

Corporate Governance in Greek Alternative Market

March 2024

Vol. 10, Issue 1

ΧΡΗΜΑΤΙΣΤΗΡΙΟΝ



Hellenic
Observatory
Corporate
Governance

Review of the Hellenic Observatory of Corporate Governance

Editorial

In the current economic and social climate, companies are challenged to keep their operations running smoothly and to adopt practices that ensure their sustainability. One of the central pillars of sustainable growth of listed companies in the alternative market is the adoption of a strong corporate governance system. In the Greek financial market, references to companies traded on the alternative market of the Athens Stock Exchange (ATHEX) are limited, as is their approach to the Greek Corporate Governance Code. The purpose of this research is to fill the incomplete scholarly field on ATHEX alternative market companies from 2008 - 2020, as the provisions of the Greek Corporate Governance Code are considered critical for business strategy and business value creation.

As OECD (2023) points out, corporate governance is defined as a system of principles and practices capable of forming the basis on which the operation of a business will be built administratively and organizationally, acting as a framework for safeguarding and satisfying the interests of all parties involved with the company. The need for trust and transparency in the governance of corporate organizations has preoccupied corporate governance scholars worldwide. The degree of trust placed in company directors by owners is enhanced through corporate governance. The increasing incidence of corporate fraud associated with excessive and evasive reporting has reinforced the renewed global emphasis on the need for effective corporate governance.

The analysis and discussion of the data on corporate governance in the ATHEX alternative market was carried out by collecting information from the financial reports of the companies for the period 2008-2020. The study focuses on assessing the degree of adoption of an effective corporate governance system by the companies in the alternative market. More specifically, the practices and legal framework of the corporate governance code in Greece were examined in order to understand the new corporate governance in ATHEX and the implementation of the code's practices in the selected sample of listed companies.

Prof Dimitrios N. Koufopoulos

BSc, MBA, PhD, FCMI, FIC, AIIA, FRSA, CMBE

Rev Ed: 2024-08-30

The Alternative Market of Athens Stock Exchange

The Athens Stock Exchange (ATHEX) plays a pivotal role in the Greek financial market, providing a platform for the trading of stocks, bonds, and other securities. Among its various segments, the Alternative Market (EN.A.) stands out as a significant multilateral trading facility aimed at supporting SMEs and early-stage business development companies. EN.A. offers a flexible and less regulated environment compared to the main market, making it an attractive option for emerging businesses looking to raise capital and increase their visibility.

Market capitalization in EN.A.

Market capitalization refers to the total market value of a company's outstanding shares and is a critical indicator of a market's overall health and investor confidence. Over the past decade, EN.A. has experienced notable fluctuations in capitalization, reflecting broader economic conditions and the performance of individual companies within the market (see **Diagram 1**). The capitalization of EN.A. showed the following trends during the last decade:

- **Decline (2012-2016):** Capitalization decreased from €139.5 million in 2012 to €95.1 million in 2016. This decrease can be attributed to broader economic conditions and challenges faced by Alternative Market companies.
- **Gradual Recovery (2017-2019):** From 2017, a gradual recovery is observed with the capitalization increasing to €137.2 million in 2019.
- **Significant Growth (2020-2023):** From 2020 onwards, there is a significant increase in market capitalization, reaching €309.1 million in 2021 and €450.4 million in 2023. This increase can be attributed to new company listings, improved financial conditions, and increased investment interest.

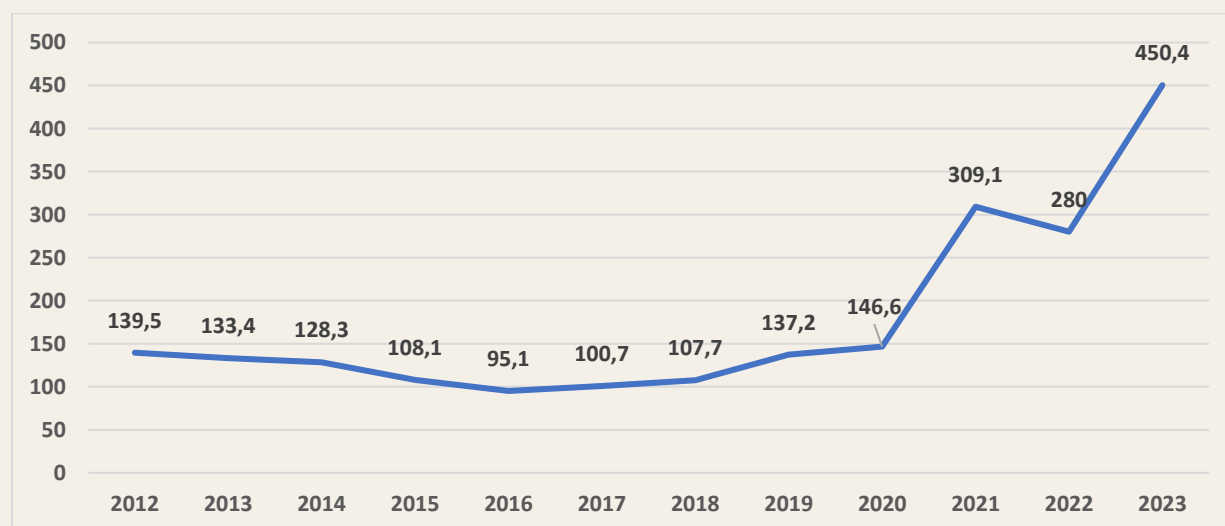


Diagram 1. Market Capitalization in EN.A. (€ million)
(Source: FactSheets 2012 - 2023, Athexgroup.gr)¹

¹ Athens Stock Exchange did not provide data for the 2008-2012 period

The fluctuations in market capitalization in the EN.A. over the past decade can be attributed to various factors:

- **Macroeconomic Environment:** The overall economic conditions in Greece and globally have a direct impact on investor confidence and market performance.
- **Regulatory Changes:** Adjustments in financial regulations and policies can either facilitate or hinder market growth.
- **Companies Performance:** The financial health and operational success of individual companies in the EN.A. play a crucial role in shaping market trends.
- **Investment Trends:** Shifts in investor behavior, driven by broader market dynamics and individual risk appetites, influence the level of investment in the EN.A.

Understanding the trends and factors influencing the market capitalization of EN.A. is essential for investors and stakeholders. The EN.A. has demonstrated resilience and potential for growth, reflecting broader economic recovery and increased investor interest. As the market continues to evolve, monitoring these trends will provide valuable insights into the future trajectory of the EN.A. and its role in the Greek financial ecosystem.

The ATHEX Composite Price Index in EN.A.

