

## Corporate Governance Compliance in Alternative Markets. The Case of the Alternative Market of ATHEX

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### Abstract

*In the current economic and social environment, companies are called upon to maintain their smooth operation, as well as to adopt practices that ensure their viability. One of the central pillars of sustainable development of listed companies in the alternative market, today, is the adoption of a strong corporate governance system. In the Greek financial sector, there are limited references to the companies that trade on the Alternative Market of the Athens Stock Exchange, as well as to the companies' approach to the Hellenic Corporate Governance Code. The aim of this work is to cover a part of the incomplete literature that exists in the scientific community for the companies on the alternative market of ATHEX, because the provisions of Hellenic Corporate Governance Code are considered crucial for the business strategy and for the creation of corporate value. The purpose of this paper is primarily to deepen the understanding on the new corporate governance code of ATHEX as well as on the application of the code practices in the selected sample of listed companies in the alternative market of the Athens Stock Exchange. From a theoretical perspective, extensive reference is made to the practices and legal framework of the corporate governance code in Greece. For the analysis and description of the data regarding corporate governance in the alternative market of ATHEX, and specifically, the adoption or not, of an effective corporate governance system. Information was collected from the financial reports of the sample companies for the period 2008 - 2021. The present study shows that listed companies in the alternative market are trying to adopt a framework of principles in line with the respective companies trading in the ATHEX main market. However, compared to the companies trading in the main market of ATHEX, there are huge differences in the degree of compliance for companies in the alternative market. Therefore, significant improvements should be made as the limited adoption of the corporate governance code is still very characteristic for the firms of the alternative market.*

**Keywords:** Corporate governance; alternative market; Greece; ATHEX;

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## 1. Introduction

International developments in the financial sector are at the heart of economic developments on a daily basis. Many of these companies aim to attract new investors for sustainable development. However, this sustainable development is based on the elimination of the percentage of risks in order to understand whether a listed company is attractive in relation to its competitors. For this reason, very often in the literature we refer to the concept of corporate governance, especially for companies that are traded on stock exchanges around the world. This term takes on greater proportions when financial scandals begin and appear. These scandals and crises of the past have been manifestations of a number of structural reasons why corporate governance has become more important for economic growth and prosperity (Becht *et al.*, 2003). Given that corporate governance is a mechanism for protecting shareholders from the problems of "mismanagement" of the company, it is no coincidence that regulators establish corporate governance codes and corresponding good practices for companies.

Especially for the listed companies in the alternative market of the Athens Stock Exchange, as well as for the alternative markets in the international stock exchanges, the adoption of the principles of corporate governance is an important condition in the development of the company. Companies in the alternative market, in order to become more dynamic and efficient, thus claiming their entry in the main market of the stock market, try to reduce the risks for investors and at the same time increase their financial performance.

Several studies show that good corporate governance practices lead to better or more effective investment decisions and ultimately to higher business value (Cheung *et al.*, 2011). The researchers studied the effects of corporate governance and family ownership on business valuation through the effectiveness of investment in emerging markets in Asia and concluded that investors reward companies for improving corporate governance. For this reason, the study and evaluation of corporate governance is considered important, both in the companies that trade in the main market, and in the companies that trade in the alternative market of the Athens Stock Exchange. In general, alternative markets tend to show weaker measures of corporate governance, corporate social responsibility, protection of the property rights of investors and minority shareholders (Peters *et al.*, 2011).

The purpose of this paper is to evaluate the level of implementation of corporate governance of companies trading on the Athens Stock Exchange and more specifically, of companies whose shares are traded in the alternative market. In particular, the sample of work consists of the seventeen (17) companies that have traded to date in the alternative market of the Athens Stock Exchange, according to the website of the stock exchange. The analysis has been carried out in the long run since 2008, when the operation of the ATHEX alternative market started, in order to determine the degree to which significant changes are made in the corporate governance code, in the persons who compose the board of directors of the company, as well as the degree to which these companies adapt to the provisions of the Code. The above data concerning the alternative market were evaluated by press releases, Board of Directors (BoD) documents, financial statements and other secondary data on the websites of the listed companies of the alternative market of the Athens Stock Exchange.

The originality of the research lies in the fact that the corporate governance analysis of a significant market of the Athens Stock Exchange, such as the alternative market, is done in order to record the changes in the corporate governance of the specific companies and in the respective practices. In addition, its conduct is considered important, as a lack of similar

research was found on the way corporate governance is applied to companies in the alternative market of the Athens Stock Exchange, as these companies play a key role in the development of the Greek Capital Market. Both the particular characteristics encountered in alternative markets and the effects they cause either on the stock market as a whole or in the context of the economy and the stock market in general.

## 2. Concept of 'Corporate Governance'

Corporate Governance can be defined as the framework of principles and policies that safeguard the interests of all those associated with a company and a group (staff, directors, board of directors, shareholders, suppliers, customers, credit institutions, government agencies, etc.), with transparency. The Corporate Governance System has been designed with the aim of harmonizing and adapting it to the current laws and regulations, through principles, criteria and policies, adopting recognized practices, aiming at the transparency and responsible operation of a company in all areas of its activity. The correct application of the principles of Corporate Governance is a "key" for its sustainable development, the strengthening of the dialogue with its investors and the assurance of their trust. The impact of corporate governance plays a key role in the course of a listed company and the liquidity of stock markets in an emerging country, by creating a corporate governance structure that includes both internal monitoring mechanisms (characteristics of the board, characteristics of the board control panel and internal control function) and external monitoring mechanism (quality control). Chakrabarti (2005) research shows that effective corporate governance is vital for the growth of companies, because it can significantly improve their ability to obtain external financing from market financial institutions and foreign investors.

Corporate governance has recently become one of the crucial initiatives to mitigate and / or reduce the risk posed by impression management. The findings show that companies with strong corporate governance systems combined with reducing information asymmetry and agency conflict can improve the quality of financial reporting. The faithful application of the practices of the corporate governance code, help to eliminate the asymmetry of information, increasing the quality and quantity of business information. Therefore, corporate governance, we would say, plays an essential variable for the readability of the annual reports in this study. Thus, the image of the company that trades in the alternative market is improved, upgrading its solvency to the general investment public (Dalwai *et al.*, 2021).

Enhancing transparency, timely informing investors, strengthening the supervisory role of the board of directors, as well as the preparation of rational accounting statements, are some of the challenges that every regulated capital market must face. They are an essential condition for the effective protection of shareholders' rights and the prevention or early diagnosis and treatment of business malfunctions in management systems. The concept of corporate governance first appeared in the Anglo-Saxon countries in the early 20th century, having a direct connection with the organization of production and the establishment of companies. The need to protect stakeholders (shareholders, lenders, banks, employees, suppliers) from mismanagement, poor performance were the basis for establishing rules and principles with the central goal of balancing the powers of management and shareholders. In the last view expressed by Esqueda and O'Connor (2019), companies can maximize shareholder wealth by adapting corporate governance to the different needs of the organization, instead of maintaining static governance mechanisms.

Understandably, corporate governance concerns both the global economy and the international investment community. Good corporate governance practices are a prerequisite for a company to have credibility with the investing public. The purpose of corporate governance is to build trust in the investor and to promote the long-term success and growth of companies (Hellenic Capital Market Commission, Article 13). Today, through amendments, provisions and laws, corporate governance is enriched to cover any security gap that will affect the sustainable development of companies.

According to the Corporate Governance Principles of the Organization for Economic Co-operation and Development (OECD), corporate governance means the system of relationships established between the management of the company, shareholders, employees and any other stakeholder and aims to create, grow and sustain and competing companies. As a set of principles, corporate governance is in fact a matter of self-regulation: it is not limited to the application of the provisions required by law, but is based on the voluntary acceptance and application of rules understood as specific practices. Based on these rules, the management is exercised, monitored and controlled, the corporate functions are performed, the relations with the shareholders and the external agents (shareholders, suppliers, customers, public administration, etc.) that are interconnected with the company are formed, the goals are achieved existing or potential risks have been identified, identified and managed. Through the promotion of the principles of corporate governance, the credibility of the Greek capital market towards international and domestic investors can be increased, the transparency can be enhanced, and the competitiveness of Greek companies can be improved. In addition, a framework of good corporate governance through the consolidation of trust in the business environment, can bring together, in an effective and beneficial way, the interests of business, citizens and society. Finally, investors can consider the listing requirements of companies in the main market of the stock exchange as an important proxy for the quality of the board structure, shareholder protection, disclosure requirements and ownership structure (Esqueda and O'Connor, 2019).

It is worth mentioning that there is a significant positive relationship between the effectiveness of corporate governance and the liquidity of stock markets, through findings that are strong for alternative liquidity measurements and alternative valuation methods (Al-Jaifi *et al.*, 2017). Stock market liquidity is a key factor in the proper functioning of stock exchanges due to its significant effects for many places, either in developed or emerging countries. One of the issues addressed in terms of liquidity is corporate governance, as effective corporate governance is vital to boosting investor confidence and expanding and deepening the capital market.

