

Corporate Governance

*The Status Quo- The Quo in the Athens Stock
Exchange*

[Corporate Governance Conference \(corporate-
governance.gr\)](http://corporate-governance.gr)

February 15th, 2022

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www.hocg.eu



Outline

1. HCOG –Purpose –History Activities
2. The Greek Landscape
 - Laws and Codes
 - Listed Companies
 - Market Capitalization
3. Governance & Boards – Empirical Lens
 - ❖ Board Size
 - ❖ Duality
 - ❖ Internal vs External (Dependent- Independent Directors)
 - ❖ Gender Diversity
4. Looking into the Future



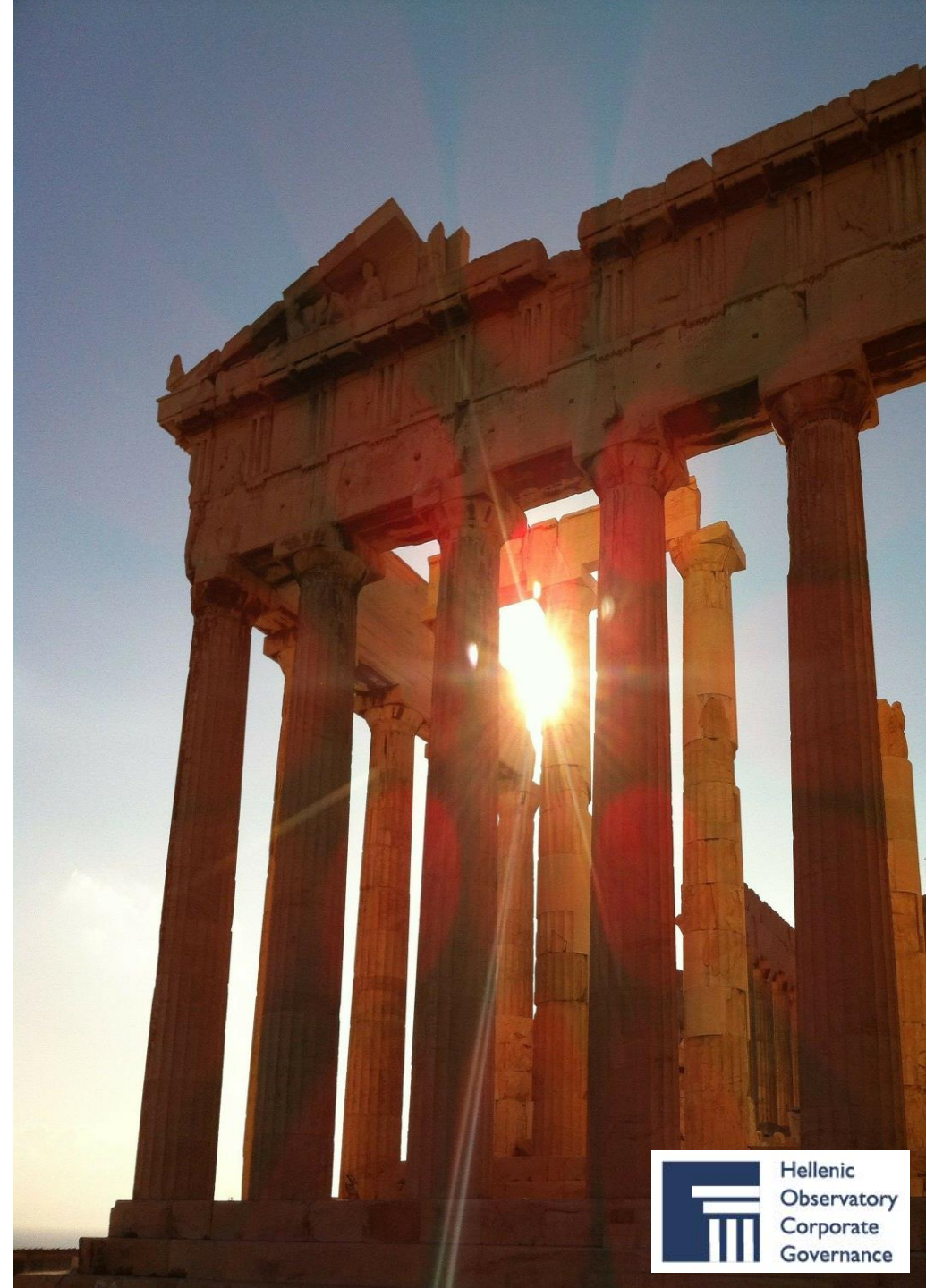
HCOG

Hellenic Observatory of Corporate Governance

The Hellenic Observatory of Corporate Governance (HCOG) was established in 2007 through a Memorandum of Understanding for cooperation signed between the Federation of Greek Industries and the Brunel Business School, Brunel University UK

Since 2010, HCOG operates as solely independent organisation

The mission of the HCOG is to examine and monitor the practices of corporate governance through the observation and research of directors, investors, and senior executives. HCOG activities focus on identifying and promoting responsible practices worldwide in all aspects of corporate governance.



Who we are

OUR TEAM



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HOCG Reviews and Studies

www.hocg.eu



Football



ATHEX



State-Owned
Enterprises



Hospital



Maritime



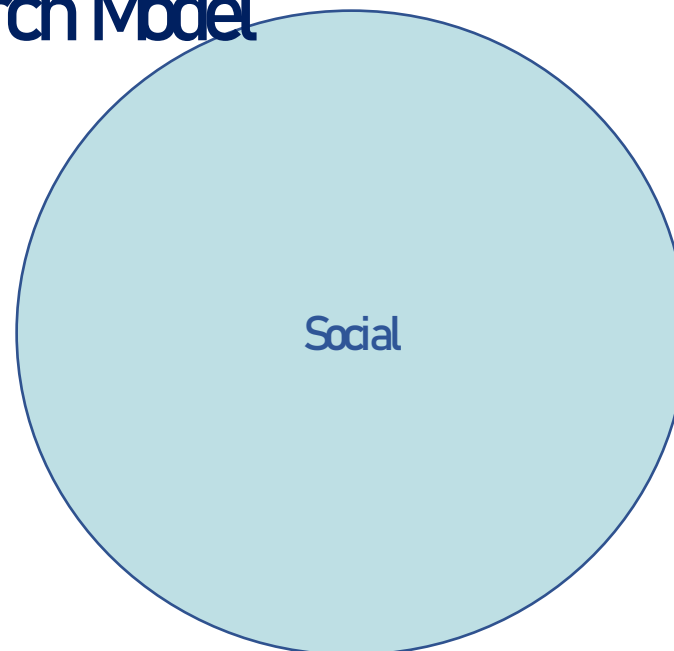
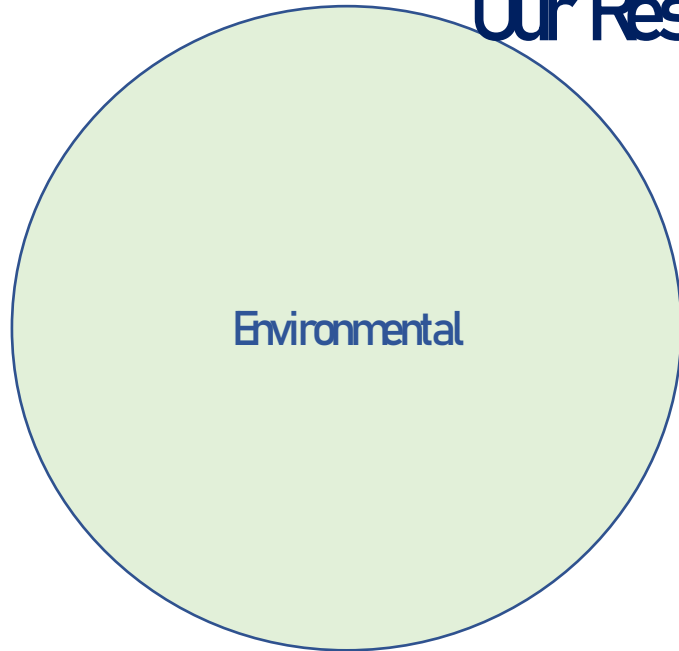
CORPORATE *Matters*



Our Research Model

Context

- Organizational Size
- Industry Sector
- Organizational Age
- Years Listed
- Listed in other Stock Exchanges
- Ownership structure
- Institutional Investors



Governance		
<ul style="list-style-type: none"> • Duality/Separation • Board Size • Internal BM • Externals BM • Number/Ratio of Independent - Dependent BM 	<ul style="list-style-type: none"> • Number/Gender Ratio • Number of Female Chairpersons • Number of Female CEOs and Members • Committees • Foreigners BM • Internal Auditors • Auditing Firms • Interlockings 	<ul style="list-style-type: none"> • Tenures (Chairperson/CEO/Members/Internal Auditor) • Educational Background/Specialisation • Frequency of meetings (board, committees) • Executive Remuneration

Outcomes

- Decision Making, Trust, Conflict
- Organizational Performance – Financial Performance
- Corporate Social Performance

1. The Greek Landscape : Laws and Codes Listed Companies Market Capitalization

Law 4706/2020 published in the Governmental Gazette under No. 136/17.7.20 (Bulletin A), establishes new provisions on the restructuring and modernization of the corporate governance applying to all listed in a regulated market in Greece Sociétés Anonymes.

