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# The Legal 500 Country Comparative Guides

# Greece

# CORPORATE GOVERNANCE


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This country-specific Q&A provides an overview of corporate governance laws and regulations applicable in Greece.

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# GREECE
# CORPORATE GOVERNANCE

## 1. What are the most common types of corporate business entity and what are the main structural differences between them?

The most common types of Greek corporations are (i) the Anonimi Eteria ("AE"), which is an equivalent of a Société Anonyme, (ii) the Eteria Periorismenis Efthinis ("EPE"), which is a Limited Liability Company, and (iii) the Idiotiki Kefaleouhiki Eteria ("IKE"), which is the equivalent of a Private Company, as well as (iv) branches of foreign entities. As a general remark, the AE enjoys a more flexible legal framework as compared to the EPE in connection to (i) the amendment of its articles of incorporation, (ii) its management and (iii) any potential exit, i.e. upon transfer of its shares by the shareholders (since there is no need to execute a notarial deed for the transfer, as in the case of an EPE). Furthermore, the AE may issue different classes of shares (common and preferred), while it is the only vehicle which can issue bond loans. Also, the corporate body of the board of directors ("BoD") exists only in AEs (in EPEs and in IKEs normally one or more administrators undertake the management of the company). However, AEs have a minimum capital requirement (currently at Euro 25,000), while there is no such requirement for EPE and IKE companies. It is further noteworthy that in AE robust mechanisms exist to safeguard the rights of shareholders, including those holding minority stakes. IKE does not possess a similar minority shareholder protection mechanism but there is an explicit prohibition for IKE to acquire own shares. Besides that IKE is also a flexible company type, having characteristics of both partnerships and corporations; the innovative feature that it introduces to the entrepreneurial world is that it allows for the participation of partners in the company by the provision of alternative forms of contributions (e.g. apart from contributions in cash or in kind, partners can participate in the IKE by offering their services/work or by undertaking to pay the debts of the company up to a specific amount). In this way, partners are entitled to equal participation in the decision making and the profits of the IKE, irrespective of whether they have participated in the formation of the company capital or not. It is noted that a single member EPE cannot be established by a single member limited liability company (in the form of EPE). This prohibition does not apply with respect to AEs and IKEs. On a separate note, a branch office is a financially and legally dependent department of the foreign entity. It does not have a legal personality and its activities are performed in the name and on behalf of the foreign company. Notwithstanding the above, it has a separate independent tax presence in Greece.

## 2. What are the current key topical legal issues, developments, trends and challenges in corporate governance in this jurisdiction?

On 17 July 2020, Greek law 4706/2020 (Law 4706) was enacted, which has introduced a deep reform in the Greek corporate governance legislation. The provisions of Law 4706 on corporate governance have become effective as of 17.07.2021 until when Greek listed companies should have adopted the necessary measures, policies and procedures in order to comply with the new corporate governance framework. The main changes that have been introduced are the following: a) Criteria for composition of the BoD: 1. Listed companies are obliged to adopt and maintain a fit and proper policy setting the eligibility criteria for the appointment of the BoD's members, such as integrity, knowledge, experience, reputation, as well as sufficient gender representation and diversity; 2. Law 4706 provides for the first time as grounds for the disqualification of BoD members the issuance of a final ruling against a board member within the year preceding the appointment, recognising the member's fault for the loss of a company (listed or non-listed) from related party transactions. 3. The number of independent non – executive members is being increased and should be at least 1/3 of the total number of the BoD members. In addition, stricter independence criteria apply for independent non – executive members and the BoD should carry out reassessments on an annual basis in order to ensure that such criteria are fulfilled. b) Organisational changes 1. Listed companies are obliged to establish, in addition to an audit committee, a

 

remuneration committee and a nomination committee comprised of at least three non-executive members of the BoD, two of them being independent non-executive members of the BoD. 2. Law 4706 explicitly provides for the first time the minimum obligations and responsibilities of the executive and non – executive members of the BoD. Indicatively, executive members have to submit a report to the BoD with their assessment and proposals in case of risk or crisis situations or when measures have to be taken that are expected to have a significant impact on the company's business activities. Equally, non-executive members have to ensure effective supervision, including monitoring and assessment of the executive members' performance. In addition, they have to submit a separate report from the BoD reports to the shareholders' general meetings. 3. The responsibilities of the internal audit unit, which should also establish and adopt an internal operation regulation, are increased. The internal audit must submit on a quarterly basis to the audit committee the internal audit reports as well as reports with the most significant issues and suggestions with regard to the internal audit duties, which the audit committee presents and submits together with its comments to the BoD. In addition, the head of the internal audit unit is required to be present at the shareholders' general meetings and to cooperate with the HCMC in case the latter requests assistance for the execution of its supervisory tasks. 4. As regards the audit committee, its chairman as well as the majority of its members have to be independent from the company. The annual report to be submitted by the audit committee to the (annual) shareholders' general meeting should also include the relevant sustainability policy adopted by the company. 5. The scope of companies' internal regulations is widened to provide for the first time for policies and procedures for a periodic assessment of the internal control system, conflicts of interest, the company's compliance with the applicable regulatory framework, the training of BoD members, managers and officers involved in the internal control, risk management, compliance and IT systems, as well as the companies' sustainability policy, where required. c) Enhancement of transparency 1. Listed companies are obliged to publish, for each candidate BoD member, on the company's website 20 days before the shareholders' General Meeting that will elect the BoD members: i) a justification for the proposition of the specific member; ii) a detailed curriculum vitae including information on the candidate's current and past activities and occupancy of managerial positions in other companies, as well as any participation in other BoD or BoD committees; and iii) the satisfaction of suitability criteria set out in the company's fit and proper policy and, in case such candidate is proposed to be appointed as an independent non-executive member of the BoD, the satisfaction of the independence criteria applicable for independent nonexecutive members. 2. Listed companies are also obliged to make public on their websites the articles of association, the summary of the operation regulation and the audit committee' s internal operation regulation. 3. Listed companies should include in their corporate governance declaration a reference to: the fit and proper policy, relevant reports of the audit, remuneration and nomination committee, detailed curriculum vitae of the BoD members and the senior managing officials of the company, information in relation to the participation of the BoD members in the BoD meetings and committees' meetings, as well as the number of shares owned by the BoD members and the senior managing officials in the company. Law 4706 finally introduced for the first time, the possibility of listed companies to adopt a corporate governance system with "de minimis" obligations depending on the size, nature, scope and complexity of each company's activities. Such possibility came as a response to concerns already raised about the actual difficulties of small size listed companies to adapt to the complexity of the new rules.In 2020-2023, the Hellenic Capital Market Commission (HCMC) has issued a series of decisions, circulars and guidance (including in the form of Q&As and letters addressed to listed companies) in order to clarify and supplement the corporate governance requirements as well as to assist listed companies to comply with the new corporate governance regime set out in Law 4706 in a timely manner. To that end, the HCMC continues to issue guidance and updates its Q&As to provide further transparency and comprehension of corporate governance standards.

In June 2021, a new Hellenic Corporate Governance Code (CGC) was issued by the Hellenic Corporate Governance Council (HCGC) for listed companies as per the requirements of Law 4706. The CGC does not impose obligations but explains how to adopt good practices and facilitates the formulation of corporate governance policies and practices that will meet the specific conditions of each company and has been drafted on the basis of the principle of "comply or explain".

During 2021, the majority of Greek listed companies adopted the necessary measures, policies and procedures in order to adjust their organisation and governance to the new corporate governance regime set out above, including the composition of their BoD in light of the new requirements (e.g. adequate representation per gender of at least 25% of all the members of the BoD).

In 2023, the and εwith the support of KPMG, conducted a survey on listed companies and their management in order to assess the implementation of Law 4706 and the

 

Corporate Governance Code of HCGC. This survey, addressed to the listed companies, recorded their views on all the provisions of the law on corporate governance, as well as their choices in the context of their compliance with the law. At the same time, the views of the directors were recorded as to the value of corporate governance itself and the contribution of Law 4706 in bringing out that value. For almost all participants (94%), good corporate governance is considered important for the company. Following a recent survey conducted by the Hellenic Federation of Enterprises in cooperation with the Union of Listed Companies ("ULC"), HCGC and the Athens Stock Exchange Group, it has been found that an obstacle for the implementation of Law 4706 is the mandatory nature of its provisions which do not allow for customization, which would be necessary especially for smaller businesses, for which the current compliance cost is disproportionately high.

