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Corporate Governance 2023

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Greece: Law & Practice

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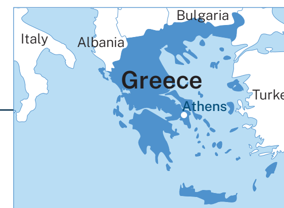
Karatzas & Partners

GREECE



Law and Practice

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Contents

1. Introductory p.6
1.1 Forms of Corporate/Business Organisations p.6
1.2 Sources of Corporate Governance Requirements p.6
1.3 Corporate Governance Requirements for Companies With Publicly Traded Shares p.6

2. Corporate Governance Context p.8
2.1 Hot Topics in Corporate Governance p.8
2.2 Environmental, Social and Governance (ESG) Considerations p.8

3. Management of the Company p.9
3.1 Bodies or Functions Involved in Governance and Management p.9
3.2 Decisions Made by Particular Bodies p.10
3.3 Decision-Making Processes p.11

4. Directors and Officers p.12
4.1 Board Structure p.12
4.2 Roles of Board Members p.12
4.3 Board Composition Requirements/Recommendations p.13
4.4 Appointment and Removal of Directors/Officers p.13
4.5 Rules/Requirements Concerning Independence of Directors p.14
4.6 Legal Duties of Directors/Officers p.14
4.7 Responsibility/Accountability of Directors p.15
4.8 Consequences and Enforcement of Breach of Directors' Duties p.15
4.9 Other Bases for Claims/Enforcement Against Directors/Officers p.16
4.10 Approvals and Restrictions Concerning Payments to Directors/Officers p.16
4.11 Disclosure of Payments to Directors/Officers p.17

5. Shareholders p.17
5.1 Relationship Between Companies and Shareholders p.17
5.2 Role of Shareholders in Company Management p.17
5.3 Shareholder Meetings p.18
5.4 Shareholder Claims p.18
5.5 Disclosure by Shareholders in Publicly Traded Companies p.18

6. Corporate Reporting and Other Disclosures p.19
6.1 Financial Reporting p.19
6.2 Disclosure of Corporate Governance Arrangements p.20
6.3 Companies Registry Filings p.20

7. Audit, Risk and Internal Controls p.21
7.1 Appointment of External Auditors p.21
7.2 Requirements for Directors Concerning Management Risk and Internal Controls p.22

Karatzas & Partners was founded in 1963. The firm's nine partners and 55 lawyers work from offices in Athens. From its establishment, the firm has been active in the fields of civil, company, commercial and financial law, serving both Greek and international clients. The firm specialises in banking and finance, capital markets, competition, energy, mergers and acquisitions, privatisation, project finance law, real estate and telecommunications, including litigation, both before courts and arbitral tribunals, in all fields. The firm and its lawyers have been routinely recognised, globally, for their expertise across all practice areas.

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1. Introductory

1.1 Forms of Corporate/Business Organisations

The legal forms that business organisations usually take in Greece are currently the following:

- Greek Société Anonyme (SA) regulated by Law 4548/2018 on the reform of the Law of Sociétés Anonymes (the "Corporate Law");
- Greek private company regulated by Law 4072/2012 (IKE); and
- Greek limited liability company regulated by Law 3190/1955 (EPE).

There is also the general partnership (OE) regulated by Articles 249–269 of Greek Law 4072/2012 and the limited partnership (EE) regulated by Articles 271–284 of Greek Law 4072/2012.

1.2 Sources of Corporate Governance Requirements

Corporate Governance Requirements

Corporate governance requirements in Greece are either provided for by mandatory legal provisions (the vast majority of them in Greece being provisions transposing the relevant European directives and guidance published by European agencies and other non-regulatory bodies) or by certain soft law requirements included in suggestions and guidance published by the Hellenic Corporate Governance Council (HCGC), a non-profit company established with the joint initiative of the Athens Exchange (ATHEX) and the Hellenic Federation of Enterprises or by other non-regulatory international bodies (such as the Organisation for Economic Co-operation and Development). Occasionally, and most usually in cases of Greek corporates that belong to a multinational group of companies, corporate governance requirements are also provided for by internal rules adopted on the initiative of the foreign parent entity.

Application of Governance Requirements

The vast majority of corporate governance requirements apply to Greek corporates whose shares or other securities are listed on the regulated ATHEX market. Currently, only SAs can be listed on the ATHEX; therefore, such corporate governance requirements do not apply to partnerships, IKEs or EPEs.

Furthermore, the relevant corporate law provisions for IKEs and EPEs are mainly rules pertaining to the powers of the administrators and the partners' meeting, the non-compete obligation, restrictions to loans granted by the corporate to the administrators and the liability of the administrators.

Considering the above, the matters raised in this chapter will mainly focus on those corporate governance rules applicable to Greek SAs.

1.3 Corporate Governance Requirements for Companies With Publicly Traded Shares

The special corporate governance requirements applicable only to listed SAs are provided for by the following special rules.