The ATHEX Composite Price Index, also known as the General Price Index of the Athens Stock Exchange, is a crucial indicator that reflects the performance of shares listed on the Athens Stock Exchange. This index encompasses a broad range of companies, providing a comprehensive overview of the market's health. Within the EN.A., the ATHEX Composite Price Index plays a significant role in evaluating the performance of the listed companies, offering valuable insights for investors and stakeholders.

To understand the trends and performance of the ATHEX Composite Price Index in the Alternative Market, we analyze data from the past five years (see **Diagram 2**). This examination allows us to identify key trends, assess overall market performance, and comprehend the impact of external factors on companies within the EN.A.

Intertemporal Trend of the Index

- **2019:** In 2019, the index was at 3,361.29 units.
- **2020:** In 2020, the index increased to 4,943.22 units, despite the economic uncertainty caused by the COVID-19 pandemic.
- **2021:** In 2021, the index further rose significantly to reach 6,047.84 points, due to improved economic conditions and investor confidence.
- **2022:** In 2022, the index saw a slight drop to 5,645.43 points, likely due to various geopolitical and economic uncertainties.
- **2023:** In 2023, the index rose significantly to reach 9,352.11 points, reflecting market stabilization and growth.

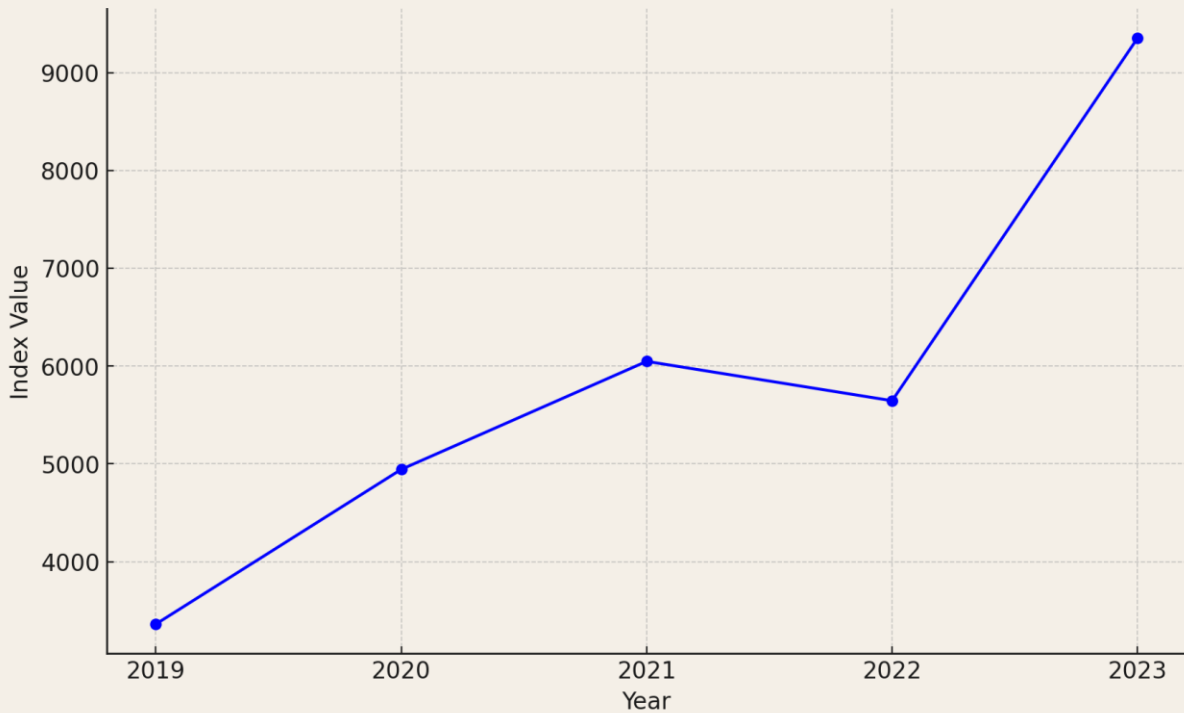


Diagram 2. Intertemporal Trend of The Index (2019-2022)
 (Source: FactSheets 2019 - 2023, Athexgroup.gr)

Market Indices in EN.A.

The Alternative Market is a Multilateral Trading Mechanism (MTM) as described in the MiFID Directive and started its operation in 2008. The Alternative Market has certain attractive features for companies, thus making their integration and financing more flexible. Indicatively, some of them are that:

- It is a multilateral Trading Mechanism - PMD, in accordance with the European MiFID directive (Directive 2014/65/EU).
- It has been operating since 2008 in accordance with ENA Operating Rules.
- It is characterized by a flexible integration and residence framework.
- The shares are included and traded in two distinct EN.A. categories. STEP and EN.A. PLUS, but also bonds in EN.A. Fixed Income.

EN.A. STEP and EN.A. PLUS

EN.A. STEP is mainly aimed at smaller companies with innovative ideas in the development, production or distribution of their products and services. In addition, EN.A. STEP is designed for companies that are in the initial stage of their business development (growth stage), which are looking for an alternative source of financing in order to implement a new business idea and their future development. Similarly, EN.A. PLUS is aimed at small and med-sized companies with a history of operation and business course of at least two years, who wish to finance their further development.

New listings and delistings in 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. 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.

Corporate governance in alternative markets globally, including EN.A., is a critical aspect that impacts new listings. In a lightly regulated environment, companies voluntarily comply with good corporate governance practices to attract investors and secure alternative financing for growth. This practice enhances the credibility of the Greek Capital Market, reinforcing transparency and improving the competitiveness of Greek companies. The Hellenic Corporate Governance Code emphasizes the importance of good corporate governance in promoting business competitiveness through efficient internal organization and lower capital costs. Increased transparency and disclosure, as promoted by the Code, are essential for both private companies and public organizations.

Historically, efforts to establish good corporate governance practices in Greece have gone beyond legislative requirements, especially for companies listed in the alternative market. For these companies, adhering to corporate governance principles is crucial for their development and for reducing risks to investors, thereby enhancing their financial performance and potential for transitioning to the main market. By linking the principles of corporate governance directly with the process and impact of new listings, the relevance to the section is more clearly established. If this approach still seems misaligned, consider creating a separate section dedicated to discussing corporate governance in relation to the broader market environment and investor confidence.

EN.A. has seen several new listings over the years (see **Diagram 3**). These listings include both well-established companies and emerging businesses, which choose EN.A. for its flexible regulatory environment and opportunities for growth. From the establishment of EN.A., 21 companies appeared in the Index (see **Table 1**). More specifically, in 2008, 9 companies were participating in 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, Bio-medical and Robotic Technology) while in 2019 there was one more deletion (Kriton Artos) and the number of listed companies decreased to 11. From 2020 to 2023, the number of listed companies rose to 13. Interestingly, during this period there were 3 companies that delisted from EN.A. and listed to the main market of Athens Stock Exchange (Epsilon Net and Entersoft in 2020, Alpha Trust in 2022), 7 companies joined EN.A. and there was also one deletion in 2021 (Diversa S.A.).

