

Annual Directors' Report on Corporate Governance

PART A

Demetra Investments Public Limited pays particular attention to policy implementation, practices and sound corporate governance processes. Corporate governance is the set of processes and systems followed for the proper management and administration of an organization. Corporate governance governs the relationship between shareholders, directors and the management team of a company.

Demetra Investments Public Limited, a company listed on the Cyprus Stock Exchange (CSE), adopts the principles of the Corporate Governance Code (the 'Code' or 'CGC') drawn up by the CSE and fully implements the provisions of the Code.

PART B

In the year 2016, the Company has complied with all the provisions of the Code. In the subsidiary companies the Code is implemented through central subcommittees of the holding company.

B1. Board of Directors

The Board of Directors ("Board") consists of the Chairman, and six Directors. Out of the 7 Directors of the Company, five are considered independent pursuant to the provisions of the Code. Six Board members are non-executive and one of them is an executive. The Board members are:

Antonios-Andreas-Antis Skordis	(Non-Executive Chairman)
Lefteris Christoforou	(Non-Executive Vice Chairman) ¹
Dr. Nearchos Ioannou	(Non-Executive Vice Chairman)
Dimitrios Philippides	(Non-Executive Director)
Nicholas Hadjiyiannis	(Non-Executive Director - Non Independent) ²
Varnavas Irinarchos	(Non-Executive Director - Non Independent) ³
Dr. Nicos Michaela	(Managing Director - Non Independent)
Maria Ioannou-Theodorou	(Non Executive Director) - Resigned on 07.15.2016

The Board of Directors has appointed Mr. Lefteris Christoforou as the Senior Non-Executive Independent Director and has made the relevant announcement in the CSE. The Senior Non-Executive Independent Director is available to listen to the concerns of shareholders whose problem has not been resolved through the normal communication channels.

Duties of Chief Executive Officer of the Company are performed by the Chief Executive Officer Dr. Nicos Michaelas. Dr. Michaelas holds a position in the Board of Directors. The Board has delegated the following powers to the Chief Executive Officer:

¹ Mr. Lefteris Christoforou completed more than nine years of service to the Board and in accordance with the provision A.2.3. (H) of the Code should thereafter be considered non-independent. The Board however considers that his personality and his scientific knowledge and his experience and history on the one hand and the proven objectivity and impartiality in the exercise of his duties as Director of the Company on the other, as well as the absence of interconnection of interests with address or principal shareholders and any direct or indirect conflict of interests with the interests of the Company and its shareholders are confirmatory and guarantees not to influence its independence. And for these reasons, the Company's Board of catalogue independent Directors.

² (Pursuant to the provision A.2.3. of the Code, Mr. Nicholas Hadjiyiannis is the General Director of Central Cooperative Bank (CCB). The CCB directly and indirectly (through its various subsidiaries) holds approximately 20% of the share capital.

³ (Pursuant to the provision A.2.3. of the Code, Mr. Varnavas Irinarchos has important links (cross-directorships) with Dr. Nicos Michaelas. Mr. Irinarchos is Executive Director of Logicom Public Ltd Company where Dr. Michaelas is a non-executive Director.)

- The management of day-to-day and routine activities of the Company.
- The implementation of the decisions of the Board.
- The organization of the Company's activities to achieve the objectives set by the Board.

The Board of Directors meets at regular intervals. In 2016, the Board met 25 times. The Board has a formal schedule of matters, on which decisions can only be taken by it. Various issues may be referred to special committees of the Board, which shall submit their proposals to the Board for taking decisions.

The Company Secretary is responsible to provide timely, accurate and comprehensive information to the Board and the Chairman of the Board is responsible for ensuring that all Board members are properly informed on the issues raised in a meeting.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that there is compliance with applicable regulations.

Regarding the principle A.2.5 of the Code there is clear separation of the positions of Chairman and Chief Executive Officer. It is clarified that the President of the Company, Mr. Antonios-Andreas-Antis Skordis is not an executive. Duties of the Chief Executive Officer are carried out by the Chief Executive Officer of the Company Dr. Nicos Michaela.