- The provisions of the Corporate Law that are applicable only to listed SAs.
- Law 4706/2020 on corporate governance requirements applicable to Greek SAs (the "New Corporate Governance Law"), which entered into force on 17 July 2021 and replaced Law 3016/2002, providing for five main sets of obligations, namely:
  - (a) the composition of the entity's board of directors;
  - (b) the establishment of the board of direc-

tors' committees (audit, remuneration and nomination committees);
  - (c) the adoption of an internal regulation of operation;
  - (d) the establishment of an internal audit system and appointment of an internal auditor; and
  - (e) the establishment of (an) investors' and corporate announcements department(s).
- Article 44 of Greek Law 4449/2017 on the audit committee.
- Law 3556/2007 transposing Directive 2004/109/EC into Greek law (the "Transparency Law") on publication of an annual and interim management and financial report as well as adequate dissemination of regulated information by listed issuers.
- Regulation (EU) 596/2014 on market abuse (the "Market Abuse Regulation") regarding the mandatory blackout period for transactions by directors on the entity's securities certain days before the publication of financial statements as well as the directors' obligation to publicly disclose any such transaction and the obligation of the issuer to disclose price-sensitive information or safeguard the secrecy of such information before it is disclosed.
- The provisions of the ATHEX Regulation on the disclosure obligations of listed issuers.

Expanding on These Requirements

The provisions of the Corporate Law applicable to listed SAs mainly concern:

- the adoption of a remuneration policy and publication of a remuneration report on an annual basis;
- the enhanced disclosure process preceding a general meeting of shareholders;
- the special authorisation process for related party transactions; and
- the publication of an annual report in which, inter alia, information on the corporate governance code adopted by the relevant entity is included.

The ATHEX Regulation provisions to a large extent reiterate the mandatory disclosures under the Market Abuse Regulation and the Transparency Law, and add certain ad hoc disclosures in the case of corporate actions not otherwise captured by the disclosures provided for by Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (the "Prospectus Regulation").

All the above-mentioned requirements are mandatory, including the adoption of a corporate governance code, albeit not its actual content. The corporate governance code must have been produced by a recognised, domestic or international, non-profitable organisation with direct or indirect representation of a sufficient number of capital markets participants, acknowledged as such by the Hellenic Capital Market Commission (HCMC) upon following a relevant formal process. The corporate governance code is implemented based on the "comply or explain" principle – ie, the relevant entity either fully adopts the code or elects to deviate from certain provisions.

In such a case, the issuer publicly reports the deviations on an annual basis by referring to them in the corporate governance statement included in its annual management report, which is published together with the annual financial statements of the issuer. Most Greek listed companies have adopted the code proposed by the HCGC (the "HCGC Code").

2. Corporate Governance Context

2.1 Hot Topics in Corporate Governance

Following the entry into force of the new provisions on corporate governance (on 17 July 2021) provided by the New Corporate Governance Law, the HCMC has issued a number of clarificatory circulars and guidance to clarify the technicalities of the new requirements and assist listed entities with enhancing and maintaining compliance with the corporate governance framework.

Further to the focus on the ongoing compliance of listed companies with the new corporate governance framework, sustainability remains at the top of the HCMC's business plan for 2023, which was approved by the board of directors of the HCMC with its decision No 1b/974/29.12.2022, on the basis of its strategic objectives for 2022–2027 published in 2022. The course of actions for 2023 include the mapping of the market and issuance of relevant clarificatory circulars, along with the continuous supervision of ESG disclosures in the annual financial statements of listed entities falling within the scope of Article 8 of Regulation 2020/852.

2.2 Environmental, Social and Governance (ESG) Considerations

The Athens Exchange joined the UN Sustainable Stock Exchanges (SSE) initiative in 2018 and has developed the "ESG Reporting Guide", not only for listed companies but also for companies that in general want to enhance investors reporting and performance measurement.

This non-mandatory guide aims to assist companies with identifying the ESG issues they should disclose and manage, based on their impact on long-term performance. It also offers practical guidelines on the metrics companies should use to disclose such information. The ESG Reporting Guide is based on practices outlined in international sustainability guidelines such as the SASB's industry-specific standards and reporting frameworks such as the Greek Sustainability Code, as well as on existing ESG disclosure practices in the Greek market.

The Greek Sustainability Code sets the framework with regard to non-financial data reporting, which follows the EU Guidelines on disclosure of non-financial information. It does not impose a new set of obligations, but merely responds, inter alia, to the requirements already included in the non-financial disclosure provided for by the Corporate Law and the Transparency Law with respect to listed issuers. It has four main areas of review (Strategy, Governance, Society and Environment) and 20 criteria thereunder, such as the review of any value chain achievement, CO2 emissions status and use of renewable energy sources and equal opportunities policy.

Pursuant to the New Corporate Governance Law, the internal regulation of operation of a listed SA must include the sustainable growth policy of the issuer, where this is required.

Following the entry into force of Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (the "Taxonomy Regulation"), public interest entities, including, inter alia, large listed SAs, which exceed on their balance sheet dates the criterion of the average number of 500 employees during the preceding financial year, and whose total assets exceed EUR20 million or whose total net sales exceed EUR40 million, must include in their management report, starting from the financial year 2021 onwards:

- a non-financial statement containing information on the proportion of their turnover derived from products or services associated with economic activities that qualify as environmentally sustainable; and
- the proportion of their capital expenditure and the proportion of their operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable, as are further defined in the Taxonomy Regulation regarding management of the company.