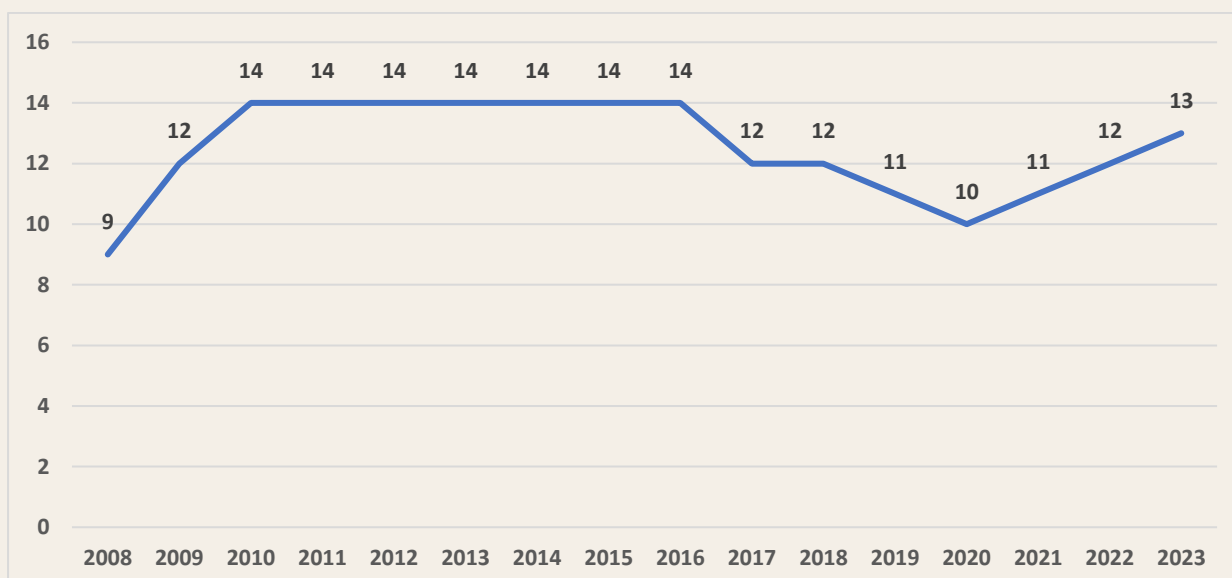


Diagram 3. Listed companies in EN.A. (Source: Athexgroup.gr)

A/A	Company Name	Year Listed	Year Delisted	Listed in Main Market
1	EPSILON NET	2008	2020	2020
2	MEDITERRA S.A.	2008	-	-
3	DOPPLER S.A.	2008	-	-
4	EUROXX S.A.	2008	-	-
5	ENVITEC	2008	2017	No
6	ENTERSOFT	2008	2020	2020
7	ALPHA TRUST	2008	2022	2022
8	PERFORMANCE TECHNOLOGIES S.A.	2008	-	-
9	OPTRONICS TECHNOLOGIES S.A.	2008	-	-
10	KRITON ARTOS	2009	2019	No
11	BIO-MEDICAL AND ROBOTIC TECHNOLOGY	2009	2017	No
12	FOODLINK S.A.	2009	-	-
13	VIDAVO S.A.	2010	-	-
14	DIVERSA	2010	2021	No
15	CAIRO MEZZ PLC	2021	-	-
16	PHOENIX VEGA PLC	2021	-	-
17	REAL CONSULTING S.A.	2021	-	-
18	SUNRISEMEZZ PLC	2022	-	-
19	GALAXY COSMOS MEZZ PLC	2022	-	-
20	MED S.A.	2023	-	-
21	DOTSOFT S.A.	2023	-	-

Table 1. Listings and Delistings' in EN.A. (2008-2023)
(Source: Athexgroup.gr)

Importance of Alternative Markets

The Alternative Market is a Multilateral Trading Mechanism as described in the MiFID Directive and started its operations in 2008. The market was established by the Athens Stock Exchange 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. 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 (Kalialakis et. al., 2022).

For the alternative market, the Athens Stock Exchange is exclusively responsible for determining the conditions for inclusion in trading and the obligations of companies and Advisors, and imposing sanctions for violations of the Rules of Operation.

Advantages for Companies:

1. Strengthening Capital Structure

- Accessing the secondary capital market allows companies to expand their sources of financing. This is crucial for achieving development goals and increasing competitiveness.

2. Low-Cost Capital

- The alternative market offers companies the opportunity to obtain capital at a lower cost compared to traditional methods. This facilitates growth and expansion with minimal financial burden.

3. Increased Visibility and Reputation

- Being listed on the EN.A. enhances a company's profile, making it more attractive to investors, potential business partners, and customers. This increased visibility can lead to strategic partnerships and better market positioning.

4. Corporate Governance:

- By adopting modern administrative structures and principles of transparency, companies can improve their corporate governance. This not only builds trust with investors but also enhances operational efficiency.

5. Innovation and Growth:

- The flexibility and supportive framework of the EN.A. encourage companies to innovate and pursue ambitious projects. This is particularly beneficial for small and medium-sized enterprises (SMEs) and startups looking for growth opportunities.

Legal Framework of EN.A.

The legal framework governing the Alternative Market (EN.A.) in Greece is established primarily by the Operating Rules of EN.A. These rules are in accordance with articles 18 and 19 of Law 4514/2018 and the decision 2/505/3.4.2009 of the Hellenic Capital Commission, under which EN.A. was granted its operating license. The EN.A. operates as a Multilateral Trading Facility (MTF) under the administration of the Athens Stock Exchange (ATHEX).

Below is a detailed overview of the relevant legal and regulatory provisions for the Alternative Market:

General Operating Framework

- **Scope and Definitions:** The operating framework of EN.A. includes distinct segments such as ENA PLUS and ENA STEP, among others, aimed at supporting different types of companies and securities.

Requirements for Admission of Shares to Trading

- **General Requirements (Article 3):** Applicants must be public limited companies (société anonyme) and meet specific legal and financial criteria.
- **Financial Statements and Period of Existence (Article 4):** Companies must have published financial statements for at least two fiscal years and have had at least two years of previous activity in their business sector, unless otherwise approved by ATHEX.
- **Free Float (Article 6):** Companies must ensure that at least 15% of their shares are held by the public, with a minimum of 50 persons holding shares, each owning less than 5% of the total shares.
- **Appointment of a Nominated Adviser (Article 7):** A Nominated Adviser must be appointed to support the company through the admission process and for at least the first two years of trading on ENA PLUS.

