for a three (3) year term. This term commences on the date the members are elected by the General Assembly of Shareholders and is terminated upon the completion of the Ordinary General Assembly of Shareholders of the year in which the three (3) year term has ended.

There follows a table listing the members of the BoD and their capacities, with dates of commencement of office (election dates by the General Assembly of Shareholders- the most recent one) and dates of termination of office of each one.

The changes to the Board of Directors that took place during the period 2010-2011 are summed up as follows:

- > *BoD member Mr. Hamid Akhavan-Malayeri submitted his resignation on 19/2/2010 and was replaced by Mr. Rainer Rathgeber*
- > *Vice-Chairman Mr. Haralambos Dimitriou and members Messrs. Iordanis Aivazis, Leonidas Evangelidis, Konstantinos Michalos and Ioannis Benopoulos submitted their resignations on 18/6/2010 and were subsequently (on 23/6/2010) replaced by Messrs. Nikolaos Karamouzis, Efstathios Anestis, Dimitrios Tzouganatos (who was appointed Vice-Chairman), Vassilios Fourlis and Michael Bletsas respectively*
- > *On 3/11/2010, the BoD revoked the appointment of Mr. Panagis Vourloumis as Chairman of the BoD and Managing Director of the company. Subsequently – on the same date – Mr. Panagis Vourloumis resigned as a member of the BoD and was replaced by Mr. Michael Tsamaz*

## OTE'S BOARD OF DIRECTORS

<i>Name</i>	<i>Capacity</i>	<i>Office Commencement (Most Recent )</i>	<i>Office Termination</i>
<i>Michael Tsamaz</i>	<i>Chairman and Managing Director, Executive member</i>	<i>3/11/2010</i>	<i>2012</i>
<i>Dimitrios Tzouganatos</i>	<i>Vice-Chairman, Independent non-executive member</i>	<i>23/6/2010</i>	<i>2012</i>
<i>Kevin Copp</i>	<i>Executive member</i>	<i>24/6/2009</i>	<i>2012</i>
<i>Roland Mahler</i>	<i>Non-executive member</i>	<i>17/3/2011</i>	<i>2012</i>
<i>Rainer Rathgeber</i>	<i>Non-executive member</i>	<i>19/2/2010</i>	<i>2012</i>
<i>Efstathios Anestis</i>	<i>Non-executive member</i>	<i>23/6/2010</i>	<i>2012</i>
<i>Nikolaos Karamouzis</i>	<i>Non-executive member</i>	<i>23/6/2010</i>	<i>2012</i>
<i>Michael Bletsas</i>	<i>Independent non-executive member</i>	<i>23/6/2010</i>	<i>2012</i>
<i>Panagiotis Tabourlos</i>	<i>Independent non-executive member</i>	<i>24/6/2009</i>	<i>2012</i>
<i>Vassilios Fourlis</i>	<i>Independent non-executive member</i>	<i>23/6/2010</i>	<i>2012</i>
<i>Guido Kerkhoff</i>	<i>Non-executive member</i>	<i>24/6/2009</i>	<i>17/3/2011</i>
<i>Panagis Vourloumis</i>	<i>Chairman and Managing Director, Executive member</i>	<i>24/6/2009</i>	<i>3/11/2010</i>
<i>Haralambos Dimitriou</i>	<i>Vice-Chairman, non-executive member</i>	<i>24/6/2009 (appointed Vice-Chairman by the BoD on 6/2/2009)</i>	<i>18/6/2010</i>
<i>Hamid Akhavan-Malayeri</i>	<i>Non-executive member</i>	<i>24/6/2009</i>	<i>19/2/2010</i>
<i>Iordanis Aivazis</i>	<i>Executive member</i>	<i>24/6/2009</i>	<i>18/6/2010</i>
<i>Leonidas Evangelidis</i>	<i>Independent non-executive member</i>	<i>24/6/2009</i>	<i>18/6/2010</i>
<i>Konstantinos Michalos</i>	<i>Independent non-executive member</i>	<i>24/6/2009</i>	<i>18/6/2010</i>
<i>Ioannis Benopoulos</i>	<i>Independent non-executive member</i>	<i>24/6/2009</i>	<i>18/6/2010</i>

4 out of 10 of the Board of Directors' members are independent

> *BoD member Mr. Guido Kerkhoff submitted his resignation on 17/3/2011 and was replaced by Mr. Roland Mahler.*

## **BOARD OF DIRECTORS' CVs**

### *Michael Tsamaz*

Mr Michael Tsamaz was appointed as Chairman and CEO of OTE on November 3, 2010. Michael Tsamaz is Head of COSMOTE Mobile Telecommunications SA since September 2007. Mr. Tsamaz joined the OTE Group in 2001 and he assumed various senior positions in OTE subsidiaries, such as Executive Vice President at OTE International, CEO at OTE Investments and OTE Globe, while monitoring the progress of the major transformation projects of OTE fixed. He also served as a BoD member for a number of OTE and COSMOTE International subsidiaries. Before joining OTE, Mr. Tsamaz had an evolving management career in multinational companies holding senior executive positions in Marketing, Sales and General Management. From 1998 to 2001, he worked in Vodafone Greece as Commercial Director and later as General Manager of the Commercial and Administration Division. From 1991 to 1998, he worked for Philip Morris where he held the positions of Marketing Director for Greece and Israel, Sales Director for Greece and Director of Sales Development for Eastern Europe, responsible for 16 countries. Mr. Michael Tsamaz holds a degree in Business Administration from the University of New Brunswick, Canada.

### *Dimitis Tzouganatos*

Dimitris Tzouganatos, a lawyer with the Greek Supreme Court, was born on 1953 and he is Professor of Law at the University of Athens and a member of the Bar of Athens. He is a graduate of the Universities of Athens (LL.B., 1976), Tübingen/Germany (Dr. iur., 1982) and Michigan (LL.M., 1985). From December 1988 until June 2000 he worked as a lawyer. From October 2003 to July 2004 he served as Chief Legal Counsel in OTE Group and from July 2004 until June 2006 as a General Director of Regulatory

Affairs of OTE S.A. Between June 1995 and March 1999 he was Member and, between October 2000 and October 2003, Chairman of the Hellenic Competition Commission (National Competition Authority). From July 2006 to January 2008 he served as Chief Legal Counsel of EFG Eurobank.

#### *Kevin Copp*

Mr. Kevin Copp assumes the position of Chief Financial Officer of the OTE Group since August 2009. From 1995 until the assumption of his present position he served as executive in Deutsche Telekom and was until recently Senior Executive Vice President and Head of Mergers and Acquisitions of Deutsche Telekom responsible for the Group's corporate development activities worldwide. Prior to that, he was Head of International Legal Affairs of Deutsche Telekom. Mr. Copp holds a Juris Doctor degree from Catholic University in Washington D.C. and a Bachelor of Arts in Foreign Languages from West Chester University, Pennsylvania.

#### *Roland Mahler*

After completing his studies at the Technical University of Darmstadt (Germany) in 1975, Mr. Roland Mahler began his career at Deutsche Bundespost. Five years later he joined the Federal Ministry of Post and Telecommunications where he was responsible for companies operating satellite communications - Inmarsat and Eutelsat. Later on he held the position of Personal Secretary to the State Secretary. In 1990 Mr. Mahler supervised radiotelephony services at Deutsche Telekom. In 1993, he joined T Mobile as Marketing Director. In his last position at T-Mobile as Executive Vice-President for Strategy and New Business from 1998 onwards, he concentrated especially on UMTS-related issues – 3rd generation wireless technology. From 2000 until 2010, Mr. Mahler led T-Mobile Czech Republic as Managing Director. Roland Mahler currently leads the Europe Board Area of Deutsche Telekom on an interim basis.