3. Management of the Company

3.1 Bodies or Functions Involved in Governance and Management

SAs

The principal bodies and functions involved in the governance and management of Greek SAs are the following.

Board of directors (BOD)

According to the Corporate Law, the BOD is entrusted with the general governance, management and representation of the SA. Its composition and activities vary depending on the business activity, shareholders structure and size of the SA. It must be noted that pursuant to the reform of the provisions applicable to Greek SAs, a one-member BOD is possible, provided that the relevant entity is not listed or a large or medium company.

General meeting of shareholders (GM)

The GM is the supreme decision-making body of Greek SAs. According to the Corporate Law, the decision-making power for certain matters is reserved with the exclusive competence of the GM (see **3.2 Decisions Made by Particular Bodies**).

Internal audit unit

One of the main duties of the internal audit unit is to monitor and review the implementation of the internal regulation of operation and the internal audit system of a listed SA, as well as its quality, sustainability and corporate governance mechanics, and its compliance with applicable laws and regulations. The head of the internal audit unit is appointed by the BOD, following a proposal from the audit committee. Such a person is supervised by the managing director of the listed entity and is operationally subject to the audit committee, and must remain independent and objective when discharging their duties.

Audit committee

The role of the audit committee is to assist the BOD by:

- monitoring the financial information, the effectiveness of the internal audit, quality sustainability and risk management system; and
- supervising and monitoring the statutory audit and all matters pertaining to the objectiveness and independence of the statutory auditors.

Due to the duties assigned to the audit committee, the law requires:

- all of its members to have sufficient knowledge of the business sector in which the company operates;
- its chairman to fulfil the independence criteria that independent directors must fulfil pursuant to the New Corporate Governance Law; and
- one of its members to have adequate knowledge and experience in auditing and accounting – this member should participate in all audit committee meetings regarding the approval of financial statements.

Remuneration committee

The New Corporate Governance Law provides for the establishment of a remuneration committee, comprising at least three non-executive directors, two of which must also fulfil the independence criteria of the New Corporate Governance Law. This committee submits proposals to the BOD regarding the entity's remuneration policy and the remuneration of the persons included in the remuneration policy, and provides its opinion on the information included in the annual remuneration report to the entity's BOD, prior to the submission of the remuneration report to the annual GM.

Nomination committee

Another requirement provided for under the New Corporate Governance Law is the establishment of a nomination committee, comprising at least three non-executive directors, two of which must additionally meet the independence criteria set out in the New Corporate Governance Law. The nomination committee is responsible for identifying persons suitable to become members of the BOD, based on the entity's internal regulation of operation and suitability policy, and for making the respective proposals to the BOD.

Other Companies

For other types of limited liability companies (EPEs, IKEs), the day-to-day management is delegated to one or more administrators – either partners or other third-party individuals. The administrators may act jointly or separately, according to the relevant provisions of their constitutional document. In the absence of any relevant provision, the management of the company is exercised jointly by all partners. Partnerships are typically managed by the partners that are personally liable.

For both limited liability companies and for partnerships, the supreme decision-making body is the partners' meeting.

3.2 Decisions Made by Particular Bodies

BOD decisions typically refer to any matter that falls within the day-to-day management of the relevant entity.

The matters for which decisions are subject to the exclusive competence of the GM are, according to corporate law, the following:

- amendments to the articles of association (AOA), including share capital increase and decrease, subject to certain exemptions;
- election of directors and statutory auditors, subject to certain exemptions;
- approval of overall administration by directors and discharge of auditors (this decision is part of the standard agenda of an annual general meeting);
- approval of the annual financial statements;
- distribution of annual profits, subject to certain exemptions;
- approval of remuneration and advance payments to directors, unless those are paid pursuant to the remuneration policy as adopted by the GM in the case of listed SAs;
- merger, demerger, conversion to another corporate type, revival, dissolution and extension of the company's duration, subject to certain exemptions;
- appointment of liquidators;
- approval of remuneration policy and acknowledgment of the annual remuneration report, in the case of listed SAs;
- authorisation of a related party transaction that was duly brought before the GM by the BOD in accordance with the relevant provisions of the Corporate Law;

- establishment of programmes for the acquisition of treasury shares;
- provision of financial assistance to a party to acquire own shares;
- establishment of employee shares' offering and stock option plans; and
- permission to directors to undertake competitive acts.

Similar matters are reserved by law for the partners' meetings, in other Greek corporate types.

Additional matters could be reserved for the GM and the partners' meeting, respectively, if this is provided for by the entity's constitutional document. In the case of partnerships, all actions of ordinary management are typically carried out either by all or some of their partners (as the case may be), who act separately, unless otherwise provided in the relevant constitutional document. Actions that fall outside the ordinary management are subject to the approval of the partners' meeting.

3.3 Decision-Making Processes

The decisions of the BOD are adopted either following a board meeting (held through physical presence or via a teleconference), or by having all directors sign a decision (or exchanging consensus on this through electronic means) without a meeting taking place, if this is permitted by the company's AOA.

According to the Corporate Law, the minimum quorum and majority voting requirements are no less than three directors present or represented in the relevant meeting (unless otherwise provided for by the law or the company's AOA) and simple majority of the directors present or represented at the meeting. There are cases where the company's AOA may require a unanimous decision, although not in the case of listed companies and other cases where supra-majority is required (for example, for change of use of proceeds raised from a share capital increase of a listed Greek SA).

