

**BOARDROOMS
IN GREECE,
WHAT ARE
THE PRACTICES?**

INTRODUCTION

The objective of this survey is to:

- Record the Board Room Practices of some of the largest and most respected Companies in Greece.
- Cover both listed and privately held Companies selected from various sources of published rankings of Greek businesses.
- Identify Perspectives from the Boards on their method of operation.
- Determine the level of compliance with the recommendations on Corporate Governance as these have been laid down by the Hellenic Corporate Governance Council (HCGC).

METHODOLOGY

- Detailed Questionnaires were sent to the Chairmen of some of the largest Companies in Greece.
- 25 Companies either responded or commenced a conversation about the content of the questionnaire.
- One company declined to participate.
- 5 companies did not respond in time to have their data included in the analysis.
- Questionnaires were returned coded in order to protect corporate anonymity.
- Results were analyzed by Better Future consultants with the help of Professor Terry McNulty of the Management School of the University of Liverpool.
- The findings will form the basis of a regular annual survey on a more extensive population.

PARTICIPATING COMPANIES

Alpha Bank SA

Chipita SA

FF Group SA

Hellenic Petroleum SA

INTRACOM Holdings SA

Mytilineos Holdings SA

Motoroil SA

Plaisio Computers SA

TITAN Cement Company SA

AB Vassilopoulos SA

ELGEKA SA

Fourlis Holdings SA

Hellas On Line SA

J&P-Avax SA

M.J. Maillis Group SA

Nireus SA

Quest Holding SA

Athens International Airport SA

Frigoglass SA

Genesis Pharma SA

Hellenic Exchanges Group SA

Jumbo SA

Mamidoil jetoil SA

Piraeus Bank SA

Soya Hellas SA

Thrace Plastics Co SA

EXCEPTION

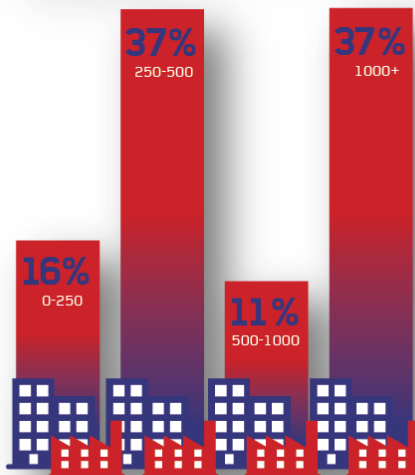
Only one of the companies invited declined to participate, as they felt that:

- Corporate Governance via a statutory Board structure is not relevant to a family owned and family managed business.
- Whose shareholder/managers are always operating for the best strategic and operational wellbeing of the company.
- Eliminating the need to meet as a body on a scheduled basis under a specific agenda.

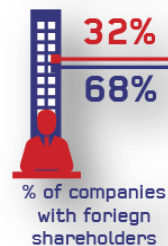
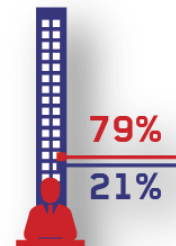
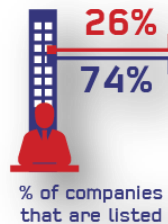
- The survey covers companies from almost all the Greek industry segments.
- Banking, Oil and Gas, Construction, Retail, Industrial, FMCG, ITC, Logistics and Distribution, Services, Pharmaceuticals.
- Participating companies have a combined sales turnover in excess of € 35 Billion and employ over 79,000 people.

COMPANIES BY SALES TURNOVER

(MILLION €)

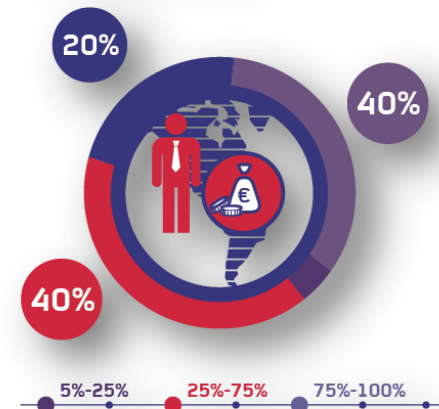


COMPANIES' OWNERSHIP



■ NO
■ YES

LEVEL OF FOREIGN SHAREHOLDING



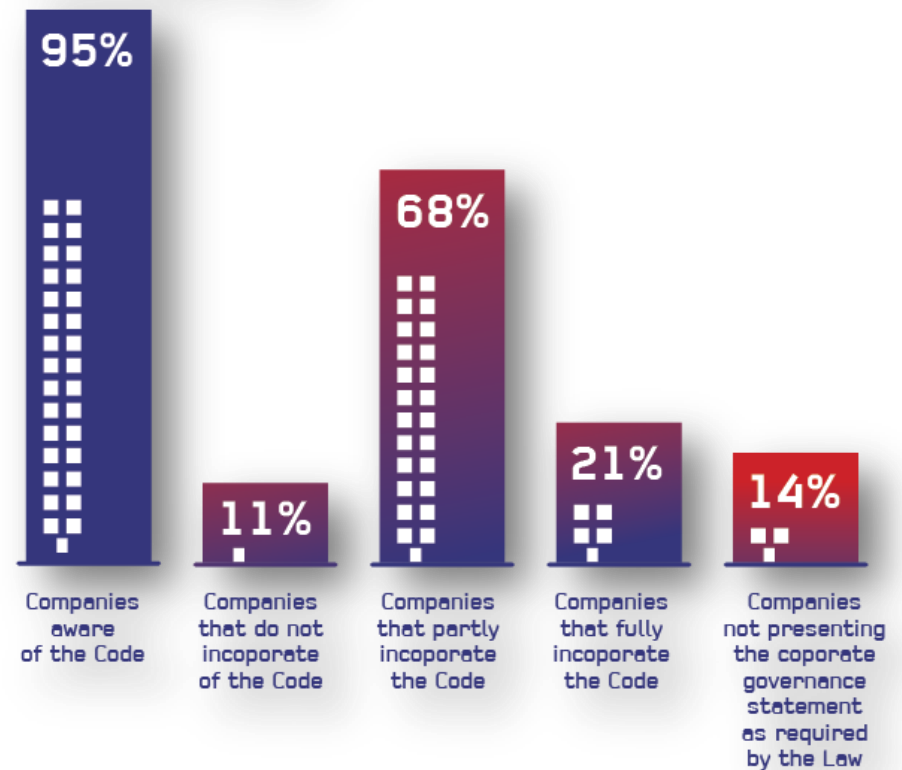
On the positive side awareness of the Code and its requirements is high.