#### *Rainer Rathgeber*

Mr. Rainer Rathgeber, member of Cosmote's Board of Directors since July 2009, was born in 1964, and has been a member of the Deutsche Telekom Group since 2002. Currently he is Senior Vice-President for Marketing in SE Europe and for the area management of the OTE Group. Until September 2009 he held the position of CEO of Mobile Hrvatski as well as the position of COO Mobile of Telekom Hrvatski Board. Prior to joining the Deutsche Telekom Group, he had worked for prominent consulting firms, such as A.T. Kearney and Roland Berger in Germany and Latin America. Mr. Rathgeber holds a Masters degree in economics from the University in Passau, Germany.

### Stathis Anestis

Mr Anestis was born in 1952 and he is an Electrical Engineer. He first worked at OTE in 1979 as a Telecommunications Technician. He worked in the field of telecommunications systems constructions of Long Distance and International Communications. He served as Secretary General and Chairman in the Greek Telecom Employees' Federation (OME-OTE), participating in many committees for the examination of human resources' evaluation and business organization systems. As an employee's representative he participated in the Economic and Social Council of Greece in Brussels (Telecommunications Team) and in the International Federation of Employees in Posts and Telecoms, where he was responsible for SE Europe. He served as Chairman of OTEplus, and was also Manager in OTE Asset Management-Consulting. From 2002 to 2004 he served as Chairman of the Organization of Personnel Security of the Greek Public Power Corporation. Since 2006 he is member of the Executive Committee and of the Board of the Greek General Union of Employees. During the same time he has served as Deputy Secretary General and Press and Public Relations Secretary.

### Nikolaos Karamouzis

Mr Nikolaos Karamouzis was born in 1952 and holds a B.Sc. in Economics from University of Piraeus, Greece, an M.A. in Economics from American University Washington D.C., USA and a Ph.D. in Economics from Pennsylvania State University, USA. From 1988 to 1993 he served as Deputy Director, as well as Director of the Foreign Exchange Division of the Bank of Greece. He was also a member of the Monetary Policy Committee of the Bank of Greece. From 1993 to 1995 he served as Deputy Governor of ETBA Bank S.A. and from 1995 to 1999 as a Deputy Governor of National Bank of Greece. Today he is member of the Board of Directors and Deputy Chief Executive Officer of Eurobank EFG., Chairman of Eurobank EFG Cyprus Ltd (Cyprus) and EFG Istanbul Holdings A.S. (Turkey). He is also Vice-Chairman of Eurobank EFG Property Services S.A., EFG Istanbul Securities S.A. and Eurobank Tekfen A.S. (Turkey), as well as member of the Board of Directors of EFG Hellas PLC (United Kingdom), EFG Hellas Funding Ltd, EFG Hellas (Cayman Islands) Ltd, EFG Private Bank Luxembourg S.A., EFG Holding (Luxembourg) S.A. He is Chairman of the Board of Directors of Global Fund Management S.A., member of the Board of Directors of the Hellenic Federation of Enterprises (SEV) and Global Finance S.A. He is also Chairman of the High Level Committee on Markets and Capital of the Hellenic Banking Association. Finally Mr Karamouzis is a full-time Professor at the University of Piraeus, Department of Banking and Financial Management.

### Michail Bletsas

Michail Bletsas is a Research Scientist and the Director of Computing at MIT's Media Lab where he has been working since 1996. He was one of the founding members of the "One Laptop Per Child" initiative where he made significant contributions to the design and implementation of OLPC's pioneering «XO» laptop as well as its Internet connectivity. He co-founded Velti S.A., a very successful mobile advertising and marketing company and has consulted for many companies in many different capacities. Over the years, he has implemented broadband access networks using cutting-edge technologies including one of the earliest ADSL testbeds and various wireless technologies. Mr. Bletsas has been a frequent keynote speaker in international conferences and has been engaged in many civic activities. He holds an undergraduate degree in Electrical Engineering from the Aristotle University of Thessaloniki and an MSc degree in Computer Engineering from Boston University.

### Panagiotis Tambourlos

Mr Tambourlos is a graduate of the Piraeus University of Economics and holds a Master's degree in Business Administration from McGill University (Montreal, Canada). He worked as Financial Manager in various corporations, including Milchem International, Hilti SA, American Express and ICI. From 1990 to 2003 he worked for Warner Lambert SA, an affiliate of Pfizer where immediately prior to his departure he held the position of Regional Financial Manager for Europe, Middle East and Africa. From June 2003 until April 2004 he held the position of Chief Financial Officer of OTE S.A. Since then he has been Financial Director of the Frigoglass Group. He is the Chairman of our Audit Committee as well as its financial expert.

### Vassilis Furlis

He was born in 1960 in Athens. He holds a Masters Degree in Economic Development and Regional Planning from University of California/Berkeley and a Masters Degree in International Business from Boston University/Brussels. He is Executive Chairman of Furlis Holdings S.A. and House Market S.A. (IKEA). He is also a member of the Board of Directors of Piraeus Bank, Titan S.A. and Frigoglass S.A.

## **2.3 SELECTION, REPLACEMENT AND CHANGES IN THE MEMBERS OF THE BOARD OF DIRECTORS**

The persons that participate in the Board of Directors have the required know how and the scientific and professional proficiency that will guarantee the efficient operation of the BoD.

The members of the BoD may be re-elected ad infinitum, and may be recalled at any time by the General Assembly of Shareholders. According to the company's Articles of Incorporation, as currently in force, in the event of resignation, death or any other reason, of one or more than one Directors, prior to the expiration of their term, the Board shall, with at least five (5) of the remaining Directors, present or represented, either elect replacement(s) for the remaining term of service of the Director(s) being replaced and under the same capacity (of executive, non-executive or independent Director) or continue the management of the business affairs and representation of the Company without electing such replacement(s). In case the BoD elects a member in replacement of another independent member, the elected member must also be independent. Any such election(s) is announced at the next following General Shareholders Assembly (ordinary or extraordinary), which can replace the elected members, even if such announcement has not been included in the agenda of such General Assembly of Shareholders. The actions of the replacing Directors, thus elected, are valid even if their election is not approved at the General Assembly of Shareholders.

The continued absence or non-representation of a Director at the meetings of the Board of Directors, for more than six (6) months is deemed to be equivalent to the resignation of such Director; the Board will resolve thereupon at its first meeting immediately after the resignation has taken effect.

Any Director notice of resignation must be written and takes effect upon its reception by the Company, without prior approval.

The Regulation of Operation of the BoD is available at: <http://www.ote.gr/portal/page/portal/InvestorRelation/CorporateGovernance/diafaneiapiroforisi/regulations>

## **2.4 REMUNERATION POLICY OF THE MEMBERS OF THE BOARD OF DIRECTORS**

The terms and conditions under which the members of the BoD receive remuneration, compensation and benefits, in exchange for their services, are proposed by the BoD and approved by the General Assembly of Shareholders. In cases when the members of the BoD are employed with the company, they receive the compensation provided under their employment contract and are not eligible for the remuneration, compensation and benefits paid to the other members of the BoD.