Adopting Decisions

The GM decisions are adopted following a meeting (see **5.3 Shareholder Meetings**). According to the Corporate Law, the minimum ordinary quorum and majority voting requirements are 20% of the paid-up share capital and approval by simple majority of the votes present or represented at the relevant meeting, while increased quorum and majority voting requirements are 50% of the paid-up share capital and approval by two thirds of the votes present or represented at the relevant meeting. The matters for which an increased quorum and majority voting is required are:

- an increase of the shareholders' obligations, share capital increase (including establishment of shares' offering plans to employees and directors, and stock option plans) or decrease subject to certain exemptions;
- the abolition of the pre-emption right of existing shareholders in the case of a share capital increase;
- the provision of financial assistance to acquire shares;
- the issuance of warrants and convertible bonds;
- changes in the method of annual profits' distribution or distribution of shares or other titles instead of the minimum annual dividend or decrease of the minimum annual dividend;
- a merger, demerger or conversion to another corporate type; and
- the company's revival and dissolution.

Increased quorum and a supra-majority of 80% of the represented votes at the relevant meet-

ing capital is required in order for the minimum annual dividend not to be distributed at all. Participation by teleconference or other electronic means in the GM is possible, if this is permitted by the company's AOA or serious grounds justifying remote participation exist.

Subject to certain restrictions, in the case of non-listed SAs, GM resolutions (apart from the ones adopted in an annual general meeting) may be adopted without a meeting taking place. For other types of limited liability companies, unless otherwise provided for by law or the constitutional document of the relevant entity, the decisions of the partners' meeting require a simple majority.

4. Directors and Officers

4.1 Board Structure

According to the Corporate Law, the BOD consists of at least three and up to 15 directors (see **4.3 Board Composition Requirements/Recommendations**). The AOA may define the exact number of directors or a range within the limits of the law, or may cross-refer to the relevant provision of the Corporate Law.

The BOD can further delegate the management and representation powers to one or more individuals, directors or third parties, or to an executive committee, if such alternatives are provided for in the company's AOA.

4.2 Roles of Board Members

The Corporate Law does not provide for a role allocation to directors, although it refers to the duties of the chairman (all of them being merely administrative) and the vice-chairman. The company's AOA may provide for further role allocation; the same applies for certain BOD resolutions which delegate specific management and/or representation powers to certain directors.

The New Corporate Governance Law

Conversely, the New Corporate Governance Law provides for the distinction of executive and non-executive directors, as well as of independent directors (the latter being non-executive members who fulfil the independence requirements). It further provides that the executive directors are responsible for the application of the entity's strategy (as defined by the BOD) and consult on a regular basis with non-executive members on the suitability of this strategy.

In existing crises or risk situations, or where measures are reasonably expected to be taken that will adversely affect the financial position of the entity, the executive directors immediately inform the BOD and submit in writing their opinions and proposals. Non-executive directors (including independent ones) are assigned with:

- the monitoring and review of the entity's strategy and its application, and with the achievement of its objectives;
- ensuring the effective supervision of the executive directors; and
- reviewing and expressing their views on the executive directors' proposals.

Soft law requirements included in the HCGC Code provide even further clarity on the anticipated role of certain directors.

The HCGC Code refers to non-executive directors as the persons responsible for evaluating the executive directors' performance and deliberate on the executive directors' remuneration policy.

With respect to the BOD chairman, the New Corporate Governance Law provides that this position is held by a non-executive member of the BOD. If this is not the case, an independent vice-chairman must be appointed in the BOD.

4.3 Board Composition Requirements/ Recommendations

Further to the composition requirements discussed in **4.1 Board Structure** and **4.2 Roles of Board Members**, the New Corporate Governance Law provides that the number of independent non-executive directors must be at least one third of the total number of directors elected. The New Corporate Governance Law further provides that independent non-executive directors should number at least two, irrespective of the total number of directors. The independence criteria are listed in the New Corporate Governance Law (see **4.5 Rules/Requirements Concerning Independence of Directors**).

There are also recommendations on the BOD composition by the HCGC Code. In particular, the latter suggests that the BOD should consist of at least seven directors, the majority of them being non-executive directors and at least two executive directors, and should be assisted by two advisory committees comprising at least three members each: the nomination committee and the remuneration committee.

Special BOD composition requirements may also apply to specific types of companies due to the special regime to which they are subject (for example, Greek credit institutions, especially those that have been granted state aid through their recapitalisation by the Hellenic Financial Stability Fund (HFSF)).

4.4 Appointment and Removal of Directors/Officers

Electing Directors

Pursuant to the Corporate Law, directors are generally elected by the GM, unless the AOA also provide for the right of one or more shareholders to directly appoint directors. In such a case, the total number of appointees cannot be higher than two fifths of the total number of the directors to be elected by the GM. The shareholders that have exercised this right are not entitled to participate in the relevant voting at the GM. A directors' election by the GM requires ordinary quorum and majority voting.

The BOD of an SA under establishment is designated in the constitutional document of such an entity.