Obligations After Admission

- **Regular Reporting (Article 12):** Companies are required to submit annual and semi-annual financial statements to ATHEX.
- **Extraordinary Reporting (Article 13):** Companies must report significant changes such as changes in voting rights, business activities, or financial condition.

Corporate Actions

- **General Provisions (Article 18):** New securities resulting from corporate actions must be approved by ATHEX and meet specific requirements.
- **Cash Distributions (Article 20):** The distribution of dividends follows the provisions of the ATHEX Rulebook.

These rules ensure that EN.A. operates in a transparent and orderly manner, providing a flexible platform for small, medium-sized enterprises (SMEs) and start-up companies to access

capital markets. By complying with these regulations, companies can enhance their credibility and attractiveness to both domestic and international investors.

The Greek Context

Corruption Perceptions Index

The Corruption Perceptions Index (CPI) is an annual index published by Transparency International (<https://www.transparency.org>). This index assesses the perception of corruption in the public sector of various countries worldwide, based on measurements and opinions of experts and businesspeople. A country's position in the CPI can affect its economic reputation and investor confidence.

Corruption has serious consequences for society and the economy, as it undermines justice, increases the cost of services and reduces the effectiveness of the government. As such, the CPI is a critical tool for understanding and fighting corruption worldwide.

Specifically for Greece, from 2008 to 2012, the position in the CPI deteriorated significantly, falling from 57th place to 94th place. This period of time is characterized by the economic crisis and corruption problems that the country was facing. From 2013 to 2015, there is an improvement, with Greece rising to 58th place in 2015. Reforms and anti-corruption efforts likely contributed to this recovery. Since 2016, Greece's position in the CPI has fluctuated between 51st and 69th. The country's position improved in 2022 (51st place), but in 2023 there was a deterioration again to 59th place (see **Diagram 4**).

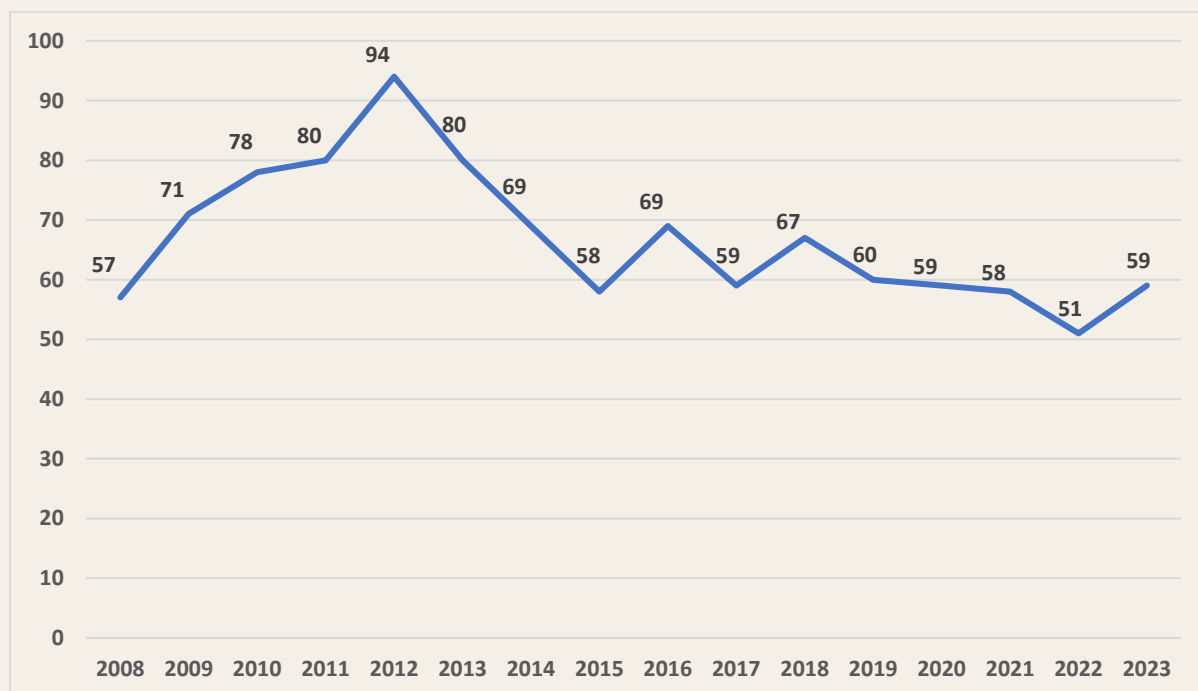


Diagram 4: Greece's Position in Corruption Perceptions Index 2008-2023
(Source: Adapted by Transparency International Reports 2008-2023)

The Corruption Perceptions Index (CPI) for Greece shows significant fluctuations over the period 2008-2023. Despite anti-corruption efforts and reforms, Greece's position on this index continues to present problems. Continued efforts to improve transparency and fight corruption are critical to restoring public and investor confidence in the Greek financial system.

The following table (**Table 2**) provides a comprehensive overview of Greece's performance in the Global Competitiveness Report from 2009 to 2020. The data covers various key pillars, including GDP per capita, institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation. Below is the analysis of the key findings from the data:

Greece's competitiveness has experienced significant challenges, particularly during the economic crisis. However, efforts to stabilize and improve various economic and institutional aspects have shown positive trends in recent years. Continued focus on reforms and enhancements in these key pillars will be essential for further improving Greece's competitiveness on the global stage.



Years		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Pillars	Performance Overview	67	71	83	90	96	91	81	81	87	87	96	91
	GDP per capita (in \$ 000)	28,273	32,004	29,635	27,302	27,073	22,055	21,857	21,653	21,7	22,1	22,6	23
1	Institutions	58	70	84	96	111	103	85	81	96	94	94	94
2	Infrastructure	45	47	42	45	43	38	36	34	40	41	42	43
3	Macroeconomic Environment	106	103	123	140	144	147	135	132	128	126	124	120
4	Health and primary education	40	41	40	37	41	35	41	41	36	36	36	36
5	Higher education and training	38	43	42	46	43	41	44	43	41	42	42	42
6	Goods Market Efficiency	64	75	64	107	108	108	85	89	114	113	112	112
7	Labour market efficiency	116	116	125	126	133	127	118	116	133	133	132	132
8	Financial market Development	67	83	93	110	132	138	130	131	126	122	121	120
9	Technological readiness	59	53	46	47	43	39	39	36	54	54	54	54
10	Market Size	33	34	39	42	46	47	49	52	48	47	47	48
11	Business Sophistication	66	66	74	77	87	83	74	74	82	82	82	82
12	Innovation	63	65	79	88	85	87	79	77	86	85	85	85

Table 2: Greece's Competitiveness (Source: Adapted by the WEF Global Competitiveness Report 2009-2020)²

² Note: The World Economic Forum (WEF) has not published any recent reports and as for data presented pause in 2020

Research Findings

The following section reports on key developments in EN.A. from 2008 to 2020. Variables examined include board size, composition, leadership structure, gender, diversity, board committees and audit firms.