For the fiscal year 2010 the Ordinary General Assembly of Shareholders, on June 16, 2010 approved:

- > *The remuneration of the members of the BoD for their participation in its meetings as follows: €2.250 net per month, independently of the number of meetings*

- > *The remuneration of the Chairman and the members of the Audit Committee for their participation in the Committee's meetings as follows:*
  - *Chairman: €1.350 net per meeting*
  - *Members: €1.080 net per meeting*
- > *The remuneration of the Chairman and the members of the Compensation and Human Resources Committee for their participation in the Committee's meetings as follows: €540 net per meeting*

Moreover, the Extraordinary General Assembly of Shareholders on July 23, 2010 approved the assumption of the travel (from and to their country of residence) and sojourn expenses of the BoD members for their participation in the OTE BoD meetings and in the meetings of the BoD Committees, provided that these expenses are not covered by their employers.

## **2.5 COMMITTEES OF THE BOARD OF DIRECTORS**

### *A. Audit Committee*

In April 1999, OTE's management established an Audit Committee. According to the article 37 of Law 3693/2008, the members of the Audit Committee are nominated by the General Assembly of Shareholders. The Audit Committee consists of three independent non-executive members of the Board of Directors and at least one member must have proven experience in the field of accounting and auditing and one member is appointed as Chairman. The role of the Committee is to supervise the company's Internal Auditors and to assist the Board of Directors in the latter's supervisory responsibilities (monitoring the financial information published by the company, evaluating and controlling the internal audit systems, and assessing and coordinating the auditing process and control procedures, in accordance with applicable law).

In 2010, the Audit Committee dealt with all issues, provided in its Regulation, including, among others:

- > *The approval and monitoring of the company's Internal Audit activities*
- > *The assessment of the accuracy and consistency of the company's Financial Statements*
- > *The assurance of the Chartered Auditors' independence, in relation to the services provided by the latter to the OTE Group of companies*
- > *The monitoring of the Management assessment results, in relation to compliance with SOX 404*
- > *The review of the annual 20-F Form which is filed with the US Securities and Ex-*

*change Commission and the consolidated Financial Statements, under IFRS, for fiscal year 2009*

- > *The expression of opinion on the appointment of Chartered Auditors*
- > *The handling of complaints and accusations related to accounting or internal audit matters*

The Audit Committee holds four ordinary meetings every year (following the preparation of the quarterly financial statements and prior to their publication). Whenever necessary, the committee may also hold extraordinary meetings. The Audit Committee meets in quorum and convenes lawfully when its Chairman plus one member are present. In the event of such quorum, the third member may be represented by the Chairman of the Audit Committee or by the member that is present. Resolutions of the Audit Committee are passed by an absolute majority of the entire composition. During 2010 the Audit Committee held 15 meetings.

From June 2009 to June 2010, the members of the Audit Committee were Messrs. Panagiotis Tabourlos (Chairman – Expert on financial matters), Leonidas Evangelidis and Ioannis Benopoulos. From July 2010 to the present, its members are Messrs. Mr. Panagiotis Tabourlos (Chairman – Expert on financial matters), Dimitrios Tzouganatos and Vassilios Fourlis.

The Audit Committee Regulation is available at: <http://www.ote.gr/portal/page/portal/InvestorRelation/CorporateGovernance/diafaneiaplirforisi/regulations>

### *B. Compensation and Human Resources Committee*

OTE's BoD established the Compensation and Human Resources Committee in 2004. This Committee is appointed by the company's BoD and consists of a minimum of three members, at least two of which are non-executive. The Chairman of the Committee is also appointed by the BoD. The Committee's main duties, as set out in its Regulation, are the following:

- > *Setting the principles of the company's human resources policy, that will guide the relevant decisions and practices of the Management*
- > *Defining the company's compensation and remuneration policy*
- > *Approving the plans concerning compensation, benefits, stock options and bonuses*
- > *Proposing to the BoD the compensation and benefits of the Managing Director*
- > *Studying and processing issues related to the company's human resources*
- > *Setting the principles of Corporate Responsibility policies*

The Compensation and Human Resources Committee submits proposals to the BoD on matters related to the responsibilities of the Committee; the BoD either approves these proposals, or refers them to the General Assembly of Shareholders, whenever matters

The Audit Committee aims to support the company's Board of Directors in the exercise of the latter's supervisory authority and the fulfillment of the Board of Directors' obligations towards shareholders, the investment community and third parties, especially with regards to the financial reporting process

ought to be resolved by the General Assembly of Shareholders. Along these lines, in 2010, the Compensation and Human Resources Committee handled the following:

- > *Determined the bonus that should be paid to the previous Chairman and Managing Director for 2009, and his compensation for 2010*
- > *Determined the terms of contract between the company and the new Chairman and Managing Director*

The Compensation and Human Resources Committee meets at least twice per year. During 2010 the Committee met 4 times. From February 2009 until February 2010 the Committee members were Messrs. Haralambos Dimitriou (Chairman), Hamid Akhavan-Malayeri and Ioannis Benopoulos. From February 2010, following Mr. Hamid Akhavan-Malayeri's resignation, to June 2010, the Committee members were Messrs. Haralambos Dimitriou (Chairman), Ioannis Benopoulos and Guido Kerkhoff. From June 2010 to March 2011 the Committee members were Messrs. Nikolaos Karamouzis (Chairman), Kevin Copp and Guido Kerkhoff. From April 2011 to date, the Committee members are Messrs. Nikolaos Karamouzis (Chairman), Kevin Copp and Roland Mahler.

The Regulation of Operation of the Compensation and Human Resources Committee is available at: <http://www.ote.gr/portal/page/portal/InvestorRelation/CorporateGovernance/diafaneiapliroforisi/regulations>

The participation of each member of the BoD in the BoD's meetings and in the meetings of its Committees during the financial year of 2010 is presented on page 18.

## **2.6 CONFLICT OF INTERESTS OF THE MEMBERS OF THE BOARD OF DIRECTORS**

With regards to the conflict of interests of the members of the BoD, special reference is made in specific company regulations and policies:

- > *In the Internal Operations Regulation: Article 22 refers to the monitoring of significant transactions and financial activities between the members of the BoD and employees of the company that carry out managerial duties, on the one hand and significant customers or vendors of the company, on the other. Furthermore, Article 20 refers to the monitoring of transactions with shares issued by OTE, derivatives of other financial instruments linked to them.*
- > *In the Code of Ethics approved by the BoD: Article 9 notes that employees and members of the BoD must avoid actions that could lead to a conflict of personal (or of the members of their family) interests with those of OTE. In particular it is mentioned, among others, that:*
  - *Employees and members of the Board of Directors are not allowed to have or maintain, directly or indirectly, any material economic interest (as the latter is defined each time in the Internal Operations Regulation) in vendors, customers, competitors or other undertakings, if such interest may influence their business decisions*
  - *Employees and members of the Board of Directors cannot accept or allow a member of their family to accept money, gifts, loans, entertainment services or favourable treatment from anyone maintaining business relations with OTE or an OTE competitor*
- > *In the Policy for the prevention of conflict of interests and the management of corruption, which was approved by OTE's BoD in December 2010*
- > *In the policies that have been adopted as part of the Compliance Management System of the OTE Group.*

**PARTICIPATION OF THE BoD MEMBERS IN THE BoD'S MEETINGS AND IN THE MEETINGS OF ITS COMMITTEES**

<i>Capacity</i>	<i>Members</i>	<i>Executive Member</i>	<i>Non Executive Member</i>	<i>Independent Member</i>	<b>BoD</b>	<i>Audit Committee</i>	<i>Compensation and Human Resources Committee</i>
Chairman	Michael Tsamaz	X			100%		
Vice Chairman	Dimitris Tzouganatos		X	X	100%	X	100%
Member	Rainer Rathgeber	X			95%		
Member	Guido Kerkhoff ***		X		86%		X 100%
Member	Kevin Copp	X			95%		X 100%
Member	Stathis Anestisis		X		100%		
Member	Nikolaos Karamouzis		X		85%		X 100%
Member	Michail Bletsas		X	X	100%		
Member	Panagiotis Tabourlos		X	X	100%	X	100%
Member	Vasilis Fourlis		X	X	85%	X	100%