## 3. Who are the key persons involved in the management of each type of entity?

The management of a company in the form of a societe anonyme (SA), equivalent to a corporation, is mainly performed by its BoD. Apart from the BoD, key corporate actors are also the Managing Director (who is a member of the BoD) and any committee. The duty of the BoD is to perform the management of the company, and to represent it judicially and out- of court, i.e. in its relations with third parties. In general, the BoD is competent to administer the assets of the company and to perform the object of the company's activity, within the limits of the law, the company's articles of association and the decisions of the general meeting of shareholders. The BoD may delegate the powers of management and representation of the company to one or more persons, members or non-members, if so permitted, in accordance with the articles of incorporation. The articles of incorporation may also authorize the BoD or require the BoD to entrust internal control to one or more non-members of the BoD. Additionally, following a respective provision in the articles of incorporation or a resolution of the BoD, an executive committee may also be elected and be delegated certain powers or functions of the BoD. In such a case, the composition, responsibilities, tasks and manner of decision-making of the executive committee, as well as any matter relating to its operation, shall be governed by the articles of incorporation or the resolution of the BoD that elected the committee. In general, the BoD shall adopt a clear policy of delegation of powers which shall include the matters regarding which the BoD has the competence to resolve on. In EPEs the management of the company is performed by one or more administrators, who may be appointed by the company's articles of association or by a resolution of the meeting of the partners and exercise the executive powers, acting jointly or separately. In IKEs there is no BoD, too, but instead one or more administrators, who may be appointed by the company's articles of association or by a resolution of the meeting of the partners, exercise the executive powers, acting jointly or separately. If no administrators are appointed, then the management of the company is effected by all partners, acting jointly and severally. If authorized by the articles of association, the administrators may delegate the exercise of all or part of their powers to third parties. Due to the extended use of the AE (SA) model in Greece as well as our present attempt to focus on Law 4706, we will hereby examine mainly this type of company. As mentioned above, in case of listed companies, the BoD operates through various committees, such as the remuneration committee and the nomination committee. Listed companies are also required to have an audit committee which can be either a committee of the BoD or an independent committee and its duties include, amongst others: a) briefing of the BoD in relation to the results of the statutory audit as well as explain how such statutory audit contributed to the integrity of the financial information and which was the role of the audit committee in this process, b) monitoring the whole process in relation to the company's financial information, c) monitoring the efficient operation of the internal audit unit of the company, d) reviewing and monitoring the annual financial statements of the company and e) appointing the auditors of the companyand ensuring their independency. The internal audit system must include at least the internal audit, risk management and compliance unit. In addition, listed companies shall have a shareholders relations unit; and a corporate announcements unit. The BoD, nevertheless, remains fully responsible for decisions under its responsibilities. Unless the BoD decides expressly to delegate particular powers to the committees, the committees have an advisory role. BoD committees aim at developing specialised knowledge, discuss issues within their remit in depth, and make recommendations to the BoD. In listed companies the internal auditor, who is appointed by the BoD, following a recommendation by the audit committee, is a key corporate actor. The internal auditor, amongst others, monitors and assesses the company's internal operational regulation and the internal audit unit, in particular in relation to the adequacy and accuracy of the provided financial and non-financial information, the risk management, company's regulatory compliance and the corporate governance code adopted by the Company. The internal auditor submits to the BoD on a quarterly basis an internal audit report and is present at the shareholders' general meetings and cooperates with the HCMC

 

## 4. How are responsibility and management power divided between the entity's management and its economic owners? How are decisions or approvals of the owners made or given (e.g. at a meeting or in writing)

The organizational structure of a company in the form of a Société Anonyme (AE), equivalent to a corporation, consists of the general meeting of shareholders representing the economic owners of the company and the BoD, which as aforementioned, manages the company. In principle, the organizational structure of listed and private companies is similar although there are some differences and governance rules are more detailed in case of listed companies. The general meeting of shareholders is the highest governing body of the company and is the only competent body to decide on each corporate affair in accordance with Law 4548. Its decisions also bind the absent or dissenting shareholders. The general meeting shall have sole power to resolve on: a) Amendments to the articles of incorporation. Amendments include capital increases, regular or extraordinary, capital reductions, change of registered seat, change of object and any other changes in the articles of association. b) Election of board members and auditors. c) Approval of the overall management of the company and the discharge of the auditors. d) Approval of the annual and any consolidated financial statements. e) Allocation of annual profits. f) The authorization to provide remuneration or advance payment as described above. g) For listed companies, the adoption of remuneration policy and the salary report. h) Merger, splitting, transformation, revival, extension of the duration or dissolution of the company and i) the appointment of liquidators. The duty of the BoD is to perform the management of the company, and to represent it judicially and out- of court, i.e. in its relations with third parties. In general, the BoD is competent to administer the assets of the company and to perform the object of the company's activity, within the limits of the law and except for matters decided by the general meeting of shareholders. The shareholders approve matters either by a) convocation of a general meeting, b) a vote without holding a meeting in case of non-listed companies or c) without holding a meeting, only by signing minutes of the resolution in case of non-listed companies (by circulation). Voting without the convocation of a general meeting may only be effected, if the following preconditions apply: a) The company's shares are not listed on a regulated market; b) There is specific mention of the possibility of such voting in the articles of incorporation. Decisions on matters of the ordinary general meeting may not be taken in accordance with the procedure set out herein; c) All shareholders have communicated to the company their electronic contact details; d) A minority of one-fifth (1/5) of the share capital shall not object to a decision under the procedure set out herein. Further to that, with respect to companies whose shares are not listed on a regulated market, the shareholders may resolve on matters without holding a meeting, only by signing the minutes of their resolution (signing by circulation). The signatures of the shareholders or their representatives may be replaced by an exchange of messages by e-mail or other electronic means, if provided for in the articles of incorporation. In principle, the general meeting is in quorum and may validly resolve upon the items of the agenda when shareholders representing at least one fifth (1/5) of the paid-up share capital are present or represented, while the decisions of the General Meeting shall be taken by an absolute majority of the votes represented at the meeting (with specific exceptions set by Law 4548, with respect to which a one half (1/2) quorum of the paid-up share capital and a two-thirds (2/3) majority of the votes represented at the meeting is necessary). It is to be noted that the articles of incorporation may provide for the possibility of attending the general meeting from a distance by audiovisual or other electronic means, without the physical presence of the shareholder at the venue. With respect to that, it is important to note that Law 4548 also provides for the possibility of holding a general meeting entirely from a distance (*virtual meeting*) with the participation of all shareholders by the electronic means, pursuant to the requirements set by the respective law, which is an innovation integrated in, among others, our jurisdiction due to the emergence of the COVID-19 pandemic. Furthermore, the articles of incorporation may provide for the possibility of participating in the voting from a distance, by a letter or by electronic means, held before the meeting. The items of the agenda and ballots may be available and completed electronically via the internet or in paper form at the headquarters of the company.

## 5. What are the principal sources of corporate governance requirements and practices? Are entities required to comply with a specific code of corporate governance?

The main corporate governance requirements for Société Anonymes are set out in law 4548/2018 (Law 4548). As regards listed companies, Law 4706 has replaced the previous corporate governance framework and came into force as of 17.7.2021. Law 4706 is the main source of corporate governance requirements for listed companies in combination with the provisions of Law 4548 along with the HCMC's acts (such as decisions,

 

circulars and Q&As as mentioned in question 2 above). According to Law 4706, listed companies are required to adopt and apply a corporate governance code issued by a recognized institution. In June 2021, the HCGC issued a new corporate governance code (CGC) applicable to companies listed on Athens Stock Exchange (ATHEX) as further set out in question 2 above. The CGC is also a source of corporate governance, although it is not mandatory but rather soft law. Listed companies have to publish in the corporate governance declaration any deviation from the GCC or another corporate governance code they follow, in line with the "comply or explain" principle.

## 6. How is the board or other governing body constituted? Does the entity have more than one? How is responsibility for day-to-day management or oversight allocated?