On the negative side :

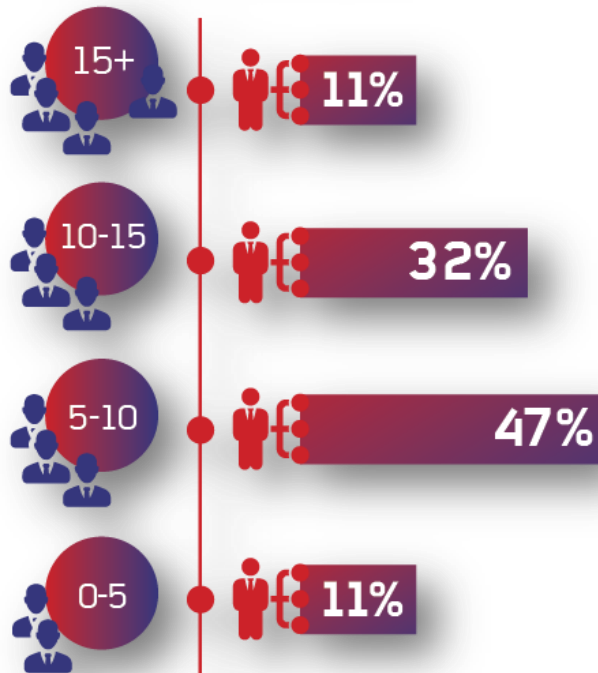
- 5% of companies of this size and stature not being aware of the Code could be considered unusual.
- 11% of listed companies state they do not comply with the Code.
- 14% of listed companies do not present the Corporate Governance Statement as required by Law.

COMPLIANCE

WITH THE HELLENIC CORPORATE GOVERNANCE CODE



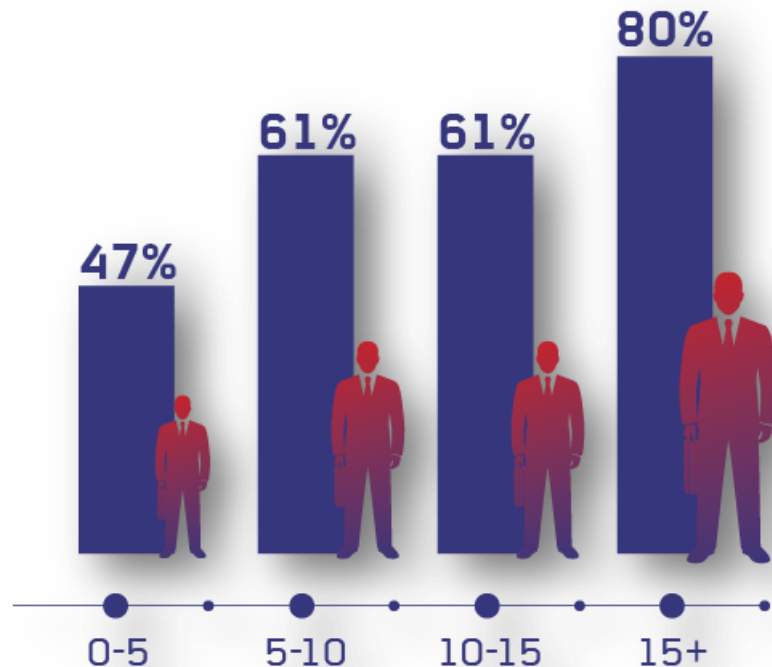
TOTAL NUMBER OF BOARD MEMBERS



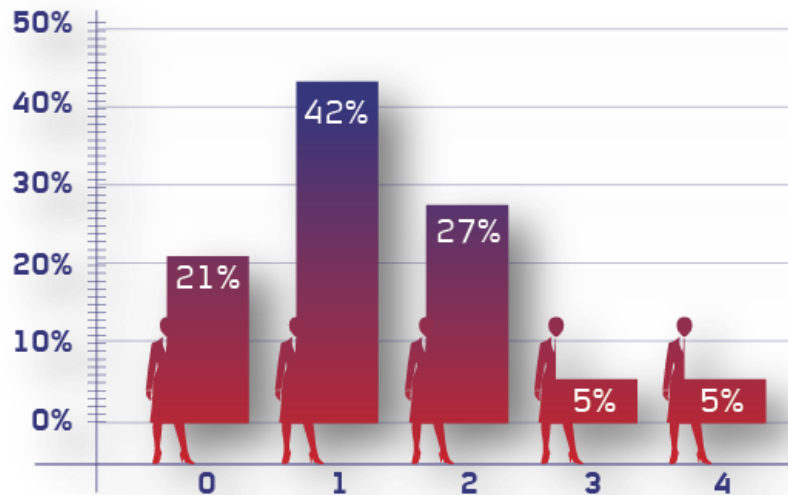
- The number of Directors serving on these Boards ranges from 3 to 19.
- The median is 9 Directors which is at the lower range of 9 to 12 that many researchers have found to be optimal.
- At the lower end, 3 to 5, the Board may not have the collective knowledge and experience necessary.
- At the higher end, 15 to 19, the Board may become unwieldy and dysfunctional.

- Range from a low 30% to a high 100%.
- The median is 61%
- Median may provide a good working balance for the proper functioning of the Board.
- At the high end, 80-100% , the Board runs the risk of isolating the Non-Executives from the operations of the company.
- At the lower end, 30-50%, the risk is that the Executives may not obtain sufficient benefit from the external advice, challenge and support that Non-Executives bring.