Since the 2000s, many governments have issued a Corporate Governance Code to ensure better quality corporate governance practices and improve transparency as well as investor confidence. In Greece, the Hellenic Corporate Governance Council has adopted the Hellenic Corporate Governance Code, with the most recent version in June 2021. The Hellenic Corporate Governance Code is adapted to Greek legislation and business reality. It does not impose obligations, but explains how to adopt good practices and facilitates the formulation of corporate governance policies and practices that will meet the specific conditions of each company.

Characteristics of the recent Hellenic Code of Corporate Governance are the following:

- The Code as a text of self-regulation is adopted based on the particular characteristics of the companies, their shareholder composition and the criteria they choose, as the case may be.
- The Code is implemented based on the principle "Comply or explain".

- The Code does not repeat, as its own provisions, the legal provisions, nor does it interpret the legislation.
- The central goal of the Code is to create an accessible and understandable reference guide, which sets in a coded way in a single text, high (higher than mandatory) requirements and corporate governance standards.

### **Hellenic Corporate Governance Code**

In Greece, the Corporate Governance Code (Hellenic Federation of Enterprises Code 2011 for listed companies) was drafted at the initiative of BSE (SEV - Hellenic Federation of Enterprises) and aims to continuously improve the Greek corporate institutional framework and the wider business environment, as well as to improve the competitiveness of companies and the Greek economy in its whole. The principles of the Code emphasize the role of good corporate governance in promoting the competitiveness of companies, both in terms of the efficiency of the internal organization and on the other hand in the lower cost of capital. The main goal of the BSE code was the training and guidance of the BoD of Greek companies in matters of best governance practices. Another goal of the code is to improve the information of private or institutional shareholders, Greeks and foreigners, and to strengthen their participation in corporate affairs. The central goal of the Code is the creation of an accessible and understandable reporting system for listed Greek companies, which are now required to publish information on their corporate governance on an annual basis. In summary, the Hellenic Corporate Governance Council has adopted the Hellenic Corporate Governance Code, with the most recent issue in June 2021. The principle of "Comply or Explain" is introduced for the first time in Greece, as it is possible to deviate from the Corporate Governance Code observed by each company, as long as the above Statement includes a detailed description of the provisions that do not justify the reasons for non-implementation also apply. The new law makes the Board of Directors collectively responsible in case of inaccurate or incomplete provision of information regarding the above, even providing for prison sentences for all its members. It is clear that the publication of data, such as those mentioned above, through the annual report of listed companies is an important step towards the transparency and accountability of administrations.

At this point it is worth mentioning that the Hellenic Code of Corporate Governance has established important rules and safeguards for the theory of representation which is based on the separation of ownership from the control and supervision of a company. Proponents of the representation theory argue that the primary responsibility of board members is to control the executive members of the board and to protect shareholders and investors from conflicts of interest (Pfeffer and Salancik, 2003). The Hellenic Code of Corporate Governance is adapted to Greek legislation and business reality and is a means of maximizing the value of companies (Tuan, 2014). It does not impose obligations, but explains how to adopt good practices and facilitates the formulation of corporate governance policies and practices which will meet the specific conditions of each company.

An important provision of the code is the fact that the composition of the Board of Directors reflects the knowledge, skills and experience required to exercise its responsibilities, according to the business model and strategy of the company. An important provision of the code is the fact that the composition of the Board of Directors reflects the knowledge, skills and experience required to exercise its responsibilities, according to the business model and strategy of the company. For the first time, for the composition of the Board of Directors, the company has a policy of suitability of the members of the Board of Directors,

which is approved by its Board of Directors and includes at least the provision of diversity criteria for the selection of the members of the Board of Directors. Finally, the Hellenic Code of Corporate Governance provides for two important provisions in the composition of the board of directors. Initially, the independent non-executive members are not less than one third (1/3) of the total number of its members and, however, they are not less than two (2). Regarding the representation of women, the selection criteria for the members of the Board of Directors include at least the sufficient representation per gender in a percentage that is not less than twenty five percent (25%) of the total members of the Board of Directors.

In corporate boards, there is evidence that corporate governance, in the form of quality board characteristics, is more effective in mitigating earnings management in non-centralized markets (El Diri *et al.*, 2020). In general, there is a strong interest in the operation of the boards and at the same time their role is strengthened. In parallel with these developments, research on corporate governance has found that the application of corporate governance in emerging markets has expanded rapidly, along with the growing recognition of its importance worldwide (Ararat *et al.*, 2021). Four of the research papers of Ararat *et al.* (2021) focus on the role of boards and three papers on other areas of corporate governance.

In closing, we will make a reference to the number of members of the board of directors defined by the Hellenic Code of Corporate Governance. A typical passage from the code states that “*the Board of Directors consists of at least three (3) members and not more than fifteen (15). When the articles of association provide for a minimum and maximum number of members of the Board, the exact number of members is determined by the general meeting*”. Older research has shown that the size of the board has a direct effect on how effective the board is, and in particular Khorana *et al.*, (2007) have shown that if the board is small, it is more effective. In particular, a board consisting of a smaller number of members may have better levels of cooperation and communication between its members (Samaha *et al.*, 2012). In particular, research results show that boards with more than eight members are negatively associated with abnormal returns during the reporting period, while value for companies are positively related to the voting rights of board members (Tampakoudis *et al.*, 2018). On the other hand, there are studies that show a negative relationship between board size and financial performance (Arora and Sharma, 2016; Malik and Makhdoom, 2016). Finally, in the good practices of the code, special reference is made to the part of participation and information of the shareholders. For the updating of the information to the shareholders but also in general for the communication with them on a regular basis, the company establishes a competent shareholder service unit, the procedures of which are also posted on the company's website. Moreover, shareholders' rights determine the degree of legal protection and are a means of resolving representation problems (Gompers *et al.*, 2003)

### **3. The Greek Capital Market**

#### **3.1 Athens Stock Exchange**

Since 1876, the Athens Stock Exchange is an important part of the economic reality of Greece, playing a developmental role in the Greek economy as a mechanism for raising capital. The Athens Stock Exchange Group operates the Greek securities and derivatives market. The Group is vertical, providing through its subsidiaries Trading, Clearing,

Settlement and Registration Systems. The Athens Stock Exchange markets are broadly invested, with foreign investors having a strong presence over the last decade, holding more than 60% of the total market capitalization and around 60% of the total value of transactions. The Athens Stock Exchange Group (AthexGroup) is the manager of the regulated markets, the multilateral trading and coal markets as well as the OTC market of the Greek capital market. More specifically, the markets that operate on the ATHEX are distinguished as follows:

- Organized securities market, where investors can trade - among others - in stocks, ETFs and bonds.
- Organized derivatives market, in which are available to Trading Futures, Options and Borrowing Products.
- Alternative market, in which investors can trade in shares.
- Coal market, where tenders are held for the primary disposal of greenhouse gas emission allowances (EUAs); and
- OTC market, where securities transfers between investors take place outside the market.

The Athens Stock Exchange has over 30 indices. The six key indicators are: General Composite Index (GD), FTSE / Athex Large Cap Index (FTSE, also known as FTSE 25), FTSE / Athex Mid Cap Index (FTSEM), the FTSE / Athex Market Index (FTSEA), FTSE / ATHEX Global Traders Index Plus (FTSEGTI) and FTSE / ATHEX Factor-Weighted Index (FTSEMSFW). In the end, in February 2008, the operation of the Alternative Market (EN) begins. In its first year of operation, 9 companies listed their shares in this market.

### **3.2 Alternative market of the Athens Stock Exchange**

The Alternative Market (AL) is a Multilateral Trading Mechanism (MMM) as described in the MiFID Directive and started operating in 2008. It has been taken over by the Athens Stock Exchange (ATHEX), in accordance with the Operating Rules set by the ATHEX and have been notified to the Hellenic Capital Market Commission (EC), which oversees this market in particular in matters relating to market abuse and the Prospectus, if required to be published. It is characterized as an "unorganized" market and does not fall under the provisions that must apply to regulated markets and impose strict conditions for entry and stay in them. The Securities System of Alternative Market (EN.A.) is addressed to:

A) companies that are active in industries that are developing rapidly and have clear and achievable goals for their course and future. Also, to companies that are looking for alternative ways of financing their development and aim in the long run to enter the organized market of the ATHEX.

B) Greek and foreign institutional investors and informed individuals who are looking for new investment products with the prospect of greater long-term return but also greater risk.