\* The column depicts the percentage of participation of each member in the BoD's meetings and in the meetings of its Committees, according to the total number of meetings that were held during the tenure of each member. In the meetings that the members did not participate, they were represented. It is noted that during 2010 there were changes in the BoD members

\*\* The notion «X» in the column suggests that the BoD member is also a member of a BoD Committee

\*\*\* The member Mr Guido Kerkhoff submitted his resignation on 17/3/2011 and was replaced by Mr Roland Mahler

# 3. MANAGEMENT TEAM

## 3.1 MANAGING DIRECTOR

The Managing Director is selected among the members of the BoD during its incorporation as a body and he is the company's Chief Executive Officer, supervising all corporate departments and divisions. The Managing Director has the responsibilities that the BoD delegates to him. The BoD, according to the Articles of Incorporation as in force, may delegate to the Managing Director the authority and power to decide upon and to represent the company on any matter pertaining to administration of the company affairs (last decision of authorities' delegation to the Managing Director was issued on 2861/3-11-2010 BoD's meeting). In this context, the BoD has indicatively delegated to the Managing Director the authority to:

- > *Participate, represent and bind the company in all General Assemblies of Shareholders of the affiliated companies and in all of its relations vis-à-vis affiliated companies*
- > *Decide upon and execute agreements, the value of which does not exceed the level determined by the BoD*
- > *Decide upon the company's internal organization, personnel development issues and realization of the company's objectives*
- > *Define the agenda of the BoD and submit proposals, in line with the company's objectives*
- > *Represent and bind the company in issues related to the negotiation and conclusion of collective labor agreements*
- > *Represent the company before any authority*

The Managing Director of the company today, is Mr Michael Tsamaz.

## 3.2 MEMBERS OF THE MANAGEMENT TEAM

Aiming to ensure the effective management and operation of the company, the company's Articles of Incorporation prohibit the members of the Board of Directors and their relatives (up to 2nd degree), executive directors and their relatives (up to the 2nd degree)

and the company's personnel, in general, from:

- > *Engaging, occasionally or consistently, for their own benefit or for the benefit of others, in commercial activities that are similar to those of the company, without the prior consent of the General Assembly of Shareholders*
- > *Serving as members of the Board of Directors, executive officers, employees, or agents of other companies with objectives that are similar to those pursued by OTE*
- > *Participating in unlimited/general partnerships or holding a substantial interest in the share capital of other companies whose activities are similar to those of OTE*

The members of the Management team during the period 2010-2011 are presented on page 21.

## MANAGEMENT TEAM CVs

### Michael Tsamaz:

*(Mr Tsamaz' cv is available in the section "Composition of the Board of Directors").*

### Zacharias Piperidis:

Mr. Zacharias Piperidis is COSMOTE's Group Chief Commercial Officer since November 2007. He has a long experience in the telecoms sector, which he has served for more than 17 years. He has worked in fixed and mobile telephony both in commercial and technical fields in various companies (Vodafone Greece, O2 Germany, OTE Investments, Romtelecom Romania, Wind Greece). Mr. Piperidis holds a BSc in Electrical Engineering from the National Technical University of Athens and an MSc in Communications & Signal Processing from the Imperial College of Science, Technology & Medicine, London UK. He also holds an MBA from the Heriot-Watt University of Edinburgh Business School. Since February 2011 Mr Piperidis holds the position of OTE Group Chief Operating Officer, Chief Commercial Officer for Enterprise and Business Services and Chief Commercial Officer of Residential Customers.

### Kevin Copp:

*(Mr Copp's cv is available in the section "Composition of the Board of Directors").*

### Georgios Athanasopoulos:

Mr. George Athanasopoulos is COSMOTE's Operations & IT Systems General Director since October 2007. He joined the OTE Group in 2002, as OTE Investments' Information Management Executive Director, while since September 2006 he holds the position of Operational Support Executive Director in OTE Globe. Prior to that, Mr. Athanasopoulos worked for Atos Origin as well as Vodafone, Greece. Mr. Athanasopoulos holds a B.Sc. in Economics from the University of Athens and an M.Sc. in Computing from

## MEMBERS OF THE MANAGEMENT TEAM

<i>Name</i>	<i>Capacity</i>
<b>Michael Tsamaz</b>	<i>Chairman and Managing Director</i>
<b>Zacharias Piperidis</b>	<i>OTE Group Chief Operating Officer Chief Commercial Officer for Enterprise and Business Services Chief Commercial Officer for Residential Customers (As of 17/2/2011)</i>
<b>Kevin Copp</b>	<i>OTE Group Chief Financial Officer</i>
<b>Georgios Athanasopoulos</b>	<i>OTE Group Chief Information Technology Officer OTE Chief Information Technology Officer (As of 17/2/2011)</i>
<b>Aristodimos Dimitriadis</b>	<i>OTE Group Chief Compliance Officer</i>
<b>Eirini Nikolaidi</b>	<i>Executive Director of Legal and &amp; Regulatory Affairs of OTE Group OTE and OTE Group Legal Counsel General Director of Legal Affairs of OTE (As of 19/01/2011)</i>
<b>Elias Drakopoulos</b>	<i>Chief Technology and Operating Officer Chief Technology Officer Chief Regional Operations Officer (As of 17/2/2011) Chief Commercial Officer for Corporate and Business Customers (Until 16/2/2011)</i>
<b>Panos Sarantopoulos</b>	<i>Chief Officer of National Wholesale Services</i>
<b>George Mavrakis</b>	<i>Chief Financial Officer</i>
<b>Loizos Kyzas</b>	<i>Chief Human Resources Officer</i>
<b>Konstantinos Ploumbis</b>	<i>Chief Regulatory Affairs Officer</i>
<b>Maria Rontogianni</b>	<i>Chief Internal Audit Officer</i>
<b>Iordanis Aivazis</b>	<i>Chief Operating Officer (Until 31/12/2010)</i>
<b>Paraskevas Passias</b>	<i>General Legal Counsel of OTE (Until 19/01/2011)</i>
<b>Christos Katsaounis</b>	<i>Chief Commercial Officer for Residential Customers (Until 16/2/2011)</i>
<b>Maria Efthimerou</b>	<i>Chief Technology Officer (Until 16/2/2011)</i>
<b>Andreas Karageorgos</b>	<i>Chief Regional Officer (Until 16/2/2011)</i>
<b>Konstantinos Kappos</b>	<i>Chief Information Technology Officer (Until 16/2/2011)</i>

Cardiff University, UK. Since February 2011 Mr Athanasopoulos holds the position of OTE Group Chief Information Technology Officer and OTE Chief Information Technology Officer.

*Aristodimos Dimitriadis:*

Mr Aristodimos Dimitriadis, Head of Internal Audit and Compliance of Cosmote Group, is a member of the executive team of Cosmote since 2005. Prior to his employment with Cosmote Group, he worked for many years in the banking sector, first at ABN AMRO and later at FBB-First Business Bank as Internal Audit Officer. Mr Dimitriadis holds a BA in Economics and Politics as well as an MBA from Kent University, UK. He is a Certified Internal Auditor, as well as a Certified Financial Services Auditor according to the International Institute of Internal Auditors. Since January 2010 he assumes the position of OTE Group Chief Compliance Officer.

