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ΕΛΛΗΝΙΚΟ ΠΑΡΑΤΗΡΗΤΗΡΙΟ ΕΤΑΙΡΙΚΗΣ ΔΙΑΚΥΒΕΡΝΗΣΗΣ

Corporate Governance in the Greek Alternative Market (EN.A.)

Corporate governance in alternative markets globally is an area that has been under-researched (Mallin and Kean, 2012). In a lightly regulated environment such as the alternative market, companies will pursue a cost–benefit strategy by voluntarily complying with good corporate governance practices in order to find alternative financing ways for their growth. The Greek Capital Market serves as an interesting laboratory for research in this setting. Through the promotion of the principles of corporate governance Greece can upgrade the credibility status of the Greek capital market towards international and domestic investors, the reinforcement of transparency and the improvement of the competitiveness of the Greek companies. Furthermore, a framework of good corporate governance, through the strengthening of trust in the business environment, can bring together, in an effective and beneficial way, the interests of businesses, citizens and society at large.

The principles of the Hellenic Corporate Governance Code underline the role of good corporate governance in promoting the competitiveness of businesses—in terms of the efficiency of the internal organization—as well as the lower cost of capital. The increased level of disclosure (promoted by the Code),

improves the transparency of the entire economic activity of private companies, but also of public organizations and institutions. In the past, significant efforts were made to establish good corporate governance practices in the Greek market, beyond the requirements of legislation.

Hellenic Corporate Governance Code (2011/2021)

In Greece, the first Corporate Governance Code was drafted in 2011 at the initiative of the Hellenic Federation of Enterprises (SEV) aimed to continuously improve the Greek corporate institutional framework and the wider business environment, as well as to enhance the competitiveness of companies and the Greek economy as a whole. The main goals of the first Hellenic Corporate Governance Code were the adoption of the best governance practices from Greek companies, the improvement of the level of disclosure of information to private or institutional shareholders, domestic and foreign and the creation of an accessible and understandable reporting system for listed Greek companies (HCGC, 2013).

Ten years later (2021), the Hellenic Corporate Governance Council published an updated version of the Hellenic Corporate Governance Code. Interestingly, in this version, the principle of "Comply or Explain" was introduced for the first time in Greece, as it is currently possible to deviate from the

Corporate Governance Code, as long as the above statement includes a detailed justification of the reasons for non-implementation.

Based on Law 4706/2020, the Hellenic Corporate Governance Code sets the Board of Directors (BoD) collectively responsible, in case of inaccurate or incomplete provision of information regarding the above. The publication of such information, through the annual report of listed companies, is a crucial step towards transparency and accountability. Note that this Law applies to companies listed on regulated markets.

It should be noted that the Alternative Market of the Athens Stock Exchange does not fall in the provisions of the Law and therefore the application of the practices is optional in this market.

The alternative market of the Athens Stock Exchange

The Alternative Market (EN. A) is a Multilateral Trading Mechanism as described in the MiFID Directive and started its operations in 2008. It has been taken over by the Athens Stock Exchange (ATHEX) in accordance with the Operating Rules set by the Hellenic Capital Market Commission, which oversees the operation of this market particularly regarding matters relating to market abuse. The EN.A. is open to a) companies that are active in industries that are developing rapidly and have clear and achievable goals for their course and

future; as well as to companies that are looking for alternative ways of financing their development and aim in the long run to enter the organized market of the ATHEX, and b) domestic and foreign institutional investors who are looking for new investment products with the prospect of greater long-term returns but also a relatively greater level of risk (Kaliakakis et. al., 2022).