For the alternative market, the Athens Stock Exchange is solely responsible for determining the conditions for joining the trading and the obligations of companies and consultants, and the imposition of sanctions for violations of the Rules of Operation. The trading in the Securities System of Alternative Market (EN.A.) is done only with the mediation of the Members of PMD / EN.A. The Members of ATHEX are automatically considered Members of the PMD / EN.A. Finally, for the approval of the integration of stock trading in the Alternative Market, the appointment of the consulting company, Consultant, is required for the first two years from the start of trading and optionally for the remaining time in the market. The Alternative Market has some attractive features for companies, thus making their integration and financing more flexible. Indicatively, some of them are that:

- It is a multilateral Trading Mechanism - MTF, according to the European directive MiFID.
- Operates since 2008 according to the Rules of Operation EN.A. defined by the ATHEX.
- It is characterized by a flexible framework of integration and stay.
- Provides the possibility of joining without issuing a Prospectus, simply with an Information Note.
- Contributes to meeting the need to raise capital for developing small and medium-sized companies and companies at an early stage of development.
- The shares are included and traded in two distinct categories of E.N.A. STEP and EN.A. PLUS, but also bonds in EN.A. Fixed Income.
- There are Trading, Clearing, Settlement and Registration services similar to those of the Regulated Market.
- We distinguish highly competitive charges.
- Trading hours are continuous with meeting hours 10:30 - 17:20.

There are many reasons for a company to choose the alternative market of the Athens Stock Exchange. Initially, it can strengthen its capital structure by gaining access to the secondary capital market and expanding its sources of financing. In addition, low-cost funds are required to achieve the development goals and there is a promotion of recognition, which facilitates:

- 1) in achieving business partnerships, agreements and strategic partnerships,
- 2) in relations with suppliers and customers,
- 3) in attracting notable executives,
- 4) in the formation of continuous valuation,
- 5) Finally, in the improvement of corporate governance, through the adoption of modern administrative structures and principles of transparency.

The table below (*Table 1*) shows all the useful information regarding the products of the Alternative Market. The products are distributed according to the type of securities and include: The symbol, the ISIN and the name.

**Table 1. Companies in the Alternative Market of the Athens Stock Exchange**

List of negotiable values (2021)		
Shares (11)		
Symbol	ISIN	Name
REALCONS	GRS522003003	REAL CONSULTING S.A. (CR)
ATRUST	GRS504003021	ALPHA TRUST MUTUAL FUND MANAGEMENT S.A. (CR)
VIDAVO	GRS511003006	VIDAVO S.A. (CR)
EX	GRS501003008	EUROXX SECURITIES S.A. (CR)
CAIROMEZ	CY0109232112	CAIRO MEZZ PLC (CR)
MSHOP	GRS500003009	MEDITERRA S.A. (CR)
DOPPLER	GRS502003007	DOPPLER S.A. (CR)
OPTRON	GRS506003003	OPTRONICS TECHNOLOGIES S.A. (CR)
PERF	GRS505003004	PERFORMANCE TECHNOLOGIES S.A. (CR)
PVMEZZ	CY0109561015	PHOENIX VEGA MEZZ PLC (CR)
FOODL	GRS510003015	FOODLINK S.A. (CR)

Source: Athexgroup (2021).



#### 4. Research Methodology

The need for trust and transparency in corporate governance has preoccupied corporate governance scholars around the world. The degree of trust given to company managers by owners is enhanced through corporate governance. The growing frequency of corporate fraud associated with exaggerated and evasive reporting has strengthened the renewed global emphasis on the need for effective corporate governance. For this, most financial entities internationally, it is significantly related to timely financial reporting. Many nations have introduced corporate governance codes and been able to help companies understand and implement corporate governance more effectively than companies in other states, thus attracting many foreign funds and investors to invest in the country's financial companies. The annual reports and the financial statements of the companies are the main means of communication between the company and the interested parties. Organizations are encouraged to adopt good corporate governance practices to improve their performance and to protect the interests of shareholders. The research that follows, has as object the adoption or incorrect practices of corporate governance, in a controlled sample (17) of listed companies on the Athens Stock Exchange, which during the financial year 2008-2021 traded in the Alternative Market. An attempt was made to make a comparative analysis of the most important of the best corporate governance practices, which originate from the Greek Legislation and the Hellenic Code of Corporate Governance, through the citation of detailed tables and graphs. Excel Spreadsheets were used to collect the corporate governance data in which the governance characteristics were entered. Therefore, in total, primary data have been extracted from annual financial reports, newsletters, announcements to the Athens Stock Exchange and information notes, concerning the (17) companies under examination for the period 2008-2021. In the following table we can see the sample of the research:

**Table 2. Listed companies in the alternative market of the Athens Stock Exchange during the period 2008-2021**

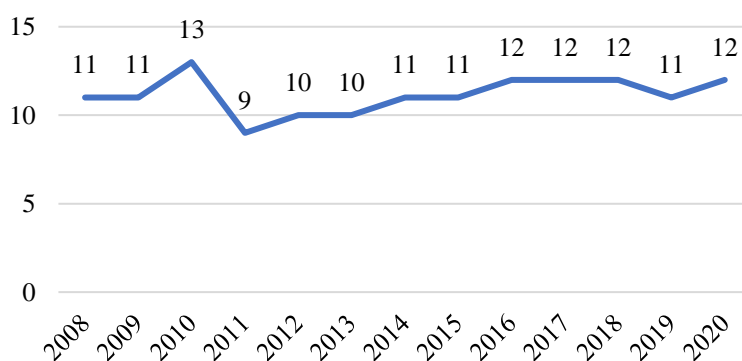
Symbol	Period of operation in the Alternative Market	Name
REALCONS	2021-2021	REAL CONSULTING S.A.
ATRUST	2008-2021	ALPHA TRUST S.A.
VIDAVO	2010-2021	VIDAVO S.A.
EX	2008-2021	EUROXX STOCK EXCHANGE S.A.
CAIROMEZ	2020-2021	CAIRO MEZZ PLC
MASOP	2008-2021	MEDITERRA S.A.
DOPPLER	2008-2021	DOPPLER S.A.
OPTRON	2008-2021	OPTRONICS TECHNOLOGIES S.A.
PERF	2008-2021	PERFORMANCE TECHNOLOGIES S.A.
PVMEZZ	2021-2021	PHOENIX VEGA MEZZ PLC
FOODL	2009-2021	FOODLINK S.A.
EPSIL	2008-2019 (Main Market)	EPSILON NET
ENVI	2008-2016	ENVITEC
ENTER	2008-2019 (Main Market)	ENTERSOFT S.A.
KRITON	2009-2018	KRITON ARTOS S.A.
DOCHO	2009-2016	BIOMEDICAL AND ROBOTICS TECHNOLOGY S.A.
ORAORA	2010-2020	DIVERSA S.A.

- More specifically, for the needs of the research, an analysis is performed:
- i. In the Stock Composition and specifically analysis regarding:
    - Shareholders' voting rights at a rate of more than 5% and
    - The percentage of voting rights in a shareholder
  - ii. In the adoption of the Corporate Governance Code applied by companies.
  - iv. In the composition of the Boards of Directors of companies in a set of (9) criteria:
    - the number of members,
    - the gender,
    - the property,
    - term of office,
    - the duality of Chairman / Vice-Chairman and Chief Executive Officer,
    - The Adoption of Internal Rules of Operation
    - the frequency of meetings,
    - the existence of an internal auditor,
    - the publication of basic information of the Board members through the posting of short CVs.
  - iii. Informing shareholders and investors.
  - iv. In the Remuneration Policy and the publication of the remuneration of the members of the Board of Directors.
  - v. In the Committees of the Board of Directors.
  - vi. In the Internal Audit and analysis of the Audit Committee regarding:
    - the number and/or
    - the status of their members.
  - vii. In the composition of the Nomination Committee of the members of the Board of Directors and analysis regarding:
    - the number and
    - the status of their members.
  - viii. For the number of employees.
  - ix. In External Audit and analysis in terms of:
    - the Auditing Company or the Certified Public Accountant.

## 5. Research Results

From the sample of work that compose the Alternative Market Index of the Athens Stock Exchange, the following results emerge:

**Graph 1. Number of companies in the sample**



We observe that in 2011 with Greece and the European economy as a whole in a general recession, a significant percentage of companies stopped trading shareholders in the Alternative Market. However, over the years the companies in EN.A. increased by 33%, reaching the levels of 2010.

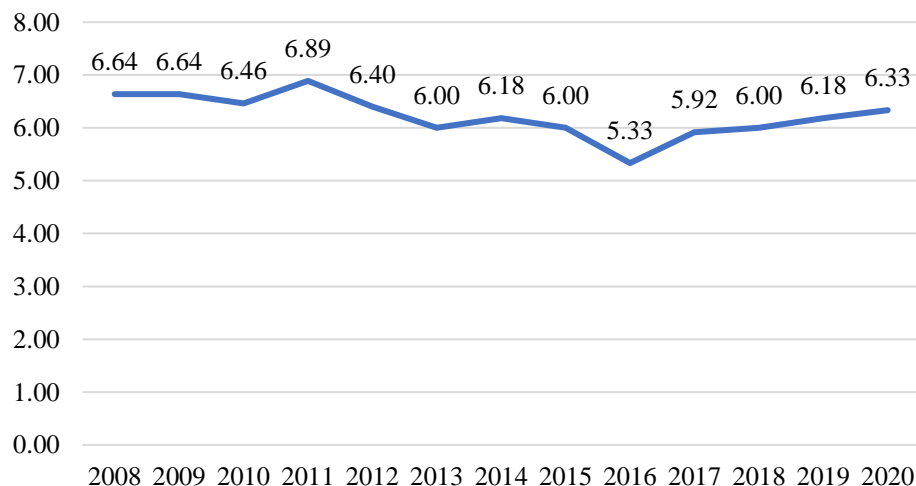
### 5.1. Composition of the Board of Directors

The Boards of Directors of the companies are the most important bodies in terms of the application of the principles of corporate governance and control and submit their proposals to the General Assembly and to the executive management. The BoD often perform these tasks, setting up competent committees, in accordance with the legislation governing corporate governance, as we will see below. The minimum number of Board members is defined in (3) members, according to Law 3016/2002 and there is no report on the maximum number of members, while based on the practices of Greek Code of Corporate Governance the number of members of the Board is appropriate to range between 7-15 members. The following is a table showing the composition of the boards of directors of the surveyed companies.