% NON EXECUTIVE MEMBERS IN RELATION TO BOARD SIZE



% OF COMPANIES THAT HAVE WOMEN AS BOARD MEMBERS

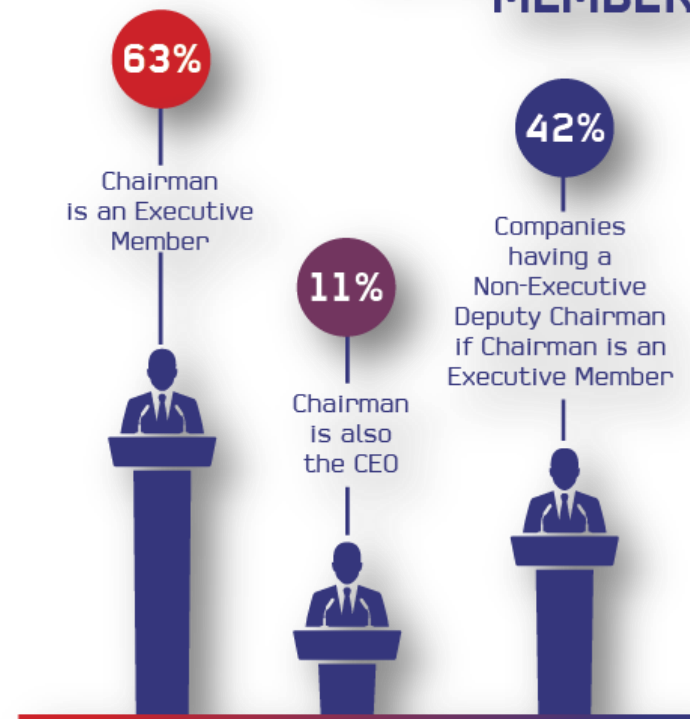


 NUMBER OF MEMBERS

- Almost 80% of companies have at least one woman on the Board.
- For 42% of companies compliance with the Codes gender diversity recommendations have been achieved.
- However 37% of companies go beyond minimum compliance and have 2,3 and 4 women on the Board.

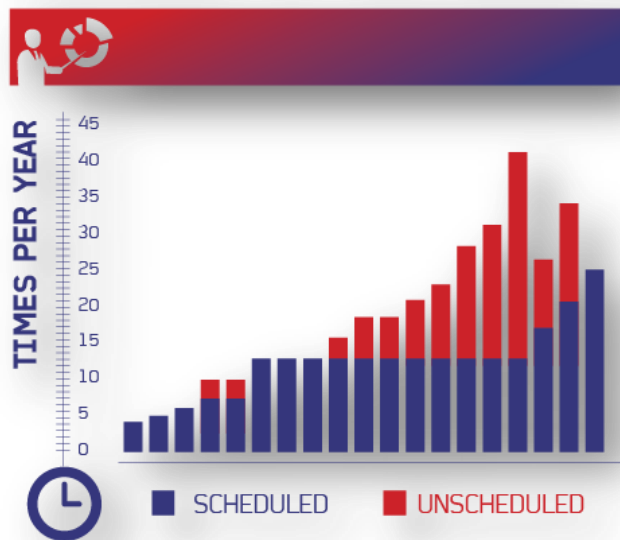
- The Greek Code does not prohibit Chairmen from holding an Executive position.
- 63% of Chairmen are Executive members.
- The Code recommends that the role of Chair and CEO be separated.
- 11% of Chairmen are also the CEO.
- The code recommends that when Chairman is Executive there be a Non-Executive Deputy Chairman.
- Only 42% of companies complied with this recommendation.

CHAIRMAN AS AN EXECUTIVE MEMBER



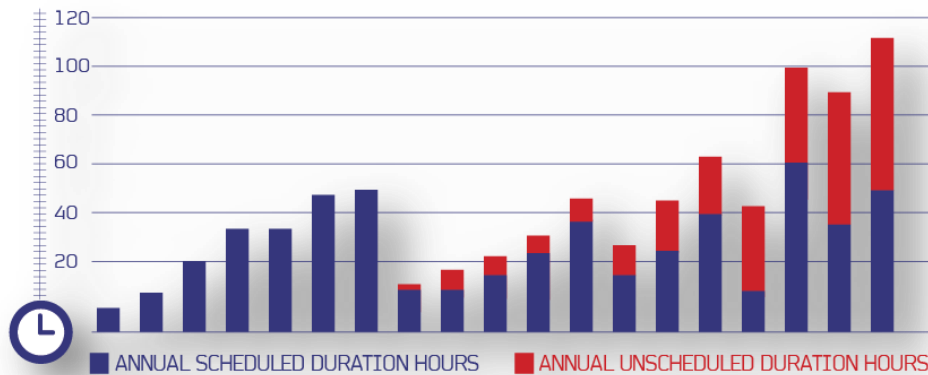
- Scheduled Board meetings are usually one per month, a few companies have a higher frequency
- Some however meet less frequently, as little as only twice per year.
- Unscheduled Board meetings seem to be a regular occurrence for many companies.

FREQUENCY OF FULL BOARD MEETING (TIMES PER YEAR)

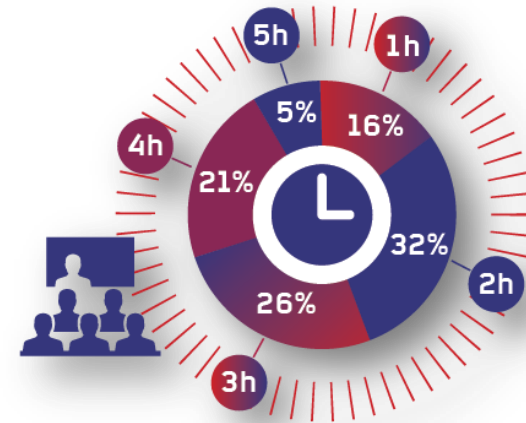


- Most companies need between 2 and 4 hours for their Board meetings.
- Even with time for unscheduled meetings, actual Board participation does not appear to be a heavy time requirement for most Directors.