The typical governing body of Société Anonymes in Greece is a single BoD (i.e Greece follows one-tier governing model), although the appointment of an executive committee at the discretion of the Board is also permitted. In such a case, the composition, powers, duties and decision-making procedures of the executive committee, as well as all matters relating to its functioning, shall be laid down in the articles of incorporation or in the decision of the BoD with respect to the committee's establishment. Among the BoD's duties, is the management of the company, its judicial and out-of-court representation. The BoD shall consist of at least 3 members and not more than 15 (without prejudice to the provision of Law 4548 providing for the possibility of a single-member administrative body), the exact number of which is determined by the general meeting of the shareholders or the articles of incorporation. The BoD is most frequently elected by the shareholders of the SA, while the first BoD post incorporation of the SA may be defined in the articles of incorporation. Also, if provided for in the articles of incorporation, a shareholder may have the direct right to appoint a BoD member itself, within the limitations provided for in the law. The appointment of a legal entity as member of the BoD is also permitted provided that this possibility is explicitly provided for in the articles of incorporation of the company and an individual is appointed to exercise the powers of the legal entity in its capacity as member of the BoD. Furthermore, for extra small or small sized companies, the Law 4548 provides for the possibility of appointment of a single-member administrative body (sole director- administrator) elected by the general meeting. The sole director- administrator shall always be a natural person and the same rules applicable to the BoD shall apply as such. Large and medium-sized companies or companies with shares admitted to a regulated market, are exempted from the possibility of appointing a single-member board. The BoD may delegate the powers of management and representation of the company to one or more persons, members or non-members, if so permitted, in accordance with the articles of incorporation. The articles of incorporation may also authorize the BoD or require the BoD to entrust internal control to one or more non-members of the BoD. Additionally, following a respective provision in the articles of incorporation or a resolution of the BoD, an executive committee may also be elected and be delegated certain powers or functions of the BoD. In such a case, the composition, responsibilities, tasks and manner of decision-making of the executive committee, as well as any matter relating to its operation, shall be governed by the articles of incorporation or the resolution of the BoD that elected the committee.

## 7. How are the members of the board appointed and removed? What influence do the entity's owners have over this?

The election of the BoD may be effected in the following ways: a) by the articles of incorporation, b) by a shareholder, c) by the general meeting of the shareholders (most common), d) on the basis of directories, e) by a civil Court and f) by the BoD, as provided in detail below: a) By the articles of incorporation: The company's first BoD is defined in the articles of incorporation. If the first board is not provided in the articles of incorporation then it is elected by the general meeting of the shareholders, unless otherwise specified in the law or the articles. b) By a shareholder: The articles of incorporation may provide that a shareholder or shareholders are entitled to directly appoint directors but not more than two-fifths of the total number of the BoD members. The exercise of this right shall be exercised prior to the election of the BoD by the general meeting, which in that event, shall be limited to the election of the rest members of the BoD. The shareholder or shareholders exercising the above right shall announce the appointment of the members of the BoD to the company three (3) full days prior to the meeting of the general meeting and shall not participate in the election of the remaining BoD. c) By the general meeting of the shareholders: Law 4548 provides that unless otherwise specified by law, the BoD is elected by the general meeting of the shareholders. d) On the basis of directories: The articles of incorporation may provide that candidate members of the board may be nominated on the basis of directories (lists) and that they are elected according to the proportion of votes each list receives. This way of election of the board is not

 

applicable if the board has been elected as provided under (b) above. e) By a civil Court: The Greek Civil Code provides that in the absence of the persons required for exercising the management of a company, then by a Court order, the president of the District Court of First Instance shall appoint a provisional BoD at the request of any person having a legal interest. f) By the BoD: In the event of resignation or death or any other loss of membership or board members, the BoD may elect its members in replacement of the remaining members if the departed members cannot be replaced by substitute members elected by the general meeting or appointed by shareholders. The election by the BoD shall be according to a board resolution of the remaining members, if at least three (3), and is valid for the remainder of the term of office of the member being replaced.

The service of a director of the BoD is ended either by resignation of the member of the board, expiration of its service term, by death of a member of the board, or election of a new BoD as described above. The maximum term of the BoD is six (6) years.

## 8. Who typically serves on the board? Are there requirements that govern board composition or impose qualifications for board members regarding independence, diversity, tenure or succession?

A natural person who does not have full legal capacity may not be a member of a BoD or a representative of a legal entity who is a member of the BoD. Any additional conditions, incapacity or incompatibility provided for by other provisions of the applicable legislation are not prejudiced. The articles of incorporation may provide for further eligibility conditions for members of the BoD, provided that these conditions do not conflict with other provisions. The term of the BoD is defined in the articles of incorporation but cannot exceed in any case the maximum term of six (6) years. The members of the board and any third person to whom powers have been delegated to, shall, in the performance of their duties and responsibilities, comply with the law, the statutes and the lawful decisions of the general meeting of the shareholders. They must manage corporate affairs in order to promote the corporate interest, supervise the execution of the decisions of the BoD and the general meeting and inform other members of the BoD on corporate affairs. They must also ensure the fair and equal treatment of all shareholders including minority and foreign ones. The members of the BoD must observe the legal records, books and records and make sure that the required publications according to the financial standards are made regarding the financial statements of the company. In addition, in case of listed companies the BoD is composed by executive and non- executive members (including independent non-executive members which shall be at least 1/3 of the total number of the BoD members). In accordance with the provisions of Law 4706, listed companies are obliged to adopt and maintain a fit and proper (suitability) policy setting the eligibility criteria for the appointment of the BoD members, such as integrity, knowledge, experience, reputation, as well as sufficient gender representation and diversity; such policy (including its amendments) shall be approved by the shareholders' general meeting and is published in company's official website. Guidelines have been published by the HCMC on the suitability policy (including in its circular no 60/18.9.2020 and its further guidance). In addition, the CGC usually adopted by listed companies, provides for additional requirements in relation to the qualifications of the members of the BoD, such as criteria for the diversity of the composition of the BoD, and the company shall publish at its annual corporate governance declaration information on the diversity policy applied in relation to the managers and the directors, as well as the percentages of gender representation in the company. The new CGC provides, for example, that the company should adopt a policy of diversity that is part of the suitability policy and that the selection criteria of the members of the BoD should ensure that the BoD, collectively, can understand and manage issues related to the ESG within the framework of its strategy.

As regards the independent non – executive members, following the enactment of Law 4706 stricter independence criteria apply and additionally a reassessment has to be conducted annually by the BoD of the company in order to ensure that independent nonexecutive members always fulfil the independence criteria. The Hellenic Capital Markets Commission has further provided guidance in its Q&As in relation to the provisions of articles 1-24 of Law 4706. The non-executive member qualifies as independent provided that, at the time of his appointment and during his term of office, does not hold directly or indirectly more than 0.5% of the voting rights of the company's share capital and does not have financial, business, family or other relationships of dependence, which could affect his decisions and his judgment. In determining the independence of board members, the BoD should consider that a relation of dependence exists when a board member: a) receives any significant remuneration, benefit or compensation from the company and/or its affiliates (i.e. stock option plan, remuneration or benefits based on his/her performance, fixed benefits in the context of pension programs), other than the board membership or committee fees approved by the general meeting of shareholders; b) has or has had within the

 

last three (fiscal) years prior his/her appointment a material business relationship with the company or company's related parties or a company's shareholder who holds directly or indirectly more than 10% of company's share capital, and such relationship affects or may affect company's business activities; in particular, such relationship exists in case such person is a significant supplier or client of the company; c) has served on the board of the company or its affiliates for more than 9 years from the date of his first election; d) has been a senior executive or employee of the company or its affiliates within the last three (fiscal) years prior his appointment; e) has a second degree relationship with or is the spouse of a board member or senior managing official or shareholder who controls directly or indirectly, more than 10% of the company's share capital or its affiliates; f) has been appointed directly by a specific shareholder of the company (i.e. he/she is not elected by the shareholders' general meeting but is appointed by a shareholder); g) represents, during his term of office and without having been provided with specific instructions in writing, shareholders who own directly or indirectly more than 5% of company's voting rights in the shareholders' general meeting; h) has conducted or his relative up to a second degree relationship or his spouse compulsory audit to the company or its affiliates within the last three (fiscal) years prior his appointment; and i) is appointed as executive member in another company, in which an executive member of the company participates as a non-executive member Law 4548 sets out rules for a) loyalty, b) non-compete and c) transparency obligations for the members of the BoD. In brief, a) Loyalty (fiduciary duty): The BoD members should: (i) not pursue their own interests contrary to the interests of the company, (ii) disclose in due time to the other members of the board their own interests, which may arise from the transactions of the company, which fall within their duties, as well as any conflict of their interests with those of the company or its affiliates, (c) maintain strict confidentiality for company affairs and business secrets, which have become known to them as a consultant. b) Non- compete: It is prohibited for the members of the BoD who are involved in any way in the management of the company to act for their own account or for the benefit of third parties without the permission of the general meeting or the provision of the articles of incorporation for their own account to the purposes of the company, as well as to participate as general partners or as sole shareholders or partners in companies pursuing such purposes. c) Transparency: The conclusion of contracts between the company and members of its board shall be prohibited and shall be void, as well as the provision of collateral and guarantees to third parties in favor of such persons without special permission granted by a decision of the BoD or of the general meeting shareholders. Said provision contains numerous exclusions from the general prohibition. d) Duty of care: The BoD must abide with their obligations provided for in the law, the Company's Articles of Association and the resolutions of the general meeting of shareholders, and act to the Company's benefit and best interests.