**Table 3. Composition of the Board of Directors (2020)**

COMPANY	NUMBER OF MEMBERS	MEN	WOMEN	FOREIGNERS
ALPHA TRUST S.A.	6	5	1	1
VIDAVO S.A.	5	3	2	0
EUROXX STOCK EXCHANGE S.A.	6	5	1	1
CAIRO MEZZ PLC	3	0	3	0
MEDITERRA S.A.	10	10	0	0
DOPPLER S.A.	5	4	1	0
OPTRONICS	3	2	1	0
TECHNOLOGIES S.A. PERFORMANCE	9	9	0	0
TECHNOLOGIES S.A. FOODLINK S.A.	8	7	1	0
EPSILON NET	9	7	2	0
ENTERSOFT S.A.	9	6	3	0
DIVERSA S.A.	3	2	1	0

**Graph 2. Number of Board members in the companies of Alternative Market of the Athens Stock Exchange**



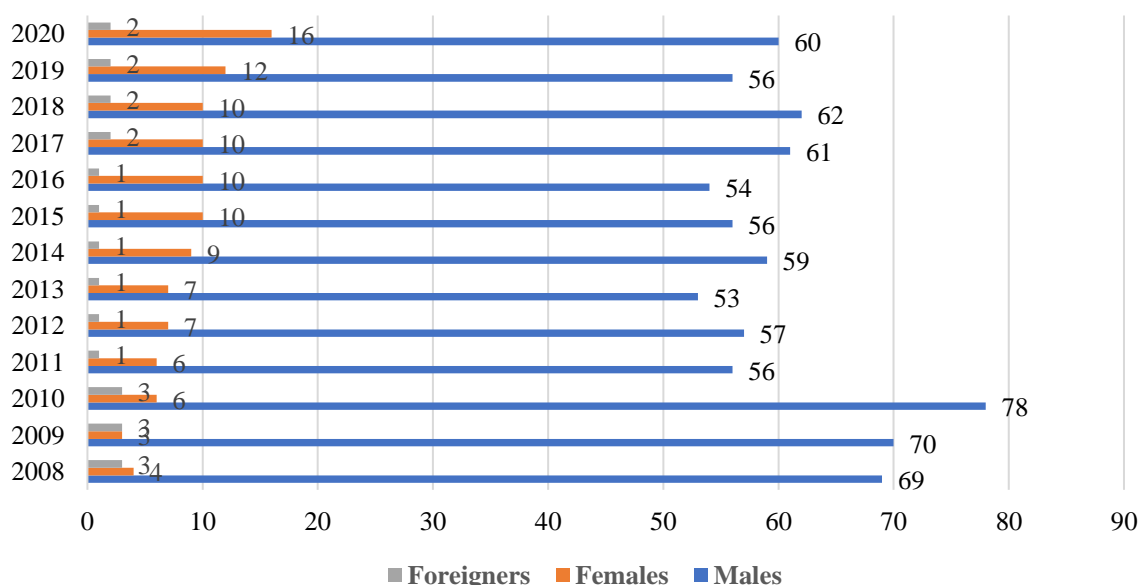
We observe that in the majority, the composition of the Board of Directors of the companies ranges from the minimum number (5) members to the maximum number (15) members in absolute agreement with the minimum required by law. Specifically, during the controlled use:

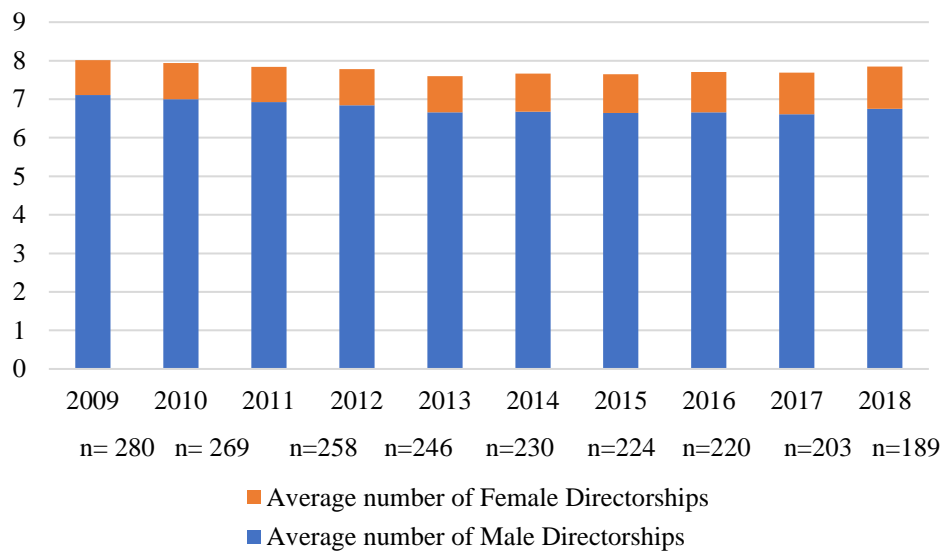
- Few companies, i.e., in a percentage of 9% of the sample, have a Board of Directors with numerous members, from (10) members and more, while in a percentage of 75% it has a Board of Directors which consists of (5) to (15) members.
- Also, a percentage of 15% has a BoD with less than (7) members.
- More specifically, CAIRO MEZZ, OPTRONICS TECHNOLOGIES and DIVERSA have a Board of Directors of less than (5) members and consequently do not apply the special practice of E.K.E.Δ. where the minimum number of Board members is defined in (7) members.
- The companies MEDITERRA, PERFORMANCE TECHNOLOGIES, FOODLINK, EPSILON NET and ENTERSOFT, five of the twelve companies (5/12), have a Board of Directors greater than (9) members.
- Finally, from all the companies in the sample, the maximum number of members that make up the Board of Directors is (10) and is located in the company MEDITERRA.

### 5.1.1. Composition of the Board in terms of gender distribution

As stated in the first chapters, corporate governance also affects a country's economy because it ensures the returns of investors while at the same time it can reduce the risk associated with executives' investments. Nor can the fact that values and returns are created in the interest of the shareholders be omitted. The executives through the council determine the way in which corporate governance is exercised, while at the same time they perform important roles and in addition the monitoring and management of the available resources is done (Fortin *et al.*, 2010). In the following diagram, the composition of the boards based on the number of members and gender is shown comparatively.

**Graph 3. Tribal composition of the Boards of Directors of each company**



**Graph 4. Average Number of Male and Female Directorships**

The small participation, for the most part, of the female members of the Board of Directors of the companies in question, is evident, as shown in **Graph 3** for the alternative market and **Graph 4** for the main market. The small percentage of women participating in the Board of the companies in the sample, is in contradiction with the special practice of the Hellenic Code of Corporate Governance, according to which the balance between the sexes is recommended in the composition of the Board. Specifically:

The total percentage of participation of women in the composition of the BoD of the companies of the sample amounts to 20%, where in total from the (78) members that make up the BoD, there are only (16) women.

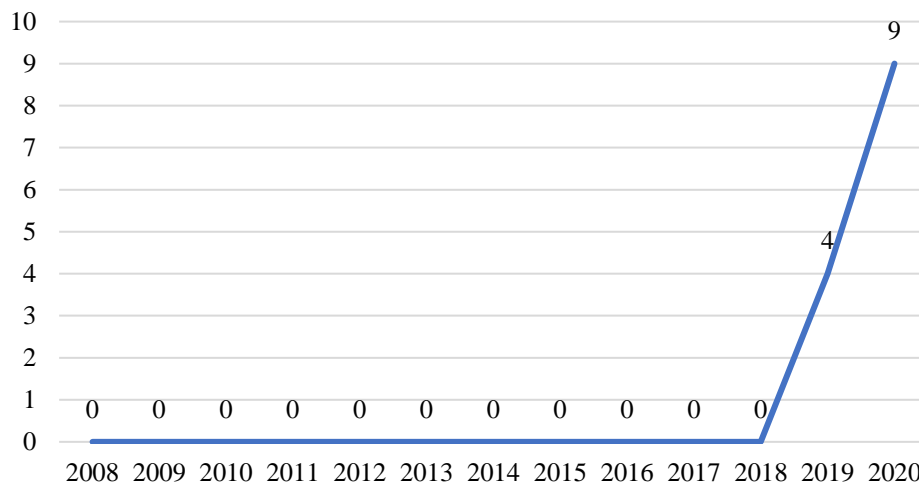
- At a rate of 17% and specifically for 2020 in the companies MEDITERRA and PERFORMANCE TECHNOLOGIES no woman participates in the Board, at the time the research takes place.
- At a rate of 17%, i.e., in (2) of the (12) companies, (2) women participate in the composition of the Board and specifically, in VIDAVO and EPSILON NET.
- Similarly at a rate of 17% participate (3) women in the composition of the Board and specifically in the companies ENTERSOFT and CAIRO MEZZ.
- Finally, the largest participation of women members of the Board, (3) women in a total of (3) members, has CAIRO MEZZ.