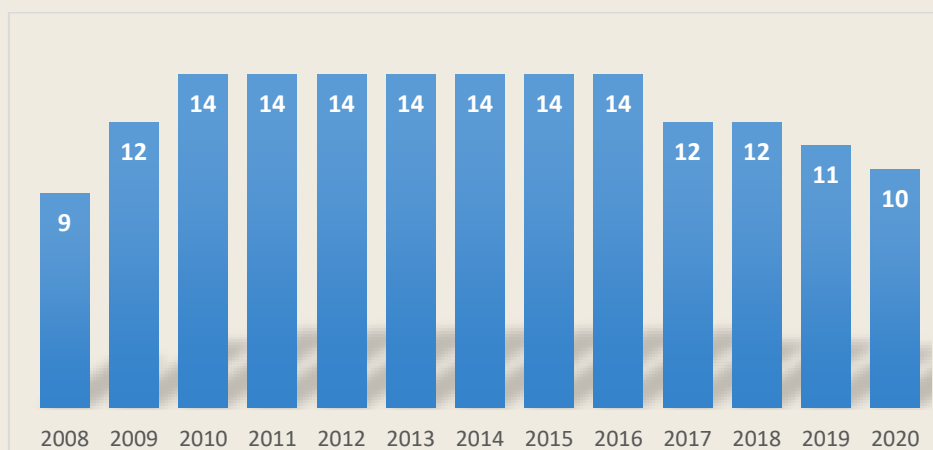
Main findings

In the analysis that follows, we investigate the adoption of corporate governance practices in companies listed in the Alternative Market of Athens Stock Exchange from the year of establishment until 2020. We provide a comparative analysis of some of the most important corporate governance variables that all companies should take into account. Primary data have been extracted from annual financial reports, newsletters, announcements published on the Athens Stock Exchange, information notes and other publicly available sources of information concerning the 15 companies that have been listed in EN.A. for the period 2008-2020.

Number of listed companies in EN.A.

EN.A. was established in 2008 with 9 companies participating on the index. During 2009 and 2010, the number of listed companies increased to 14 and remained stable until 2016. Following that in 2017 there were two deletions from the index (Envitec,

Vioiatriki and Robotics Technology) while in 2019 there was one deletion (Kriton Artos). Interestingly, in 2020 there were 2 companies that delisted from EN.A. (Epsilon Net and Entersoft) and listed to the main market of Athens Stock Exchange (**Graph 1**).

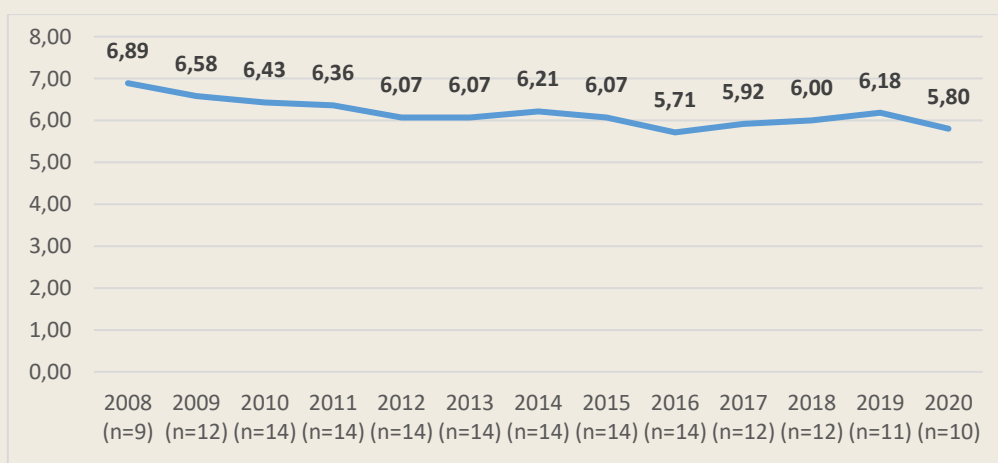


Graph 1. Listed companies in EN.A. (2008-2020)

Board Size

Regarding the size of the BoD (**Graph 2**), their number falls within 3 to 10 members, which is in line with the Code's requirements. Specifically, we have identified that:

- 54% of the companies have a BoD consisting of up to 6 members
- 46% have a board from 7 to 10 members.

