



CORPORATE & COMMERCIAL, BANKING & FINANCE, CAPITAL MARKETS PRACTICES

Greek Law 4706/2020: On Corporate Governance and Capital Market Modernisation

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The new law 4706/2020 on corporate governance and capital market modernisation (the "**Law**") was published in the Official Government Gazette no. 136A'/17.7.2020.

The provisions of the Law, *inter alia*, strengthen the legal framework on corporate governance for companies with listed shares or other securities in a regulated market in Greece, taking into account on the one hand, the changes that have occurred in the regulatory framework since the introduction of Law 3016/2002 until today, and on the other hand, the current trends on corporate governance.

Below in a nutshell the key changes effected by virtue of the Law in comparison to the previous legislative framework:

Suitability Policy

New obligation regarding the adoption (under the supervision of the Board of Directors) of a suitability policy, approved by the General Assembly, setting the eligibility criteria for the appointment of the Board of Directors' (BoD) members,

available on the company's website, including at least:

- Information regarding the principles, under which the company appoints and replaces the BoD members;
- Criteria for the assessment of the BoD members' suitability.

In case any of the set criteria ceases to apply for a BoD member, the company should proceed to its replacement within three (3) months.

BoD operation

- The role and responsibilities of the BoD members (especially the independent non-executive members) are enhanced and their powers and responsibilities are specifically described.
- The Chairman of the BoD is a non-executive member.
- Stricter independence criteria for the non-executive members are applicable while the BoD shall annually review their fulfillment and a relevant reference must be included in the annual report.

- Obligation for periodic (every three years) evaluation of the corporate governance system by the BoD and assurance of the effectiveness of the Internal Control System.

New Committees

- Obligation to establish a Remuneration Committee and a Nomination Committee (possible to be merged into one committee), consisting of at least three non-executive members, two of which at least must be independent. The chairman of the above committees is always an independent non-executive member.
- The operation of the Audit Committee has been slightly amended with immediate effect as follows:
 - a) It is clarified that it may consist of non-executive BoD members appointed by the BoD, or non-executive members and/or third parties (independent committee), appointed by the General Assembly.
 - b) Type, composition, term, number and responsibilities of the committee's members will be set by the General Assembly.
 - c) The independent member having sufficient knowledge in auditing or

accounting must attend any meetings concerning the approval of the financial statements.

- d) The committee should have a regulation of operation available on the company's website.
- e) The committee must submit to the ordinary General Assembly an annual report.

Corporate Governance Code & Regulation of Operation

- Obligation to comply with a Corporate Governance Code issued by a renowned (national/foreign) institution.
- The content of the Regulation of Operation is enhanced (procedures for disclosing of inappropriate influences, Internal Control Systems evaluation policies, training policies) while it is mandatory for the company to ensure that its significant subsidiaries have their own regulation of operation.

Additional Obligations

- New transparency obligations towards the shareholders in view of the election of BoD members. More specifically, the following shall be published on the company's website twenty (20) days before the shareholders' General Assembly: justification for the proposition of the

candidate BoD member; detailed curriculum vitae of the candidate BoD member; ascertainment of suitability criteria in accordance with the suitability policy and ascertainment of the fulfillment of independency criteria (in case a candidate is to be appointed as independent non-executive member).

- Publication of the company's articles of association in force on its website.

Adjustment Period

The provisions of the Law with regards to corporate governance will come into force twelve (12) months following the publication of the Law (i.e. from July 17, 2021). In the meantime, the provisions of articles 1 to 11 of Law 3016/2002 will still be in force.

However, it is noted that the provisions for the Audit Committee have immediate effect from the publication of the Law and companies must immediately restructure their audit committee (if necessary) in accordance with the Law and arrange for (a) the presentation of the Audit Committee's annual report to the shareholders' General Assembly in case that the annual General Assembly has not yet convened for the fiscal year of 2019 and (b) the drafting and publication on

the company's website of the internal operating regulation of the Audit Committee.

Finally, the issuance of additional guidelines and decisions by the Hellenic Capital Market Commission on specific issues of the Law is currently expected (suitability policy, corporate governance code, determination and measurement of sanctions, etc.).

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