## 5.2. Boards of Directors

An academic definition states that corporate governance includes all the rules and best practices (Bainbridge, 2012), which define the responsibilities of the company's bodies and committees, how they are elected and how their decisions are made (Wymeerch, 2006). Consequently, in order to better implement the principles and rules of corporate governance, the Boards of Directors of the companies set up committees, as defined by the corporate governance code but also by the national legislation. These are internationally recognized committees which according to Battaglia and Gallo (2017) are necessary to prevent possible future crises as they contribute to the proper management of the undertaken risk levels. Some committees are required by law (extensive reference is made to chapter 2) while it is possible to exclude the formation of some under specific conditions

of the law. **Graph 5** shows how many committees there are in Alternative Market companies.

**Graph 5. Committees on the Board**



In **Graph 5** we observe that before the year 2019 there was no committee in the BoD of companies in the alternative market. This fact is due to the enactment of Law 4706/2020, which updates the legal framework of corporate governance for companies, with listed shares or other securities in a regulated market in Greece. The update aims to strengthen the corporate governance framework taking into account on the one hand the changes in the legislative and regulatory framework governing the operation of these companies at EU level, during the intervening period since the introduction of Law 3016/2002, on the other hand the current trends in corporate governance theme. The provisions of Part A of this law for the corporate governance of public limited companies are applied in addition to the provisions of Law 4548/2018. According to the Explanatory Memorandum of Law 4706/2020 (Hellenic Parliament, 2020):

1. Provisions are introduced regarding the operation of the Board of Directors of the listed companies.
2. There is an obligation to set up the Remuneration Committee and the Nomination Committee, which aim to resolve outstanding issues of conflict of interest in the field of remuneration and the promotion of candidate members, as well as the company's compliance with the applicable legal framework.
3. The organizational structures of the company are updated.
4. There are obligations of clear and specific information from the company to shareholders and the investing public.

**Table 4. Establishment of Corporate Committees (2019-2020)**

COMPANY	Audit Committee	Remuneration & Nominations Committee	Investment Committee	Steering Committee	ESG Committee
REAL CONSULTING S.A.	•	•	•	•	•
ALPHA TRUST S.A.	✓	•	✓	✓	✓
VIDAVO S.A.	•	•	•	•	•
EUROXX STOCK EXCHANGE S.A.	•	•	•	•	•
CAIRO MEZZ PLC	•	•	•	•	•
MEDITERRA S.A.	•	•	•	•	•
DOPPLER S.A.	•	•	•	•	•
OPTRONICS TECHNOLOGIES S.A.	•	•	•	•	•
PERFORMANCE TECHNOLOGIES S.A.	•	•	•	•	•
PHOENIX VEGA MEZZ PLC	•	•	•	•	•
FOODLINK S.A.	•	•	•	•	•
EPSILON NET S.A.	✓	✓	•	•	•
ENVITEC S.A.	•	•	•	•	•
ENTERSOFT S.A.	✓	✓	•	•	•
KRITON ARTOS S.A.	•	•	•	•	•
BIOMEDICAL AND ROBOTICS TECHNOLOGY S.A.	•	•	•	•	•
DIVERSA S.A.	•	•	•	•	•

In **Table 4** above we can see the committees formed by each company in the sample. Although there is incomplete data on the committees on the boards of directors of companies, there is a strong difference between the companies in the composition of the committees and their number, as some companies choose not to set up committees and the responsibilities remain with the board members and the executive administration, while others have set up several committees to meet their specialized needs. From the above table we see the following:

- Few of the companies in the audited sample have set up committees which will assist in the more efficient operation of the Board.
- In 18% of the companies for the year 2019-2020, an Audit Committee is established.
- In (2) of the (17) companies, a total percentage of 12% and specifically in the companies EPSILON NET and ENTERSOFT, a Remuneration Committee and a Nomination Committee have been established. The responsibilities of the Remuneration and Nomination Committee of ALPHA TRUST have been divided into two separate committees (Remuneration Committee and Nomination Committee).
- Most of the committees have been set up by ALPHA TRUST, in total (5) and specifically, the Audit Committee, the Steering Committee, the Investment Committee, the ESG Committee, the Remuneration Committee and the Nominations Committee.

- In the company ALPHA TRUST, the Remuneration Committee and the Nomination Committee were merged into a committee with the decision of the Ordinary General Meeting of Shareholders dated 29.06.2021.

### 5.2.1 Audit Committee

The main of the committees, which is also mandatory on the basis of Greek legislation, is the Audit Committee. The establishment and maintenance of the Audit Committee, which was imposed by Law 3693/2008, supervises the internal audit service, which became mandatory by the provisions of Law 3016/2002. Internal control is a set of interrelated activities that overlap in a company's operating procedures, in order to protect assets, minimize errors and ensure that operations are performed in an approved manner. The table below (**Table 5**) shows the number of members of the Audit Committee and its composition per company.

**Table 5. Number of members and composition of the Audit Committee (2019-2020)**

Company	Number of members	Executive	Non-executive	Independent
EPSILON NET	3	-	2	1
ENTERSOFT	3	-	2	1
ALPHA TRUST	3	-	-	3

According to article 37 of Law 3693/2008, the Audit Committee is formed with a minimum number of two non-executive members and an independent member of the Board, who must have proven knowledge in accounting and auditing issues. The type of Audit Committee, the term of office, the number and the qualities of its members are decided by the General Assembly. The Chairman is appointed by the members and is independent and the members of the Audit Committee have sufficient knowledge of the sector in which the company operates. The Hellenic Corporate Governance Code proposes the establishment of an Audit Committee where the majority of members consist of independent members of the Board. From the above diagram, we observe that:

- In the companies of the alternative market that form an audit committee, where this percentage amounts to 18% of the audited companies, the Audit Committee has three members.
- (2) of the (3) companies have an Audit Committee with (2) non-executive members and (1) an independent member.
- Finally, the Audit Committee of ALPHA TRUST consists of (3) independent members (excluding the Board).

### 5.2.2. Remuneration and Nominations Committee

**Table 6** lists the number of members of the Nomination Committee as well as its composition. There is a difference in the name of the Nomination Committee, which is also referred to as the Appointments, Staffing or Succession Planning Committee in some companies.

**Table 6. Nomination Committee (2019-2020)**

Company	Number of members	Executive	Non-executive	Independent
EPSILON NET	3	-	2	1
ENTERSOFT	3	-	3	-
ALPHA TRUST	N/A	N/A	N/A	N/A

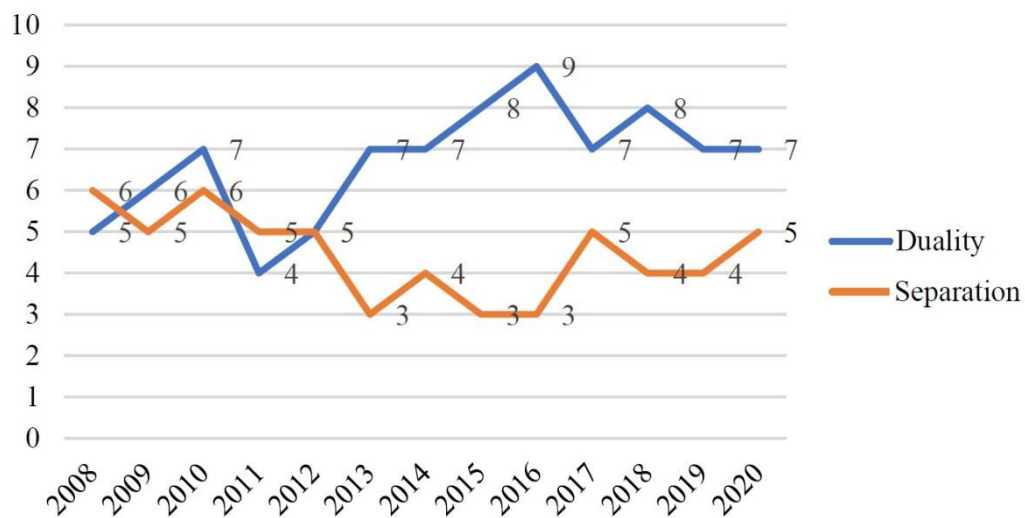


From *Table 6* we observe that in the company ALPHA TRUST there is a Nomination Committee without any reference to the number of members of the committee. On the contrary, the committees of the companies EPSILON NET and ENTERSOFT do not include any executive member who has responsibilities in the Board of Directors.