There is no particular training program for the Directors, regarding the laws for Stock Exchange and Companies. They are, however briefed on a regular basis, on the basic provisions governing the status and functioning of Directors of public companies and for occasional amendments.

All the Directors exercise independent and impartial judgment in performing their duties and can, if deemed necessary, obtain independent professional advice at the Company's expense.

The board operates on the principle of collective responsibility and no member category is differentiated as to its responsibility by another.

The Directors shall endeavor to devote the necessary time and attention to the performance of their duties and try to limit the number of entries on the boards of other public companies, to such an extent that enables them to perform their duties with the appropriate performance. Of the seven Board members, Dr. Nicos Michaela and Mr. Varnavas Irinarchos participate in the boards of other public companies as follows: Dr. Nicos Michaela sits on the board of Logicom Public Limited and A. Tsokkos Hotels Public Ltd and Mr. Varnavas Irinarchos sits on the board of Logicom Public Limited.

The Directors are subject to election by shareholders at the first Annual General Meeting following their appointment for re-election at intervals not exceeding three years, according to the Articles of Association of the Company. The names of Directors submitted for appointment or re-election are accompanied by sufficient biographical notes.

At the Annual General Meeting on 8 September 2016, pursuant to the provisions of the Articles of Association, Mr. Varnavas Irinarchos and Dr. Nicos Michaelas gave their resignation and re-elected. Mr. Nicholas Chatzigiannis raised candidacy and was elected. The Directors are Messrs. Antonios-Andreas-Antis Skordis, Lefteris Christoforou, Dr. Nearchos Ioannou, Demetrios Philippides, Varnavas Irinarchos, Nicholas Hadjiyiannis and Dr. Nikos Michaela.

Antonios-Andreas-Antis Skordis: was born in 1945. He graduated from the Greek Gymnasium of Famagusta. He has a Law Degree from the University of Athens and Master's degree from the UCL, University of London in Admiralty. He practices in Cyprus since 1970. Co-founder partner of Skordis, Papapetrou & Co LLC, a Lawyer who succeeded in the homonymous law firm, founded in 1973.

Member of the Bar Association, the International Bar Association. He deals primarily with corporate, commercial and maritime law, international transactions, acquisitions, joint ventures, acquisitions and investments, international tax planning and related legal or arbitration proceedings.

Lefteris Christoforou: Mr. Christoforou was born in Famagusta in 1963. He studied Economics and holds a Master's degree in business administration from the University of Thessaloniki. He is a Member of the European Parliament (MEP) of the Democratic Rally / EPP party.

Dr. Nearchos Ioannou: O Dr. Nearchos Ioannou was born in Limassol in 1958. He studied political economy at the University of West Berlin and was a lecturer at the Institute of Sociology of the Free University Berlin. He holds a PhD and from 1984-1990 worked at Dresdner Bank AG in Germany. He then worked at the Bank of Cyprus until 2006. Then he was General Manager of the Limassol Cooperative Savings and February 16, 2017 is Director of Senior Management of Bank Activities. He is member of the Board of Central Cooperative Bank and the Cooperative Society Computerization. In addition, he deals with writing books and plays.

Demetrios Philippides: Mr. Demetrios Philippides studied Electrical Engineering at the National Technical University of Athens with postgraduate qualifications in Project Management field from the University of London and UCL in Funding Major Investment Projects (Project Finance) from the University of Middlesex. He obtained the certificate of Certified Accountant (Associate Chartered Accountant) with Deloitte United Kingdom, where he worked as a consultant in the financial services sector in London. Then he worked at KPMG in Nicosia and in the investment banking services group Renaissance Capital, responsible for project management of the group with a parallel role in the development of the financial activities of the group in Cyprus and the Middle East. Since June 2014, he has been appointed Director of the Office of the President of the Cooperative Central Bank, and by March 2016 is Division Manager Real Estate and Investment.

