DEVELOPMENT OF THE HELLENIC CORPORATE
GOVERNANCE CODE MONITORING AND
ASSESSMENT SYSTEM

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The HCG Council was established in 2012 and is a joint initiative of Hellenic Exchanges (HELEX) and Hellenic Federation of Enterprises (SEV) to serve as the body for corporate governance in Greece in order to improve accountability and transparency among all public companies, their boards and shareholders.

The HCG Council is a member of the European Corporate Governance Codes Network (www.ecgcn.org) and also is an expert contributor for the World Bank Doing Business Report for the “Protecting Investors Index”.

The purpose of the HCG Council is to:

• ensure the Hellenic Corporate Governance Code is well understood, accepted and endorsed by Greek companies and to warrant the continued relevance and implementation of the Code over time

• monitor and enforce the application (compliance with) of the Code
The **HCG Council** is a 15-member body comprised of Greek and foreign experts from various professional areas that includes representatives of:

- Market bodies: Hellenic Capital Market Commission and Hellenic Exchanges;
- Institutional Investors, practitioners and academics in the field of corporate governance.

Their mandate includes:

- Evaluating and adapting the Code on a two-year basis;
- Suggesting and commenting on guidance material or other supplementary tools;
- Producing a model to review the extent of compliance and assess the quality of disclosures;
- Producing a report of the status of implementation and compliance with the Code annually;
- Commenting on a programme of work on the dissemination and promotion of the Code;
- Identifying the need for further regulatory developments.
The HCG Code

- is inspired by best practice corporate governance as set out in the OECD Principles of Corporate Governance and recommendations of the European Commission, and

- takes into account both the Greek regulatory framework and established practices and cultural characteristics in Greece.
HCG Code Objective

• Promote best practice in corporate governance:
  – Educate and guide Greek companies by defining best practice as regards

• Provide a reference framework for Greek companies:
  – Facilitate company compliance by providing a frame of reference for companies
    required to disclose their corporate governance arrangements in accordance with EU
    directives.

• Facilitate market compliance with EU requirements:
  – Align the Greek market with recent changes in EU company law and best corporate
    practice.

• Promote transparency and boost investor/shareholder confidence:
  – Make Greece’s corporate governance rules and governance arrangements in
    companies transparent for both national and international investors;
  – Strengthen confidence in the governance and management of Greek corporations
  – Provide a framework for shareholders to participate in corporate affairs;
  – Make governance arrangements transparent to all stakeholders.
In December 2012 the HCG Council set up subcommittee, the HCG Code Monitoring and Assessment Committee (Assessment Committee), to propose a system for the monitoring and assessment of compliance of listed companies on the Athens Exchange with the HCG Code, and relevant legislation and listing rules.

The Assessment Committee will issue a monitoring report each year to be approved by the HCG Council.

The Assessment Committee formed a working group, composed of technical experts, for the design and implementation of the necessary operational tools and processes of the systems. The working group consists of:

HCG Council members and experts from academia, the Athens Exchange, the Hellenic Capital Market Commission (regulator), CG consultants and listed companies.
There are two aspects to monitoring:

- Compliance by individual companies
- Overall impact of the HCG Code

The major objectives of the monitoring activity will be to:

- Educate companies, their boards and their shareholders on good governance and encourage them to do better both in complying and in improving their explanations.
- Identify any obstacles in applying the provisions of the HCG Code or areas that need improving
- Check for unintended consequences
- Produce policy recommendations to the regulator
- Produce a Corporate Governance Index
i. **Structure:** The special practices (provisions) of the HCG Code are broken down further to questions that make up the scorecard questionnaire. There are four levels based on the HCG Code.

The first level includes the four main areas of the HCG Code.

The second level consists of subcategories for the four main areas above. Level 2 subcategories are broken down further to level 3 subcategories (HCG Code’s special practices). The fourth level includes the actual questions of the scorecard – a total of 281 questions.

The second and third level subcategories as well as the final questions within the four main areas are equally weighted. However, different weights are to be considered.

The answers might be of single (e.g. yes/no) or multiple selection, numeric or open ended. There is a scoring algorithm for each question and the score is between 0 and 100.