*Eirini Nikolaidi:*

Ms Irini Nikolaidi is the Legal Counsel, Competition and Legal Affairs General Director at Cosmote. She joined OTE in 1996 as an expert in telecommunications, and then joined Cosmote as Legal Counsel, since the company's foundation. Ms Nikolaidi holds a Law degree from the University of Athens, Greece, as well as a Master's Degree (LL.M.) in International Business Law from the University of London (UCL), UK, where she specialized, among other subjects, in International Finance and International Trade Law. Since January 19, 2011 ms Nikolaidi holds the positions of OTE Group Legal Counsel, Executive Director of Legal and & Regulatory Affairs of OTE Group, as well as OTE Legal Counsel and General Director of Legal Affairs of OTE.

*Elias Drakopoulos:*

Mr. Elias Drakopoulos was born in 1964. He holds a BSc in Electrical Engineering from Aristotle University of Thessaloniki, and a MSc degree and PhD in telecommunications from Northwestern University, Department of Electrical Engineering & Computer Science in Evanston, Illinois, USA. He has postgraduate studies in Business Management and Strategy at INSEAD, France. From 1989 to 1998, he held various managerial positions at AT&T, Bell Laboratories and Lucent Technologies in the United States, where he was responsible for network & IT systems planning & design, and techno-economic analysis, while in parallel was adjunct Professor at the Illinois Institute of Technology. In 1998, he was appointed Director of Network Planning in Lucent Technologies for Europe until 2001, and subsequently until January 2003 Vice President of Solutions, Business Development and Marketing for Europe, based in London. He joined OTENET as General Manager Technology, Strategy & Development in February 2003. In February

2007 he was appointed CEO of OTENET until June 2008 when the merger of the company with OTE was completed. In December 2007 he became Chief Commercial Officer for Enterprise & Business Services at OTE. Since February 2011 Mr. Drakopoulos holds the position of Chief Technology and Operating Officer, Chief Technology Officer and Chief Regional Operations Officer.

*Panagiotis Sarantopoulos:*

Mr. Sarantopoulos studied electrical engineering at the National Technical University of Athens and has extensive experience in the telecommunications and information technology market. In the past, he has worked for Hewlett Packard Hellas as a Sales Engineer and Sales Manager for Test and Measurement Solutions. He has also worked for our Group as a telecommunications engineer. From April 1990 until March 2001, he worked for the Quest Group, holding various managerial positions. In particular, from April 1997 until March 2001 he held the position of General Manager of Hellas on Line. In April 2001, Mr. Sarantopoulos joined OTENET as General Manager of Consumer Products and Services and then held the position of the Chief Commercial Officer until February 2007, when he moved to OTE as Deputy Chief Technology Officer. From December 2007 until January 2010 Mr. Sarantopoulos had served as Chief Commercial Officer for Residential Customers and SOHO. Since January 2010 he holds the position of Chief Officer of National Wholesale Services.

*George Mavrakis:*

Mr. George Mavrakis has been with OTE Group since 1997 in various senior positions in Strategy and Financial Planning, focusing on international investments. From June 2007 until August 2009 he worked as Assistant to the Chief Financial Officer of OTE, while on August 2009 he assumed the position of Chief Financial Officer of OTE. Mr Mavrakis holds a BA (Hons) in Economics from Leicester Polytechnic and a MA in Financial and Business Economics from Essex University.

*Loizos Kyzas:*

Mr Kyzas assumed the position of Chief Human Resources Officer on April 27, 2009. He holds a BSc in Economics from the Athens University of Economics and Business Studies. He has significant experience in managing companies in the start-up, change and development phases. From 2007, he held the position of HR, Organization and Operational Excellence Director for four countries (Greece, Cyprus, Albania and Malta) with Ericsson Hellas S.A., in parallel with his role as Director, Compensation and Benefits, in the Market Unit of Southeastern Europe consisting of 10 countries, including Greece and Italy. In addition, from 2002 until 2006, in his capacity as Head of Human Resources and

Organization within Ericsson Hellas S.A., he took an active part in the creation, formation and development of the newly-established, at that time, Business Unit of Southeast Europe (BUSEE). Prior to working with Ericsson, from 1993 until 2001, he served as Human Resources Director with Panafon and the Panafon/Vodafone Group, as well as a member of board of directors of Panavox SA, a subsidiary of Panafon.

*Konstantinos Ploumpis:*

Mr. Ploumpis is a graduate of the Law School of the Athens University (1991) and holds a DEA in International and European Economic Law and a PhD in European and International Economic Law from the Université des Sciences Humaines de Lille II, in Lille, France. Mr. Ploumpis served as special Advisor to the French Ministry of Labor from 1994 to 1995, as well as Senior Legal Counsel and Head of Legal Services for Vodafone-Panafon from 1996 to 2004. He was also member of the Vodafone Group plc public policy and legal teams. He has been a guest speaker at numerous conferences and speaks fluent English, French and Italian.

*Maria Rontogianni:*

Mrs Rontogianni holds a BA in Public Accounting and Marketing from Forham University, New York. She has worked in the auditing (in various industries), regulatory and consulting fields for fifteen years. She started off her carrier with the National Future Association, the independent regulatory authority for US time deposit transactions and options. She moved to investment banking, where she dealt with emerging markets, foreign exchange and goods market, as Vice President of JP Morgan (New York) and later on for the private bank JPM. Upon returning to Athens she worked as consultant for Andersen Consulting before assuming the position of Internal Auditor at Lamda Development (a member of the Latsis Group of companies), a listed company in the Athens Stock Exchange, which operates in the real estate market. At Lamda Development she monitored projects and procedures related to the development of the real estate market. During her last-held position (before OTE) as Chief Internal Audit and Revenues Assurance Officer at WIND Telecommunications, she headed the Internal Audit department and developed the procedures and tools necessary for Risk Management and Revenues Assurance. Throughout her carrier she has been involved with the recruitment and development of human resources. She assumed the position of Chief Internal Audit Officer on September 2009.

### **3.3 STOCK-OPTION PLAN FOR EXECUTIVES**

At the Repeated General Assembly of the 56th Annual Ordinary General Assembly of Shareholders on July 9, 2008, the company has adopted a stock-option plan for its executive officers/directors, as well as for the executive officers/directors of Cosmote Group, in replacement of the plan that had been in force since 2007. The program has the following characteristics:

- > *It allows for the inclusion in the program of executives that assume a senior position, as long as it is in force*
- > *Its links executives' compensation with the realization of company's targets through a granted discount, during the exercise of the options (varies according to the level of achievement)*
- > *It includes OTE and Cosmote executives, in one program.*

The Stock-Option Plan aims at recognizing the contribution of OTE and Cosmote executives in raising company's value.

# 4. SHAREHOLDERS

## 4.1 GENERAL ASSEMBLY OF SHAREHOLDERS

In accordance with Corporate Law 2190/1920, as currently in force, and OTE's Articles of Incorporation, the General Assembly of Shareholders is the company's highest, in rank, body and may resolve upon all matters of the company. The General Assembly of Shareholders is convoked by the Board of Directors in an ordinary session once a year, and in any case within six months of the end of the previous fiscal year, whereby the annual financial statements are approved, and certified accountants and members of the Board of Directors are absolved from any potential indemnity. The Board of Directors may also convene extraordinary General Assemblies of Shareholders whenever necessary.