Board size

The average board size of companies listed in EN.A. throughout the examined period is provided in **Diagram 5**. Since the establishment of EN.A. in 2008 we observed a gradual decrease in the median board of the companies. More specifically, in 2008 the average board size was 6.89, and during the next 5 years the board size decreased to 6.07.

The next three years the average board size fluctuated hitting the 5.71 in 2016 (minimum). From 2017 onwards we can infer that the averaged board size slightly increased reaching 5.80 in 2020.

The average board size falls within 3 to 10 members, which is in line with the Code's requirements. More specifically, 54% of the companies have a BoD consisting of up to 6 members and 46% have a board from 7 to 10 members.

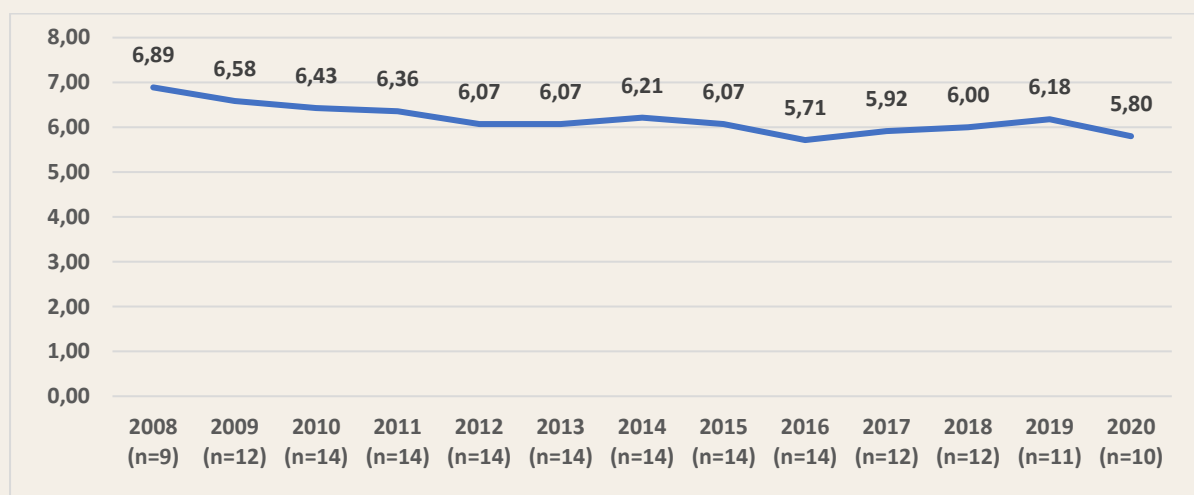


Diagram 5: Average Board Size

Comparison with the main Market of ATHEX³

The average board size of listed companies in the main market of the Athens Stock Exchange for the period 2008-2020 remains relatively stable. The highest value was recorded in 2008, with an average size of 8.01, while the lowest value was observed in 2013, with an average size of 7.66. Initially, there is an increase from 7.90 in 2008 to 8.01 in 2009.

Following this, a gradual decline was observed until 2013. From 2014 onwards, there are minor fluctuations with a small increase from 7.67 in 2014 to 7.81 in 2018. The last 2 years

³ More information can be found on the latest HOCG ATHEX Review

of the examined period showed a small decrease in 2019 with an average board size of 7.71, while in 2020 there was a subtle increase resulting in an average size of 7.78.

Gender diversity

The following diagram articulate the behaviour of the listed companies in EN.A. in terms of gender diversity. More specifically, in **Diagram 6** we observe the number of female and male directorships on the boards.

The number of female directorships has steadily increased throughout the years; still, male directorships overwhelmingly outweigh women. Female directorships (the total number of female board positions), show minor fluctuations without a consistent trend, peaking at 12 in 2019 before slightly decreasing to 11 in 2020.

On the other hand, the trend for male directorships (9 number of male board positions) is downward, starting from a high of 78 in 2010 and dropping to 47 in 2020. This suggests that while there is some presence of female directorships, it remains relatively low and inconsistent compared to their male counterparts.

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.

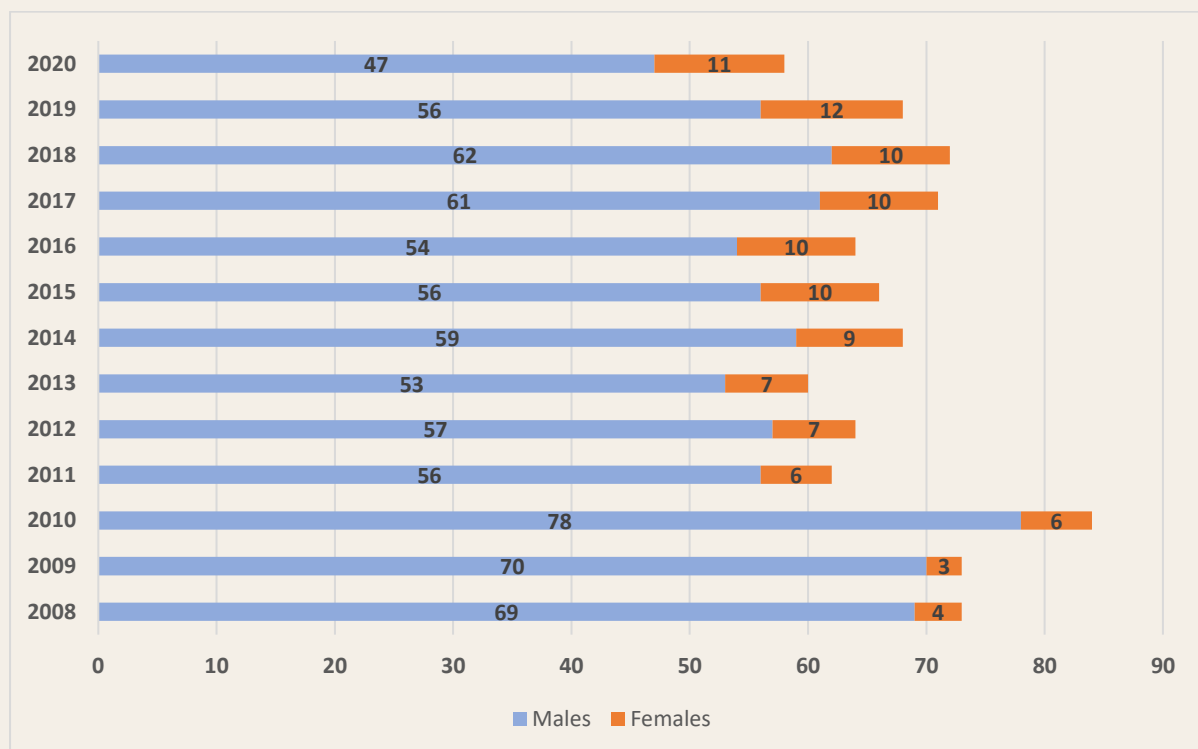


Diagram 6: Male vs Female Directorships

Diagram 7 sheds extra light on the presence of women in boards by depicting the percentage of male and female directorships; specifically, male directorships decreased from a dominant 95% in 2008 to 81% in 2020, while female directorships for the same period increased from

5% to 19%. There is a clear trend from the listed companies in EN.A. to include more women on their boards.