The new provisions on corporate governance (articles 1 to 24 of L 4706/2020) entered into force on 17.07.2021, and replaced the law on corporate governance (L 3016/2002), and is supplements the provisions of law on Sociétés Anonymes (L 4548/2018)

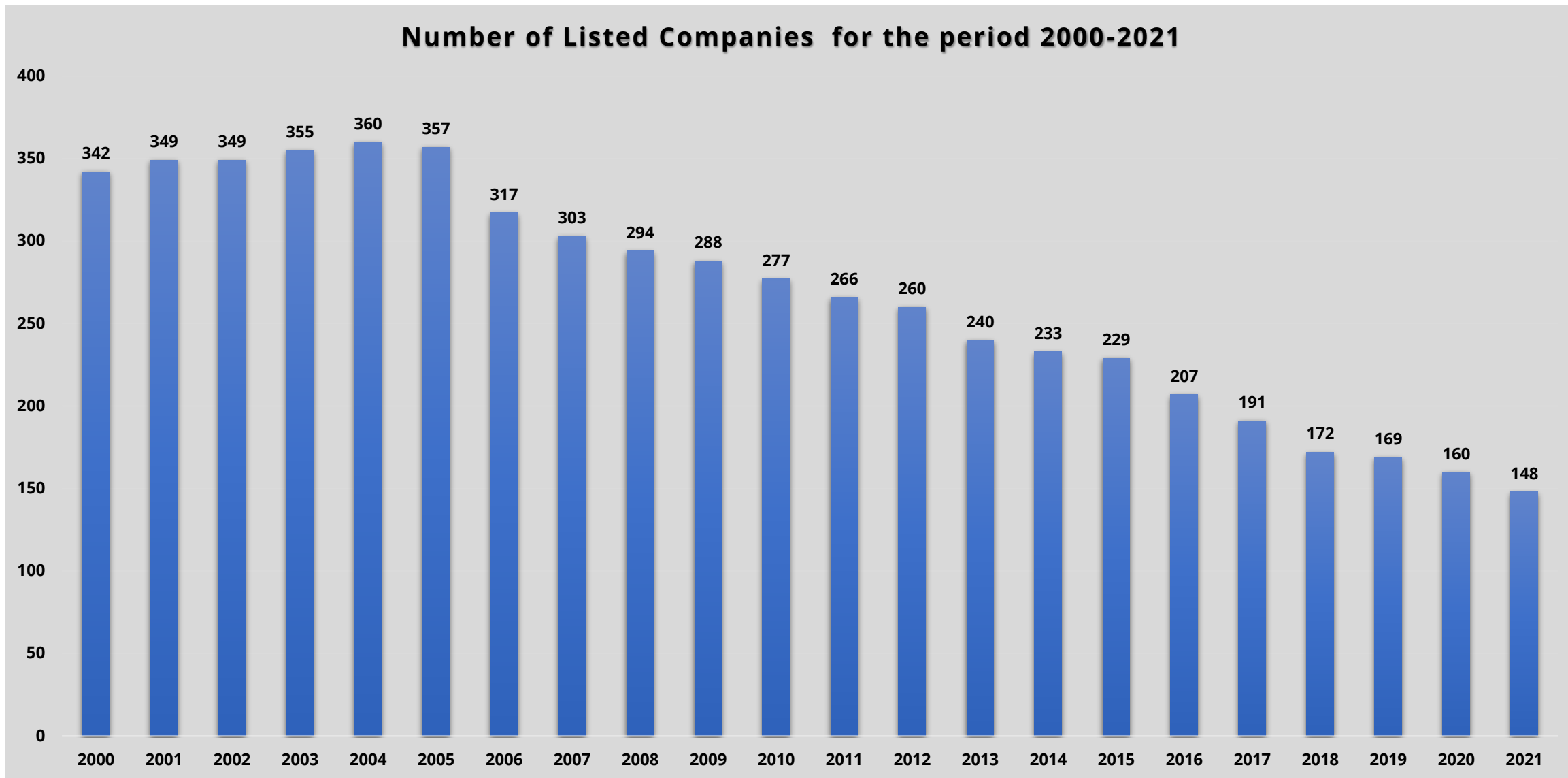
ESG Reporting Guide 2019 [28a9a0e5-f72c-4084-9047-503717f2f3ff](https://www.athexgroup.gr/documents/28a9a0e5-f72c-4084-9047-503717f2f3ff)
([athexgroup.gr](https://www.athexgroup.gr))

Athex ESG Index:

<https://www.athexgroup.gr/documents/10180/6375591/ATH-EX+ESG+Index+Ground+Rules+VI-0+Jul21+%28GR%29.pdf/81ca04c1-7dde-479e-affb-109c8f3ed326>

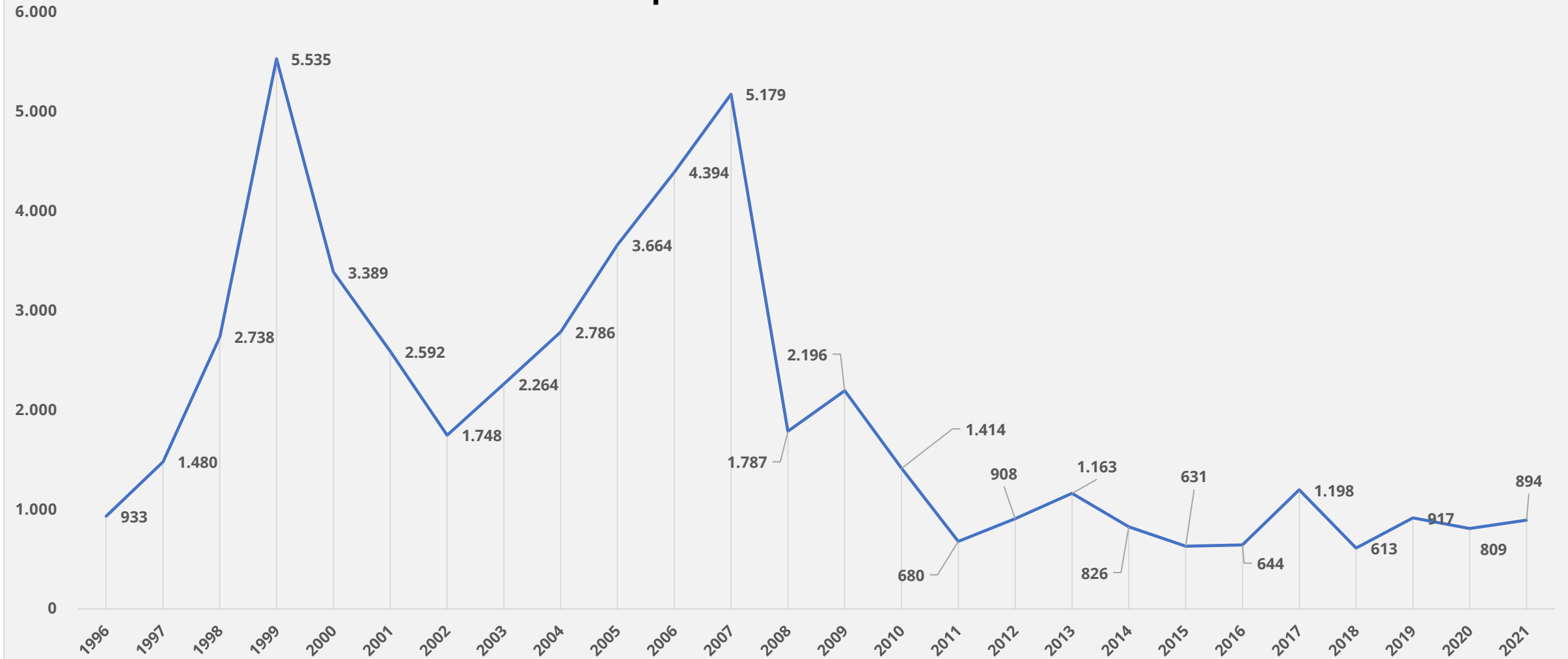
Hellenic Corporate Governance Code (June 2021) replaces the Hellenic Corporate Governance Code for listed companies that was issued in 2013 by the HCGC. [HELLENIC CGC - HCGC \(esed.org.gr\)](https://www.esed.org.gr)