Removal and Re-election of Directors

The Corporate Law does not provide for a removal process for directors but does provide for the replacement process in cases where the director resigns, dies or otherwise withdraws from the position. In any of those cases and subject to the AOA providing for such alternatives, the BOD has the discretion either to replace them or to continue its operations without replacement, provided that the remaining directors do not number less than three.

Notwithstanding the above, there is one case where the Corporate Law provides for the removal of a director. In the case of serious grounds referring to the removal of an appointed director, they can be removed if a petition is filed before the competent court by shareholders representing at least 10% of the paid-up share capital.

Directors are generally freely re-elected, unless the AOA provide otherwise or the company has a different internal policy.

Substitute Directors

If the GM has elected substitute directors, then replacement is effected with those elected substitutes. If the resigned or otherwise withdrawn director has been directly appointed by a shareholder, then only the appointing shareholder has the right to remove them and replace them, accordingly.

4.5 Rules/Requirements Concerning Independence of Directors

The election of independent directors is mandatory only in the case of listed SAs, pursuant to the New Corporate Governance Law, or where the non-listed company's AOA have included such a requirement. The independence criteria that the independent director must fulfil when elected and throughout their tenure pursuant to the New Corporate Governance Law are the following:

- they must not directly or indirectly hold voting rights in the company exceeding 0.5% of the company's share capital; and
- they must not have dependence from the company and/or any affiliated company.

Dependence in this case is established, inter alia, where:

- the director receives any significant amount or other provision from the company or an affiliated company;
- the director or any person closely related to the director maintains or maintained during the last three financial years a business relationship with the company, an affiliate or a shareholder holding at least 10% in the company or an affiliate, which could affect the business activity of the company or any of the above persons; or
- the director or a person closely related to the director has served as a BOD member of the company or an affiliate for more than nine years in aggregate, or has served in a managerial position or has been employed or otherwise retained by the company or an affiliate during the last three financial years prior to their appointment.

With respect to potential conflicts of interest, the Corporate Law explicitly provides that directors are prohibited (unless the AOA provide otherwise or they have been granted relevant permission by the GM) to pursue acts that fall within the scope of the corporate purpose of the relevant entity. Furthermore, directors must not pursue own interests that go against the interests of the company, and if conflicts arise from specific transactions, they are obliged to timely and adequately disclose such conflicts to the BOD and abstain from the relevant voting.

4.6 Legal Duties of Directors/Officers

The principal duties of directors are:

- the duty of care, namely, to manage the corporate affairs so as to promote the best interests of the company;
- the duty to act in compliance with the law, the company's AOA and the lawful decisions of the GM;
- the duty to monitor the implementation of the decisions of the BOD and the GM;
- the duty to inform other directors on corporate affairs;
- the duty to keep the books and records as required by law;
- the duty to ensure that the annual financial statements, the annual management report, the corporate governance statement (where applicable) the consolidated financial statements and the remuneration report are pre-

pared and published in accordance with the applicable laws or international accounting standards, as the case may be; and
- the duty of loyalty, non-compete duty, and secrecy of commercially sensitive information and other ancillary obligations discussed under **4.5 Rules/Requirements Concerning Independence of Directors**.

The principal duties referred to above apply to all directors of the company. There are also other obligations undertaken by the directors pursuant to special laws and regulations (for example, the obligation to ensure that taxes and social security contributions will be paid).

4.7 Responsibility/Accountability of Directors

As discussed in **4.6 Legal Duties of Directors/Officers**, the directors' statutory duties are in principle owed to the company. Notwithstanding the above, there may be cases where the law itself requires that specific interests should be taken into account – for example, in the case of certain related-party transactions which are exempted from the authorisation process, for the exemption to apply the law requires that the contemplated arrangement is for the interest of the company and does not harm the interests of the non-related shareholders, including the minority shareholders (see **5.1 Relationship Between Companies and Shareholders**).

Direct liability of the directors vis-à-vis third stakeholders in the company is expressis verbis provided for by Greek Law 4738/2020 (Greek Bankruptcy Code), whereunder the civil liability of directors and other individuals engaged in the management of the company is provided, where they have caused the cessation of payments or have failed to take timely measures to rescue the company, restructure the existing debt or apply for its bankruptcy, to protect the interests of the company's creditors.

4.8 Consequences and Enforcement of Breach of Directors' Duties

In principle, the company can bring a claim against any of its directors, including individuals to which the BOD has delegated management and representation powers for breach of their duties. In such cases, the company is entitled to seek compensation from the directors for any damage suffered as a result of any relevant act or omission. The BOD is responsible for the timely, proper and diligent exercise of such company's claims against liable individuals. Where the BOD decides that no such claims should be filed, the BOD is required to provide explanations on such a decision to the shareholders.

Further safeguards are provided by law, as discussed in **5.4 Shareholder Claims**, in order to mitigate the risk of the BOD not taking action against a current or former director and/or other manager of the company.

Liability of Directors

Directors can be released from such liability if they can prove either that they exercised their duties with the diligence of a prudent businessman in similar circumstances, or that their actions and/or omissions:

- were based on a lawful decision of the company's GM; or
- relate to a reasonable business decision that was made in good faith, based on sufficient information for the specific circumstances and solely in the company's best interests.

The liability of directors is assessed based on various factual qualifications that are to be weighed on a case-by-case basis.