Interestingly, there were 2 companies out of 10 in 2020 that had outreached the 25% target set in the main market by the Law 4706/2020 (Optronics Technologies and Diversa with 33% female participation in their boards). Most importantly, Cairo Mezz (listed in 2020 in EN.A.) has a 3-member board with all members being women.

This data highlights a gradual shift towards a more balanced gender representation on boards, although male directorships still dominate.

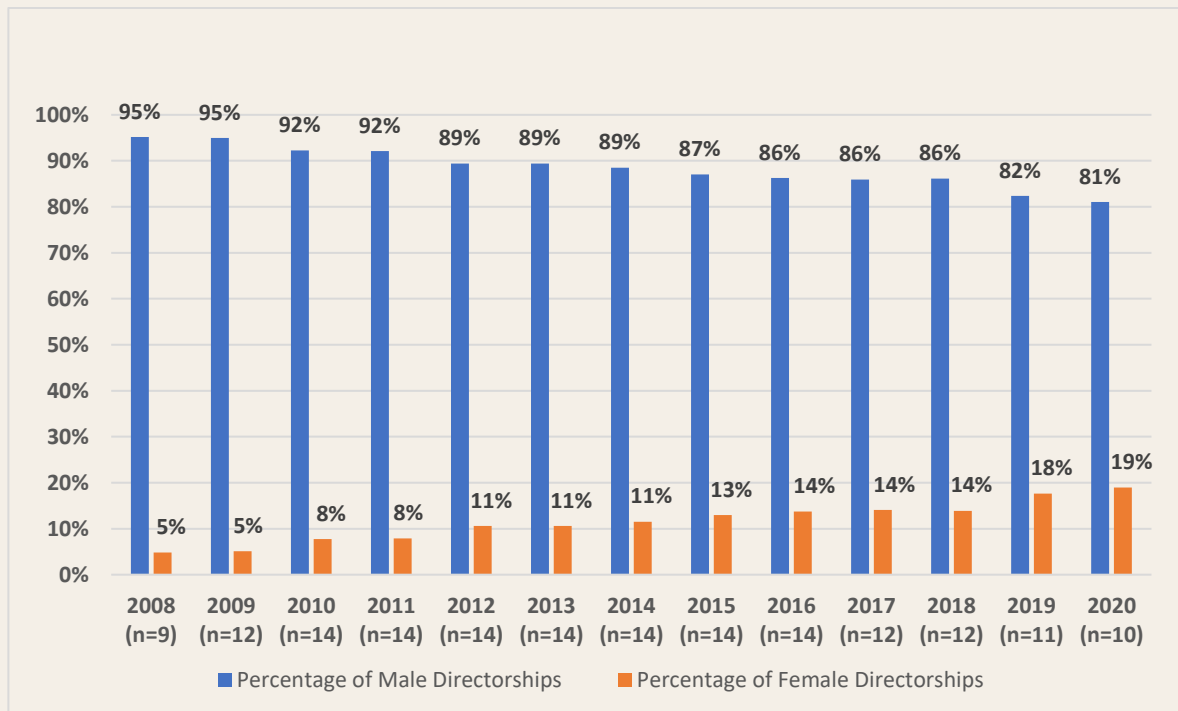


Diagram 7. Average of Male and Female Directorships (2008-2020)

Comparison with the main Market of ATHEX⁴

Similarly, we will also compare the number of male and female BoD positions in listed companies with the main market of the Athens Stock Exchange from 2008 to 2020. Over this period, the number of male directorships shows a clear downward trend, starting at 2061 in 2008 and decreasing significantly to 1040 in 2020.

Conversely, female directorships exhibit a slight decrease, beginning at 245 in 2008, while reaching 197 in 2020 (although the number of listed companies in the main market has been significantly dropped; 2008 n=291, 2020 n=160).

Proportionally, women presence in the companies of the main market in 2008 was around 10%, while in 2020 women presence accounted at 16% of the total board members.

⁴ More information can be found on the latest HOCCG ATHEX Review
 ©Review of the HOCCG
 ISSN 1759-0108

Foreign board members

Foreign board members (non-Greek directors) also appear to be heavy underrepresented in the boards of EN.A. More specifically, from 2008 to 2016 we have observed only 3 foreign board memberships, while from 2017 to 2020 the number dropped to 2. Proportionally, this number accounts for around 5% in 2008 and only 3% in 2020 of the total board memberships.

Comparison with the main Market of ATHEX⁵

The percentage of foreign board memberships in the main market of Athex was around 5% in 2008 and throughout the years the number rose to 8.7% in 2020. Significantly, the total number of foreign directorships is quite similar between 2009 and 2020 (118 in 2009 and 108 in 2020), although the total number of board positions diminished significantly by 44% (2043 board positions in 2009 to 1243 board positions in 2020).

Board leadership structure

The reference to the distinction between the Chair and the CEO is very important because it determines the concentration of non-executive powers in one person. **Diagram 8** examines the duality versus separation structure in the roles of Chair and CEO in the EN.A. of the Athens Stock Exchange from 2008 to 2020.

In this market, duality (i.e. where the same person holds both positions), shows an increasing trend initially, rising from 4 in 2008 to a peak of 9 in 2015. However, after reaching this peak, there is a notable decline, with the number dropping to 6 by 2020. On the other hand, the separation of roles (i.e. where different directors occupy the positions of Chair and CEO), starts at 5 in 2008, increases to 7 in 2009, and stabilizes around 5 to 6 until 2017.

From 2018 onwards, the number stabilizes at 4. This trend indicates that while there was a period where combining the roles became more common, recent years have seen a shift back towards separating these key governance roles. 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).