Law 3884/2010, which incorporates into Greek national law Directive 2007/36/EC of the European Parliament and the Council of 11 July 2007, on the exercise of certain rights of shareholders in listed companies, brought about changes in the content of the invitation to the General Assembly, in the information which is posted on the company's webpage, as well as in the participation process of the company's shareholders in the General Assembly.

Specifically, this new Law:

- > *Provides for a wider invitation content which refers to the rights of the shareholders, the right to participate in the General Assembly (definition of record date), the participation process in the General Assembly (the process of exercising proxy voting, voting by correspondence or electronically), and to the relevant printed material and documents*
- > *Facilitates shareholders in exercising their voting rights through:*
  - *The abolishment of shares' blocking as a requirement for shareholders to exercise their voting right in the General Assembly*
  - *The possibility to participate from a distance (electronically or by correspondence)*

- *The possibility to authorize/revoke proxies by electronic means*
- > *Enhances transparency by increasing the information provided about the General Assembly on the company's webpage through:*
  - *Detailed information and clarifications concerning General Assembly items*
  - *Participation forms (forms for authorizing or revoking a representative)*
  - *Number of Shares*
  - *General Assembly voting results*

The invitation to the General Assembly of Shareholders is published according to the Law in the Government Gazette, as well as in one political, financial and local newspaper. In the event of repeated meetings, no further announcement is required, provided that the date and venue of the Repeated Assembly are stated in the initial invitation. One share provides the right to one vote.

The General Assembly of Shareholders is in quorum and convenes validly when 1/5 of its share capital is present or represented, except for issues specified explicitly in the Law and the company's Articles of Incorporation, when a special quorum is required, i.e., 2/3 of the company's share capital. In this case, according to Article 20 of the company's Articles of Incorporation, the General Assembly is in quorum and may validly convene to discuss the agenda if 2/3 of the company's share capital is represented with regard to matters relating to:

- > *Merger or dissolution of the Company*
- > *Increase or decrease of the share capital, with the exception of cases which are governed by different provisions under the law or the Articles of Incorporation, in force*
- > *Issue of bond loans*
- > *Amendment of the manner of allocation of profits*
- > *Increase of shareholders' responsibilities*
- > *Limitation or cancellation of the preemption rights of existing shareholders in the event of share capital increases by means of payment in cash or contributions in kind*
- > *Amendment of the special majority of the Board of Directors provided in Article 6 paragraph 1 of the present Articles of Incorporation*
- > *Amendment of the Article 20 of the company's Articles of Incorporation*

In absence of a quorum, the first Repeated General Assembly of Shareholders convenes. On issues that may be resolved by simple quorum, the Repeated General Assembly of Shareholders convenes validly, irrespective of the present or represented capital. For issues that require a special quorum, at least 1/2 of the company's share capital must be present or represented, otherwise the General Assembly of Shareholders is repeated again, in which case 1/5 of the company's share capital must be present or represented.

Enhancing transparency and increasing information dissemination to shareholders, for the exercise of their voting rights at General Assemblies

Resolutions on issues that call for a simple quorum are passed by absolute majority. Resolutions on issues that call for a special quorum are passed by a majority of 2/3 of those present or represented.

## **4.2 PARTICIPATION IN THE GENERAL ASSEMBLY OF SHAREHOLDERS**

Any natural person or legal entity, recognized as a shareholder according to the registry of the Dematerialized Securities System (managed by the Hellenic Exchanges S.A.), in which the shares of the Company are recorded, is entitled to participate in the General Assembly provided that one must qualify as a shareholder on the Record Date, i.e. at the beginning of the 5th day before the date of the General Assembly.

Proof of qualification as a shareholder either via a relevant written certification of the above organization or, alternatively, through the direct electronic link of the Company with the records of the Hellenic Exchanges S.A. must be submitted to the Company at the latest, the third day before the date of the General Assembly.

Only those who qualify as shareholders on the aforementioned Record Date are entitled to participate and vote in the General Assembly. Shareholders who are not in compliance with the provisions of article 28a of C.L. 2190/1920 may participate in the General Assembly only after the Assembly has authorized them to do so.

The exercise of the above rights does not require blocking of shares or following any other similar processes that would restrict the possibility of sale and transfer of shares during the period between the Record Date and the General Assembly.

Shareholders may participate in the Extraordinary General Assembly and may either vote in person or by proxy holders. Each shareholder may appoint up to 3 proxy holders. Legal entities may participate in the General Assembly by appointing up to 3 natural persons as proxy holders. However, if a shareholder has shares of the company held in more than one securities account, the above limitation shall not prevent the shareholder

from appointing a separate proxy holder as regards shares held in each securities account. A proxy holder, acting on behalf of several shareholders may cast votes differently in respect of shares held by each shareholder so represented. The appointment and the revocation of the appointment of a proxy holder shall be made in writing and shall be notified to the Company following the same procedure, at least 3 days before the date of the General Assembly. In case shareholder appoints a Bank as a proxy holder for the exercise of his voting rights in the General Assembly, the above-mentioned procedure shall be followed.

There is no provision in the company's Article of Incorporation for shareholders' participation and voting in the General Assembly via electronic or long-distance means. Nevertheless, as it is mentioned in the Article 28a of the New Law 2190/1920 par. 8, a Decision of the respected Minister should be issued, which shall define the requirements for the assurance of the identity of the voting shareholder. Such a Decision has not been issued yet.

The proxy holder is obliged to disclose to the Company, before the commencement of the General Assembly, any fact which might be useful to the shareholders in assessing whether the proxy holder might pursue any interest other than the interest of the represented shareholder.

A conflict of interest within this context may in particular arise where the proxy holder: (i) Is a controlling shareholder of the Company, or is another entity controlled by such shareholder; (ii) Is a member of the Board of Directors or the management of the Company, or of a controlling shareholder or an entity controlled by such shareholder; (iii) Is an employee or an auditor of the company, or of a controlling shareholder or an entity controlled by such shareholder; (iv) Is a spouse or close relative (of 1st degree) with a natural person referred to in points (i) to (iii).

### **4.3 MINORITY SHAREHOLDERS RIGHTS**

According to the company's Articles of Incorporation the shareholders have the rights that, in each case, the Law 2190/1920, as currently in force, specifies. The rights of the minority interest holders concisely are:

- > *Request of adoption of a certain resolution by roll-call vote in the General Assembly of Shareholders (article 39)*
- > *Annulment of the resolutions of the General Assembly of Shareholders (article 35a)*
- > *Deferment of a resolution of the General Assembly of Shareholders (article 39 par. 3)*
- > *Objections in the decision making process by the General Assembly of Shareholders (articles 22a, par. 4, 23a par. 2, 24 par.2)*

- > *Exercise of indemnification claims of the company against the members of the BoD, due to the management of its corporate affairs (article 22b, par. 1-3)*
- > *Management control (article 39a and 40)*
- > *Convention of Extraordinary General Assembly of Shareholders (article 39, par.1)*
- > *Request for the inclusion of additional items in the Agenda of the General Assembly (article 39 par.2)*
- > *Request for submission of draft resolutions for the items included in the initial or revised agenda of the General Assembly (article 39 par.2a)*
- > *Request for the submission of specific information with respect to the company matters, to the extent that these are useful for the actual assessment of the items of the agenda (article 39 par.4)*
- > *Request for the submission of information with respect to the course of the company affairs and the financial situation of the company (article 39 par.5).*

## **4.4 ALLOCATION OF PROFITS**

According to the company's Articles of Incorporation, allocation of profits is preceded by the withholding of the amount necessary by the Law for ordinary capital reverse. Such deduction is no longer mandatory when the capital reverse is equal to at least 1/3 of the company's paid in capital. Dividends declared may not be less than 6% of the company's share capital or 35% of net profits (the biggest amount is in force). The Articles of Incorporation allow for the General Assembly of Shareholders to decide upon the allocation of the remaining profits at its own discretion.