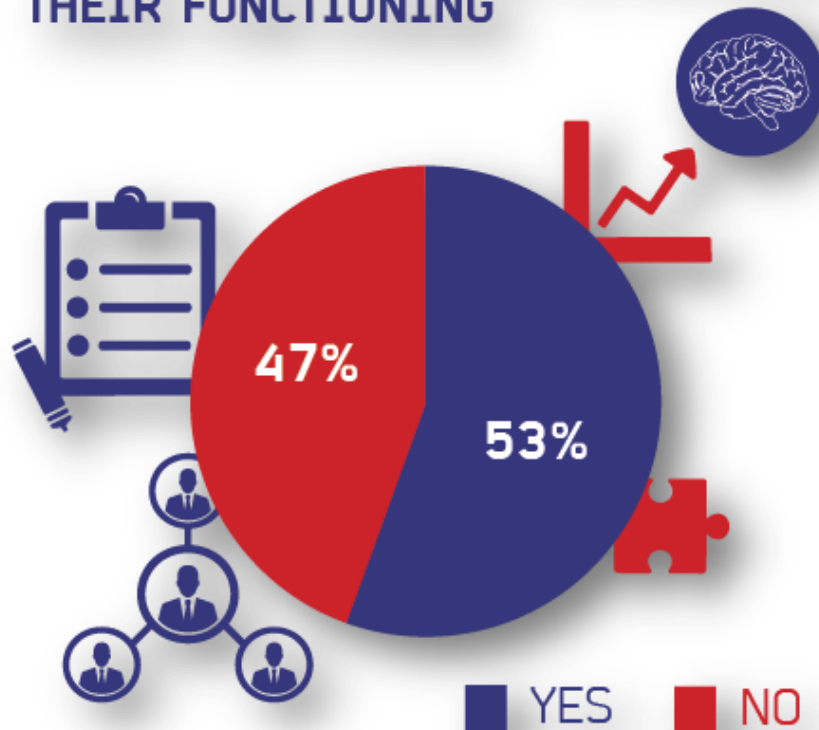
SCHEDULED & UNSCHEDULED AVERAGE DURATION TIME



MEETING HOURS



COMPANIES UTILIZING A FORMAL EVALUATION PROCESS TO IMPROVE THEIR FUNCTIONING



- The Code requires a regular and formal evaluation of the functioning of the Board and its committees.
- A recent survey by Heidrick and Struggles found that 78% of European companies have at least an annual or biannual Evaluation.
- In our sample only 53% of the companies are involved in a formal Evaluation of their functioning.

IS INFORMATION PACKAGE SENT OUT TO MEMBERS IN ADVANCE?



YES

89%

11%

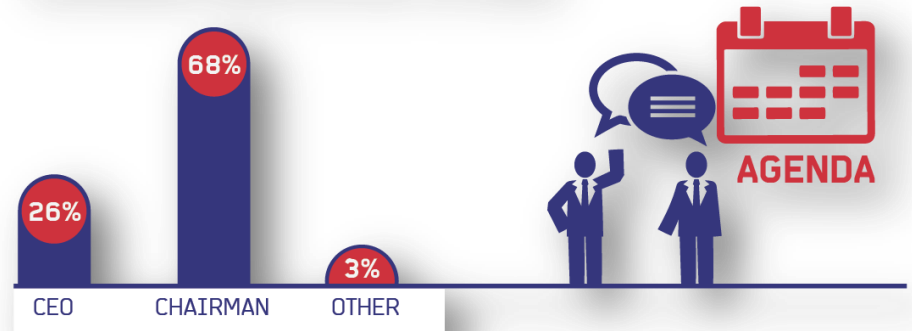
NO

In 11% of companies an information package is not sent out to members in advance of the meeting so the Directors arrive at the meeting less prepared than otherwise.

It is the Chairman's responsibility to lead the Board and set the Agenda for the meetings.

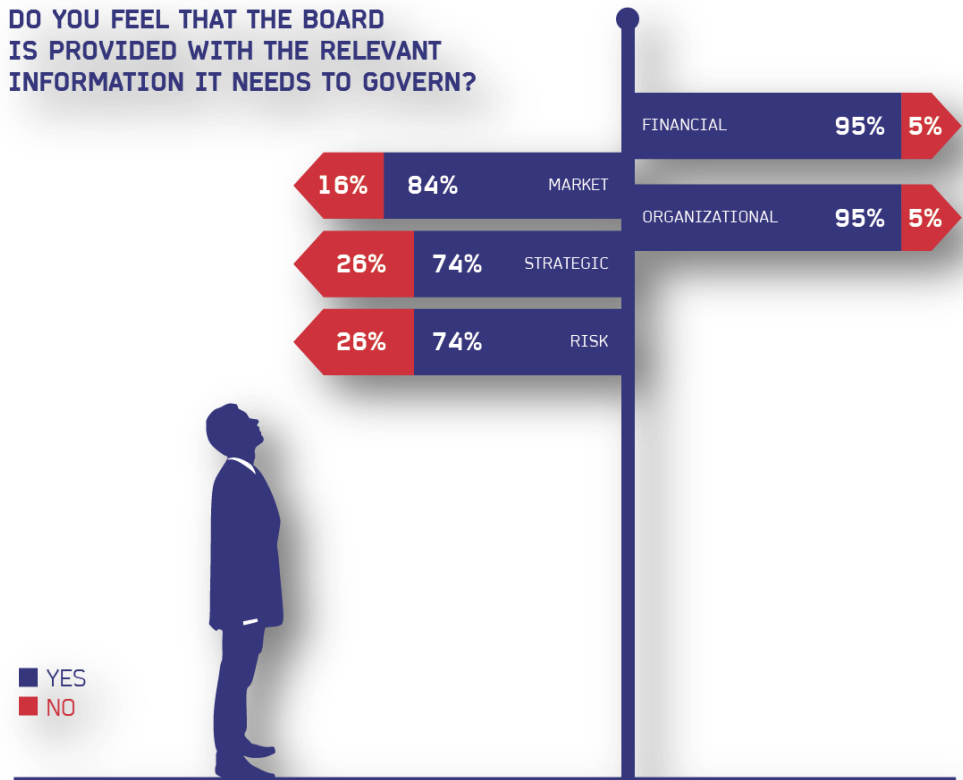
However in 32% of instances the Chairman has ceded this Agenda setting responsibility, often to the CEO but also to others.

RESPONSIBLE PERSON SETTING THE AGENDA



- On the positive side Boards appear to receive adequate information about the Financial and Organizational issues of the Company. Only 5% do not.
- 16% do not receive adequate information regarding the Market the Company operates in.
- However a full 26% of Companies do not provide their Board members with information about matters of Strategy and Risk.
- This could be a fundamental weakness as a Board cannot discharge its fiduciary responsibility unless it is fully involved in all strategic decisions and is able to deal with all areas of risk.

DO YOU FEEL THAT THE BOARD IS PROVIDED WITH THE RELEVANT INFORMATION IT NEEDS TO GOVERN?