The Greek Landscape- Listed Companies



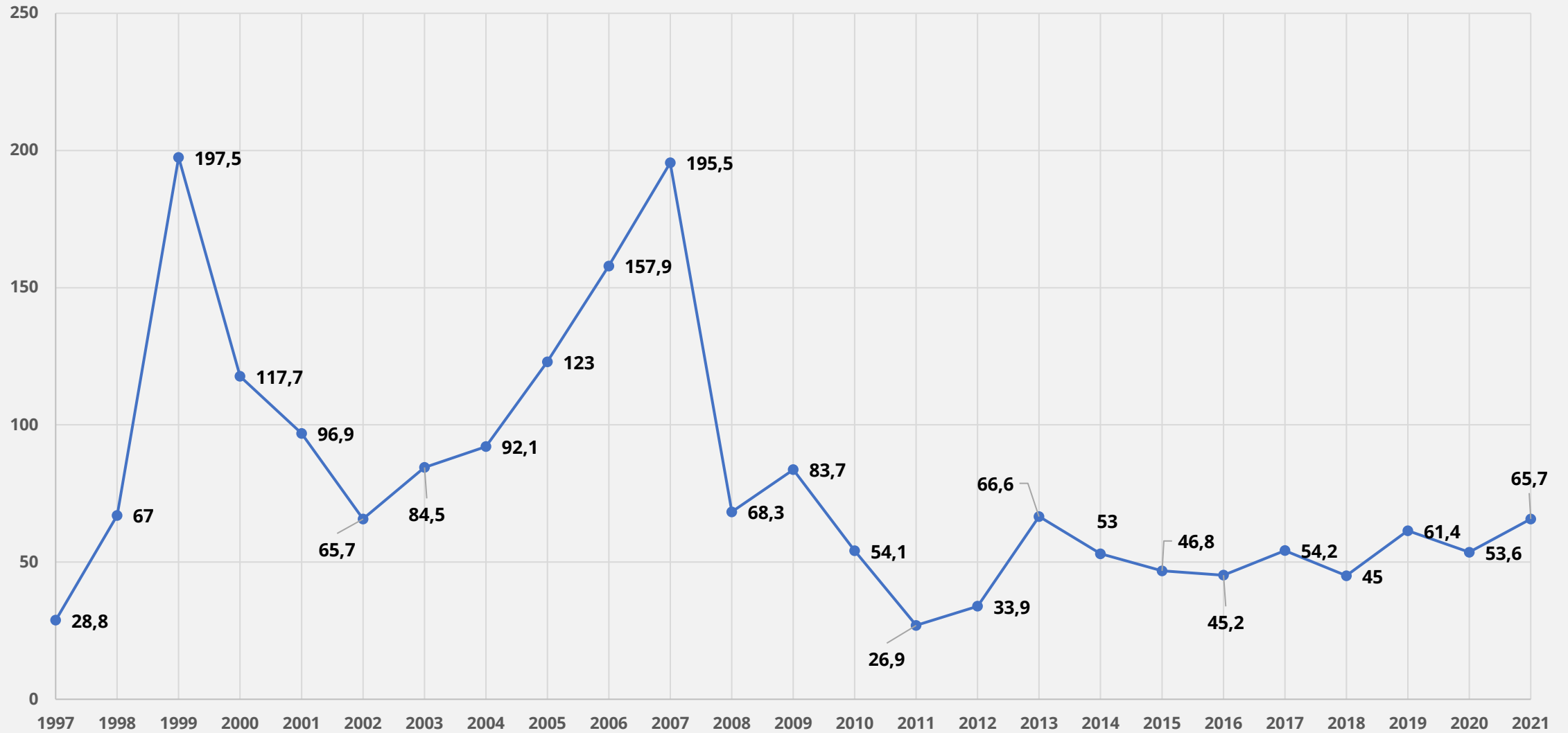
The Greek Landscape Price Index

ATHEX Composite Price Index 1996-2021



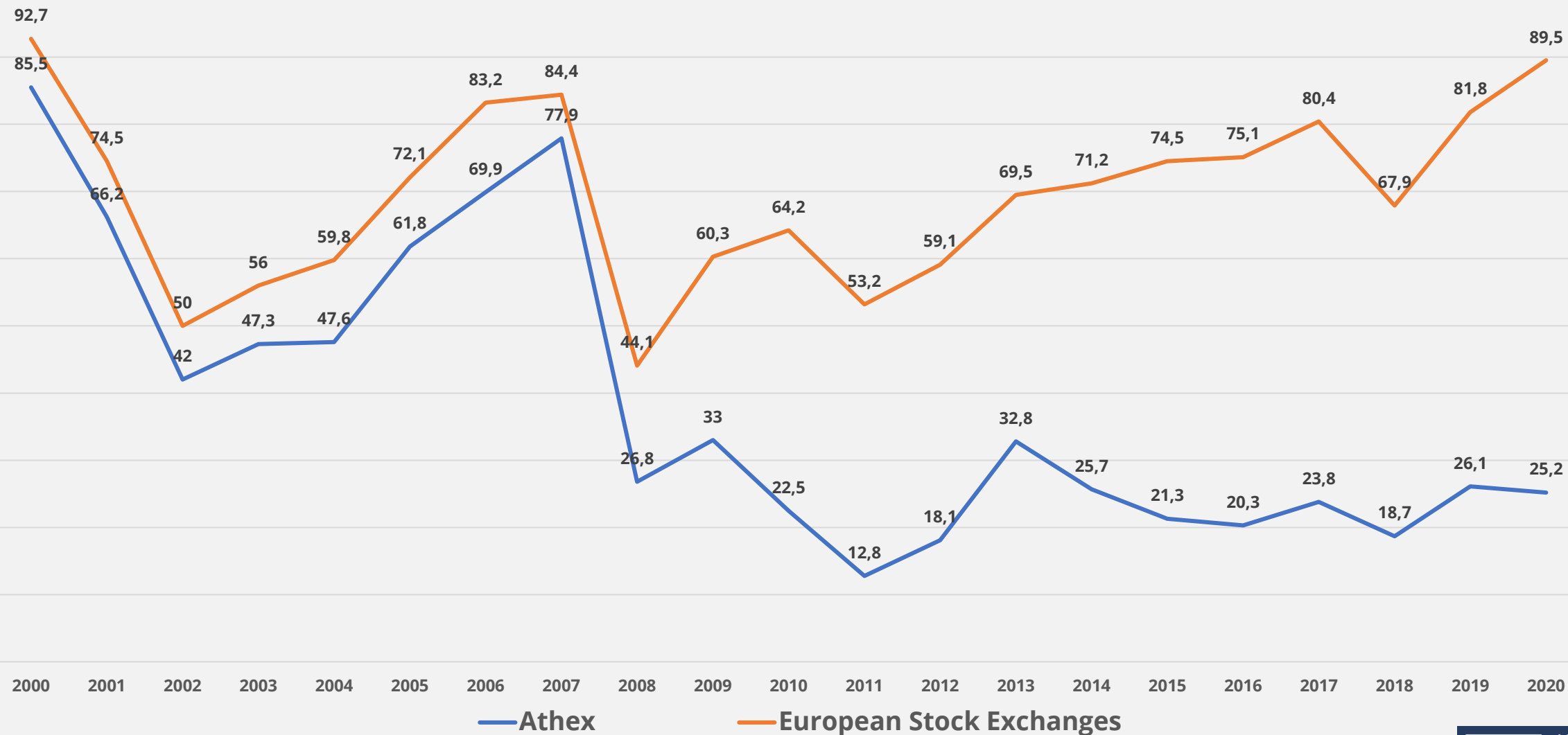
The Greek Landscape - Capitalization

ATHEX Capitalization in billions €



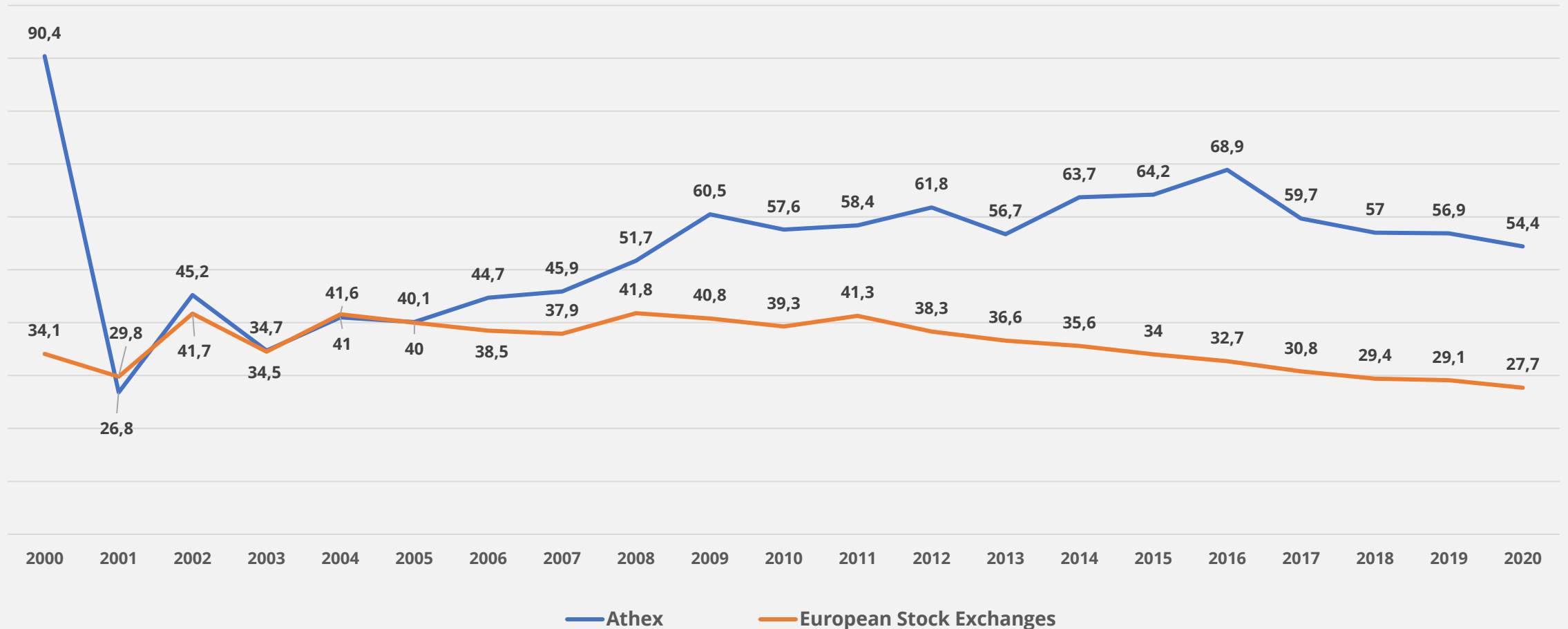
The Greek Landscape

Capitalisation/ GDP