## 9. What is the role of the board with respect to setting and changing strategy?

As mentioned above, the BoD handles the management and assets of the company. Its competencies also include the designation of the company's annual budget, recommendation of distribution of any dividend or other distribution of profits, risk assessment, resources (e.g., human, capital, technology), allocation for operational efficiency and general setting of the general financial and operational strategy in order to serve the interests of the company.

## 10. How are members of the board compensated? Is their remuneration regulated in any way?

Members of the BoD shall be entitled to receive remuneration or other benefits in accordance with the law and the articles of incorporation and, where appropriate, according to the remuneration policy of the company. A fee or benefit granted to a member of the BoD which is not governed by law or by the articles of incorporation shall be borne by the company only if approved by the general meeting. A fee consisting of a share in the profits of the year shall be provided only if this is provided for in the articles of association. The amount of the above remuneration is determined by a resolution of the general meeting. The fee earned from the profits for the year is calculated on the basis of the balance of the net profit remaining after the deduction of the statutory bookings for a statutory reserve and the distribution of the minimum dividend to the shareholders. For listed companies admitted on a regulated market this paragraph shall be without prejudice to the conditions set out in the remuneration policy of the company (see below).

The BoD members may receive compensation for their respective role, namely for exercising their duties as BoD members. Also, they may receive remuneration based on a special relationship they have with the company. To be more specific, remuneration to members of the BoD for services to the company on the basis of a special relationship, such as an employment contract, a work, or a contract, shall be paid following the formalities for

 

compliance with the transparency rules laid down in Articles 99 to 101 of Law 4548, as it is considered a related party transaction. More particularly, authorisation for the company to enter into a transaction with a related party shall be granted, in principle, by a respective resolution of the Board of Directors, while there are publication formalities that shall be followed. Further to that the general meeting may authorize a down payment for the period until the next ordinary general meeting. The down payment is subject to its approval by the next ordinary general meeting. Generally, the principles of meritocracy, objectivity, transparency, professionalism and independency of interests must govern the process of determining the remuneration. Law 4706 provides that listed companies are required to establish and maintain a remuneration committee, consisting exclusively by at least three non – executive members out of which the two must be independent members. The remuneration committee submits proposals to the BoD in relation to the remuneration policy and the remunerations of the BoD members, the general manager or his substitute (if any), and the senior managing executives, including the head of the internal audit unit and in relation to the annual remuneration report. Moreover, companies listed on a regulated market are required to adopt remuneration policies for the members of the BoD, for the general manager or his substitute (if any), and the senior managing executives, including the head of the internal audit unit. Such remuneration policy shall be subject to the approval of the general meeting and its duration may not exceed four (4) years from the date of its approval by the general meeting. The articles of incorporation may further extend the remuneration policy to (a) to executives as defined in International Accounting Standards and to (b) companies with shares not listed on a regulated market. In exceptional circumstances temporary derogation from the approved remuneration policy shall be permitted, provided that (a) the remuneration policy defines the procedural conditions under which a derogation from its content may be applied, (b) the remuneration policy defines its elements for which the derogation may apply; and (c) this derogation is necessary for the long-term servicing of the interests of the company as a whole or for ensuring its viability. Law 4548 further sets out the obligatory elements that the remuneration policy should include. A remuneration report is drawn up annually and sets out a comprehensive overview of the remunerations which have been paid during each financial year to each BoD member, the general manager and senior managing executives. Such reports must include the information set out in detail in Law 4548. Remunerations must be in accordance with the company's remuneration policy. The remuneration report is submitted for consultation each year to the annual general meeting of shareholders and is published on the company's website. Lastly, Law 4548 provides that following a resolution of the shareholders' general meeting, the free distribution of shares (i.e. stock award plan) or distribution in form of a stock option plan to the members of the BoD and the personnel of the company, as well as of its affiliated companies may be decided.

## 11. Do members of the board owe any fiduciary or special duties and, if so, to whom? What are the potential consequences of breaching any such duties?

The members of the BoD have mainly fiduciary, non-compete, transparency and care duties against the company, as these are set out above in question 8. For a better understanding of such duties the following are noted: Firstly, a BoD member is subject to the duty of care which, among others, includes the duty to act within its powers and in accordance with the law, the company's articles of incorporation and the legitimate resolutions of the general meeting, to promote the interests of the company, to monitor the execution of the BoD's and general meeting's resolutions, to inform the other members of the BoD for the company's matters, to maintain the statutory books and records (e.g. the book of BoD minutes, where the discussions and resolutions of the BoD are recorded, the accounting books, the Shareholders' and UBO Register etc.), to file with the corporate registry all corporate actions that need to be filed according to the law and to file a lawsuit on behalf of the company against any member of the BoD (or any other party with administrative powers) which damaged the company by virtue of his/her actions or omissions. Further to that, BoD members are subject to the duty of loyalty, namely they must not pursue own interests which are contrary to the interests of the company, they must timely and duly disclose to the other BoD members any personal interest or interests of their close family which may arise from the company's transactions and which fall within their duties and abstain from voting for issues with a potential or factual conflict of interests. Also, BoD members are subject to the duty of confidentiality and the non-compete obligation. With respect to the liability of the BoD members , any BoD member is liable only vis à vis the company for any damage caused to the company due to any wrongful act or omission of said BoD member (either willful misconduct or negligence), which was performed in violation of its duties. However, significant exceptions from such liability apply, the scope of which is rather wide. In particular, a BoD member shall not be held liable towards the company for any default if the act or omission which harmed the company meets the

 

requirements of the “business judgment rule”. In other words, the BoD member will not be held liable if he/she proves that he/she managed the corporate affairs with the standard of care shown by a diligent businessperson who acts in similar conditions, namely within the limits of the business judgment of the average and prudent manager of foreign affairs. The determination of whether the BoD member in question met such standard shall also take into consideration the particular skills and capacities of such member, his/her respective position and/or the duties that were assigned to him/her. In particular, under the “business judgment rule” test, liability does not exist in respect of acts or omissions that: i) were performed on the basis of a lawful resolution reached by the general meeting of the shareholders of the company; or ii) constitute a reasonable business decision reached (a) in good faith, (b) based on sufficient information available at the time of said resolution’s adoption and (c) with the sole criterion of serving company’s interests. The time of the decision making is critical in order to ascertain if the above conditions are met, while the burden of proof rests with the BoD member in question (namely, it has to counter-evidence performance of the alleged act/omission on “business judgement rule” grounds to be exonerated from liability presumed). To be noted that the aforementioned fiduciary duties, liability and exception therefrom also applies to third persons, non-BoD members, who have been assigned with representation and/or managerial powers by the BoD. In case the company suffered damages as result of any joint or successive act(s) of more BoD members or in case more BoD members are responsible in parallel for the same damage, all of them are jointly and severally liable vis à vis the company. Breach of the fiduciary duties of the members of the BoD, may trigger a legal action brought by the company against them. Furthermore, liability of a director vis a vis third parties may include liability on the basis of tort, provided it is established that an illegal act or omission of a board member is in direct causal link with a damage sustained by the third party, including moral damages. By way of example, this liability may exist towards the company’s suppliers, employees, the Greek State, or the company’s shareholders. Directors and managers may also be held criminally liable for certain offences set out in the Law 4548 such as for false or misguiding statements to the public, drafting or approval of inaccurate or misguiding financial statements or management report, distribution of profits or other benefits to shareholders or third parties that do not arise from the financial statements etc. bBeyond the above considerations, liability provisions for BoD members extend to further legal domains, encompassing environmental law provisions, criminal code stipulations (e.g., receipt and payment of bribes ).