Nicholas Hadjigiannis: Nicholas Hadjigiannis has a BA from the University of Reading in England and graduate of the University City University Business School in England. Active for 20 years in the banking and financial sector in London, Athens and Cyprus. He worked for many years in the field of investment counseling and private banking at Merrill Lynch, the BNP Paribas, Bank of Cyprus and Laiki Bank. In 2013 he was appointed as Chairman of the guardianship of the Cooperative Central Bank, and in 2015 was appointed as an executive member of the guardianship and General Manager of the Cooperative Central Bank.

Varnavas Irinarchos: Mr. Varnavas Irinarchos was born in Agros in 1958. He studied at Stockholm University and received a degree in Business Administration. Then he attended graduate in the same University in the Computer industry. His professional career began in 1983 with management and then shareholding in a company selling IT products. He co-founded in 1986, Logicom Company Limited which up until 1992 was dealing exclusively with computer training. In 1992 he acquired the entire share capital and total control of the company, whose activities expanded in the distribution of IT products and in 1995, he created a computer manufacturing business. The company was listed on the Cyprus Stock Exchange in 1999, and since then he holds the position of Vice-Chairman and Managing Director.

Dr. Nicos Michaelas: Dr. Nicos Michaelas was born in Famagusta in 1972. He holds a Bachelor Degree in Industrial Economics from the University of Nottingham in the UK and a Ph.D. in Financial Economics from Manchester Business School. From 1997 to 2000 he was researching/teaching business economics and financial management at Manchester Business School as a Research Fellow. His research work has been presented at international conferences and has been published in international academic journals. From the year 2000 until 2005 he worked at Lefkoniko Stockbrokers

Ltd (the Investment Banking Branch of the Cyprus Cooperative Banking Society) as Operations Manager. Since 2005 he has been heading Demetra Investments Public Ltd as General Manager and as Managing Director since 2013. He sits on the Board of a number of public and private companies.

Nominations Committee

In 2016, the Nominations Committee met one time. The Nominations Committee examines the composition of the Board and recommends any changes necessary. The Committee is responsible for selecting competent and suitable individuals for the composition of the Board and its Committees. The Nominations Committee makes its recommendations to the Board for final decisions, which are subject to approval by the General Meeting of Shareholders.

The Nominations Committee is also responsible, in cooperation with the Chief Executive Officer, to review the organizational structure of the Company and the various job positions in order to secure the smooth and efficient flow of the Company's operations. The Committee directs research to find qualified persons for employment as executive officers and other key employees at the Company. The Committee shall from time to time report on the actions and recommendations of the Board, which has ultimate responsibility for the employment of Company staff.

The Nominations Committee consists of the following members, who are non-executive Directors:

President: Antonios-Andreas-Antis Skordis

Members: Lefteris Christoforou, Dr. Nearchos Ioannou

B.2. Remunerations Committee

During 2016, the Remunerations Committee met one time. The Remunerations Committee has the overall responsibility for the review and determination of the remuneration of executive officers of the Company. The Remuneration Committee also discusses the remuneration of non-executive Directors on activities of the Board and its Committees and makes recommendations to the Board, which defines the Director's fees, which are subject to approval by the General Meeting of Shareholders.

To meet its obligations, the Committee provides all the necessary information and, after approval by the Board, it may obtain independent professional advice. The Chairman of the Remuneration Committee has knowledge and experience in remuneration policy. During the year under review it was not considered necessary to use consulting services on market standards for remuneration systems. Where the Compensation Committee uses the services of a consultant with a view to obtaining information on market standards for remuneration systems, it is ensured that the consultant concerned does not at the same time advise the human resources department or the executive directors of the Company.

The Remunerations Committee shall prepare the Annual Remuneration Policy Report submitted by the Board to the shareholders and the part of the Report on Corporate Governance which refers to the remuneration of Directors, in accordance with the instructions and provisions of the Corporate Governance Code of the Cyprus Stock Exchange.