The Greek Landscape- Market Concentration (5 more active)

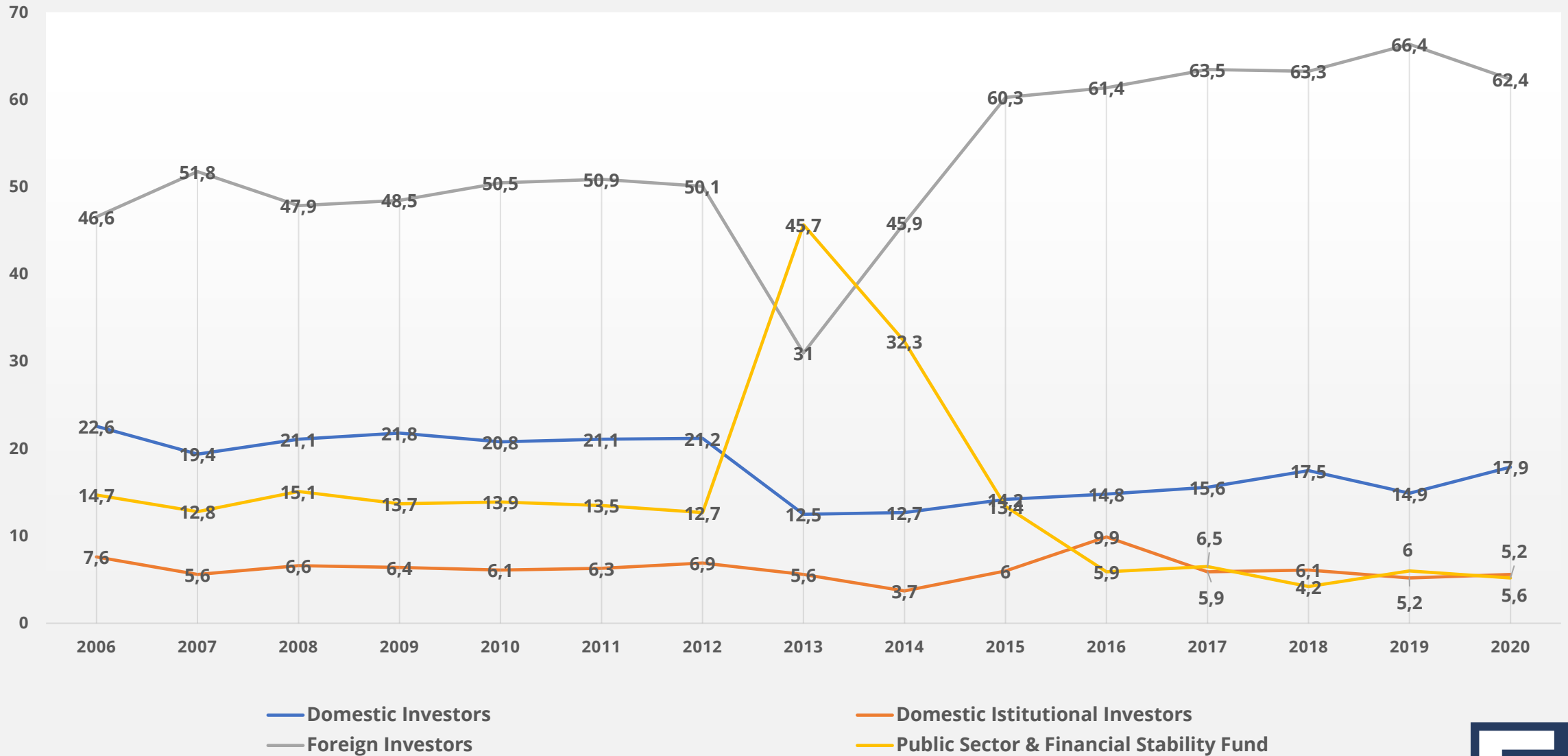
Market Concentration



(Transactions value of 5 most active shares, as % of the total)

The Greek Landscape – Investors participation

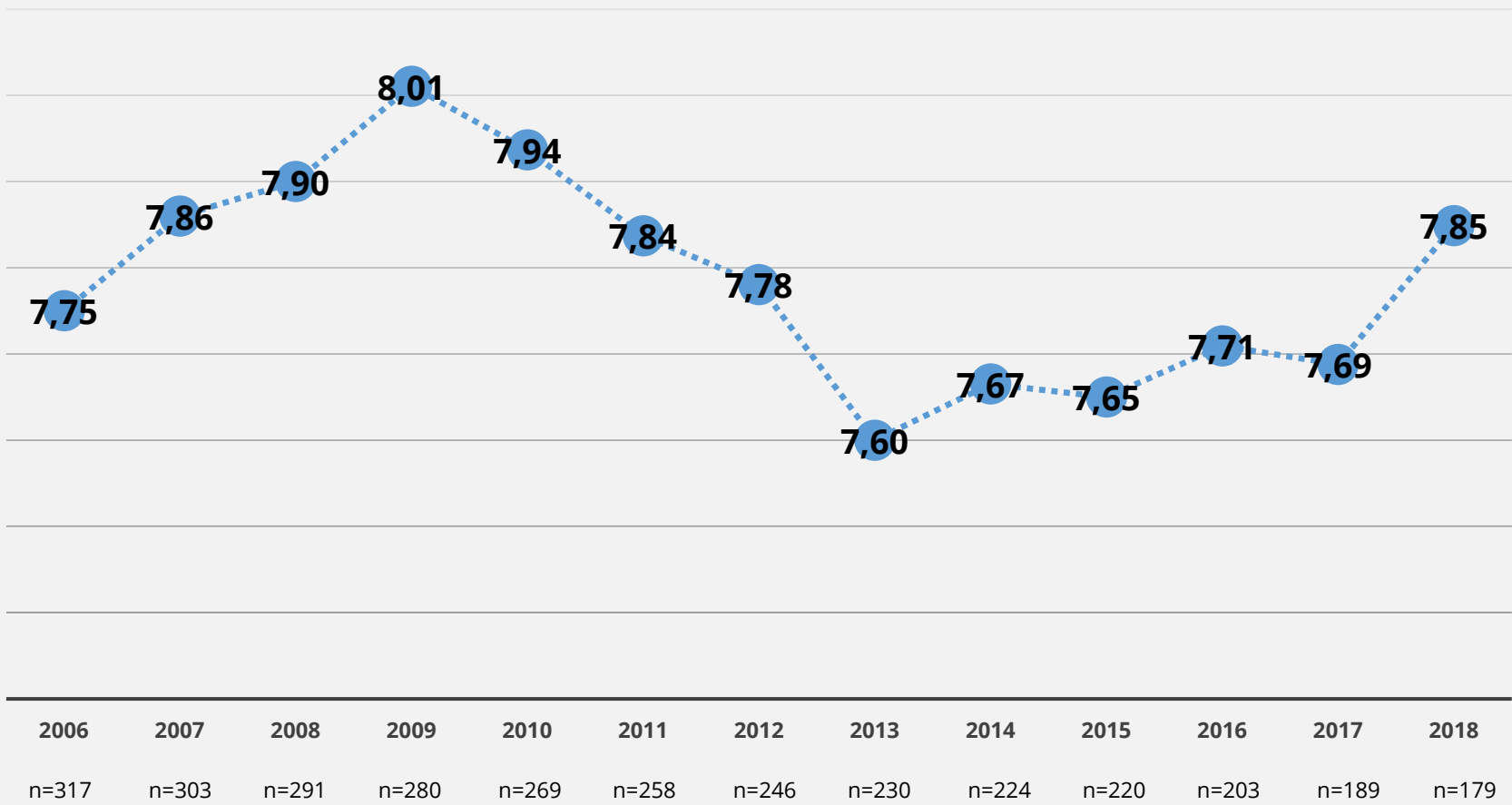
Investors participation as percentage of total capitalization