- The code requires listed companies to have at least three committees to support the Board.
- The majority of companies have an Audit committee.
- Remuneration committee is only found in 53% of instances
- Nominations committee has still not found its place in business structure.
- Interestingly Remuneration and Nomination committees have more members than Audit.



AVG. COMMITTEE MEMBERS
BASED ON THE RESPONSES OF THE COMPANIES HAVING AUDIT COMMITTEES



% OF COMPANIES HAVING COMMITTEES

■ YES ■ NO

Committee Type	YES (%)	NO (%)
AUDIT COMMITTEE	84%	16%
REMUNERATION COMMITTEE	53%	47%
NOMINATIONS COMMITTEE	42%	58%
OTHER COMMITTEES	37%	63%

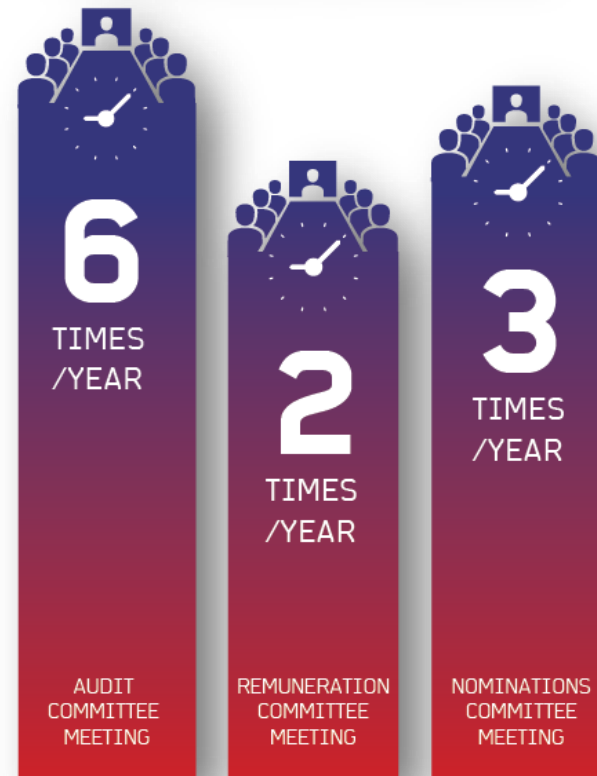
Audit Committee is more active and meets more frequently than Remuneration and Nominations.

The Code specifically requires Boards of listed companies to have a clear view of how top people are paid and also to ensure the orderly succession of board members and senior executives so as to ensure the long-term success of the company.

Without an adequate working Remunerations and Nominations committee the burden to discharge this responsibility will have to fall on the main Board.

AVG. FREQUENCY OF COMMITTEE MEETINGS

BASED ON THE RESPONSES OF THE
COMPANIES HAVING AUDIT COMMITTEES

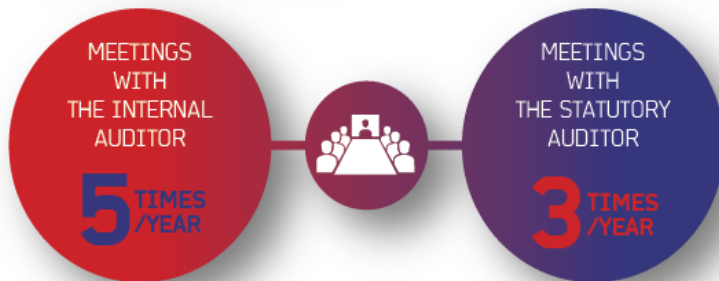


The Audit committee is also responsible for oversight of the internal audit function and needs to liaise with external (statutory) auditors in order to ensure coverage of its obligations.

In only 11% of cases do the Remuneration and Nominations committee utilize the services of external consultants to help them develop the appropriate expertise and market knowledge.

FREQUENCY OF FORMAL MEETINGS WITH AUDITORS (TIMES/YEAR)