<table>
<thead>
<tr>
<th>Main areas</th>
<th>Weights</th>
<th>Number of subcategories for 1st level</th>
<th>Number of subcategories for 2nd level</th>
<th>Number of questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. The board and its members</td>
<td>30%</td>
<td>10</td>
<td>41</td>
<td>147</td>
</tr>
<tr>
<td>B. System of internal controls</td>
<td>20%</td>
<td>3</td>
<td>9</td>
<td>31</td>
</tr>
<tr>
<td>C. Remuneration</td>
<td>20%</td>
<td>3</td>
<td>11</td>
<td>58</td>
</tr>
<tr>
<td>D. Relations with shareholders</td>
<td>30%</td>
<td>2</td>
<td>7</td>
<td>45</td>
</tr>
</tbody>
</table>
ii. **Assessment:** The company fills in the questionnaire referring to the information source. HCG Council will validate the answers of randomly selected questions for each company, using the mentioned reference.

iii. **Reporting:** Annual Monitoring and Assessment Report and other sub-reports will be produced.

*Indicators:*

- Overall CG Index
- Sub-indices: disclosure, shareholders rights, board independence, RPT, etc.
- Individual company ratings (only disclosed to companies)
iv. **System platform:** The on-line software web application will be used for the collection of corporate responses, the calculation of scoring and the creation of a database. The statistical processing and the generation of reports will follow using data from this database.

v. **Pilot exercise:** Volunteer companies will answer the questionnaire to test the functionality of the on-line system.
SECTION B.3: AUDIT COMMITTEE

SUBSECTION B.3.1: AUDIT COMMITTEE COMPOSITION [Special Practice]

SPECIAL PRACTICE: The audit committee is set up in order to assist the board in its financial reporting, internal control and external audit oversight responsibilities. The audit committee should be composed of at least three members among the non-executive members of the board, the majority of who are independent non-executive members. The committee includes at least one member with proven, adequate auditing and accounting experience. It should be chaired by an independent non-executive member.

**Q 168:** How many members are there in the Audit Committee?

5

**Q 169:** How many non-executive members are there in the Audit Committee?

2

**Q 170:** How many independent and non-executive members are there in the Audit Committee?

2

**Q 171:** Does the Audit Committee include at least one member with proven adequate auditing and accounting experience?

- Yes
- No

**Explain why not**
### SUBSECTION B.3.2: AUDIT COMMITTEE RESPONSIBILITIES

**Q 173:** As regards internal control and reporting systems, the audit committee:
- [ ] Monitors the financial reporting process and the integrity of the financial statements of the company
- [ ] Monitors any formal announcements relating to the company's financial performance, and review significant financial reporting judgements contained in them
- [ ] Reviews the company's internal financial controls and monitors the effectiveness of the company's internal control and risk management systems, unless expressly addressed by the board itself or another committee of the board
- [ ] Reviews the company's internal control and risk management on a periodic basis, in order to ensure that main risks are properly identified, managed and disclosed
- [ ] Reviews conflicts of interests in transactions of the company and its subsidiaries with related parties and submit relevant reports to the board
- [ ] Assist the board in having sufficient information to decide on a related parties transactions, to the extent required by the company’s policy
- [ ] Reviews arrangements by which staff of the company may, in confidence, raise concerns about possible illegalities or improprieties in matters of financial reporting or other matters relating to the normal business of the company
- [ ] Other, please specify

**Q 174:** As regards the oversight of the internal audit function, the audit committee:
- [ ] Should ensure the functioning of the internal control service according to international professional standards
- [ ] Determines and reviews the terms of reference of the internal audit function of the company
- [ ] Monitors and examines the proper workings of the internal audit function and reviews its quarterly audit report
- [ ] Ensures the independence of the function by proposing to the board the appointment and removal of the head of the internal audit department
- [ ] Should evaluate the head of the internal audit department
- [ ] Other, please specify

**In which document or internet address, the relevant information can be found?**
- [ ] Articles of Association
- [ ] Formal policy/procedure
- [ ] Corporate Governance statement
- [ ] Other, please specify
The members of the working group participate, depending on their experience, in subgroups:

i. Scorecard and Scoring Criteria

ii. Instructions to facilitate and guide companies to answer the questionnaire

iii. Ex-post validation procedures for data input and ratings

iv. Statistical processing for ratings and reporting

v. On-line system

vi. Pilot exercise