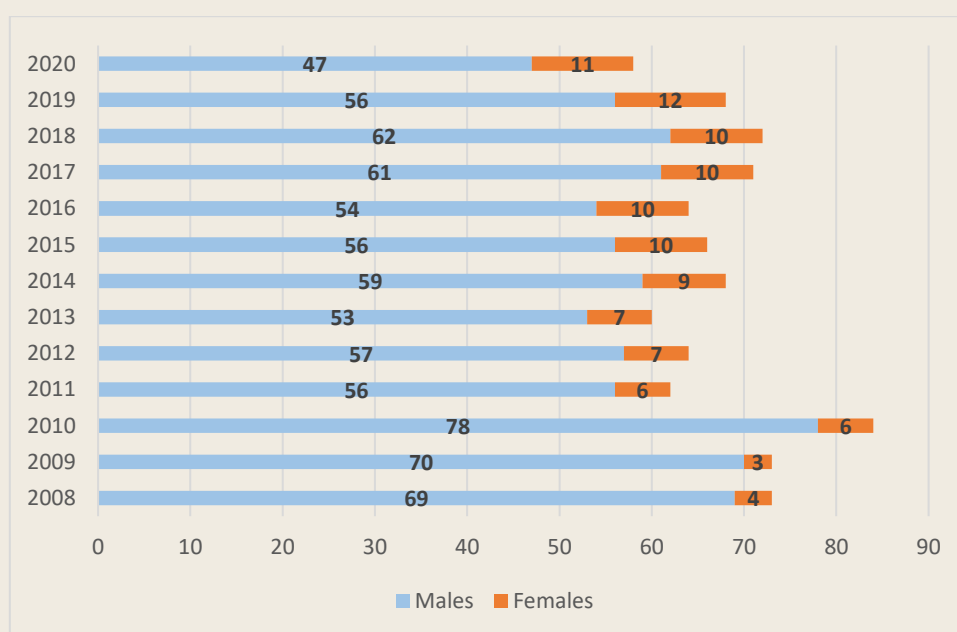


Graph 2. Average Board Size

Gender

The following graphs articulate the behaviour of the listed companies in EN.A. in terms of gender diversity. More specifically, in **Graph 3** we observe the participation of female and male directors on the boards. The number of female directors has steadily increased throughout the years; still, male directors

overwhelmingly outweigh women. Regarding women empowerment in BoD, it is worth mentioning that only **a)** Vidavo had appointed a female director as a chairperson and CEO (duality) from 2016-2018, and **b)** in 2020, the newly listed in EN.A., Cairo Mezz had assigned a female CEO.