2 OG and Boards: Empirical Lens

Board Size

Average Board Size



October 2021

Athex Large Cap Index (25 Companies):

Average Board Size: 11.8

Athex ESG Index (35 Companies):

Average Board Size: 11

2021 UK Spencer Stuart Board Index: 9.9

2021 US Spencer Stuart Board Index: 10.8

S&P 500: 11

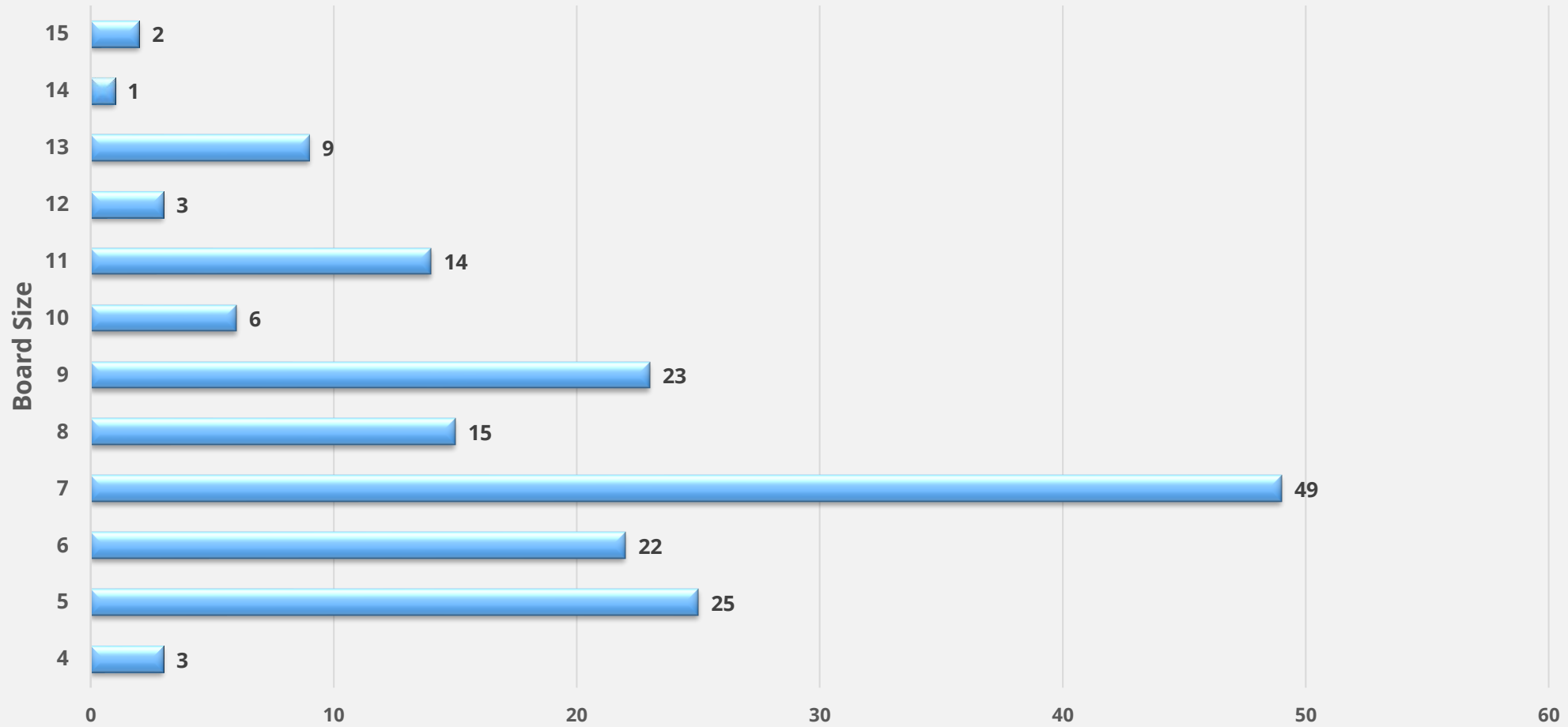
S&P MidCap 400: 9.7

S&P SmallCap 600: 8.9

S&P 1500: 9.9

RUSSEL 3000: 9.2

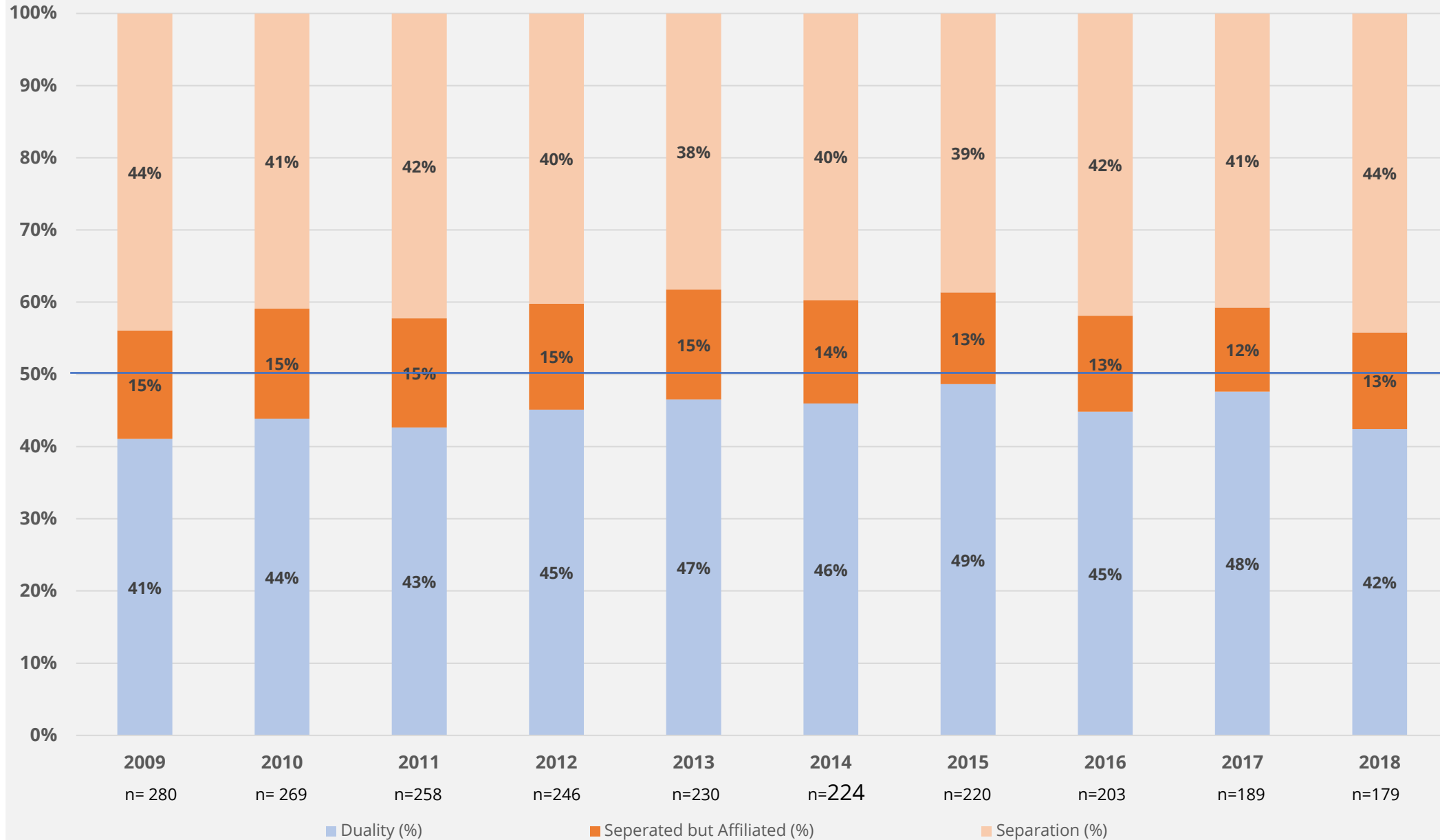
Board Size 2018



Number of Companies (n=172)