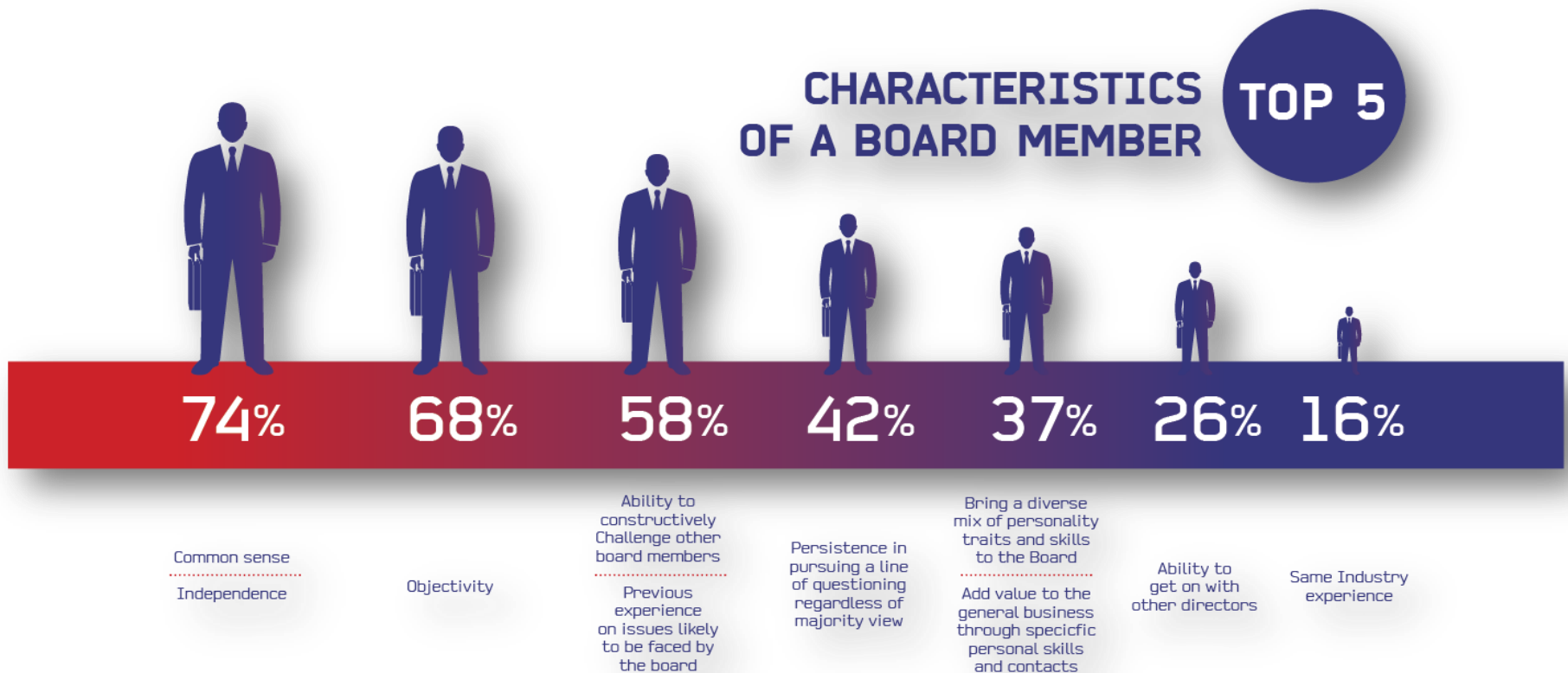
BASED ON THE RESPONSES OF THE COMPANIES HAVING AUDIT COMMITTEES

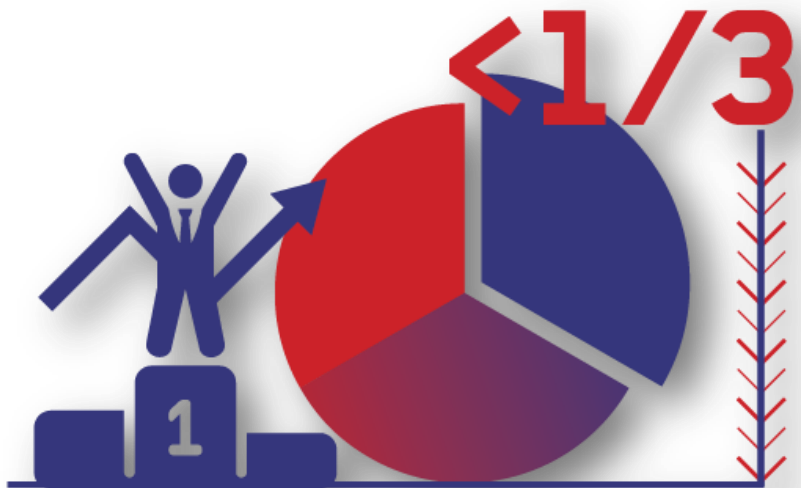


% OF COMPANIES UTILIZING EXTERNAL CONSULTANTS ADVISING ON COMMITTEES



- "Common Sense", "Independence" and "Objectivity" are the top three. The next two are "Ability to constructively Challenge other Board Members" and "Previous Experience on issues likely to be faced by the Board".
- Importantly Independence, Objectivity and Ability to constructively Challenge other Board members are functions of what could be described as "Independence of Mind".

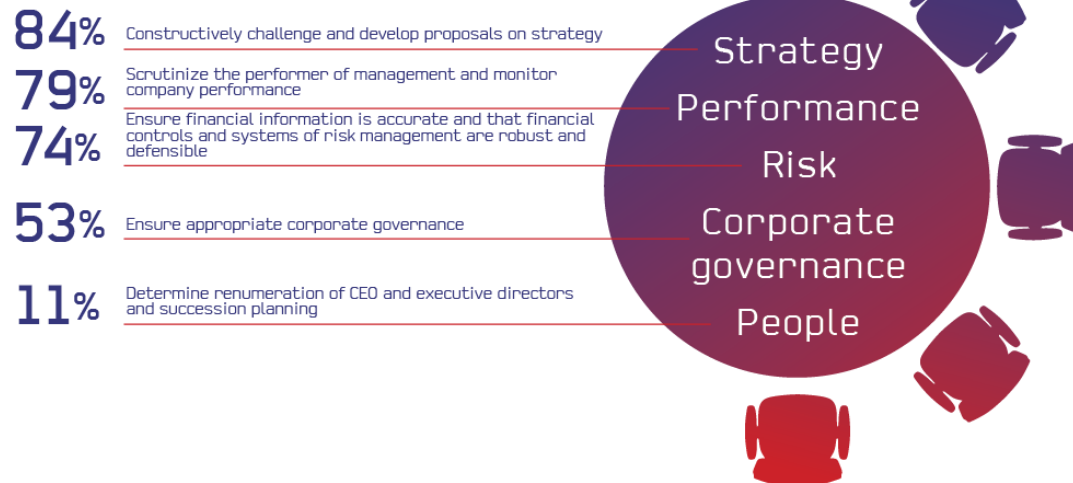




Less than a third
feel they have achieved the right composition.

- When asked if the Board has the right composition for the environment and business they operate in, only less than a third said yes.
- On the one hand Boards can articulate what are the characteristics their members need to have; on the other hand two thirds believe they don't have them.
- Combined with the fact that only 40% of companies have a functioning Nominations committee this is an area where Boards might need to focus.

TOP 3 RESPONSIBILITIES OF YOUR BOARD



- Strategy, Performance and Risk were identified as the top three responsibilities.
- Strategy and Risk on the other hand are the areas where Boards receive less information.
- Here again we find evidence of the lower importance placed by Boards on People issues. In the same way that there are fewer Remuneration and Nominations committees, respondents place very little importance to CEO and Executive pay and to succession planning.