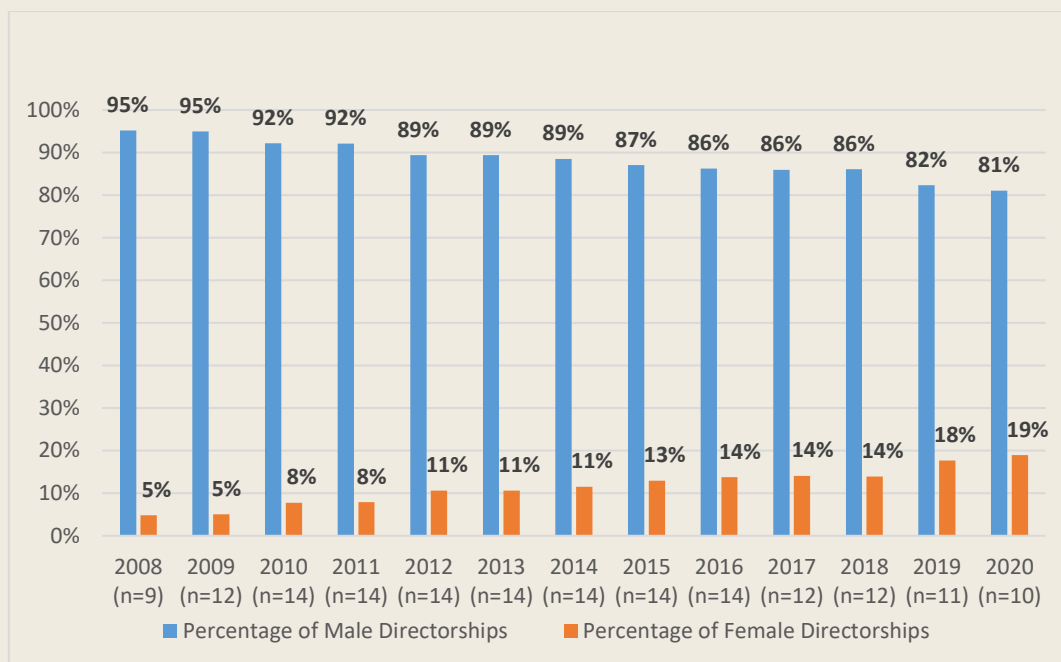


Graph 3. Male vs. Female Directors

Graph 4 sheds extra light on the participation of women in boards by depicting the percentage of male and female directorships; specifically, male directorships decreased from over 95% in 2008 to 81% in 2020, while female directorships for the same period increased from 5% to 19%. Importantly, most companies have not yet adjusted to the Law's (L4706/2020) gender requirements indicating that at least 25% of the underrepresented gender must be represented in boards (HCGC, 2021).

There is a clear trend from the listed companies in EN.A. to include more women on the boards, although it should be mentioned that the obligations of the Law are not applied to alternative market. Interestingly there were 2 companies out of 10 in 2020 that had outreached the 25% target (Optronics Technologies and Diversa with 33% female participation in their boards).

Furthermore, Cairo Mezz (listed in 2020 in EN.A.) has a 3-member board with all members being women.



Graph 4. Average of Male and Female Directorships (2008-2020)

Committees



Table 1 shows the committees formed by each company in EN.A. There is a noticeable diversity among companies in the number and the formation of the committees. Some companies choose not to establish committees and the responsibilities remain within the board members' duties and the executive administration level, while others have set up several committees to meet their specialized needs (Kalialakis et al., 2022). Specifically for

the years 2019-2020, we see that: we can conclude the following (**Table 1**):

- 3 of the 17 companies have set up committees to assist the duties of the Board.
- 3 of the 17 companies have established audit, remuneration and nomination committees.
- There is one company that has established 5 committees (Alpha Trust).

COMPANY	Audit Committee	Remuneration and Nominations Committee	Investment Committee	Steering Committee	ESG Committee
REAL CONSULTING S.A.					
ALPHA TRUST S.A.					
VIDAVO S.A.					
EUROXX STOCK EXCHANGE S.A.					
CAIRO MEZZ PLC					
MEDITERRA S.A.					
DOPPLER S.A.					
OPTRONICS TECHNOLOGIES S.A.					
PERFORMANCE TECHNOLOGIES S.A.					
PHOENIX VEGA MEZZ PLC					
FOODLINK S.A.					
EPSILON NET S.A.					
ENVITEC S.A.					
ENTERSOFT S.A.					
KRITON ARTOS S.A.					
BIOMEDICAL AND ROBOTICS TECHNOLOGY S.A.					
DIVERSA S.A.					

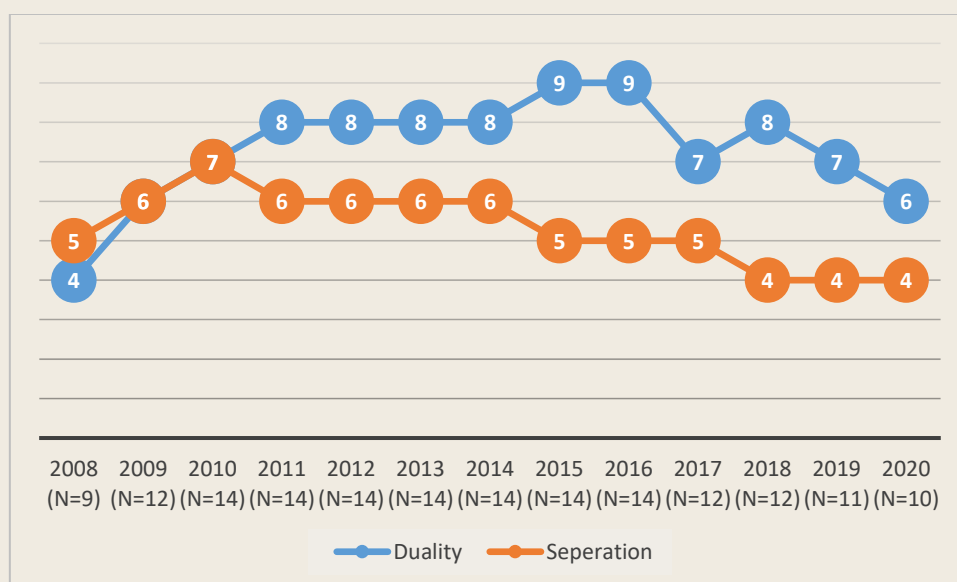
Table 1. Board Committees (2019-2020)

-  Does not exist / not stated
-  It exists

Duality and Separation

Graph 5 illustrates the role of the CEO and the chair. It is worth stating that the Hellenic Corporate Governance Code suggest the separation of these positions. However, when the Chair and CEO are the same person, the Code recommends the appointment of an independent vice-chair to contribute to the independence of the operation of the Board.