## 12. Are indemnities and/or insurance permitted to cover board members’ potential personal liability? If permitted, are such protections typical or rare?

Protection against such liability may be granted by the company pursuant to the conclusion of a special insurance policy for civil and professional liability of the directors of the company, although it should be emphasized that this insurance does not cover criminal liability. Finally, it is common practice for board members to enter into a relevant agreement with the company, under which the company undertakes to compensate the person in charge in case he/she becomes personally liable (typical in cases of debt towards the Greek State) especially if they are not due to actions or omissions of the board member.

## 13. How (and by whom) are board members typically overseen and evaluated?

Law 4548 does not provide an evaluation process for members of the board or management. Thus, this is at the discretion of the company. Notwithstanding the above, the general meeting of shareholders monitors the actions of the managers and the members of the board annually, during the annual ordinary general meeting and in the context of the approval of the financial statements of the company and the management report. In case of listed companies, Law 4706 provides that non-executive members have to ensure effective supervision, including monitoring and assessment of the executive members’ performance. The evaluation process has been further specified by the Hellenic Capital Markets Commission (including in its circular 60/18.9.2020), which requires that companies monitor the suitability of the members of the BoD on an on-going basis. In addition, the new CGC provides that the BoD evaluates annually its effectiveness, the fulfilment of its tasks and its committees as well as that the BoD collectively, as well as the chair, the chief executive and the other members of the BoD are evaluated on an annual basis for the effective fulfilment of their duties (at least every three years this evaluation should be facilitated by an external consultant). As a general remark, BoD members are subject to horizontal control, in other words self-control, pursuant to their duty of care. Each member of the Board of Directors has the right and, at the same time, the obligation to check whether the other members (and substitute bodies), comply with the law, the articles of association and their other obligations during the exercise of their responsibilities. This includes the obligation to supervise the implementation of the

 

decisions of the Board and the general meeting.

## 14. Is the board required to engage actively with the entity's economic owners? If so, how does it do this and report on its actions?

The BoD is obliged to invite a general meeting once a year, for the purpose of approving the annual financial statements of the company, and on any other occasion it deems necessary to discuss company matters. Respectively, the shareholders are entitled to request information from the company, to request the BoD to add topics on the agenda of a meeting and to convene a general meeting in certain occasions, and assuming that they hold a minimum stake in the company. Also, the BoD is responsible to draft the annual management report and financial statements of the company (along with the company's accountants) and submit them for approval to the annual ordinary general meeting. In case of listed companies, following the enactment of Law 4706 the shareholders relations unit is responsible to ensure the direct and equal information of the shareholders, as well as the exercise of their rights provided by law and the articles of association of the company. In particular, the shareholders relations unit is, among others, responsible to inform the shareholders on any distribution of profits and dividends, any resignation or modification, any deadlines for the exercise of the shareholders' rights, any information on the general meetings, on the adopted resolutions and the acquisition or distribution or cancellation of own shares of the company. Further to the above, pursuant to Law 4706 shareholders must be informed by the BoD about the BoD candidates (i.e. through the publication on the Company's website the information required by law for the candidate BoD member no later than twenty (20) days prior to the General Meeting). Further guidance is provided by the new CGC in relation to the participation of shareholders. In order to update the information to the shareholders and in general to communicate with them on a regular basis, the company should use its website, taking the appropriate measures for equal access of shareholders to the disclosure of facts. In order to ensure a constructive dialogue between the company and the shareholders, the company should have procedures and tools (such as a communication platform) in order for the company to meet the information obligations in accordance with the legislation. The new CGC provides also recommendations in order for the BoD to ensure the timely and open dialogue with stakeholders.

## 15. Are dual-class and multi-class capital structures permitted? If so, how common are they?

Dual and multi-class capital structures are permitted. In particular, companies may issue common or preferred shares. Companies must have at least one common share. The preference right can take various forms, such as receiving dividend (in full or in part) prior to the common shares, receiving priority over capital from share capital reduction or liquidation proceeds, etc. Preferred shares can also be convertible. A company may also issue warrants and founders titles. All of the above capital structures can be issued in various classes, as well as in different tiers.

## 16. What financial and non-financial information must an entity disclose to the public? How does it do this?

All companies (whether public or private) must disclose certain documents / resolutions taken either by the BoD or by the general meeting of shareholders as set out by Law 4548. This includes the articles of incorporation of the company, the amendments of the articles of incorporation of the company, the election of the BoD and the revocation of any of its members, the identification details of the persons who exercise the management of the company, any decision to increase or reduce the share capital, the respective resolution on the certification of the payment of the capital, the approved annual and consolidated financial statements and the relevant reports of the board of directors and the auditors mergers, invitations to the general meetings, approval of related party transactions etc. Such information must be submitted to or uploaded on the website of the competent General Commercial Registry within twenty (20) days from the arising of the obligation to maintain commercial publicity. Companies subject to International Accounting Standards must also publish certain information (such as the annual financial statements) on their website. Especially with respect to the approval of related party transactions, any related party transactions including the provision of guarantees and securities towards third parties in favour of the below persons/entities can be validly entered into, on the condition that they are approved by the BoD of the company: For non-listed entities 1. the members of the BoD of the company 2. individuals and/or legal entities exercising control over the affairs of the company, i.e., its majority shareholders 3. the spouses and relatives (up to the third degree) of any person falling within the above categories, 4. any affiliate legal entities i.e., any legal entities that are controlled by an individual and/or

 

legal entity falling within any of the above categories as well as 5. individuals regarding which the application of arts. 100-101 of L. 4548/2018 has extended by a statutory provision an in particular, the general directors and the directors of the company. For listed entities the persons determined as related parties in accordance with the international accounting standards (IAS), and in particular, IAS 24, and the legal entities controlled thereby in accordance with IAS 27. In addition, the articles of association of the company may expand the scope of application to additional persons. Point 9 of IAS 24 sets out, among others, that a related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity'). a) A person or a close member of that person's family is related to a reporting entity if that person: i) has control or joint control over the reporting entity; ii) has significant influence over the reporting entity; or iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. b) An entity is related to a reporting entity if any of the following conditions applies: i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others). ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member). iii) both entities are joint ventures of the same third party. iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity. v) the entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity. vi) the entity is controlled or jointly controlled by a person identified in point (a) above. vii) a person identified in point (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). Such approval is announced by virtue of a BoD resolution and must be filed with the General Commercial Registry within 20 days from the resolution date. On an exceptional basis, the approval may be granted by the general meeting instead of the BoD, for instance in case of conflict of interests. Following the publication of the announcement of the approval granted by the BoD, there is a 10-day deadline during which the 1/20 of the shareholders may request that the general meeting resolves on the granting of such approval. Should the aforementioned deadline lapse or the general meeting grants such approval or the total of the shareholders state in writing that they do not intend to request the convocation of the general meeting, the related party transaction is considered valid.Listed companies should include in their annual financial statements a corporate governance declaration where they refer to the corporate governance code adopted by the company, any deviations from the corporate governance code of the company, description of the main features of the internal control and risk management systems and references to the governing bodies of the company, their committees and the policies applied in relation to corporate governance. Listed companies must disclose to investors all significant resolutions and corporate events, such as invitation of shareholders' general meeting, the general meeting resolutions etc, as well as any other material information on the company and its shareholding structure. Acquisition and/or disposal of significant holdings in public companies are also disclosed. All corporate disclosures are published in the company's website and the ATHEX. The corporate announcement unit of the company is responsible for the creation, update and maintenance of the company's website and the communication of the company with the competent authorities such the ATHEX and the HCMC, and the media. With respect to the non-financial information please refer also to question 24 below (i.e certain large companies are required to prepare non-financial reports (to be included, in principle, in their management report) containing, as a minimum, information on environmental, social and labour issues, respect for human rights, anti-corruption and anti-bribery.

## 17. Can an entity's economic owners propose matters for a vote or call a special meeting? If so, what is the procedure?