Duality in Greek Listed Companies (2009-2018)

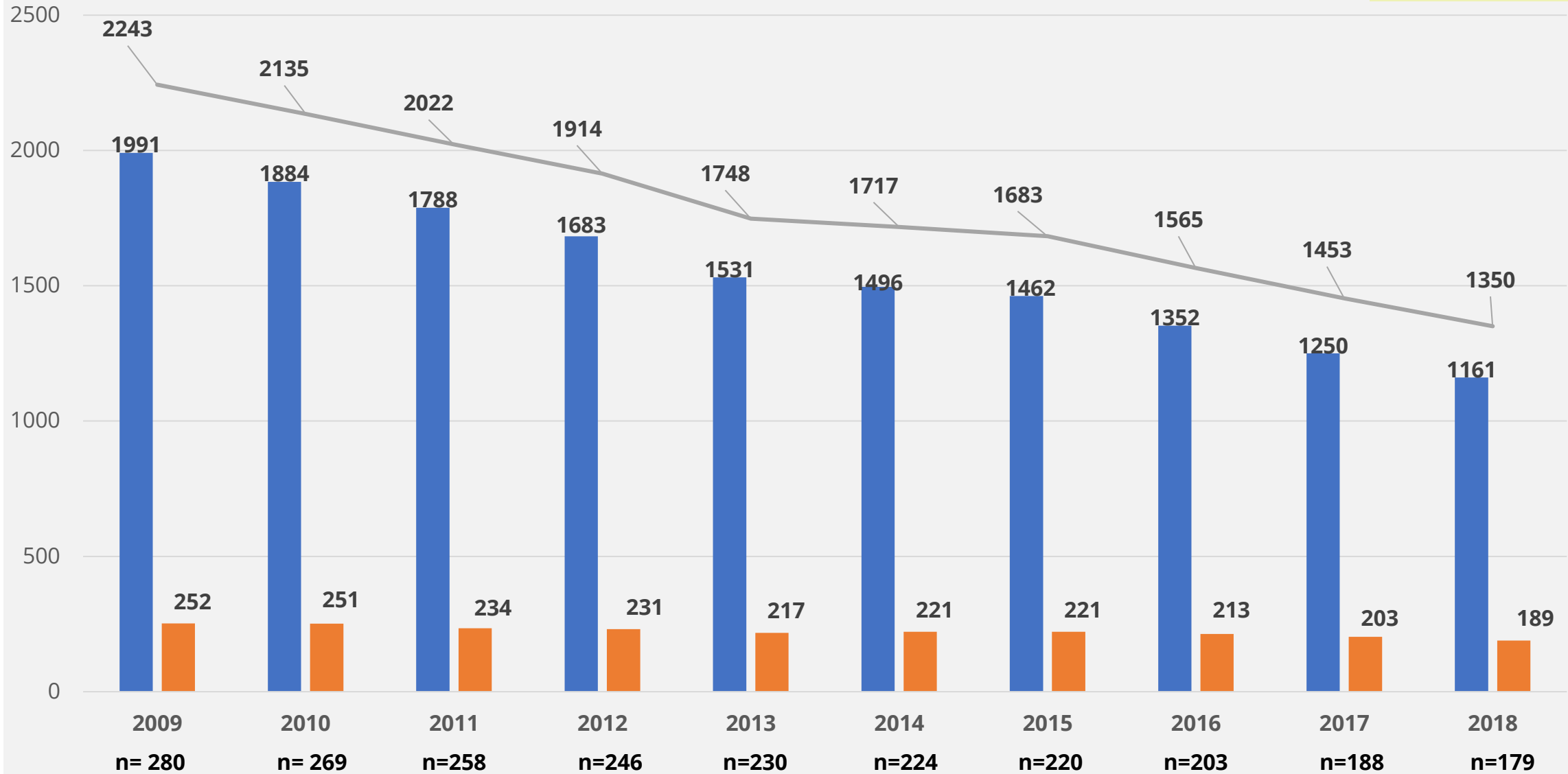
Duality vs Separation



2021 UK Spencer
 Stuart Board Index: 0%
 2021 US Spencer
 Stuart Board Index: 41%
 S&P 500: 43%
 S&P MidCap 400: 29%
 S&P SmallCap 600:
 30%
 S&P 1500: 34%
 RUSSEL 3000: 33%