It should also be noted that the court may not hold the directors liable for acts or omissions on their part that are based on the suggestion or the opinion of an independent body or committee that operates within the company according to the provisions of the law.

4.9 Other Bases for Claims/Enforcement Against Directors/Officers

Notwithstanding the claims that the company may raise against the directors, shareholders are also entitled to bring a claim against any of the company's directors for any direct damage individually suffered by the shareholders due to the breach of the duties of the directors on the basis of tort, pursuant to generally applicable Greek civil law provisions. The indirect damage suffered by the shareholders can be enforced through the company's action, as discussed in **4.8 Consequences and Enforcement of Breach of Directors' Duties**.

In certain circumstances, directors may also be subject to criminal penalties for other violations of the Corporate Law – for example:

- for knowingly making a false or misleading statement to the public;
- for knowingly preparing or approving incorrect or misleading financial statements; or
- for obstructing the conduct of an audit by statutory auditors or auditors appointed for the conduct of an extraordinary audit.

Criminal and/or administrative penalties are provided for by other special laws, particularly in relation to tax, labour, health, safety and environmental violations.

4.10 Approvals and Restrictions Concerning Payments to Directors/Officers

The Corporate Law provides for different approval requirements depending on the type of the remuneration and/or benefit payable to directors, as follows.

- Remuneration payable to the directors for the provision of services based on a special relationship (an employment agreement, a work contract or a mandate). The relevant payment is subject to a prior approval process under the related-party transactions process.
- Benefits payable to the directors from the company's net distributable annual profits. These are payable only if the company's AOA provides for such payment and after the relevant GM approval is obtained.
- All other types of remuneration or benefits that do not fall within any of the aforementioned cases and are not otherwise provided for by the company's AOA must be approved by the GM, unless they are paid in accordance with the framework outlined in the company's remuneration policy.
- Benefits in the form of offering of shares or stock options.

Further to the requirements mentioned above, a GM decision is also required to establish the shares/stock options plan. Failure to observe the approval process required for each type of payment would cause the payment to have been made in breach of the provisions of the Corporate Law and/or the company's AoA, as the case may be, and any amount received by the beneficiaries could be reclaimed.

In relation to the above, listed SAs are obliged by law to adopt a remuneration policy. The remuneration policy is approved by the GM and

applies at maximum for four years. In principle, it applies to the remuneration of directors and the general manager of an SA, but can be extended to other executives, if the company's AOA includes such provision.

Special and stricter rules on remuneration policies are imposed on regulated entities such as credit institutions and alternative investment fund managers.

4.11 Disclosure of Payments to Directors/Officers

Further to disclosure requirements provided under financial and accounting laws, regulations and standards, the Corporate Law provides that listed SAs should draw up a clear and understandable remuneration report. The remuneration report must provide a comprehensive overview of the remuneration, including all benefits in whatever form, awarded or due during the most recent financial year to each individual director, including to newly recruited and former directors, in accordance with the company's remuneration policy.

Further disclosure requirements may apply subject to the specific circumstances (for example, if authorisation is granted for a related party transaction, all relevant corporate documents are submitted to the Greek Commercial Registry and made publicly available). There are also special legal rules applicable to specially regulated entities, such as credit institutions.

5. Shareholders

5.1 Relationship Between Companies and Shareholders

The rights and obligations of a shareholder are provided for by law, the company's AOA and, if applicable, any other internal regulation. As a general rule, the legal status and liability of a shareholder remain at all times distinct from those of the company. Based on this, the shareholder's capital contribution is the maximum liability amount the shareholder owes for liabilities of the company.

Piercing the corporate veil has been accepted in Greek case law in very limited instances and on the basis of specific circumstances indicating abusive use of the corporate vehicle by a single shareholder; therefore, it cannot undermine the general principle mentioned above. Shareholders holding a controlling interest in the company are considered related persons with the company, and are, in principle, subject to certain prior approval and publicity requirements when transactions are entered into with the company and the controlling shareholder or legal persons controlled by the latter or other persons closely connected to it.

The above principle also applies to all other types of limited liability companies, as opposed to the general partners in partnerships who bear unlimited liability for the company's obligations and are held jointly liable with the company vis-à-vis third parties and authorities.

5.2 Role of Shareholders in Company Management

The shareholders of an SA do not themselves actively participate in the management of corporate affairs. When they hold a controlling or significant interest, they can elect the majority of the directors; therefore, they can choose to have persons that they trust run the company. Irrespective of which shareholder elects or appoints the directors (as the case may be), the latter owe duty of care and loyalty only to the company.

Shareholders participate in the decision-making process through the exercise of their voting rights in the GM. It is noted that shareholders representing at least 5% of the company's paid-up share capital can request that the BOD convene a GM to decide on any item of the agenda or request that additional items are included in the agenda of a GM that has already been convened by the BOD.

5.3 Shareholder Meetings

The ordinary GM of the company is held regularly once a year, at the latest by the tenth calendar day of the ninth month following the end of each financial year, with a minimum agenda to approve the financial statements of the previous financial year, resolve on profit distribution and appoint the statutory auditors of the company for the current financial year. Extraordinary GMs may be convened at the initiative of the BOD, whenever deemed necessary, in order to resolve on the matters that are reserved for the exclusive competence of the GM or for any other matter that the BOD may consider of such importance that requires the approval of the GM (eg, sale of a significant subsidiary of the company) or at the request of shareholders holding at least 5% of the company's share capital, in exercise of the minority rights provided under the Corporate Law.