The law provides for the following rights/allowances to the minority shareholders of a company: a) At the request of shareholders, representing one twentieth (1/20) of the paid-up capital, to the BoD, the board is obliged to convene an extraordinary general meeting of shareholders, setting a date for this meeting, which should not be more than 45 days from the date of the request to the chairman of the board. b) At the request of shareholders, representing one twentieth (1/20) of the paid-in capital, the BoD is obliged to include additional items on the agenda of a general meeting already convened if the relevant request is received by the BoD at least 15 days before the general meeting. c) In companies with shares listed on a regulated market, shareholders representing one (1/20) of the paid-up capital have the right to submit to the BoD, at least 7 days before the general meeting, draft decisions on matters included in the original or any revised agenda of the general meeting. d) At the request of a shareholder or shareholders representing one twentieth (1/20) of the paid-up capital, the chairman of the meeting shall be obliged to defer once only the decision-making by the

 

general meeting, ordinary or extraordinary, on all or certain matters, day of resumption of the meeting, as specified in the shareholder's request, which may not be more than twenty (20) days from the date of the postponement. e) At the request of any shareholder submitted to the company at least five full days before the general meeting, the BoD is required to provide the general meeting with the specific information requested on the company's affairs insofar as they are relevant with the items on the agenda. The obligation to provide information does not exist when the relevant information is already available on the company's website, in particular in the form of questions and answers. Also, at the request of shareholders, representing one twentieth (1/20) of the paid-up capital, the BoD is obliged to announce to the annual general meeting, the sums paid in the last two years to each member of the BoD or the directors of the company, as well as any benefit to such persons from any cause or contract of the company with them. f) At the request of shareholders, representing one tenth (1/10) of the paid-up capital submitted to the company within the time limit provided by law 4548/2018 art. 141 par. 6, the BoD shall be required to provide the general meeting with information on the course of corporate affairs and the assets of the company. g) At the request of shareholders, representing one twentieth (1/20) of the paid-up capital, the voting on a topic or items on the agenda shall be made by open vote. h) At the request of any shareholder who has been submitted at all times, the BoD must within twenty (20) days inform the shareholder about the amount of the company's capital, the categories of shares issued and the number of shares in each class, in particular privileged, with the rights granted by each category, as well as any tied shares, both in their number and in the limitations provided. The shareholder will also be entitled to know how many and what shares he owns as they arise from the shareholders' book. This shall not be applicable for companies with shares listed in the regulated market. It is to be noted that the articles of incorporation may reduce, but not more than half, the percentages of the paid-up capital required to exercise the minority rights described above.

## 18. What rights do investors have to take enforcement action against an entity and/or the members of its board?

Investors who participate in the company's share capital may take advantage of the minority rights mentioned under question 17 above in order to propose matters for approval or request a special meeting. Also, should they represent at least one twentieth (1/20) of the paid-up capital, they may request from the court the extraordinary audit of the company. If they hold at least one fifth (1/5) of the paid-up share capital, they may also request from the court the company's audit in case its whole course and specific indications evidence that the management of the company's matters is not exercised as required by sound and prudent management. Further to the above, provided it is established that an illegal act or omission of a board member is in direct causal link with a damage sustained by the investors, including moral damages, the investors may claim compensation from the BoD on the basis of tort. Another issue is the exercise of the company's claims, including claims for damages suffered by the company due to acts or omissions of the BoD. In a more general context, the BoD has the obligation to exercise the company's claims against the persons liable in accordance with law 4548 in a timely, prompt and diligent manner, weighing the interests of the company. Such claims may also be exercised at the request of the minority shareholders by submitting a relevant request to the BoD. If the BoD refuses, is unable or fails to respond to the shareholders' request, the minority shareholders have the right to request the (judicial) appointment of special representatives under applicable law.

## 19. Is shareholder activism common? If so, what are the recent trends? How can shareholders exert influence on a corporate entity's management?

Shareholder activism is not so common. However, Law 4548 on AE companies has introduced the concept of shareholders' unions. Shareholders can thus act through unions. Such unions take the form of an association as provided by the Greek Civil Code. The unions can provide information regarding the shareholders rights through a website. In Greece the Association of Investors & Internet – Hellenic Exchanges Shareholders Association ("SED") has been operating since 2000, which is a non-profit association that aims to institutionalize shareholder activism. while in 2017, the Hellenic Investors Association has been created with the purpose of protecting the interests of Greek investors in listed companies.

## 20. Are shareholder meetings required to be held annually, or at any other specified time? What information needs to be presented at a shareholder meeting?

The general meeting of shareholders must meet at least once each year by the tenth ($10^{th}$) calendar day of the ninth ($9^{th}$) month after the end of the financial year in order to decide on the approval of the annual financial statements and the election of auditors (annual general

 

meeting). The annual general meeting may also decide on any other matter of its competence. The general meeting shall meet extraordinarily at any time whenever the board deems it appropriate or necessary (extraordinary general meeting). In addition, the shareholders themselves may call for a compulsory convocation of the general meeting in certain cases provided by law (e.g., at the request of shareholders representing one twentieth (1/20) of the paid-up capital, the board of directors is obliged to convene an extraordinary general meeting of shareholders). The general meeting convened to amend the articles of association or take decisions requiring an increased quorum and majority (statutory general meeting) may be ordinary or extraordinary. It is further noted that in the event that the equity of the company becomes less than half (1/2) of the share capital, the BoD (or the auditors, if the BoD fails to do so) is obliged to convene a general meeting within six (6) months from the end of the financial year to dissolve the company or adopt any other appropriate measures. In practice, the information presented in the general meeting minutes, is the date, time and place or way (e.g., virtual meeting) of the convocation, the representation of the shareholders in the meeting, the confirmation of its lawful convocation by the president of the general meeting, the items of the agenda and the main body of the resolution of the general meeting on the items of the agenda.

### 21. Are there any organisations that provide voting recommendations, or otherwise advise or influence investors on whether and how to vote (whether generally in the market or with respect to a particular entity)?

In principle, no. See however also our reply under question 19.

### 22. What role do other stakeholders, including debt-holders, employees and other workers, suppliers, customers, regulators, the government and communities typically play in the corporate governance of a corporate entity?

Bond loan documentation may provide that bondholders have the right to participate in general meetings and to vote therein, in order to secure their rights arising from such loans. In principle, employees, suppliers, customers, regulators as well as the government do not have any role in the corporate governance of the company. However, by virtue of law 4640/2019 the HCMC was granted enhanced powers to request from the court the appointment of a provisional BoD in listed companies (other than credit institutions) amongst others in case there is a conflict of interests of one of the BoD members with the company's interests or in case there is substantial suspicion that the normal operation of the market or the investors' interests would be threatened if a specific member remained in the BoD. Following the enactment of Law 4706, the role of the HCMC is further enhanced in order to safeguard the compliance of listed companies with corporate governance rules, whereas at the same time HCMC is staffed with appropriate personnel to efficiently carry out its increased supervisory tasks. The sanctions threatened are extremely stringent, providing for severe fines not only on the company but also on BoD members and other persons on which obligations are imposed. Fines threated to the companies amount up to Euro 3,000,000 and in any case up to 5% of the company's turnover. Furthermore, as regards the banking sector (including, credit institutions and insurance and/or reinsurance companies, payment institutions etc), the Bank of Greece as the competent supervisory body plays a pivotal role in the governance of these entities. The financial institutions are, in general, subject to a specialised framework relating to their organisation and corporate governance.

### 23. How are the interests of non-shareholder stakeholders factored into the decisions of the governing body of a corporate entity?

There are no specific provisions for factoring interests of non-shareholders stakeholders into decisions. Only if the stakeholders are also shareholders, Law 4548 provides that in case (i) certain information regarding a general meeting resolution are not provided to shareholders who have lawfully exercised such right or (ii) the majority shareholders have acted in abuse of its power, a general meeting resolution can be annulled. Annulment can be requested by any shareholder holding at least 2/100 of the share capital in case he/she did not participate at the meeting or objected to the decision, as well as any member of the BoD. In case the lawsuit is filed by shareholders who did not receive the information requested, the minimum threshold is set at 1/20 of the share capital. In case there are shareholders who do not have the required amount of shares in order to file above lawsuit, they can request from the company restoration of their damage. Notwithstanding the above, in case of listed companies as a matter of special practice the CGC provides that the BoD shall ensure that stakeholders' specific interests are understood and the way in which they interact with its strategy is taken into

 

consideration. Further, the BoD shall where necessary to achieve the corporate objectives and in accordance with the Company's strategy, ensure that timely and open dialogue with stakeholders and use different communication channels for each group stakeholders, with a view to ensuring flexibility and facilitating understanding of mutual interests.

### 24. What consideration is typically given to ESG issues by corporate entities? What are the key legal obligations with respect to ESG matters?