### 5.3. Duality in the position of chairman and managing director

The reference to the distinction between the President and the Chief Executive Officer is very important because it determines the concentration or non-executive powers in the person of the President. However, in the provisions of the Greek legislation there is no reference that defines the responsibilities and qualifications that the President must possess. The Greek Code separates the role of the CEO from that of the President. However, in the event that the Chairman and Chief Executive Officer are the same person, or has executive duties, the Code recommends the appointment of an independent Vice-Chairman, in order to contribute to the independence of the operation of the Board.

**Graph 6. Duality in the position of chairman and managing director**

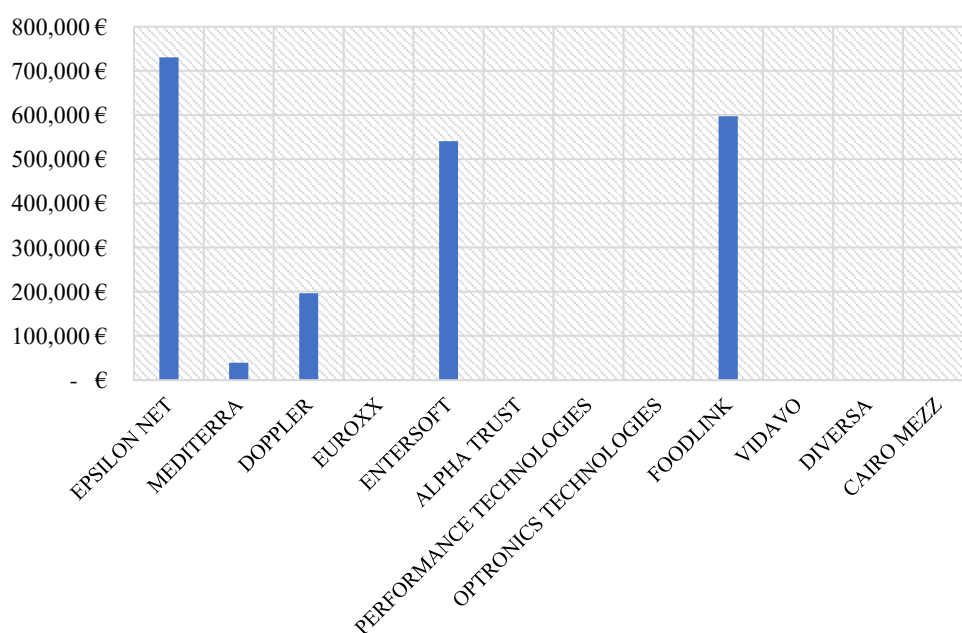


From *Graph 6* we observe the following: In 40% of the companies in the sample, there is an adoption of the practice of E.K.E.Δ. for distinction between Chairman / Vice-Chairman and Chief Executive Officer, while at 60% there is jurisdiction. Over time, the distinction between the roles and duties of the Chairman by the Chief Executive Officer means that there is no excessive concentration of power in the person of the Chairman and consequently, the operation of the Board becomes effective due to the participation of members in the supervisory and decision-making process. In more detail and in contrast to the above, in the company EPSILON NET, there is a capacity of President and CEO.

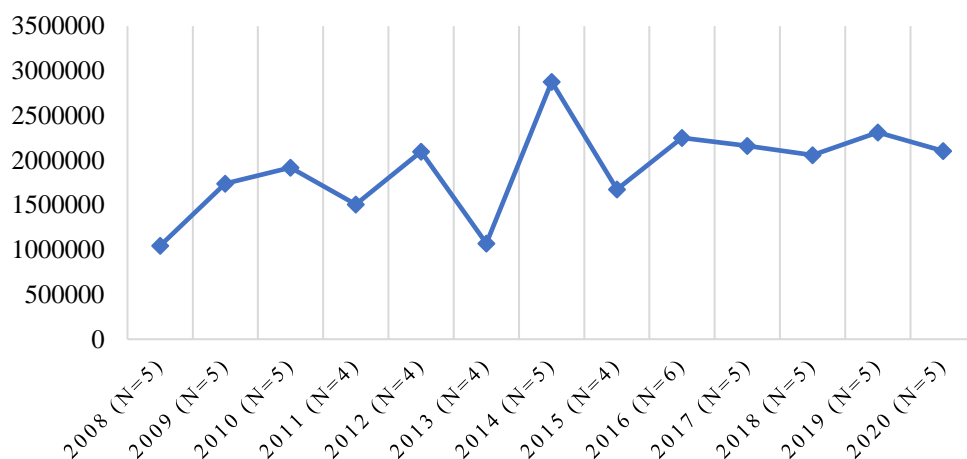
### 5.4. Remuneration of Board Members

*Graph 7* shows the companies' remuneration policy in numbers, presenting the remuneration given during the fiscal year 2020. Some useful data on the information in the table are highlighted. The data were obtained from the annual financial reports of the companies. The reference is made mainly to short-term group fees, where there is a group, without including long-term benefits. Also, in most companies the remuneration includes those of senior and managerial executives, with some exceptions that are not separated when preparing the financial report.

**Graph 7. Board fees**



**Graph 8. Board fees consecutively (Main Market)**



The following are observed:

- The highest remuneration of the members of the Board of Directors and senior executives is given by the company EPSILON NET, amounting to 730,799 euros, followed by the remuneration of FOODLINK amounting to 596,998 euros and ENTERSOFT amounting to 541,010 euros.
- In contrast to the above, the lowest fees are given by the company DOPPLER total amount of 196,964 euros to MEDITERRA, amount of 39,830 euros.
- Finally, in the companies EUROXX, ALPHA TRUST, PERFORMANCE TECHNOLOGIES, OPTRONICS TECHNOLOGIES, VIDAVO, DIVERSA and CAIRO MEZZ no information was found regarding the fees of the Board and executives.

### 5.5. Shareholder Composition and Voting Rights

The following is a comparative analysis of the shareholding structure of companies with emphasis on the analysis of majority rights over 5%.

**Table 7. Percentages of Voters' Shares over 5% (2020)**

COMPANY	VOTING RIGHTS OF SHARES OVER 5%	TOTAL PERCENTAGE OF VOTING RIGHTS OVER 5%	PERCENTAGE OF CONCENTRATION OF VOTING RIGHTS IN ONE SHAREHOLDER	
ALPHA TRUST S.A.	3	43.28	1	20.12
VIDAVO S.A.	2	89.99	1	65.12
EUROXX STOCK EXCHANGE S.A.	4	87	3	26.20
CAIRO MEZZ PLC	2	43.9	1	33.48
MEDITERRA S.A.	3	84.58	1	51.04
DOPPLER S.A.	4	86.68	1	59.23
OPTRONICS TECHNOLOGIES S.A.	3	90	1	30.60
PERFORMANCE TECHNOLOGIES S.A.	5	75.65	1	22.79
FOODLINK S.A.	4	88.32	1	33.31
EPSILON NET	2	71.72	1	65.67
ENTERSOFT S.A.	8	66.36	1	19.63
DIVERSA S.A.	-	-	-	-

The first column of *Table 7* shows the number of shareholders (natural or legal persons) who hold more than 5% of the share capital while the second column represents their total percentage in the share capital. In the majority it seems that there are companies that do not have a large enough dispersion of ownership and therefore the control of the company is concentrated in a few large shareholders or institutional investors. The following conclusions emerge regarding the composition of the share capital:

- In the company ENTERSOFT there are (8) shareholders with voting rights in a percentage of more than 5% and they hold a total of 66.36% of the share capital.
- The companies VIDAVO and EPSILON NET have (2) shareholders with voting rights over 5% and a total holding percentage of 89.99% and 71.72% respectively, of the share capital.
- Of the (11) companies in the sample, (3) companies, i.e., 27.3% and specifically ALPHA TRUST, MEDITERRA and OPTRONICS TECHNOLOGIES have (3) shareholders with voting rights over 5% and hold a total of 43, 28%, 84.58% and 90% respectively, of the share capital.

The third column of the table shows the largest percentage of the share capital held by a single shareholder. Here it becomes even more strongly perceived the concentration of control of companies in sole shareholders with a very high percentage of share capital.

At this point it is pointed out that even if there is a relatively large number of shareholders, they may be natural persons controlled by other shareholders and / or legal entities of common interest with other shareholders. In this case, the concentration of control in a few shareholders is somehow hidden and in order to be understood, a more extensive analysis will have to be carried out. The above graph shows the following:

- The largest percentage of the share capital concentration in a shareholder is presented in the company EPSILON NET, a percentage of 65.67%, which is held by the president and CEO of the company.
- Next is the company VIDAVO, where 65.12% of its share capital belongs to the president of the company.