The Remunerations Committee consists of the following members, who are independent non-executive Directors:

Chairman: Dr. Nearchos Ioannou

Members: Lefteris Christoforou, Varnavas Irinarchos

B.3. Remuneration Policy Report

The Company's policy regarding the remuneration of executive directors and other management personnel, including the Chief Executive Officer, is the correlation of remuneration to individual performance and overall progress of the Company. The Company's Remuneration Policy is determined by the Board based on the recommendations of the Remunerations Committee and subject to approval at the General Meeting of Shareholders.

The Remunerations Committee makes recommendations to the Board on the scope and level of remuneration of non-executive directors and executive officers and personnel of the Company, including the Chief Executive Officer, taking into consideration the relevant factors and criteria.

The Remunerations Committee is responsible for the preparation of the Remuneration Policy Report which accompanies this report, which is approved by the board and is also subject to approval at the General Meeting of Shareholders.

B.3.1. Remuneration of Non-Executive Directors

The remuneration policy regarding the remuneration of non-executive Directors takes into account the time available to attend meetings and for decision-making. Their fees are not associated with the Company's profitability and there is not any plan for granting stock options.

The remuneration of non-executive Directors is approved by the Annual General Meeting.

The remuneration of non-executive Directors approved by the Annual General Meeting held on September 8, 2016 consists of a fixed amount of €3.500. The Board has decided additional fee for non-executive Directors amounting to €150 for each director per meeting of the Board and the various Committees and €250 for each day on mission for the company outside Cyprus.

The total remuneration of non-executive Directors in 2016 amounted to € 117.954 (2015: € 116.446) was paid to them before December 31, 2016. This amount consists of a fee of € 20.708 (2015: € 21.000) in non executive directors as members of the Board, from fees for attendance at meetings of both the Board and the various committees amounting to € 23.400 (2015: € 21.600) and allowance for attendance fees amounting to € 73.846 (2015: € 73.846).

The remuneration of the Board members in 2016 were as follows: Antonios-Andreas-Antis Skordis: annual remuneration €3.500 (2015: €3.500) and remuneration for participation in committees €3.300 (2015: €3.150), Lefteris Christoforou: annual fee €3.500 (2015: €3.500) and remuneration for participation in committees €3.450 (2015: €2.700), Dr. Nearchos Ioannou: annual remuneration € 3.500 (2015: € 3.500) and remuneration for participation in committees € 4.200 (2015: € 3.750), Maria Ioannou-Theodore: annual remuneration € 2.041 (2015: € 3.500) and a fee for participation in committees € 2.700 (2015: € 4.050), Varnavas Irinarchos: annual remuneration € 3.500 (2015: € 3.500) and remuneration for participation in committees € 4.200 (2015: € 3.600), Dimitrios Filippides: annual remuneration consultants € 3.500 (2015: € 3.500) and remuneration for participation in

committees € 4.500 (2015: € 4.350), Nicholas Hadjiyiannis: annual remuneration €1.167 (2015: € nil) and remuneration for participation in committees € 1.050 (2015: € nil).

The attendance fees are as follows: an amount of €36.922 (2015: €36.922) was paid to Mr. Antonios-Andreas-Antis Skordis as Chairman of the Board, an amount of € 18.462 (2015: € 18.462) Mr. Lefteris Christoforou as Vice Chairman and an amount of € 18.462 (2015: € 18.462) Dr. Nearchos Ioannou as Vice Chairman of the Board. The total amount paid in 2015 amounted to € 73.846 (2015: € 73.846).

In addition to the above amounts, during 2016, paid an amount of € 19.811 (2015: € 15.451) for other costs and benefits of Board members.

B.3.2. Remuneration of the Chief Executive Officer and other Company Executives

The Commission's policy regarding the Chief Executive Officer and other Executives of the Company consists of:

- A. providing adequate remuneration that will attract and retain executives with appropriate knowledge and experience.
- B. the information on fees offered by similar companies as well as fees in other departments and levels of the Company.
- C. linking remuneration with the capacity and performance of the individual to be consistent with the interests of Shareholders.
- D. the consideration, if the fees include a share option right that the exercise price may not be lower than the average closing price of the last 30 sessions prior to the grant date. Remuneration packages that include stock option rights are subject to the approval of the shareholders at an Extraordinary General Meeting. The Company has not granted such share options.