The shift towards a greener and more sustainable economy has become a key priority at a global and European Union level. Following the publication of the 2030 Agenda for Sustainable Development by the UN General Assembly (back in 2015) setting out the core Sustainable Development Goals (SDGs), the European Commission took into account these SDGs for the next steps towards a sustainable European Union future and presented the European Green Deal in 2019, whose part is also the European green investment plan aiming to establish a framework to facilitate public and private investments needed for the transition to a climate-neutral, green, competitive and inclusive economy. A series of legislative pieces and other initiatives in relation to the sustainable finance and ESG factors have been also published at a European Union level. Within the framework of the European Green Deal, the European Commission announced a renewed sustainable finance strategy and, more specifically, published its strategy for financing the transition to a sustainable economy on 6 July 2021.

ESG has evolved and moved from the side-lines to the forefront of decision-making for an increasing number of companies (including, asset managers) and investors when making investment decisions in the financial sector as well as banks when deciding on financing strategies, which leads to increased longer-term investments into sustainable economic activities and projects. In addition, regulated entities (such as banks and investment firms) need to encompass the ESG factors when applying the product governance requirements. Consequently, ESG considerations are being integrated into a growing number of companies, included in their practice and applied to the due diligence process when assessing assets to be acquired. More companies track, manage and report their performance in a range of non-financial topics. Increasingly, investors also take into account the ESG information to understand and measure how resilient and well-equipped a company is to manage changes in the environment in which it operates. Article 151 of Law 4548 (transposing article 19a of Directive 2013/34/EU as amended by Directive 2014/95/EU (NFRD)) provides that large undertakings which are public interest entities (i.e., listed companies, insurance or re-insurance undertakings, credit institutions or other companies determined by law as public interest entities) with more than 500 employees are obliged to disclose in their management report (which must be published along with the annual financial statements on the General Commercial Register) a non-financial statement containing information to the extent necessary for an understanding of the undertakings' development, performance, position and impact of their activities in relation to, as minimum, environmental, social and labor issues, human rights and anti-corruption and bribery matters, including: a) a brief description of the undertaking's business model; b) a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented; c) the outcome of those policies; d) the principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks; e) non-financial key performance indicators relevant to the particular business. Where the undertaking does not pursue policies in relation to one or more of those matters, the non-financial statement should provide a clear and reasoned explanation for not doing so. Under Greek law, information relating to impending developments or matters in the course of negotiation can be omitted in exceptional cases. Undertakings may rely on Greek, Union-based or international frameworks for the disclosure of the information and if they do so, undertakings should specify the frameworks upon which they have relied. On 14 December 2022, Directive (EU) 2022/2464 of the European Parliament and of the Council, amending among others NFRD, as regards corporate sustainability reporting (CSRD) was published amending among others the existing reporting requirements of the NFRD. CSRD extends the scope of reporting to all large undertakings and all undertakings, except micro undertakings, whose securities are admitted to trading on a regulated market in the Union. Therefore, a broader set of large companies, as well as listed SMEs, will now be required to report on sustainability. This new directive modernises and strengthens the rules about the social and environmental information that companies must report. CSRD will ensure that investors and other stakeholders have access to the information they need to assess investment risks arising from climate change and other sustainability issues. Companies subject to the CSRD will have to report according to European Sustainability Reporting Standards (ESRS).Moving on, the above large undertakings subject to non-financial disclosure

 

obligations must also comply with article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation) and include in their non-financial statement information on how and to what extent their activities are associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation. The disclosure requirements under the Taxonomy Regulation apply granularly as of 1.1.2022. To that end, non-financial undertakings should use three key performance indicators (KPIs), namely the proportion of their turnover, their capital expenditure ('CapEx') and their operating expenditure ('OpEx') related to environmentally sustainable activities. Article 8 does not specify any KPIs to be used by financial undertakings. On 4 June 2021 the Commission Delegated Regulation (EU) 2021/2139, as amended by Commission Delegated Regulation (EU) 2022/1214, concerning the technical screening criteria for economic activities with significant contribution to climate change mitigation and climate change adaptation was formally adopted ("Climate Delegated Act") which will apply as of 1 January 2022. In addition, Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021, as amended by Commission Delegated Regulation (EU) 2022/1214, has supplemented article 8 of the Taxonomy Regulation. More specifically, Commission Delegated Regulation (EU) 2021/2178 specifies the content, methodology and presentation of information to be disclosed as well as the timing for the disclosure by both financial and non-financial undertakings concerning the proportion of environmentally sustainable economic activities in their business, investments or lending activities. These rules allow companies to translate the technical screening criteria of the aforementioned Climate Delegated Act into quantitative economic performance indicators (i.e. the KPIs) which will be publicly disclosed. Further to that, European Commission also adopted Delegated Regulation (EU) 2023/2485 of 27 June 2023 amending Delegated Regulation (EU) 2021/2139 establishing additional technical screening criteria for determining the conditions under which certain economic activities qualify as contributing substantially to climate change mitigation or climate change adaptation and for determining whether those activities cause no significant harm to any of the other environmental objectives. Moreover, European Commission adopted Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

On 2 February 2022, the Commission approved in principle a Complementary Climate Delegated Act including, under strict conditions, specific nuclear and gas energy activities in the list of economic activities covered by the EU taxonomy. The Complementary Delegated Act has been published in the Official Journal on 15 July 2022 and applies as of 1 January 2023.

Besides the Taxonomy Regulation, Regulation (EU) 2019/2088, as amended by the Taxonomy Regulation (Sustainable Finance Disclosures Regulation (SFDR)) and Regulation (EU) 2019/2089 on sustainability benchmarks should be taken into account in the ESG framework. The ESAs published on 26 July 2021 the answers of the European Commission to the questions related to the interpretation of the SFDR. In addition, Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing SFDR with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports has been published.

As per more recent developments, the European Commission adopted and published on the 22$^{nd}$ of December 2023 Delegated Regulation (EU) 2023/2772 of 31 July 2023 with respect to the sustainability reporting standards that undertakings are to use for carrying out their sustainability reporting in accordance with Articles 19a and 29a of Directive 2013/34/EU following the timetable set out in Article 5(2) of Directive (EU) 2022/2464, which are set out in Annexes I and II of this Regulation. The Regulation shall apply from 1 January 2024 for financial years beginning on or after 1 January 2024. Furthermore, on 13 June 2023, the Commission presented a proposal on a Regulation on transparency and integrity of ESG rating activities as an integral part of the European Commission's renewed sustainable finance strategy adopted in July 2021. This proposal aims to make it easier to exploit the potential of the European Single Market and the Capital Markets Union and to contribute to the transition towards a fully sustainable and inclusive economic and financial system in accordance with the European Green Deal and UN

 

Sustainable Development Goals. Finally, on 30 November 2023 the European Commission published Regulation 2023/2631 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds. This Regulation lays down uniform requirements for issuers of bonds who wish to use the designation 'European Green Bond' or 'EuGB' for their bonds that are made available to investors in the Union.

It is further noteworthy that European Commission published its Work Program for 2024, which interferes with sustainable finance as well. The 2024 Commission Work Programme, adopted on 17 October 2023, puts a strong focus on simplifying rules for citizens and businesses across the European Union. This follows up on President von der Leyen's commitment to reduce reporting requirements by 25%, in line with the strategy to boost the EU's long-term competitiveness and to provide relief for SMEs. The Work Programme reflects on the achievements of the past four years, outlines the Commission's new proposals for the months ahead and presents significant initiatives aimed at cutting red tape. Finally, Commissions commitment to the promotion of sustainable finance is evident through its Recommendation (EU) 2023/1425 of 27 June 2023 on facilitating finance for the transition to a sustainable economy which follows up on the Commission Communication on a 'Strategy for Financing the Transition to a Sustainable Economy' and aims to support market participants that wish to obtain or provide transition finance by offering practical suggestions on how to approach transition finance. This Recommendation is addressed to undertakings that want to contribute to the transition to climate neutrality and environmental sustainability, while enhancing their competitiveness and are seeking finance for investments for this purpose.