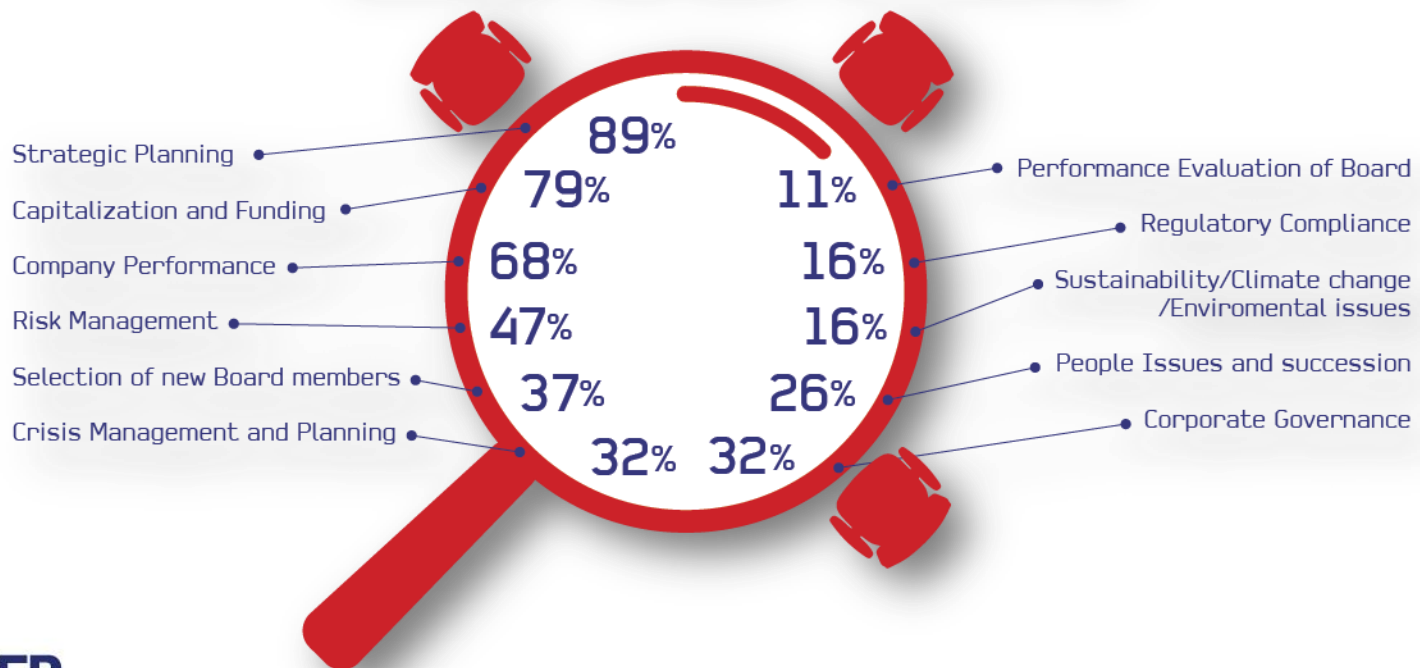
REQUIRED AREAS EXPERTISE FOR NEW BOARD MEMBER



Risk management is the key area of expertise that most companies identified as will be most needed in the future. This is probably reflective of the issues faced by Greek businesses during the last few years. Companies began to realize that stability is not the norm anymore and that for Boards to be effective new skill sets are required.

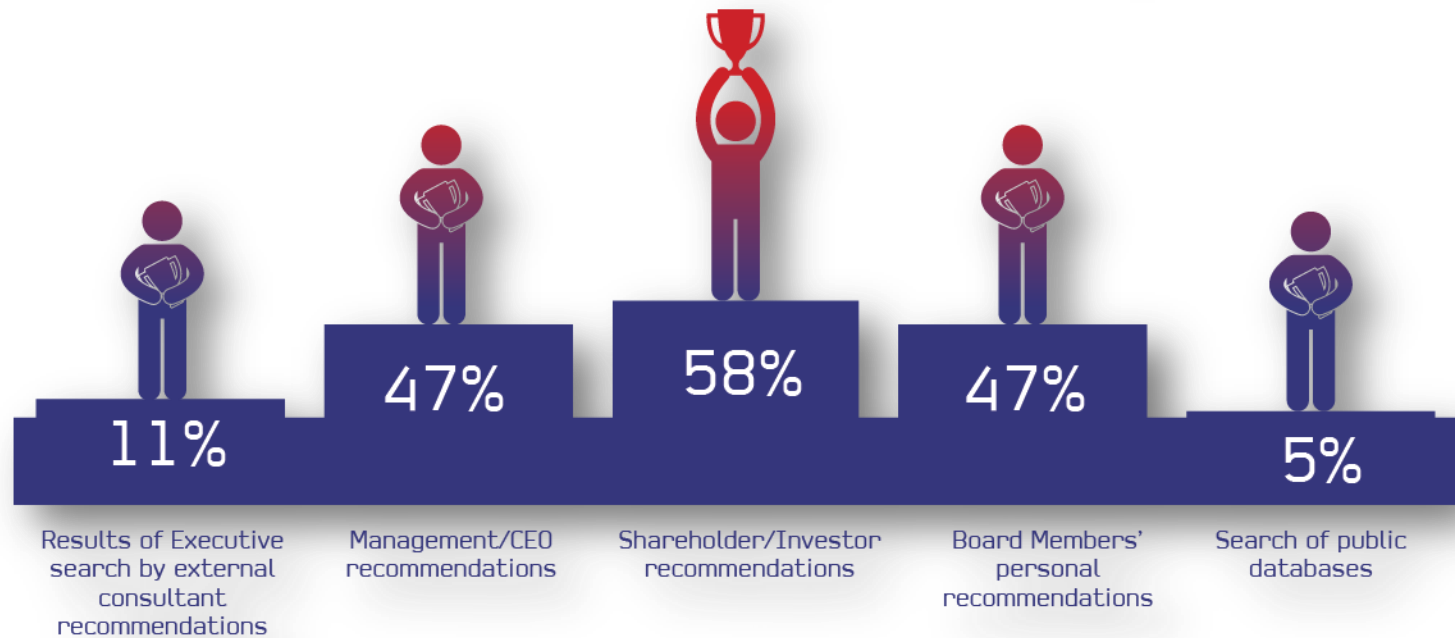
“Strategic Planning” was of overwhelming concern during the last year. Combined with “Capitalization and Funding” issues and “Company performance” is truly reflective of the Greek business environment during these recent crisis years.

AREAS REQUIRING SIGNIFICANT BOARD ATTENTION DURING THE LAST 12 MONTHS



- Boards are more comfortable with “in-house” selections rather than via a formalized executive search.
- This is consistent with the lower use of nominations committees identified earlier.

SELECTION OF BOARD MEMBERS, DURING THE LAST 3 YEARS IS BASED ON:



- Almost 90% believe they are proactive in addressing the risks their companies could face.
- However just over half believe they have achieved the required level of readiness to deal with the next crisis. As risk management has been identified as the most critical area of expertise new board members need to have then Boards need to accelerate either the recruitment of new members or retrain existing members in risk management.
- Almost a quarter do not have a plan in place in case they need to urgently appoint a successor to the CEO. The risk these companies face is exacerbated when combined with the fact that the majority of companies do not have a nominations committee.