- Next are the companies DOPPLER, where 59.23% belongs to the president and CEO of the company Stavros Stavropoulos and MEDITERRA where 51.04% belongs to the Association of Mastic Producers of Chios.
- A special case is the company EUROXX, where (3) shareholders hold 26.20% of the share capital, each.
- The lowest percentage of participation in a shareholder and consequently the largest dispersion of its share capital, seems to be presented by the company ENTERSOFT, where 19.63% belongs to the chairman / non-executive member of the company.

## 5.6. Corporate Governance Code

The table below (*Table 8*) refers to the Corporate Governance Code adopted by each company.

**Table 8. Corporate Governance Codes (2020)**

COMPANY	Corporate Governance Code	Remuneration Report	Corporate Social Responsibility Report	Corporate Governance Report
ALPHA TRUST S.A.	✓	-	✓	✓
VIDAVO S.A.	-	-	-	-
EUROXX STOCK EXCHANGE S.A.	✓	✓	-	-
CAIRO MEZZ PLC	-	-	-	-
MEDITERRA S.A.	-	-	✓	-
DOPPLER S.A.	-	-	✓	-
OPTRONICS TECHNOLOGIES S.A.	-	-	-	-
PERFORMANCE TECHNOLOGIES S.A.	-	-	-	-
FOODLINK S.A.	-	-	-	-
EPSILON NET	✓	✓	✓	✓
ENTERSOFT S.A.	✓	✓	✓	✓
DIVERSA S.A.	-	-	-	-

According to the research:

- (4) of the (12) companies have published on their website the Corporate Governance Code which they apply voluntarily.
- The companies EPSILON NET, ENTERSOFT, DOPPLER, MEDITERRA and ALPHA TRUST, in total (5) of the (12) companies, i.e., at a rate of 42%, compile a corporate social responsibility report.
- EPSILON NET and ENTERSOFT, in total 2/12, publish all the reports provided by the Hellenic Corporate Governance Code.

## 5.7. Shareholder information

According to the current legislation (Law 4548/2018), the shareholders are in charge of the task of governing the election and the recall of the members of the Board of Directors. In addition, the Code proposes as best practice the active participation of shareholders in the strategic decisions of the company. Consequently, the BoD should lay the foundation for the existence of a continuous and constructive dialogue with the shareholders of the company, and especially with those who hold significant shares in the share capital. In order

to facilitate the process of informing and involving shareholders, listed companies must take advantage of the opportunities provided through modern technology. The existence of a comprehensive and up-to-date corporate website is now essential for the timely and direct communication between the company and the shareholders and the company should publish on its website the principles of its corporate governance that adopts its administrative structure, status ownership, contact details and other information of interest to shareholders and investors.

The survey found that in companies that implement corporate governance code, there is universal application because these companies have understood the importance of the role of information in investment relationships with shareholders and prospective investors and have updated websites with up-to-date corporate structure information, the organization and the vision of the company as they reflect the financial data giving free access, to shareholders and investors, to the financial reports of the companies, to the course of the share, to the meetings of the shareholders but also to the corporate governance in general.

### 5.8. Comparison of companies in the Alternative Market with those in the Main Market

This subchapter will compare the observance of the Corporate Governance Code of the above Greek companies with (2) companies, whose shares are traded in the main market. The data of the companies were collected again through the research in secondary sources of the annual financial reports of (2) companies. More specifically, these (2) companies are Epsilon Net and Entersoft, which were recently promoted from the Alternative to the Main Market of the Athens Stock Exchange. The comparison between the companies will concern the specific variables:

- Number of members of the Board of Directors,
- Tribal composition of the Board of Directors,
- Term of office of the members of the Board of Directors,
- Separation of chairman and CEO,
- Establishment of further administrative committees.

**Table 9. Compliance with the Corporate Governance Code of Epsilon Net and Entersoft**

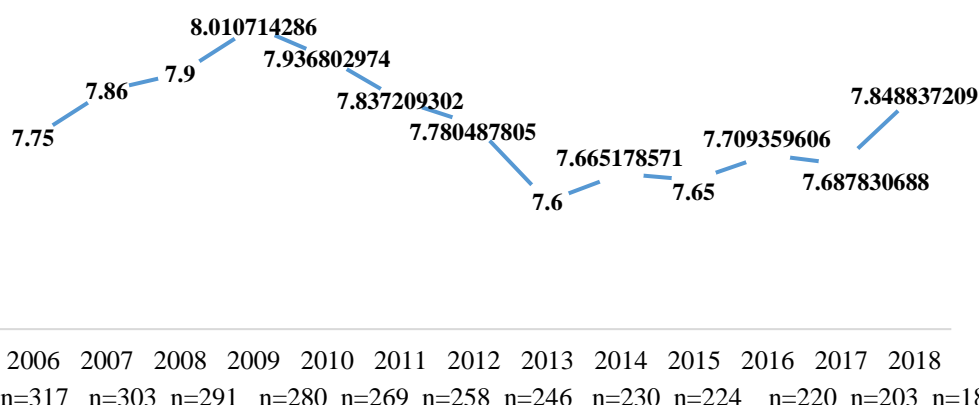
	Year	Epsilon Net	Entersoft
Number of members of the Board of Directors	2018	9	6
	2019	10	9
	2020	9	9
Tribal composition of the Board of Directors	2018	7 M 2 W	5 M 1 W
	2019	8 M 2 W	6 M 3 W
	2020	7 M 2 W	6 M 3 W
Term of office of the members of the Board of Directors	2018	4	4
	2019	4	4
	2020	4	4
Separation of chairman and CEO	2018	NO	YES
	2019	NO	YES
	2020	NO	YES
Establishment of further administrative committees	2018	NO	NO
	2019	YES	YES
	2020	YES	YES

**Table 9** above shows that Entersoft complies to a very large extent with the Corporate Governance Code that it has adopted for the majority of the variables under consideration. More specifically, at the beginning about the number of members of its Board of Directors the average is (8) for the three years. In addition, in the principle of racial composition of the Board of Directors, Entersoft maintains a constant number of women on its board (2018 = 1, 2019 = 3, 2020 = 3). Throughout the three years Entersoft separates the role of Chairman from that of Managing Director and in addition to the Audit Committee maintains other committees, such as the Remuneration and Nominations Committee.

Regarding Epsilon Net, there is a good practice of the principles of the Corporate Governance Code for the majority of the variables under consideration. The members of the Board of Directors of the company are almost stable for all three years. Regarding the racial composition, it is found that the number of women on the Board of Directors remains stable for the (3) years (2018 = 2, 2019 = 2, 2020 = 2). Finally, the company does not maintain the separation of the role of Chairman from that of CEO and for the three years and beyond the audit committee has set up other committees, such as the remuneration and nominations committee.

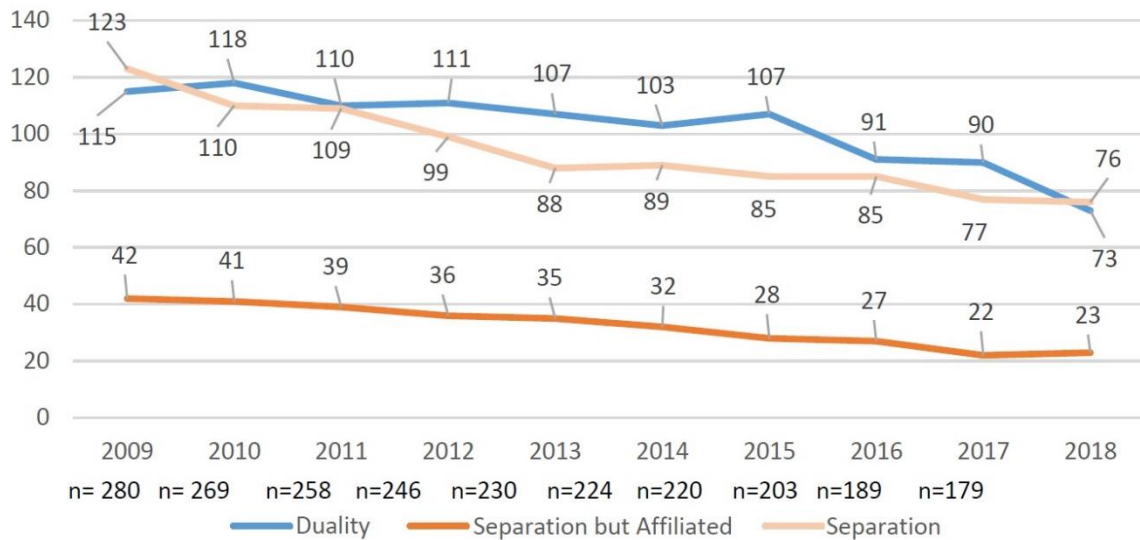
Therefore, differences in compliance levels are generally consistent with national enforcement scores (Al-Shammari *et al.*, 2008). The specific companies comply with the other principles regarding the years of service and the racial composition of the Board of Directors, establishing a term of office of (4) years and maintaining a sufficient number of women on their Board of Directors. In conclusion, the existence of further committees, in addition to the audit committee (remuneration and compensation, risk, candidacy) is a very good practice according to the Corporate Governance Codes, as it allows the best and multifaceted, without private interventions, organization and management of a company. Specifically, a public limited company should have an Audit Committee of a maximum of six members, each of whom represents management, management and shareholders (Mudashiru *et al.*, 2014). In this particular principle both companies comply with the code and have set up committees, doing good practices.