## **4.5 PAYMENT OF DIVIDEND**

Shareholders are eligible to receive dividend after the General Assembly of Shareholders approves the annual financial statements. Dividends, as approved by the General Assembly of Shareholders, are paid to shareholders in accordance with the New Law 2190/1920, the Athens Stock Exchange Regulation, as in force, and the company's Articles of Incorporation.

The amount approved for distribution as dividend, is required to be paid to Shareholders within two months from the resolution of the Annual General Assembly of Shareholders, which approves the annual financial statements and declares such dividend.

A historic presentation of OTE's dividends is presented on page 31.

<i>Fiscal Year</i>	<i>Dividend in EUR share</i>	<i>AGA Resolution Date</i>
1999	0,60	June 29, 2000
2000	0,70	June 26, 2001
2001	0,70	June 19, 2002
2002	0,70	June 30, 2003
2003	0,70	June 17, 2004
2004	0,35	June 16, 2005
2005	-	June 22, 2006
2006	0,55	June 21, 2007
2007	0,75	June 26, 2008
2008	0,75	June 24, 2009
2009	0,19	June 16, 2010

# 5. CONTROL MECHANISMS

## 5.1 INTERNAL AUDIT

The Internal Audit Unit assists the company's Management as an independent, objective and advisory activity, improves and ensures the company's operations and assists the Management in achieving its goals. Specifically, as part of its responsibilities, the Internal Audit Unit:

- > *Examines and evaluates the company's auditing systems and procedures*
- > *Proceeds with compliance audits*
- > *Identifies risks, proposes solutions and makes relevant recommendations to the Management*
- > *Monitors the consistent application and progress of Internal Audit operations across the OTE Group of companies*
- > *Examines and evaluates the suitability, performance and efficiency of security measures in OTE's ICT systems*

The correct and efficient operation of the Internal Audit Unit is ensured by the fact that it is an independent business unit, reporting directly to the company's BoD, is supervised by the Audit Committee, and operates under a strict code of conduct. The Internal Audit complies with the Internal Audit Regulation.

## 5.2 EXTERNAL AUDIT

The company's regular audit is carried out by certified auditors. To this end, every year, the General Assembly of Shareholders approves the appointment of an auditing firm or a consortium of auditors to audit the company's financial statements and business operations over a specific period.

In June 2010, OTE's Ordinary General Assembly of Shareholders assigned the regular audit of the 2010 financial statements to the firm Ernst & Young (Hellas) Certified Auditors–Accountants SA. The fee for the audit of the stand-alone and consolidated financial statements was set at €478,460.

The company implements an annual risk-based planning, which is approved by the Audit Committee and provides a risk analysis methodology

### **5.3 RISK MANAGEMENT**

The company implements risk management practices in all of its operations and activities. The operational risks the company faces involve mainly:

- > *Credit risks*
- > *Liquidity risks*
- > *Risks that derive from the regulatory and compliance environment*
- > *Risks related to competition*

In late 2010, the company launched a risk management project that aimed to: a) identify, b) quantitatively assess, and c) evaluate the risks managed by the company's various operations and services. This project is monitored by the Internal Audit Unit. A significant aspect of this project is the implementation of an annual risk-based planning, which is approved by the Audit Committee and provides a risk analysis methodology.

The Board of Directors monitors and examines risk management through the Audit Committee and the Internal Audit Unit.

# 6. TRANSPARENCY AND INFORMATION DISSEMINATION

## 6.1. ESTABLISHED PROCEDURES

Placing particular emphasis on transparency, OTE implements related procedures which stem from the legislative framework, in force:

- > *A regulated-information disclosure process, on the grounds of Law 3556/2007, Decision 1/434/3.7.2007 and Circular No.33 of the Hellenic Capital Market Commission concerning information disclosure and transparency requirements for companies which are publicly traded on stock exchanges. The aim of this disclosure process is to inform the investment community and all interested parties of any significant changes in the company's participations (acquisitions or disposals) in a timely and accurate manner, under Law 3556/2007, and to ensure OTE's compliance with applicable laws.*
- > *Procedures within the framework of Law 3340/2005 for the protection of the capital market from actions of inside information abuse and market manipulation, and of Corporate Governance Law 3016/2002. In enforcing the above Laws, the company has adopted:*
  - *A transactions disclosure procedure for all individuals that are considered liable under applicable law: the persons that carry out managerial duties in the company and persons closely affiliated with those persons should notify the company of transactions conducted for their own account relating to shares issued by OTE, derivatives or other financial instruments linked to them;*
  - *A procedure that deters the improper use of inside information: persons who possess inside information about the company are forbidden to use this information in order to acquire or dispose, either directly or indirectly, financial instruments of the company to which the information relates;*
  - *A procedure that monitors any financial activity carried out by OTE's managers/directors with the company's major suppliers/clients: the persons that carry out managerial duties in the company should notify the company of financial transactions conducted with core clients or suppliers of the company.*

## 6.2 PROCUREMENT REGULATION

Placing emphasis on the transparency of its operations, OTE, applies a procurement regulation, through which specific products and services of the company are procured. The procurement regulation abides by the best practices that prominent telecommunications operators, globally, apply, the trends in the procurement market, the company's needs and business targets. Key characteristics of the regulation include the following:

- > *Procurement harmonization with the general strategic/business/investment needs of the company*
- > *Timely identification of needs and procurement planning through the compilation of an Annual Procurement Plan*
- > *Clear definition of responsibilities of all involved parties*
- > *Process standardization and automation*

## 6.3 CORPORATE COMPLIANCE

OTE Group has adopted a Compliance Management System (CMS), regarding the compliance with the legislation in force and internal policies, aiming to avoid risks and other legal consequences for the Company and its personnel. The key elements of the CMS are:

- > *The prevention of misconduct in parallel with compliance with the policies provided for by the CMS. In this way, both the company and its personnel are protected from any legal consequences due to misconduct, while the reputational risks of the company are reduced. Prevention is achieved through:*
  - *The development and update of Compliance Policies and Procedures in OTE Group companies*
  - *The employee's training, so that they remain aware of the risks that are involved in the cases of corruption, fraud, misuse of personal data, the spoiling of financial statements, leakage of insider info etc.*
  - *The communication channels that have been developed with employees, so that the latter can submit questions in case they are uncertain as to how they should handle corporate compliance related cases, that come up in their daily work*
- > *The detection of compliance violations and the response to them. Each employee or/and third persons may nominally or namelessly report to the respective team/department the relevant ethics violation issues that they may be aware of. OTE does not allow for any retaliation act on behalf of the management or other bodies of the company, directly or indirectly against any person, who on good will, reports or*

By virtue of the corporate compliance system, the company and its employees are protected from any legal consequences due to misconduct

*expresses concern or complaint with regards to violation of policies or law. The reports regarding compliance matters are evaluated, investigated and in case the credibility of the report is proved, measures/corrective actions are proposed by the management of the company.*

- > *The assessment of the CMS through statistical data collection and processing. In the context of the CMS, the company assesses Key Performance Indicators (KPIs) and processes the results. Following this, it submits the relevant proposals to the Regulatory Compliance Committee, so that amendments are adopted in the CMS. Moreover, the Chief Compliance Officer submits reports to the Management of the company (Regulatory Compliance Committee, Audit Committee, Board of Directors) every three months or in any case required.*

The Compliance Management System describes specific policies which reflect the principles and rules that are followed across the OTE Group. These OTE Group Policies/Codes include the following:

- > *Policy on abuse of insider information*
- > *Policy on donations and sponsorships*
- > *Policy on acceptance and offering of corporate gifts*
- > *Anti-Fraud Policy*
- > *Policy on organizing corporate events*
- > *Whistleblowing Policy*
- > *Policy on the prevention of conflict of interests and corruption combating*
- > *Code of Conduct for the Protection of Individual's right to privacy in the handling of personal data within the OTE Group*
- > *Code of ethics and business conduct*
- > *Code of ethics for senior financial officers*

The department responsible for the planning and adoption of the CMS reports directly to the company's Board of Directors. Moreover, Regulatory Compliance Committees have been set up and are operating in OTE Group companies (Cosmote and RomTelecom).