⁵ *More information can be found on the latest HOCG ATHEX Review*
©Review of the HOCG
ISSN 1759-0108

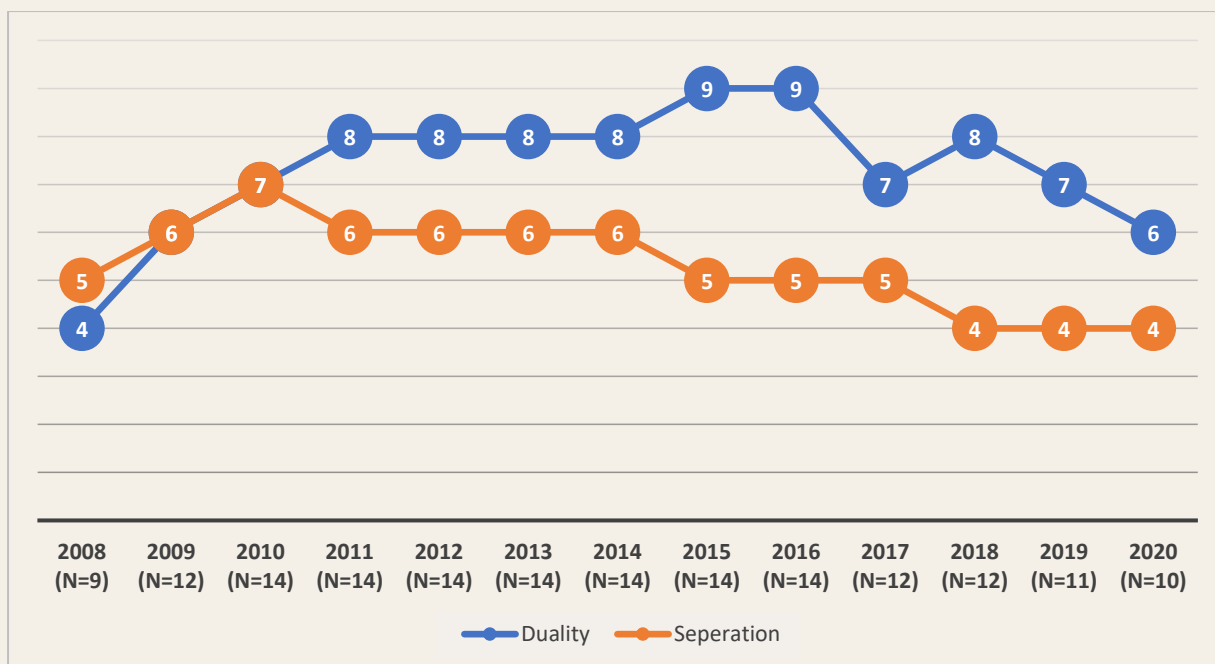


Diagram 8. Duality in the position of Chair and CEO (2008-2020)

Comparison with the main Market of ATHEX⁶

A review of Greek listed companies from 2009 to 2020, focusing on the duality, separated but affiliated roles, and completely separated roles, shows a clear downward trend in duality and separated but affiliated roles. This reflects a move towards more independent governance structures.

Specifically, the percentage of companies with duality structure in 2009 was 41% (115 companies), while in 2020 there is a fractional increase to 42% (67 companies). The percentage of companies with separated but affiliated roles declined from 15% in 2009 (42 companies) to 13% in 2020 (21 companies). Similarly, the percentage of companies with separated roles in 2009 was 44% (123 companies), while in 2020 accounted at 45% (72 companies).

Although that the number of listed companies in the main Market of ATHEX has been dropped (2009 n=280, 2020 n=160), the leadership structure does not seem to change significantly (there are fluctuations on the figures throughout the years). The movement towards the separation of roles aligns with broader corporate governance standards aiming to enhance oversight and reduce potential conflict of interest. Notably, there were no companies in EN.A. with affiliated Chair and CEO positions.

Audit firms

In accordance with the current legislation and specifically with the provisions of Law 4449/2017 (Mandatory audit of annual and consolidated financial statements, public supervision of audit work and other provisions), among the responsibilities of the Audit

⁶ More information can be found on the latest HOCG ATHEX Review
 ©Review of the HOCG
 ISSN 1759-0108

Committee as mentioned above, is the monitoring a) of the audit of the annual and consolidated financial statements by auditing companies or certified public accountants, b) of independence of auditors or audit firms and the Audit Committee becomes responsible for recommending chartered auditors or audit firms for appointment, following a selection process. Given the importance that the legislator attaches to the selection and independence of the auditing company - certified public accountant, **Diagram 9** shows the selection of auditing companies, which were chosen to audit the financial statements of the companies for the year 2020.

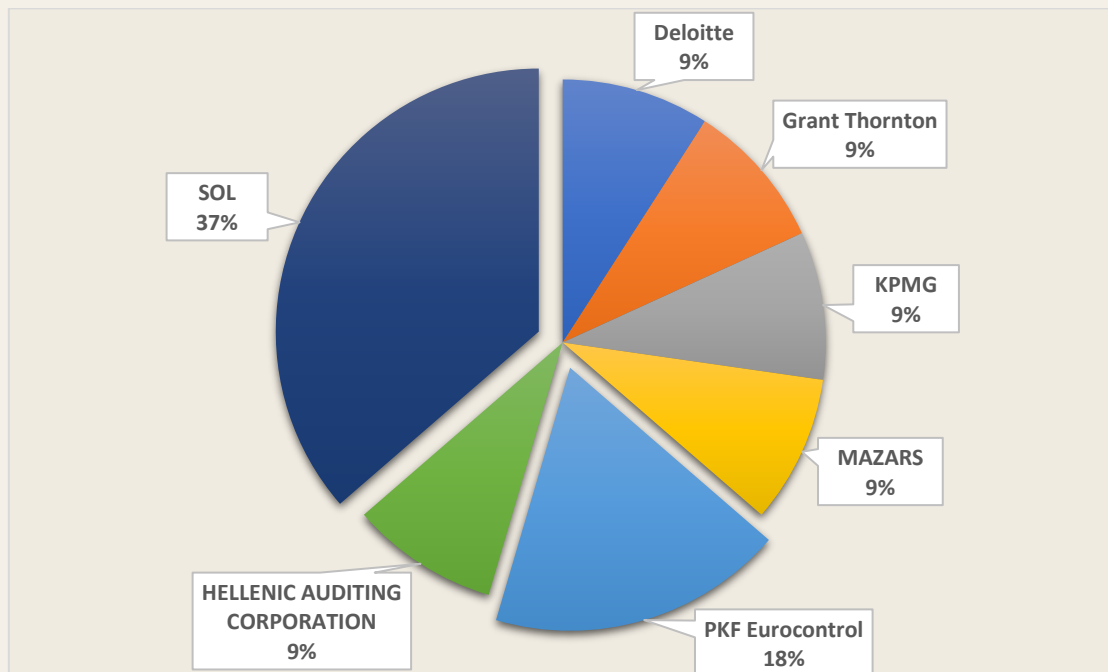


Diagram 9. Audit firms in EN.A. (2020)

Comparison with the main Market of ATHEX⁷

A review of the audit firms of the Greek listed companies in 2020 depicts that SOL has the highest percentage of around 23%, followed by Grant Thornton with 19% and PWC with 13%. Overall, the 3 aforementioned companies audited the 55% of the companies in the main market of ATHEX in 2020.