Number of male and female directorships

Gender

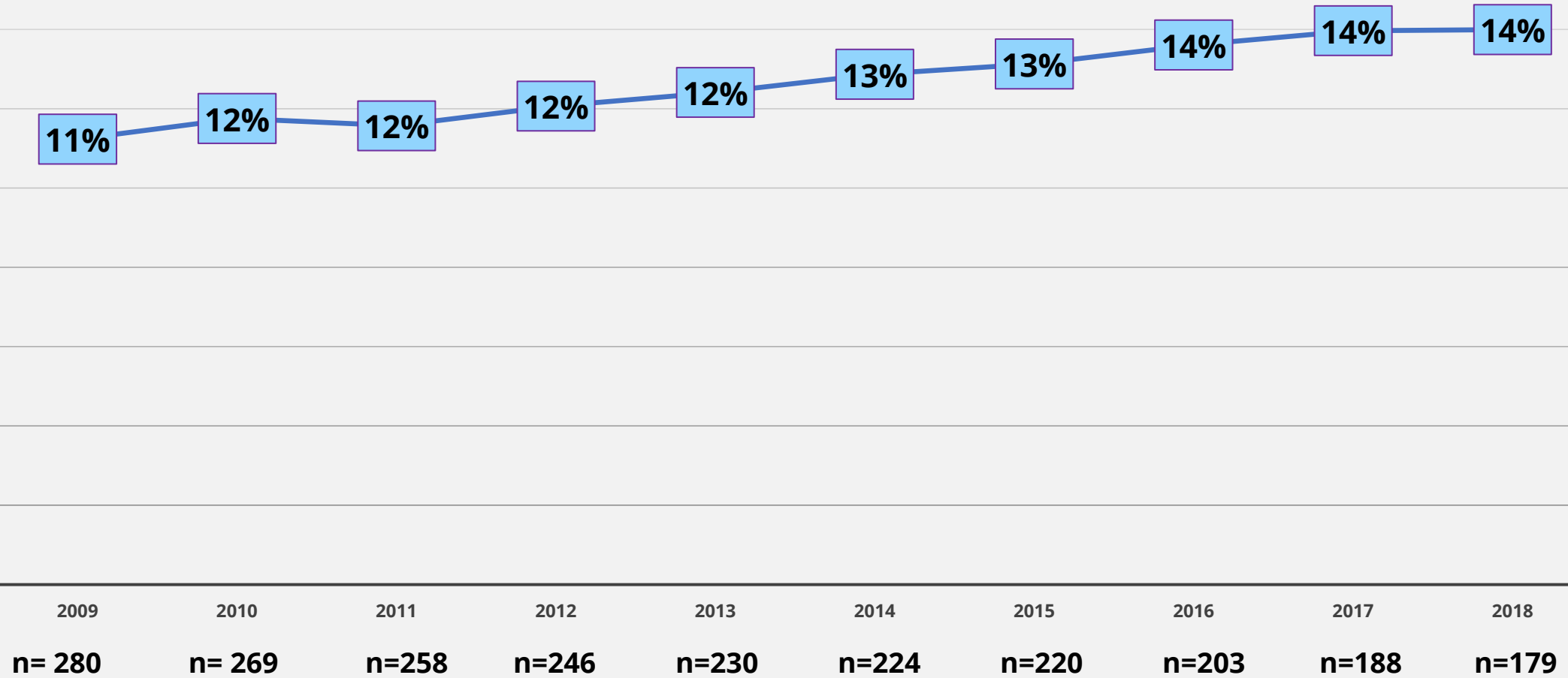


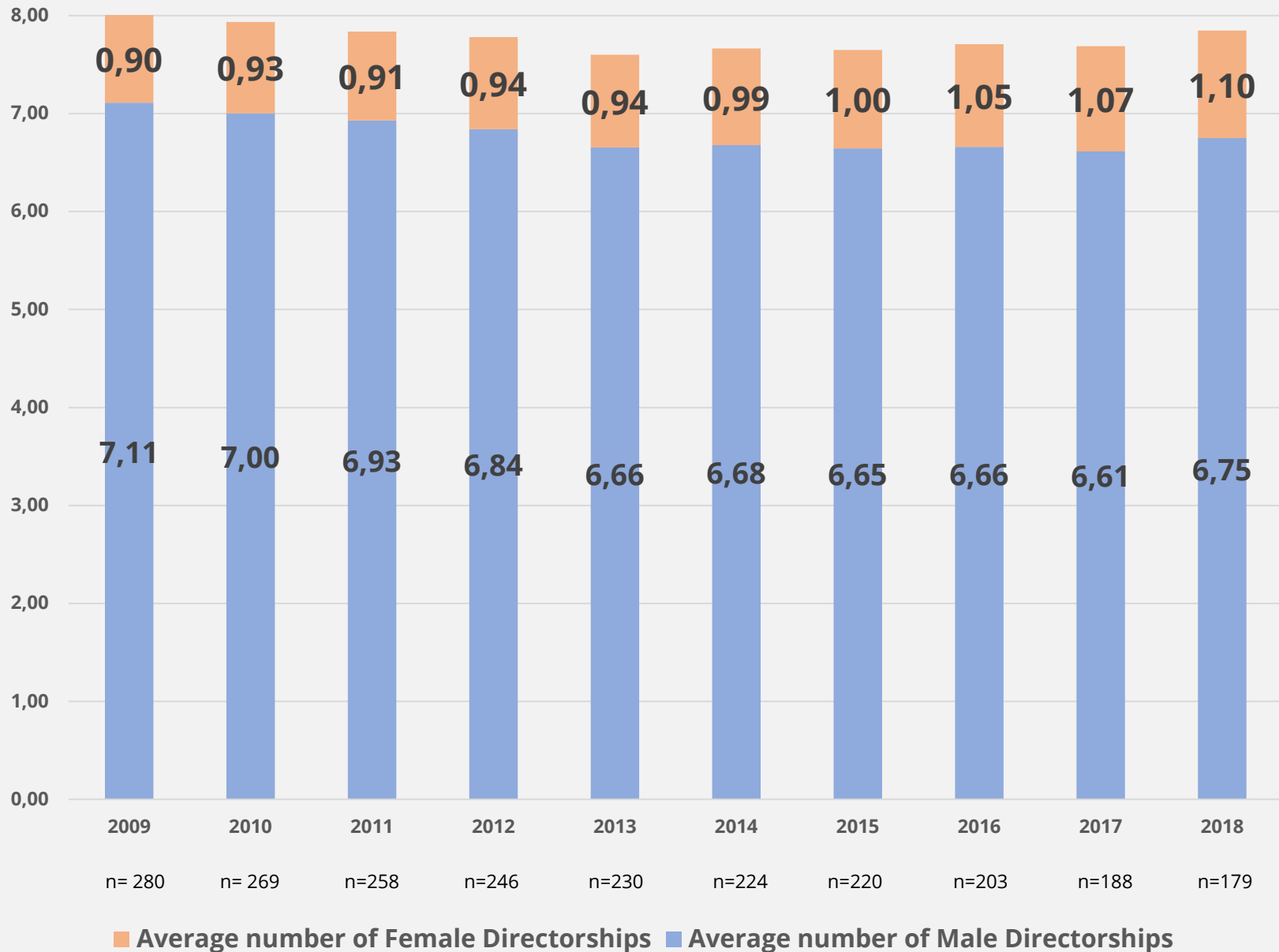
■ Total number of Male Directorships

■ Total number of Female Directorships

— All Directorships

Female Directorships/Total Number of Directorships





October 2021

Athex Large Cap Index (25 Companies):

Aver Number of Men Directorships: 9.04
 Aver Number of Women Directorships: 2.76

Athex ESG Index (35 Companies):

Aver Number of Men Directorships: 8.46
 Avera Number of Women Directorships: 2.57

Index	S&P 500	S&P MidCap 400	S&P SmallCap 600	S&P 1500	Russell 3000	US Spencer and Stuart 2021	UK Spencer and Stuart 2022	STOXX Europe 600
Gender Diversity	31%	29%	27%	29%	26%	30%	34%	35%

October 2021

Athex Large Cap Index (25 Companies):

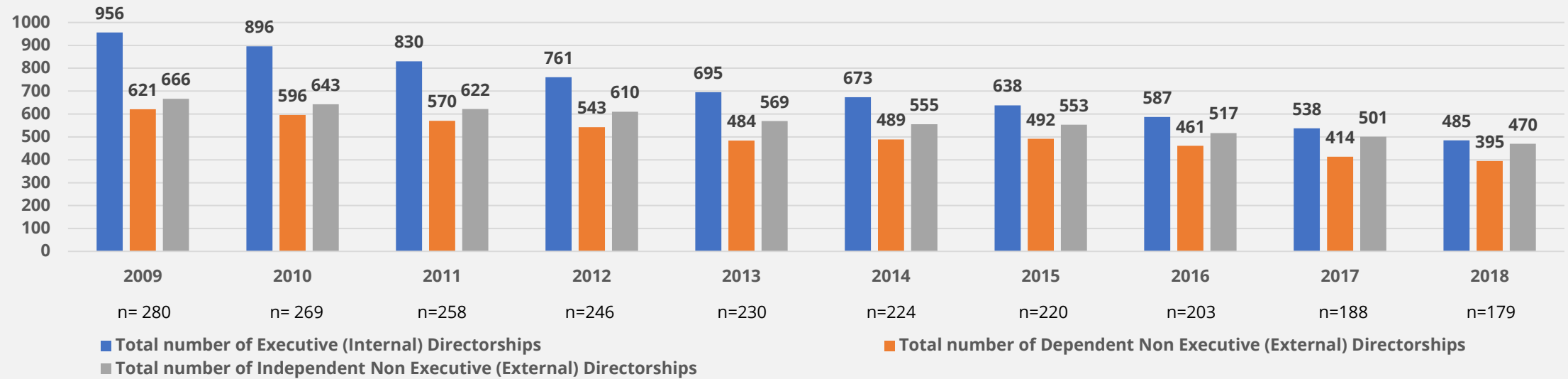
Female Participation: 24%

Athex ESG Index (35 Companies):

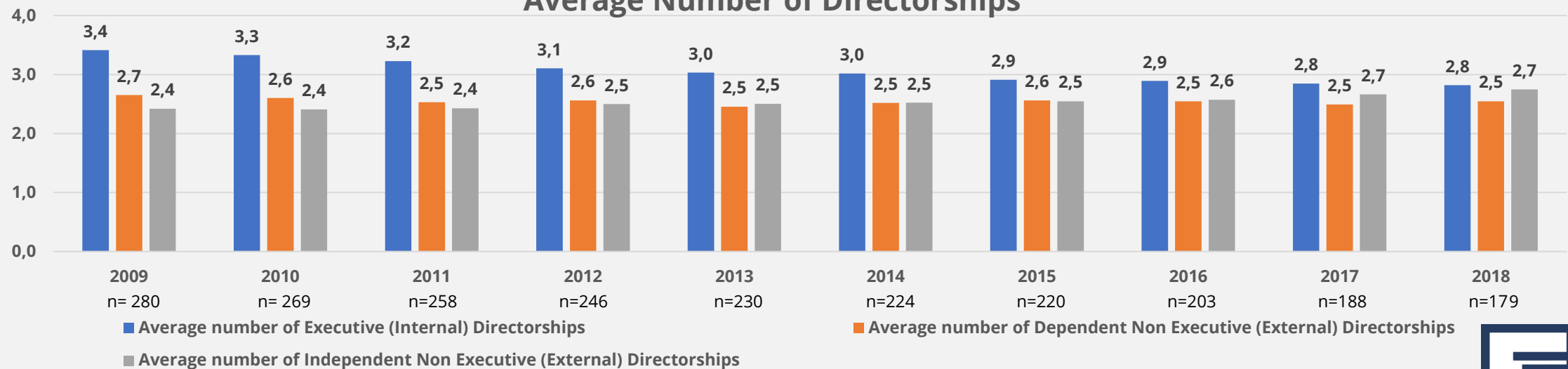
Female Participation: 23.3%

Executive (Internals) Vs Non-Executive (Externals)