With respect to regulatory compliance, during 2010, the following took place:

- > *Set up and operation of OTE's Regulatory Compliance Committee*
- > *Communication campaign for the OTE Group Compliance Management System*
- > *Compilation of a process manual for the OTE Group Compliance Management System*
- > *Risk assessment for OTE Group for 2011*
- > *Certification of the Compliance Management System*
- > *Adoption of the Policy on conflict of interests prevention and corruption combating*
- > *Anti-corruption training*
- > *Submission of a statement, regarding the whistleblowing procedure and personal data management, to the Hellenic Data Protection Authority*

## **6.4 COMMUNICATION WITH SHAREHOLDERS**

Apart from established procedures that ensure transparency, OTE has adopted a number of other practices that enhance transparency and the dissemination of information to all interested parties, such as:

- > *Uploading and posting of company-related information on the OTE website so that all interested parties can have equal and fast access to information*
- > *Release of corporate publications (Annual Report, 20-F, Corporate Responsibility Report) which enhance the continuous flow of information on issues that relate to the company's strategy, targets, operation and performance*
- > *Establishment of a two-way communication channel between company representatives and the investment community through the organization of conferences, corporate presentations, investor days, road shows (in Greece and abroad) and conference calls*

All activities related to OTE's listing on the Athens Stock Exchange (ATHEX) and the London Stock Exchange (LSE), as well as to the company's obligations to the US Securities and Exchange Commission are the responsibility of OTE's Investor Relations Department. These activities include:

- > *Responding to shareholder requests (both individual and institutional, in Greece and abroad) and providing information related to the exercise of their rights and the payment of dividends*
- > *Release of the company's financial results and the timely and fair dissemination of information related to the company's financial performance to all shareholders, through presentations, road shows, conferences and meetings*

- > *Presentation of activities and communication with shareholders through various communication channels (the Investor Relations website, corporate presentations, etc.)*
- > *Preparation of the company's Annual Report, the Corporate Governance Report, and the 20-F Report for the US Securities and Exchange Commission*
- > *Relationship building with the Stock Exchanges and Capital Market Commissions in the countries where OTE is listed*
- > *Ensuring the company's compliance with the regulatory framework of the capital markets in which OTE is listed (ASE and LSE)*
- > *Supporting the company's credit rating process (rating review)*
- > *Organization and hosting of the company's General Assemblies of Shareholders and the optimum dissemination of information to shareholders*

The Investor Relations Department is headed by Mr. Dimitris Tzelepis. His contact details are as follows:

*Tel: +30 210 611 1574*

*Fax: +30 210 611 1030*

*E-mail: [dtzelepis@ote.gr](mailto:dtzelepis@ote.gr)*

*Address: 99 Kifisias Ave., Maroussi, Athens*

*Switch center: +30 210 611 1000*

Investor Relations webpage:

<http://www.ote.gr/portal/page/portal/InvestorRelation>

# **7. REGULATIONS, LAWS AND DECISIONS**

## **INTERNAL OPERATIONS REGULATION**

OTE's Internal Operations Regulation covers issues relating to the company's decision-making bodies (and their responsibilities), the company's organizational structure, the recruitment and evaluation of executives, the internal committees, regulations and procedures.

### **REGULATION OF OPERATIONS OF THE BOARD OF DIRECTORS**

The Board of Directors' Regulation regulates the way the members of the BoD are invited, meet and proceed with decisions. It also defines the responsibilities of the Chairman and the Vice-Chairman.

### **AUDIT COMMITTEE REGULATION**

The Audit Committee Regulation is an attachment of the OTE Internal Operations Regulation and it regulates the operation of the Audit Committee.

### **COMPENSATION AND HUMAN RESOURCES COMMITTEE REGULATION**

The Compensation and Human Resources Committee Regulation defines the responsibilities and the operation of the Compensation and Human Resources Committee.

### **INTERNAL AUDIT REGULATION**

The Internal Audit Regulation, which has been approved by the Board of Directors and adopted by the Audit Committee, regulates the operation of the company's Internal Audit.

### **CODE OF ETHICS AND BUSINESS CONDUCT**

The Code of Ethics and Business Conduct comprises of a set of rules and practices which contribute to the smooth operation of the company and the proper business conduct of its

employees. The Code is in compliance with current laws and mainly determines the relations that the company should have with employees, suppliers, shareholders, competitors and other third parties.

## **PROCUREMENT REGULATION**

The company's Procurement Regulation, which has been approved by the Board of Directors, describes the procedures whereby the company's products and services are procured.

## **LAWS AND DECISIONS**

Key Laws and Resolutions which touch on corporate governance issues, in Greece and abroad, are:

- > *Law 2190/1920 on Corporate Law, as amended by Law 3604/2007*
- > *Law 3016/2002 on Corporate Governance, as amended by Law 3091/2002*
- > *Law 3340/2005 on Protection of the Hellenic Capital Market from Actions of Inside Information Abuse, as well as Market Manipulation*
- > *Law 3556/2007 on Transparency*
- > *Law 3693/2008 on Harmonization of Greek law with Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC*
- > *Law 3873/2010 on Incorporation in the Greek Law of the Directive 2006/46/EC of the European Parliament and the Council on the annual accounts of certain types of companies and the Directive 2007/63/EC of the European Parliament and the Council as regards the requirement of an independent expert's report on the occasion of merger or division of public limited liability companies*
- > *Law 3884/2010 on Incorporation in the Greek Law of the Directive 2007/36/EC of the European Parliament and the Council, of 11 July 2007 on the exercise of certain rights of shareholders in listed companies-Amendment and adaptation of the codified Law 2190/1920 on Corporate Law and of Law 2396/1996*
- > *Resolution 5/204/2005 of the Hellenic Capital Market Commission, as amended by Resolution 7/372/2006 of the Hellenic Capital Market Commission*
- > *Resolution 3/347/2005 of the Hellenic Capital Market Commission concerning obligations of listed companies with regards to publication of inside information*
- > *US legislation on Corporate Governance, including the 2002 Sarbanes-Oxley Act, and the regulations issued by the US Securities and Exchange Commission*

More information on OTE's Corporate Governance is available on the OTE Investor Relations website: <http://www.ote.gr/portal/page/portal/InvestorRelation/CorporateGovernance/OurPrinciples>

## **OTE SA**

### **Project Manager**

Dimitris Tzelepis

Head of Investor Relations

### **Editorial Preparation**

Daria Kozanoglou

Eleni Agoglossaki

### **Creative Concept - Design**

mnp

[www.mnpdesign.gr](http://www.mnpdesign.gr)

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<http://www.ote.gr/portal/page/portal/InvestorRelation/Publications/apologismose-terikis>