Moreover, the Hellenic Parliament in May 2022 enacted Law 4936/2022 (Climate Law), aiming at establishing a coherent framework for improving the climate resilience of Greece. This is the first attempt of the Greek legislator to set forth binding measures concerning a wide array of industries and sectors, both public and private, in an effort to reduce carbon emissions and reach carbon neutrality by 2050. The key obligations introduced by Climate Law are as follows: a) as of 31.12.2028, power generation from lignite-fired power plants shall be prohibited and existing units shall be decommissioned or converted for a different use; b) starting from 01.01.2024 at least 25% of corporate vehicles shall be electric or hybrid, while from 01.01.2026 only zero new taxis will be allowed to circulate in Attica and Thessaloniki and 1/3 of rental cars must be electric or hybrid; c) starting from 1st January 2023 new building permits on a percentage exceeding 50% to be issued for buildings which are not to be used as dwellings will be subject to the installation of pv or solar thermal systems for power generation, while the energy efficiency plan for buildings must also include their carbon footprint calculation; d) Projects and activities classified under environmental licensing considered to have a significant impact on the environment and thus classified as Category A for licensing purposes and which do not fall within the ambit of the European Greenhouse Gas Emission Allowance Trading System must proceed with emissions reduction by at least 30% until 2030, the year 2019 being used as a calculation basis. Projects bound by the above obligation include environmental infrastructure systems, tourism installations; urban development/ building sector/ sports and leisure projects, poultry farms, aquaculture and industrial facilities. From 2026 onwards and by 31.10 of each year a report stating the project's verified emissions for preceding year must be filed. Incumbents may offset their aforementioned obligation through the purchase of Green Certificates or alternative methods of equivalent effect, including the forestation or reforestation of specific areas; e) a wide list of undertakings is obliged to submit annual reports for their carbon footprints of the previous year, which includes listed SAs, credit institutions, insurance companies, investment firms, fixed-line phone and mobile operators, water supply and sewerage companies, courier companies, electricity and gas supply undertakings, retail stores with more than 500 employees, logistics services undertakings and urban transport companies; and f) costs related to investments contributing to the climate change mitigation are amortised with the coefficients of Article 24 para 4 of Law 4172/2013 increased by 100%.

In addition, to the extent necessary for understanding of the company's development, performance or position, all Société Anonymes (except for very small undertakings which do not qualify as public interest entities) should include in their annual management report financial, and where necessary, non-financial key performance indicators related to their business, including information related to environmental and employment issues, in accordance with article 150 paragraph (2) (c) of Law 4548. Greek market players have developed the Greek Sustainability Code 2020, which constitutes a framework for reporting non-financial information according to Law 4548 and relevant EU regulations. The Greek Sustainability Code provides guidelines on how to incorporate the principles of sustainable development in business operations.

In addition, as regards listed companies, ATHEX pursuing to implement the mandate of the sustainability community, published the "ESG Reporting Guide" in

 

2019, in order to promote and enhance the ESG reporting practices of listed companies, i.e. non-financial disclosures to further support their efforts towards ESG transparency and increased accountability on sustainability matters. The ESG Reporting Guide encourages companies to improve their ESG performance and effectively disclose it to investors. It is intended to function as a tool permitting listed companies to identify the ESG issues they should disclose and manage, on the basis of their impact on long-term performance. It also offers practical guidelines on the metrics that listed companies should use to disclose this information. It is at each company's discretion to determine its policy with respect to ESG issues. In case a company applies such policies, it is common to disclose them on their website and in the press, for marketing purposes without prejudice to any publication and transparency requirements (e.g. financial market participants must publish on their website certain information according to the Sustainable Finance Disclosures Regulation). While the basic recipients for the Greek Sustainability Code and the ESG Reporting Guide are listed companies, they can be adopted by companies of all sizes and across all sectors. One of the initiatives that ATHEX has taken in 2021 aiming at fostering the ESG investments in Greece is the establishment of the ATHEX ESG index which monitors the stock market performance of listed companies that adopt and promote practices on ESG issues. ATHEX through its database/platform aims to facilitate the ESG information flow to institutional investors in order to apply their investment policies as well as banks in order to take them into consideration in their financing decisions. In March 2022, the ATHEX published an updated version of the ESG Reporting Guide in order to continuously enhance the resources available to Greek companies as the evolution of ESG disclosure creates shifting demands throughout the market. In addition, the ATHEX launched in 2022 the special information hub "ATHEX BONDS GREENet" on its website. The aim was that bonds listed/admitted to trading on the ATHEX markets (Main Market, EN.A) for which, at the time of their issuance, issuers have determined that by following internationally recognized principles/standards (ICMA, CBI Certification, etc.), either they will use the proceeds to finance green, social or a combination of green and social projects, or their bonds have been characterized as sustainability-linked bonds will be displayed in this hub. The new CGC provides also recommendations incorporating the ESG principles in order to determine the appropriate corporate governance of listed companies. Finally, in 2023 the ATHEX launched the ATHEX ESG Data Portal as the central ESG database for Greek listed and non-listed companies and for investors who wish to access consolidated and standardized ESG metrics.

## 25. What stewardship, disclosure and other responsibilities do investors have with regard to the corporate governance of an entity in which they are invested or their level of investment or interest in the entity?

Investors have to comply with all shareholders' duties and obligations such as disclosing their investment and their shareholding participation to the company, the general meeting and the public authorities, if required (e.g. the name and details of the sole shareholder of an AE company must be published in the General Commercial Registry, a share capital increase by virtue of a new investment must be notified to the competent tax authorities etc.). Also, their details and investment must be registered in the company's shareholders' book. Shareholders of companies listed on ATHEX must also notify the relevant companies as well as the HCMC for any acquisition or disposal of voting rights in a listed company which exceed specific thresholds (5%,10%, 15%, 20%, 25%, 1/3, 50% and 2/3). The same notification obligation applies to shareholders holding 10% of voting rights in a listed company in case they acquire or dispose of voting rights exceeding the threshold of 3% of the total voting rights. Such information is published by the listed companies on ATHEX and on their website. In addition, Law 4706 implements important provisions of Directive 2017/828/EU (SRD II) on the encouragement of long-term shareholder engagement and applies to companies having their registered seat in Greece and whose securities are traded in a regulated market in the European Union. More specifically, Law 4706 sets out the requirements for the exercise of shareholders' voting rights as well as for encouraging shareholders' participation in the long turn, including the identification of the shareholders, the transmission of information to the shareholders, the facilitation of the exercise of shareholders' rights as well as the transparency of the institutional investors. Key obligations of institutional investors include the following: a) They have to develop and disclose on their website an engagement policy that describes how they integrate shareholder engagement in their investment strategy; b) They have to disclose on their website on an annual basis how their engagement policy has been implemented, including a general description of voting behaviour, an explanation of the most significant votes and the use of the services of proxy advisors; c) They disclose how they voted at general meetings of the companies in whose share capital they participate; d) In case they deviate from the above obligations under (i) and (ii), institutional investors have to provide a clear and reasoned explanation of why this is the case; and e) Institutional investors must also

 

disclose on their website their investment strategy including how the main elements of their equity investment strategy are consistent with the profile and duration of their liabilities, in particular long-term liabilities, and how they contribute to the medium to long-term performance of their assets.

### 26. What are the current perspectives in this jurisdiction regarding short-term investment objectives in contrast with the promotion of sustainable longer-term value creation?

Scandals around listed companies have revealed that shareholders in many cases supported managers' excessive short-term risk taking, evidencing that the current level of monitoring of investee companies and engagement by investors is often inadequate and focuses too much on short term returns, which may lead to suboptimal corporate governance and performance. Law 4706 and SRD II aim to substantially change the landscape of corporate governance for Greek listed companies moving towards a stricter corporate governance regime and a modern legal framework for more engaged shareholders and sustainable companies encouraging long-term shareholder engagement and enhancing transparency between companies and investors. Effective and sustainable shareholder engagement is one of the cornerstones of the corporate governance model of listed companies contributing potentially to the development of longer-term investment strategies and longer-term relationships with investee companies. Greater and long-term involvement of shareholders is one of the levers that can help improve the financial and non-financial performance of companies, including ESG factors. In addition, greater involvement of all stakeholders, in corporate governance is an important factor in ensuring a more long-term approach by listed companies that needs to be encouraged and taken into consideration. Towards this direction, the Greek Government is supporting innovative changes in the Greek capital market in order to promote and achieve the sustainable long-term value creation and foster the Greek economy by modernizing the capital markets landscape and providing incentives to investors. One of these changes is the effort of the Greek businesses to adopt a more sustainable business model which is strongly promoted by all stakeholders, including the HCMC and the ATHEX. ESG considerations are expected to be at the forefront of the changes to be implemented, adapting to the dynamic of the European Commission with the European Green Deal as further explained in question 24 above.

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