HOW WELL PREPARED ARE YOU FOR THE NEXT CRISIS?

47%

NO

53%

YES

ARE YOU BEING PROACTIVE IN ADDRESSING THE RISKS THAT YOUR COMPANY COULD FACE?

89%

YES

11%

NO

IS THERE A CONTINGENCY PLAN IN PLACE IF YOU NEED TO URGENTLY APPOINT A SUCCESSOR TO YOUR CEO?

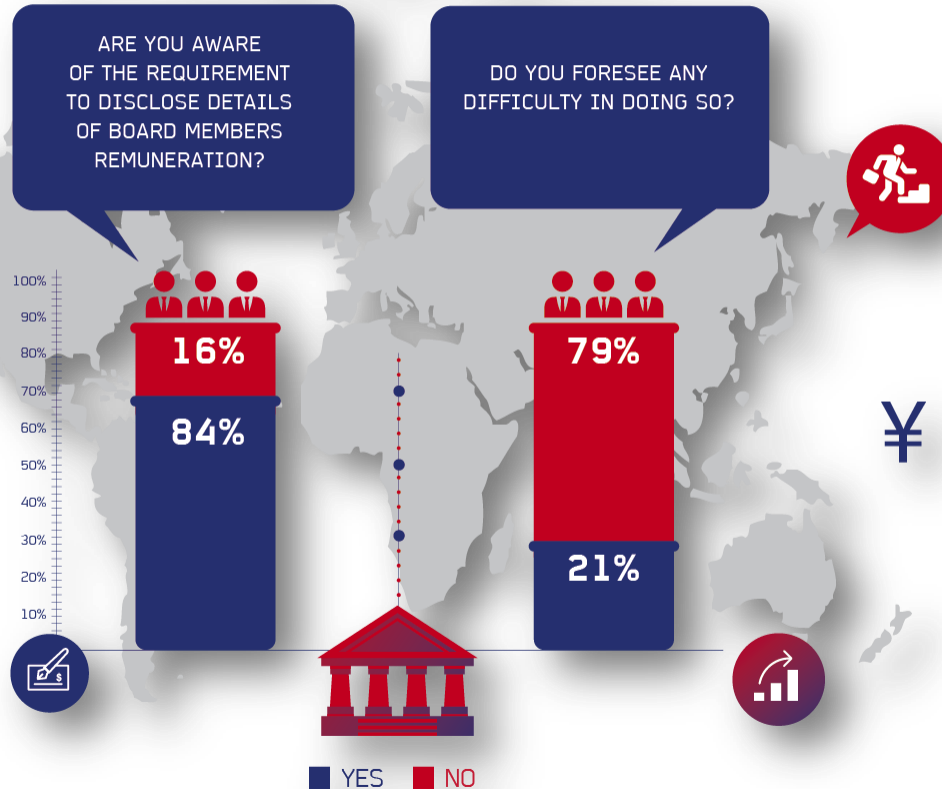
74%

YES

26%

NO

BOARD REMUNERATION



- The Hellenic Corporate Governance Code requires disclosure of Board members remuneration effective this year.
- Very few companies are not aware of the requirement and only one in five felt they would have difficulty in complying.

NON-EXECUTIVE DIRECTORS REMUNERATION

Paid Directors in relation to total	84%
Range of Annual fees:	Euro
Lowest Decile D1	3,600
Lowest Quartile Q1	10,125
Median M	25,500
Highest Quartile Q3	40,000
Highest Decile D9	46,800

- The range and method of pay varies significantly. Greek companies have not yet established ranges of norms for Directors remuneration as they have for Executive or Management compensation.
- Nor does it appear that there are firm policies as to whether Directors are rewarded overall for being on the Board and its committees inclusive, or whether separate value is actually attached to each committee membership.
- Only 84% of Non-executive directors are remunerated for their services. The remaining provide their services for free.
- The range of total compensation of Board and Committee fees ranges from Euro 3,600 per annum to a high Euro 48,000 with a median at Euro 25,500.

- Committee membership also does not guarantee a remunerated position. Only 79% of members of the Audit committee are paid versus 52% and 55% for the Remuneration and Nominations Committees.
- Furthermore the Audit committee pays better than the other two with median pay at €40,000 versus €30,000 and €24,000. At the high end Audit committee members earn €43,000 versus €40,000 and €33,000 for the other two committees.

ANNUAL FEES FOR NON-EXECUTIVE DIRECTOR COMMITTEE PARTICIPATION

	Audit	Remuneration	Other
Paid Directors in relation to total by committee	79%	52%	55%
Range of Total Fees:	Euro	Euro	Euro
Lowest quartile Q1	20,000	12,325	9,150
Median M	40,000	30,000	24,000
Highest quartile Q3	43,000	40,000	33,000

CONCLUSION - 1

- The results show a significant level of variation in practices and level of compliance. There is a very wide dispersion in many of the findings. The number of Directors ranges from 3 to 19. Non-Executive Directors as a percent of total ranges from 30% to 100%. The number of meetings per year ranges from 2 to a high of 42. Directors' remuneration ranges from 0 to 000's.
- The Code is known and there is a tendency for compliance. The instances of non-compliance are significant enough to give rise to concern and to questions regarding the understanding companies have about the importance of good Corporate Governance and Board practices.
- Instances of non-compliance include: not publishing the annual Corporate Governance statement, not utilizing a formal evaluation process to improve Board functioning and effectiveness, not appointing a non-executive deputy chairman when the Chairman is an Executive, not forming all the necessary committees, and Chairmen ceding their responsibility as to the Board agenda.

CONCLUSION - 2

- One important recurring theme has to do with nominations to the Board. Few companies have a nominations committee. Of those that do many do not attach enough importance so fees for that committee are lower than others. Finally recommendations for new members tend to come from within the structure of the company as opposed to external searches.
- Of significant note is the fact that only one third of the respondents believe their Board has the right composition for the environment and business they operate in. Also about a quarter of the companies do not have a contingency plan in place for CEO succession.
- Finally although Strategy and Risk have been identified as critical attributes in Board responsibility there is less than adequate information provided to Board members on these areas.
- We assume that these findings reflect “teething” problems of new concepts in a still immature Corporate Governance environment and that our future surveys will reflect improvements in Board practices in Greece.