Board Committees

Board committees are specialized sub-groups within the board of directors that focus on specific areas of governance, such as audit, remuneration, and nominations. The establishment and effective functioning of these committees are crucial for enhancing corporate governance, ensuring compliance with regulatory requirements, and improving overall board effectiveness. This section explores the role and importance of board committees for companies listed on the Alternative Market (EN.A.) of the Athens Stock

⁷ More information can be found on the latest HOCG ATHEX Review

Exchange (ATHEX), which outlines the presence of board committees in EN.A. companies during 2019-2020.

In order to better implement the principles and rules of corporate governance, the Boards of Directors of companies set up committees, as defined by the corporate governance code and also by national legislation. Certain committees are mandatory by law, while the possibility of being exempted from the formation of some is given under specific conditions of the law. 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 can conclude the following:

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

Comparison with the main Market of ATHEX⁸

The average number of committees in the main market gradually approaches the two-committee threshold during the examined period. The average number of committees per firm has been surprisingly steady through the years. The mean number of board committees in 2009 is 1.5, while in 2020 the mean number of committees increases to 1.8. The maximum number of committees over the examined period is 9 (Hellenic Post Bank) in 2009 and 2010.

⁸ *More information can be found on the latest HOCG ATHEX Review*
©Review of the HOCG
ISSN 1759-0108

Summary

The analysis shows that although companies in the Athens Exchange's Alternative Market are trying to adopt corporate governance principles, there is significant room for improvement. Differences with the main market companies indicate the need for further strengthening of support and compliance mechanisms. By implementing the processes for education, support and strengthening the institutional framework, Alternative Market companies can improve their governance systems and contribute to their long-term sustainability and growth.

In this report, we investigated the behaviour of all 17 listed firms in the Alternative Market of the Athens Stock Exchange in the period 2008 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.

References

Athens Stock Exchange (Athexgroup.gr). (2012 – 2023). Index Factsheet. Retrieved from <https://www.athexgroup.gr/el/index-information-factsheets>

European MiFID directive (Directive 2014/65/EU). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0065>

Hellenic Corporate Governance Council. (2021). *Hellenic Corporate Governance Code*. Retrieved from <https://www.esed.org.gr/documents/20121/62611/Hellenic+Corporate+Governance+Code+2021.pdf/f1a35fbf-1126-ca0e-160c-dbd55c7198a?t=1626350753153>

Hellenic Federation of Enterprises. (2013). *Hellenic Corporate Governance Code for Listed Companies*. Retrieved from https://www.sev.org.gr/Uploads/pdf/kodikas_etairikis_diakivernisis_GR_OCT2013.pdf

HOCG (2020), "Corporate Governance in Greek listed companies", HOCG Reviews, Volume 9, Issue 1, pp. 1-43, December, ISSN: 1759-0108 DOI: 10.13140/RG.2.2.22838.22081

HOCG (2022), "Corporate Governance in the Greek Alternative Market (EN.A.)", Corporate Governance and Boards: Views and Insights, Issue 7, November. <http://dx.doi.org/10.13140/RG.2.2.30256.12809>. ISSN: 2634-1050.

Kalialakis, I., Grose, C., Fygiouris, M., Koufopoulos, D., & Sikalidis, A. (2022). "Corporate Governance Compliance in Alternative Markets. The Case of the Alternative Market of ATHEX". *European Journal of Interdisciplinary Studies*, Vol. 14, Issue 2, pp. 207-236.

Law 4449/2017. *Mandatory audit of annual and consolidated financial statements, public supervision of audit work and other provisions*. Gazette of the Government A' 7/24.1.2017.

Law 4706/2020. *Corporate governance of public limited companies, modern capital market, incorporation into Greek legislation of Directive (EU) 2017/828 of the European Parliament and of the Council, measures for the implementation of Regulation (EU) 2017/1131 and other provisions*.

London Stock Exchange (2024), Alternative Investment Market (AIM).

Mallin, C., & Kean Ow-Yong. (2012). "Factors influencing corporate governance disclosures: Evidence from Alternative Investment Market (AIM) companies in the UK." *The European Journal of Finance*, 18(6), 515-533.

APPENDIX A: Methodology

Sample

The study sample consists of all the Greek companies listed in the EN.A. of ATHEX from 2008 to 2020. Data is hand-collected and derived from the HOCG database for the examined period. Secondary data from the ATHEX website (www.athexgroup.gr) and other sources are employed (company's websites, media). All corporate governance information is double-checked through the firms' annual reports and the respective corporate announcements.

Variables Examined/Studied

Board size

Firm board size is captured by the number of directors on December 31st of each year.

Gender diversity

The gender of the board members is ascertained by examining the names and surnames of all board members.

Foreign board members

Foreigners on the board are determined by examining the origin of the members' surname.

Board leadership structure

Companies adopt either a separate role for the Chairperson and the CEO or a joint/dual structure (duality). Within the companies that have adopted the separate structure, a simple criterion of affiliation is examined (although this is neither absolute nor scientific). Thus, the surnames for the two directors holding the CEO/Chair seats are examined and, in the case that they are identical, they are classified as separate but affiliated.

Audit firms

The names of the audit firms are obtained from the annual reports

Board committees

Data regarding board committees that currently operate within the sample of listed boards is obtained from the respective websites as well as from the annual reports of the examined companies. The ATHEX website is also used to verify and double-check the aforementioned information.

Published by the Hellenic Observatory of Corporate Governance.

All rights reserved. Dissemination of the contents of this paper is encouraged. Please give full acknowledgement of the source when repeat reproducing extracts in other published works.

HOCG except no responsibility for loss occasioned by any person acting all refraining from action as a result of any views expressed in these pages no one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

**Citation: HOCG (2024), "Corporate Governance in Greek Alternative Market", HOCG Reviews, Volume 10, Issue 1, pp. 1-23, March, ISSN: 1759-0108
DOI: <https://doi.org/10.13140/RG.2.2.32290.54722>**

Accessed at: [https://hocg.eu/wp-content/uploads/2024/12/Review-of-the-HOCG-2024-Vol.-10-No.-1-pp.-1-23-Athex-E.NA .pdf](https://hocg.eu/wp-content/uploads/2024/12/Review-of-the-HOCG-2024-Vol.-10-No.-1-pp.-1-23-Athex-E.NA.pdf)

Email us: info@hocg.eu



Professor Dimitrios N. Koufopoulos of University of London is the Founder and Scientific Director of the HOCG as well as the Editor of the Review.

Project Leaders: Michail Fygkioris, Ioannis Kalialakis, Konstantinos Athanasiadis, Dr. Chris Grose