The services of the Chief Executive Officer and other executives of the Company are not determined by written contract and thus the provisions of indefinite duration to employment Code apply.

The remuneration of the Chief Executive Officer and other executives of the Company consists of the following:

- A) Gross Annual Salary. The annual salary of personnel is determined by the Board following a recommendation by the Remunerations Committee which shall consider the matter annually.
- B) Employer Contributions to the Provident Fund. The Company shall pay the Pension Fund a levy of 10% employer share of the total gross wages of each employee who has chosen to be a member.
- C) Other employer's contributions (social security, life insurance, health care, etc.).

The Chief Executive Officer, Dr. Nicos Michaelas, as Executive Director, had gross wage earnings and benefits amounting to €144.706 (2015: €144.209).

B.4. The Audit Committee

In 2016, the Audit Committee met five times. The Audit Committee deals with the examination of internal control procedures, inspection of internal financial systems, inspection of internal control systems and risk management systems, as well as appointing and determining the remuneration of the external and internal auditors, reviewing the independence and objectivity of the external auditors, reviewing of financial statements, inspection of transactions with related parties and other related matters within its competence. The Chairman of the Audit Committee must have experience in accounting and/or finance.

The duties of the Audit Committee include a review of internal financial systems (company's internal financial controls). Additionally, they include the inspection of internal control systems (company's internal control).

The Audit Committee oversees the procedures for selecting accounting policies (accounting policies) and accounting calculations (accounting estimates) for the financial statements of the Company, based on the recommendations of the Chief Financial Officer, and ensure that there is a mechanism to safeguard the company's assets including prevention and detection of fraud.

In the Audit Committee's tasks also include:

- i. Ensuring the functioning of the internal audit function in accordance with international standards for the professional application of internal control, the International Institute of Internal Auditors (IIA)
- ii. Identification and examination of the procedures of the internal audit function of the Company
- iii. Monitoring and inspection of the proper functioning of the internal audit function and examining the periodic internal audit reports
- iv. Ensure the independence of internal audit and further propose to the Board the appointment and dismissal of the head of internal audit function
- v. Evaluation of the head of internal audit function, which should have sufficient and relevant academic and / or professional qualifications and work experience
- vi. Discuss with the internal auditor the auditing points that arose during the audit,
- vii. Discuss with the internal auditor any weaknesses identified, in particular those concerning the procedures of financial reporting and preparation of financial statements

For the year 2016, the external auditors of the Company are Messrs. Deloitte Limited, who are considered independent. In 2016 Messrs. Deloitte Limited did not provide, to the Company, other essential non-audit / consulting services.

The Audit Committee consists of the following members, who are independent non-executive Directors:

President: Demetrios Philippides

Members: Varnavas Irinarchos, Lefteris Christoforou

B.5. Risk Management Committee

Until March 2015, the Audit Committee was responsible for the supervision and audit of the risk management systems. On March 23, 2015, the Board decided to set up a separate Risk Management Committee to oversee the Company's risk management systems. The Company developed and

implemented a Risk Management Manual which records in detail the risks associated with the Company and set down the policies and procedures for managing these risks.

In 2016, the Risk Management Committee met four times.

The Risk Management Committee consists only of non-Executive Directors, meets at least once every quarter and the Chairman informs the Board.

The functions of the Risk Management Committee include formulating strategy for any form of risk associated with the operations of the company as well as the inspection and supervision of the Company's risk management systems.

In the Audit Committee's tasks also include:

- i. To ensure the continued effectiveness of the Company's system of internal risk management and its integration in the process of making business decisions concerning all forms of risk.
- ii. To define the principles that should govern the management of risks to the recognition, prediction, measurement, monitoring, control and deal with them according to the applicable business strategy.
- iii. To inform the Board of Directors on all matters relating to risk management strategy.