Total Number of Directorships

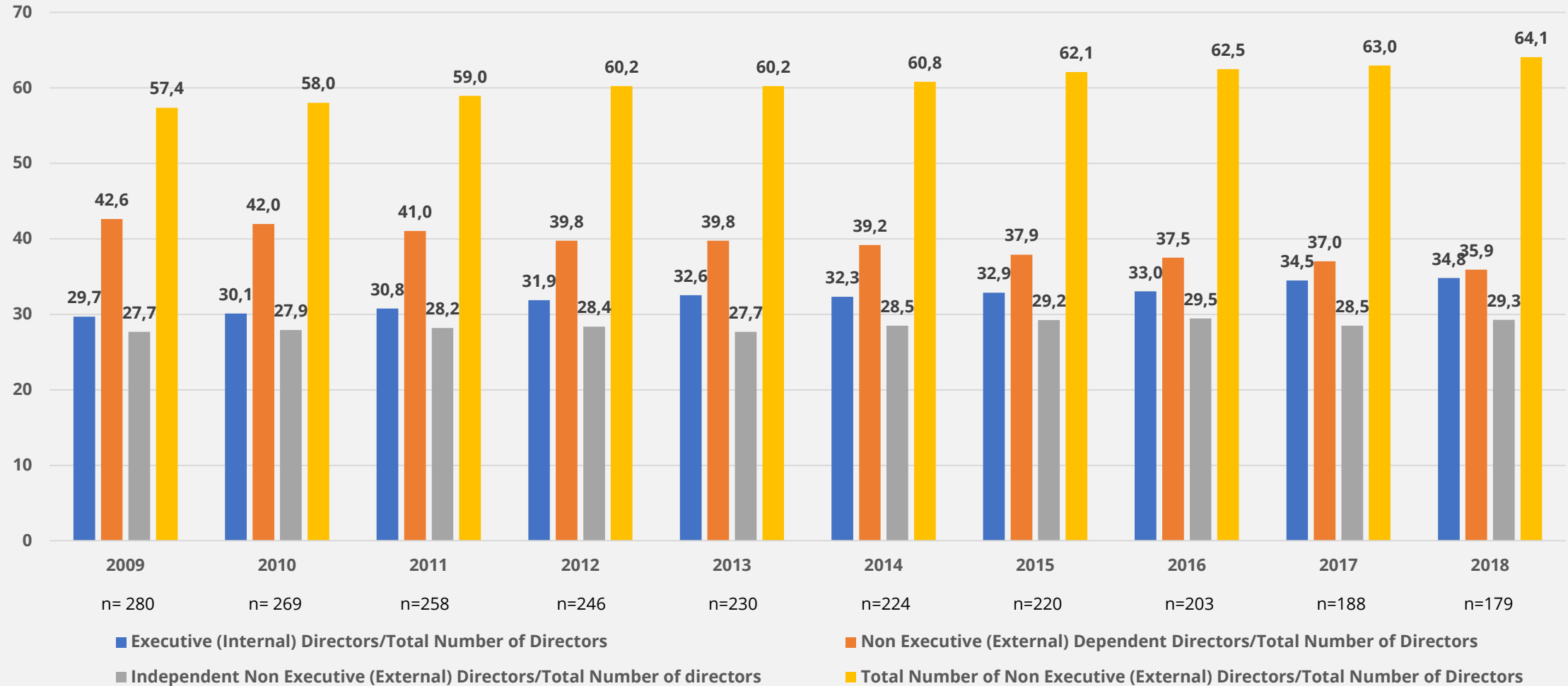


Average Number of Directorships



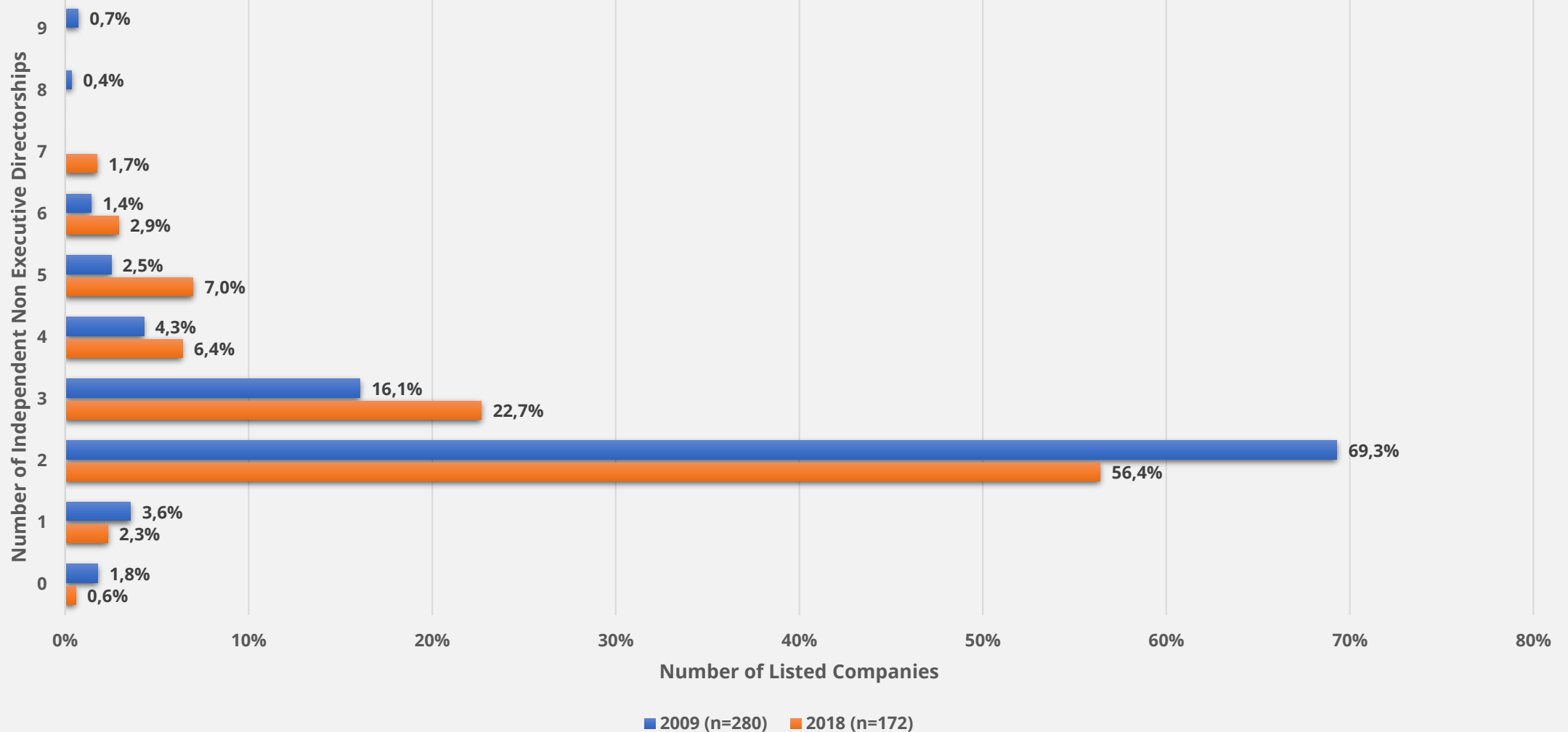
Executive (Internals) Vs Non-Executive (Externals)

Ratio (%)



Executive (Internals) Vs Non-Executive (Externals)

Distribution of Independent Non Executive Directorships



Executive (Internals) Vs Non-Executive (Externals)

Index	S&P 500	S&P MidCap 400	S&P SmallCap 600	S&P 1500	Russell 3000	US Spencer and Stuart 2021	UK Spencer and Stuart 2022
Independence	86%	84%	82%	84%	80%	86%	93%

accounting fraud
control system
tax evasion
economic
fraud
deception
compliance
protection
crime

In the context of rebuilding our economies in the wake of the COVID-19 crisis and promoting stronger, cleaner and fairer economic growth, good corporate governance plays an essential role.

It fosters an environment of market confidence and business integrity that supports capital market development.

The quality of a country's corporate governance framework is decisive for the dynamism and the competitiveness of its business sector and the economy at large.

It will also support the corporate sector to manage environmental, social and governance (ESG) risks and better harness the contributions of different stakeholders, be it shareholders, employees, creditors, customers, suppliers, or adjacent communities, to the long-term success of corporations (OECD, 2021)

External Forces

- **regulatory intervention,**
- **the rise of institutional investing,** For example, BlackRock, one of the largest institutional investors recently released the 2021 Stewardship Expectations document indicating its heightened willingness to vote against companies in shareholder proposals, its commitment to supporting board ethnic and gender diversity, and its increased focus on management compensation
- **the emergence of proxy advisors,**
- BlackRock recently acknowledged that while it works diligently to research and develop its own position on votes, it relies heavily on proxy advisory firms such as Institutional Shareholder Services (ISS), admitting that the firm can “have significant influence over the outcome of both management and shareholder proposals.”
- **the rise of shareholder activism** Activist hedge funds are savvy, sophisticated investors that take large but noncontrolling stakes in target companies to bring about change in the target companies’ strategic, operational, and financial activities as well as their governance arrangements.

Corporations and Boards should look at

- **structural attributes** (independence of the directors and chair, diversity and composition, tenure, age, and director busyness)
- **Stakeholder relationships**

HOOG current collaborations

- EWOB (<https://europeanwomenonboards.eu/>)
- CSR Hellas working Group for Women (<https://csrhellas.org/en/>)
- ICAP RTI (<https://www.icap.gr/en/> and <https://www.icaprti.gr/en/>)



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