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LEGAL BRIEFING – Corporate

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Corporate Governance: The newly published Law 4706/2020

The newly published Law 4706/2020 (Government Gazette A' 136/17.07.2020) (the "Law"), in respect of Corporate Governance, which transposes the Directive 2017/828/EU into the Greek law system, aims to modernize the internal structure of the listed companies with a view of strengthening their autonomy in order to meet modern Capital Markets' requirements. Said Law purports, amongst others, to reinforce the companies' internal controls and build shareholders' trust with an eye on making each company more attractive to future investors, with due regard to the protection of the latter's rights and the enhancement of their safety through a sound corporate governance in line with European standards.

The new provisions apply to listed companies, with some exceptions (e.g. Bank of Greece), and without prejudice to any specific provisions relating to supervised companies (e.g. banks). The main new provisions and the more crucial amendments which the abovementioned Law brought about are summarized hereinbelow:

- The Law requires each company to adopt a Suitability Policy, which should also be uploaded on its website, covering aspects such as the selection, replacement and appraisal of its BoD members, in order for the BoD to include the most prominent and appropriate directors;
- States that the participation of independent non-executive members in the BoD is now a requirement and establishes more robust criteria regarding the independence of those members. Furthermore, the Law points out that either the

President or the Vice-President shall obtain said capacity;

- Lays down the obligation of each company to establish, apart from the Audit Committee provisioned under article 44 of Law 4449/2017, two new independent Committees: a) the Remuneration Committee and b) the Nomination Committee, which cannot be merged into one;
- Requires each company to adopt a Corporate Governance System depending on its size and scale, nature and complexity of its activity, with a minimum mandatory content.
- Increases the minimum mandatory content of each company's Operation Regulation, which should be published on its website. In respect of said Regulation, each company is obliged to acquire a certification issued by a CPA or an audit firm certifying that it has an updated Operation Regulation;
- Outlines each company's obligation of having a Corporate Governance Code compiled by an approved entity, domestic or foreign, allowing each company to specify said Code's provisions depending on its special characteristics; and
- Strengthens shareholder protection and offers equal access to information and service through the establishment by each company of a Shareholder Service Unit.

Last but not least, the new Law envisages provisions regarding a more wholesome gender representation in the BoD, by introducing mandatory quotas and stipulates the company's obligation to set diverse criteria for the selection of its directors. The Hellenic Capital Market Commission is Greece's competent authority to supervise the company's compliance with the Law on corporate governance. By virtue of that capacity, the HCMC is anticipated to publish circulars, directives and guidelines in order to ensure the appropriate implementation of the new Law. The new provisions shall apply, in principle, as complementary to the provisions of L. 4548/2018. It is expressly stipulated that where special regulation or derogation from the provisions of L. 4548/2018 is introduced, the provisions on corporate governance, as more specific and more recent, shall prevail. The new Law comes into force 12 months after its publication in the Government Gazette. Companies will be called upon to update as soon as possible their corporate governance framework and re-evaluate the composition of their boards.