The GM is convened by the BOD 20 full days prior to the date of the meeting through the publication of the invitation, which includes the items of the agenda, details of the place and time of the GM and rights that the shareholders may exercise within the 20-day period and during the meeting. In the case of non-listed companies, the above-mentioned formalities can be waived, in so far as all shareholders are present or represented at the relevant GM and do not object to the absence of convocation formalities. In the case of listed companies, the invitation to the GM is accompanied by draft decisions on the items of the agenda or comments by the BOD thereon. See **3.3 Decision-Making Processes**.

5.4 Shareholder Claims

Under the Corporate Law, directors are liable in principle vis-à-vis the company. Shareholders representing at least 5% of the company's paid-up share capital have the right to request that the BOD initiate litigation procedures against a member of the BOD that is in breach of their obligations vis-à-vis the company (see **4.7 Responsibility/Accountability of Directors** and **4.8 Consequences and Enforcement of Breach of Directors' Duties**).

Pursuant to the Corporate Law, shareholders have recourse against the company for compensation of direct damages suffered by the shareholder(s) in connection with GM decisions that have been annulled or could be annulled on the grounds provided for by the Corporate Law, including, inter alia, in cases where the decision has been made in a manner that does not comply with the law and/or the company's AOA, or where it is the result of abusive exercise of rights by the majority shareholder(s).

5.5 Disclosure by Shareholders in Publicly Traded Companies

Shareholders in listed companies are subject to certain disclosure obligations provided for by the Transparency Law and the Market Abuse Regulation.

In particular, pursuant to the Transparency Law, disclosure requirements are triggered when:

- a person reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, one third, 50% and two thirds of their total voting rights; or

- a person holding more than 10% of the voting rights has an increase or a decrease of such percentage equal to or higher than 3%.

The voting rights that are indirectly controlled by a person in a listed company (eg, either based on a discretionary management agreement or a depositary agreement, or a discretionary proxy granted in view of a forthcoming GM, or because the shareholder is an entity controlled by such a person and other instances of Article 10 of the Transparency Directive on acquisition or disposal of significant holdings of voting rights) should also be taken into account when calculating the aforementioned thresholds. Such requirements are not affected if the company is party to a business combination. The respective shareholder has the obligation, within three days from the occurrence of an event described under the bullet points above, to inform the issuer and the HCMC about the percentage of the voting rights held as a result of such acquisition or disposal.

Disclosure includes the full chain of controlled undertakings, within the meaning of the Transparency Law, through which the voting rights in the issuer are effectively held.

Shareholders that also participate in the management of a listed company, or are otherwise considered as persons closely connected to a person in the company's management, must observe the transactions' reporting obligation under the Market Abuse Regulation. Enhanced disclosure obligations also apply in the case of transactions triggering the launching of a tender offer.

6. Corporate Reporting and Other Disclosures

6.1 Financial Reporting

Further to any reporting requirements provided in the relevant financial accounting standards, SAs publish their annual financial statements (after their being approved by the BOD) and submit these for approval by the annual GM. The financial statements are accompanied by:

- a management report, which provides a full overview of the company's development and performance during the preceding financial year as well as of the main risks and uncertainties relevant to the company's business activities; and
- the report of the company's statutory auditor, to the extent required by applicable legislation, as further described in **7.1 Appointment of External Auditors**.

The management report includes both financial and non-financial metrics that are relevant to the company's business activity to the extent required for the coherent presentation of the company's development; whereas, for the purposes of the analysis included in the management report, notes or clarifications may be provided in relation to the figures included in the annual financial statements. Different requirements may apply depending on the size and type of the reporting entity.

Special Rules

Special rules apply with respect to the periodic financial reporting of listed SAs, pursuant to the provisions of the Transparency Law. Listed SAs are subject to the publication of an annual management report within four months of the end of each financial year, and a semi-annual report, within three months of the end of the respective

reference period. Both the annual and the semi-annual report are published by the company and remain publicly available for a period of at least ten years.

The aforementioned financial reports include the audited annual financial statements or semi-annual statements of the relevant period, as well as the management report and declarations by the chairman of the BOD, the chief executive officer, and a third BOD member ascertaining the accuracy and truthfulness of the financial statements and the management report.

Additional and more specialised reporting obligations apply to different categories of regulated entities, such as credit institutions and investment fund managers.

6.2 Disclosure of Corporate Governance Arrangements

The corporate governance arrangements that a listed SA has in place are publicly disclosed, to a certain extent, where the latter is obliged to issue a prospectus in accordance with the Prospectus Regulation and on an annual basis according to the minimum content of the corporate governance statement, which, according to the Corporate Law, forms part of the annual management report that is published together with the annual financial statements of the listed SA.