According to the most recent year in the sample (2020), only in 40% of the companies, a separate structure was adopted, while in 60% of the companies, there was duality (where Chair and CEO roles are performed by the same director).



Graph 5. Duality in the position of Chair and CEO (2008-2020)



Reporting

Finally, we present the level of disclosure in terms of relevant reports that were published by companies listed in EN.A. More specifically, as can be seen from the table below (**Table 2**) in 2020:

- 4 of the 12 organizations (Alpha Trust, EUROXX Stock Exchange S.A., Epsilon Net, Entersoft) have posted the Corporate Governance Code on their websites.
- 5 of the 12 companies (Epsilon Net, Entersoft, Doppler S.A., Mediterra and Alpha Trust) have issued a corporate social responsibility report.
- 2 out of 12 companies (Epsilon Net and Entersoft), have published all 3 reports recommended by the Hellenic Corporate Governance Code (Remuneration Report, CSR/ESG Report, Corporate Governance Report).

COMPANY	Corporate Governance Code	Remuneration Report	Corporate Social Responsibility Report	Corporate Governance Report
ALPHA TRUST S.A.	It exists	Does not exist / not stated	It exists	It exists
VIDAVO S.A.	Does not exist / not stated	Does not exist / not stated	Does not exist / not stated	Does not exist / not stated
EUROXX STOCK EXCHANGE S.A.	It exists	It exists	Does not exist / not stated	Does not exist / not stated
CAIRO MEZZ PLC	Does not exist / not stated	Does not exist / not stated	Does not exist / not stated	Does not exist / not stated
MEDITERRA S.A.	Does not exist / not stated	Does not exist / not stated	It exists	Does not exist / not stated
DOPPLER S.A.	Does not exist / not stated	Does not exist / not stated	It exists	Does not exist / not stated
OPTRONICS TECHNOLOGIES S.A.	Does not exist / not stated	Does not exist / not stated	Does not exist / not stated	Does not exist / not stated
PERFORMANCE TECHNOLOGIES S.A.	Does not exist / not stated	Does not exist / not stated	Does not exist / not stated	Does not exist / not stated
FOODLINK S.A.	Does not exist / not stated	Does not exist / not stated	Does not exist / not stated	Does not exist / not stated
EPSILON NET	It exists	It exists	It exists	It exists
ENTERSOFT S.A.	It exists	It exists	It exists	It exists
DIVERSA S.A.	Does not exist / not stated	Does not exist / not stated	Does not exist / not stated	Does not exist / not stated

Table 2. Reports released by EN.A. firms (2019-2020)

-  Does not exist / not stated
-  It exists

Summary

In this report, we investigated the behaviour of all 17 listed firms in the Alternative Market of the Athens Stock Exchange in the period 2009 to 2020. The findings show the companies listed in the EN.A. are falling behind with those listed in the Main Market.

In sum, the companies do not largely follow the principles of the Hellenic Corporate Governance Code, except for certain cases, such as the composition of the board of directors, the presence of an audit committee, and the separation of roles between the chairperson of the board and the CEO. Regarding the implementation of the Code, just a third of companies published on their website the Hellenic Corporate Governance Code in 2020, which they apply voluntarily.

Overall, the findings of this report suggest that companies in EN.A. lag by far their main market counterparts, but some improvement has been observed towards the targets set by the Hellenic Corporate Governance Council.

The above is not meant to express any negative views regarding companies listed in EN.A. of the Athens Stock Exchange.

On a positive note, the data is up to 2020 and as mentioned above, the provisions of the Law (4706/2020) and the Hellenic Corporate Governance Council apply only to regulated markets and not to the Alternative Market.

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