The Risk Management Committee consists of the following members, who are non-executive Directors:

President: Nicholas Hadjiyiannis

Members: Dr. Nearchos Ioannou, Varnavas Irinarchos

B.6. Internal Auditing

The Board of Directors, considering as a matter of utmost importance the existence of a sound internal auditing system to safeguard the interests of the shareholders and the credibility of the Company, has appointed the responsibility to conduct the internal audit to independent auditors Messrs. Ernst & Young Cyprus Ltd. On the year 2017, the Company intends to launch bids for assigning responsibility to conduct the internal audit by independent auditors. The Internal Auditors of the Company, as an independent agency, reported and presents to the Audit, Risk Management Committee Committee and the Board the findings of the audit work performed. The audit covers all controls, including financial and operational systems, as well as compliance and risk management systems that threaten the achievement of the Company objectives.

The Board confirms that it has reviewed the adequacy of internal audit systems and the procedures for verifying the correctness, completeness and validity of information provided to investors.

The Board also confirms that the company's internal control systems are satisfactory.

Responsibility for the Company's internal audit system lies with the Chairman of the Audit Committee Mr. Demetrios Filippides, who is a Member of the Association of Certified Public Accountants. The Committee meets in sessions at regular intervals, at least four times a year, in order to effectively perform its duties.

The Board confirms that, during the year ended 31 December 2015 and until the date of this report, nothing has come to the knowledge of any violation of the Securities and Stock Exchange Laws and Regulations.

B.7. Loans to Directors

In the year ended 31 December 2016, no loans were granted to the members of the Board of Directors. The Company's transactions with related parties are presented in note 30 of the consolidated financial statements on pages 70-72.

B.8. Active Business Unit

Finally, the Board of Directors confirms that it has taken all necessary measures to ensure the full compliance with the provisions of the Code, and that the Company intends to continue to operate as a going concern for the next twelve months.

B.9. Relationship with Shareholders

The Annual General Meetings are conducted in accordance with the provisions of current legislation and ensure equal treatment of all shareholders, including minority shareholders. All shareholders have the same voting rights.

In the Annual General Meeting a separate resolution for each separate issue is submitted, which includes among others the Annual Report and the financial statements, the election of directors as well as their remuneration and the appointment and remuneration of auditors.

All Board members make efforts to attend General Meetings of the Company, who are available to answer shareholders' questions. Effort is made so that the Chairmen of the Audit, Remuneration and Nominations are present at General Meetings to answer any questions concerning the work of the Board committees.

Subject to the provisions of current legislation, shareholders, as long as they represent a sufficient number of shares (at least 5%), they have the opportunity to place items on the agenda of General Meetings of the Company until five months after the end of the financial year of the Company and at least 10 days before the set date of the General Meeting.

At General Meetings of the Company, all shareholders are clearly informed of any material changes regarding the Company, including its financial situation, performance, ownership and governance of the Company. The Board encourages the presence of all shareholders in the General Meetings in order to achieve a meaningful debate and effective decision-making that serves the interests of all shareholders.

B.10. Communications Officer with the Shareholders

For proper communication between shareholders and the Company, the Board has appointed Mr. Costas Paphitis as Communications Officer between shareholders and the Company (Investor Liaison Officer). The Communications Officer will act in order to ensure continuous communication with all shareholders and give to shareholders on a timely basis, valid and accurate information for any significant changes to the Company relating to its financial position, its performance, its assets and its governance. The Communications Manager is aware of the financial situation and the Company's strategy for growth and aware of the significant developments in the Company.

He also operates the Company's website which provides information about major developments in the Company's activities, including announcements on the Stock Exchange and the possibility of access to the Compliance Officer.

B.11. Compliance Officer

The Board has appointed Dr. Nicos Michaelas as Compliance with the Code. The Compliance Officer is responsible for implementing the Code. While performing his duties, he may consult other members of the Board and with internal and external consultants, as appropriate. The Directors may contact the Compliance Officer and ensure that they are and act in full compliance with the Code. If the Directors learn or suspect that a violation of the Code has occurred or is likely to occur, they must immediately inform the Compliance Officer.

By order of the Board,



Dr. Nicos Michaela

Secretary

7 April 2017