The corporate governance statement includes at least the following information:

- reference to the code of corporate governance that the company has adopted and applies, and where this document is made available to investors;
- information in relation to any corporate governance practices that the company applies further to what is mandatorily provided by applicable legislation;
- information based on the "comply or explain" principle on any deviation from the corporate governance code adopted by the company;
- a description of the main features of the internal control and risk management systems applied by the company in relation to the preparation of its financial statements;
- information on the composition and operation of the administrative, management and supervisory bodies of the company and respective committees; and
- a description of the diversity policy applied to the administrative, management and supervisory bodies of the company, indicatively relating to the age, gender, educational or professional background of its members, the objectives of the diversity policy and the way in which it was applied by the company during the reference period.

6.3 Companies Registry Filings

The establishment of all forms of corporate entities referred to in **1.1 Forms of Corporate/ Business Organisations** is registered with the General Commercial Registry, which operates an electronic platform accessible to the public. Apart from the relevant entity's constitutional document (which is publicly available on the aforementioned electronic registry), different requirements apply as to the requisite corporate filings, depending on the corporate form of the relevant entity. As a general rule, where filings are required to be made with the General Commercial Registry, the respective documents become accessible to the public on the aforementioned electronic platform.

With respect to SAs, in particular, certain BOD and GM decisions are subject to publicity in order to develop their full legal effect and/or so

that they can be invoked vis-à-vis third parties. Corporate decisions that require publicity are the following:

- any amendment to the company's constitutional document;
- the election of the BOD and the granting of representation powers;
- the appointment of the statutory auditors of the company;
- any decision on the increase or decrease of the share capital;
- the certification of payment of the share capital;
- the approval of the annual and consolidated financial statements along with the BOD report and the auditor's report;
- the dissolution of the company;
- the judicial decision declaring the company null and void or in the case of initiation of bankruptcy proceedings or any other collective enforcement proceedings, as well as judicial decisions declaring as null and void or voidable a decision of the GM of shareholders;
- the appointment and replacement of the liquidators, as well as the liquidation financial statements and final financial statements; and
- the deletion of the company.

Further Publicity Requirements

Further publicity requirements are triggered in the context of, for example, requisite authorisations for related party transactions as well as for the various reports that may be required in relation to corporate actions, such as a share capital increase.

With respect to other company forms, as a general rule, corporate filings are required for any amendment in the constitutional document of the relevant entity, the appointment of an administrator, the granting of representation powers, and the approval of the annual financial statements.

7. Audit, Risk and Internal Controls

7.1 Appointment of External Auditors

The audit of the annual financial statements by an external auditor or auditing firm is mandatory in the case of, inter alia, listed SAs and other Greek corporate types which meet certain financial thresholds categorising them as medium or large entities according to the Greek Accounting Standards.

External auditors are appointed by the GM, in an SA, or by the partners, in other corporate forms.

Law 4449/2017

According to the relevant provisions of Law 4449/2017, external auditors are subject to business ethics principles that take into account their role in protecting public interest, their integrity and objectivity and the professional qualities and due diligence that they must present when providing the relevant services. External auditors are by law obliged to show professional scepticism when performing the audit, having in mind the possibility that there might be a material inaccuracy due to events or behaviours that indicate the existence of a mistake or fraud, irrespective of any previous experience the auditor may have with respect to the honesty and integrity of the company under audit and its management. Scepticism must especially be shown when reviewing the estimations made by the management on fair values, impairments, forecasts and future cash flows, and other matters related to the going concern.

The law also provides for the need to safeguard the external auditors' independence and to ensure that no conflicts of interests arise that would jeopardise their independence and objectivity. In this context, it is provided, inter alia, that the external auditor or principal partner of the auditing firm (as the case may be) may provide auditing services to the audited company for at maximum five consecutive years, and may repeat this only after the lapse of two consecutive years.

Listed SAs

In the case of listed SAs, the audit committee is the competent corporate body to monitor the external audit process, identify any problems encountered in the process and assist the auditors when performing their duties. The audit committee is also responsible for suggesting to the BOD the appointment of an external auditor following a tender process. It also monitors the efficiency of the internal control, the quality sustainability and risk assessment policies of the company, and its internal audit in relation to periodic financial reporting obligations.

Notwithstanding the above, the appointment of external auditors may also be required on an ad hoc basis, such as in the case of a share capital increase, for the certification of the payment of the increase, or for the provision of a fairness opinion in the case of a related party transaction to be entered into by a listed SA.

7.2 Requirements for Directors Concerning Management Risk and Internal Controls

Pursuant to the relevant financial reporting standards and the provisions of the Corporate Law on the annual management report, the annual management report includes a description of the company's objectives and policies with respect to the management of the financial risk, the policy for hedging any significant transaction for which accounting hedging applies, and the company's report on credit risk, liquidity risk and cash flows risk. Apart from the above-mentioned requirements, there is no other provision outlining specific requirements applicable to directors in connection with risk management. To the contrary, the establishment of an internal audit system, including risk management and regulatory compliance systems and its monitoring by the audit committee (see **7.1 Appointment of External Auditors**), is explicitly included, pursuant to the New Corporate Governance Law, in the duties of the non-executive directors, in the case of listed SAs.

Notwithstanding the above, since the directors have, pursuant to the New Corporate Governance Law, the duty to pursue the enforcement of the long-term value of the company and the general corporate interest, such a duty must be understood as also including the obligation of the company's management to establish risk management policies and internal control systems in the more general context of promoting the company's interests and business activity.

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