**Graph 9. Average Number of Board Members in the Main Market companies**



Source: hocg.eu

**Graph 10. Duality in the position of chairman and managing director (Main Market 2009-2018)**



Source: hocg.eu

**Graphs 9 and 10** show that the companies of the Main Market fully comply with the current provisions of the Hellenic Corporate Governance Code, in relation to the companies of the Alternative Market. More specifically, they apply the special practice of the Hellenic Code of Corporate Governance where the minimum number of Board members is defined in (7) members. Consecutively, the average number of Board members in the companies of the Main Market is 7.81. At the same time, the average number of Board members in the companies of the Alternative Market is 6.22. Also, in 49% of the companies listed in the main market, there is an adoption of the practice of the Code for distinction between President / Vice President and CEO, while in 51% there is jurisdiction. In the matter of jurisdiction, the percentages of the Main Market are quite close to those of the Alternative Market.

### 5.9. Discussion of Results

In this research, an attempt was made to approach, based on the available literature, the basic principles that govern corporate governance, as well as the important role it plays in the organization and operation of modern multi-stakeholders. In closing, we must emphasize once again that corporate governance is a set of rules, which aim to solve several problems that arise in the operation of companies, whether they are listed or not. Its principles show the role that should be played by all actors of the company, whether they are shareholders or simple bodies in order for the management to maximize the value of the company. Thus, the basic conditions for good governance are:

- is to enhance transparency,
- the valid and timely disclosure of information,
- improving the efficiency of the board,
- the controls,
- the preparation of reliable accounting statements, as well as
- the improvement of the relations between the shareholders.

The main components of a company are the shareholders, the executives and the board of directors. So, the framework of corporate governance defines and refers to this very relationship that must exist between these elements. It should also be understood that applying the right corporate governance rules is an investment and a tool for development

and long-term perspective for any business. Its implementation does not take place from one moment to the next and is not imposed. Undoubtedly, the correct application of corporate governance rules benefits the shareholders of listed companies, as they can now insure and better and more effectively defend their interests. On the other hand, it also covers investors as they feel safe, as long as the rules of transparency are observed. Consequently, it benefits from improving corporate governance and the capital market.

Under normal circumstances, companies should not only enforce the law, but also adopt additional rules that will strengthen them and give them a comparative advantage over other companies. Elements such as transparency, the protection of small investors, the existence of multi-member boards with a large number of independent non-executive members, will help companies persuade investors to invest their funds in them, and not in companies that do not use good corporate governance rules and therefore do not apply all of the above.

Greek companies, including those listed on the Athens Stock Exchange, present incomplete and current financial statements. This lack of information distorts the real image of a company and greatly affects investors who are desperately trying to find out if the positive image of the company is real or fictitious. Therefore, for the companies in the sample there is significant scope for improving the rules of corporate governance, as well as further strengthening of the committees on the Board and their members. These changes, however, cannot be made in the light of a short-term perspective but aim at long-term results. After all, as already mentioned, research on this subject is constantly proving that the more effective corporate governance systems are, the more competitive the company's position and consequently the economy.

However, in order to reach essential conclusions, below we will attempt a comparative representation of the Alternative Market of the Athens Stock Exchange with the Alternative Investment Market of the London Stock Exchange. Stock markets are an important determinant of capital market competitiveness. Competition has increased as foreign stock exchanges increasingly seek to attract new listings. In this regard, issuers' interest in listing on the London Stock Exchange (LIM) Alternative Investment Market (AIM) is evidence of this growing competition. AIM has been extremely successful in attracting investors and publishers, including most recently some Canadian public companies. Based in London, AIM enables companies to enter a sophisticated marketplace that provides both a source of capital and a community of experienced professionals (Rousseau, 2008).

For R&D companies, market participants have suggested that AIM is of interest as it provides an alternative to another round of financing, with venture capital companies. As we will see below, AIM entry requirements are flexible and this facilitates entry from smaller companies. In addition, it is widely known that the London market is more receptive than the Greek market to offers from technology companies. Thus, it is argued that AIM offers valuations that are just as attractive as those of NASDAQ without the regulatory weight being listed on the US stock market.

AIM uses two different approaches to setting up admission. Specifically, it is based on a principles-based approach. According to this approach, AIM rules do not specify specific requirements that must be met by companies seeking admission. However, they require that any company applying for admission appoint a Candidate Consultant ("NOMAD") and a broker. As shown below, the role of the prospective consultant is to assess whether the company is suitable for the market. When making this suitability assessment, the prospective consultant has a great deal of discretion, as the concept of suitability is generally defined by AIM rules. Thus, acceptance into AIM is ultimately based on the analysis made by the prospective consultant. The Athens Stock Exchange follows an



approach based on rules for the regulation of admission and provides detailed requirements that must be met by companies seeking listing on the stock exchange. Although they contain some quality criteria, the specific requirements of ATHEX registration tend to be very objective and leave less margin of discretion.

According to the rules, the candidate advisor has the responsibility to confirm in writing to the stock exchange that the applicant and the securities that are the subject of the listing application are eligible to be admitted to AIM. This presupposes that the prospective consultant ensures that "*the acceptance and conduct of a company do not adversely affect the reputation and integrity of the Stock Exchange*". In other words, the prospective advisor acts as a custodian for admission to the AIM. More specifically, its role can be described as crucial for the company.

To assess whether a publisher is eligible for admission to AIM, the prospective consultant conducts a detailed review of the significant dimensions of the company's activities and organization. More specifically, the prospective consultant considers the following elements: management, corporate governance, business viability, market potential and working capital. In light of this analysis, it assesses whether the company "*will enhance the market reputation and have a realistic chance of offering real value to shareholders*". This assessment ultimately pursues the same goal as the listing requirements of the ATHEX, which aim to ensure the efficiency, fairness and liquidity of the stock market. However, as there are no fixed criteria, the candidate advisor has more flexibility in the suitability analysis. Exceptionally, AIM rules impose a guarantee requirement that must be supervised by prospective consultants (Rousseau, 2008).

The suitability analysis made by the prospective consultant at AIM touches on similar issues to those addressed by the special listing requirements on the Athens Stock Exchange Alternative Market. As the AIM rules provide no indication of proper public distribution, net tangible assets, profits and working capital, the prospective advisor will make his own assessment to indicate suitability. While it is tempting to argue that AIM has a clear advantage over the ATHEX in this regard, caution is required. Although more accurate, the listing requirements of the Athens Stock Exchange offer some flexibility that allows them to meet the needs of smaller companies. It is doubtful that financial and asset requirements exclude small companies with a profit history from listing. Similarly, although smaller companies tend not to have significant working capital, the working capital requirement may not be too burdensome for them, as they can meet the requirements in a variety of ways. Public distribution requirements allow smaller companies to raise funding through relatively small bids.

In the case of prospective consultants, if the applicant meets certain conditions, then he / she is registered in a register of companies authorized to act as candidate consultants, which is observed by the LSE. As of May 2006, there were approximately 84 LSE-recognized counselors, of whom 55 percent also act as counselors at AIM. Most prospective advisers are investment banks or corporate finance companies, some of which are large US institutions, such as Credit Suisse, J.P. Morgan, Morgan Stanley and Merrill Lynch. At this point it should be noted that in the ATHEX HQ the largest percentage of consultants are held by banking institutions (Piraeus Bank, Attica Bank, Eurobank, Optima bank) and (1) auditing company (Grant Thornton).

In part, one advantage of the NOMADS system could be that it allows for a more tailored approach to disclosure. The prospective consultant, through his knowledge of the market, undoubtedly has the ability to identify information related to investors. This can reduce compliance costs for publishers, as they avoid disclosing information that has no specific

value or interest to investors. As the prospective advisor acts as a regulator, this framework can reduce the risk of non-disclosure of important information by publishers for "good reasons". The possibility of publishers being subject to a more tailored notification regime could make the prospect of an ongoing relationship with the prospective advisor more attractive. A cursory glance at the ATHEX requirements for EN.A. suggests that it provides an equivalent framework of principles and rules to the London Stock Exchange Alternative Market. The participating organization must confirm whether the issuer meets all the listing requirements and comment on the company's ability to meet its obligations to the Athens Stock Exchange. The presentation of the company and the listing requirements are mentioned in the information note before its listing on the Alternative Market of the Athens Stock Exchange.

Regarding internal reporting, the AIM Securities Regulation imposes strict reporting requirements on confidential agents. On the contrary, the obligations of reporting internal information are lighter in the ATHEX. Under this scheme, companies must notify the market as soon as they notice the trading by the directors. Generally, the prospective consultant will require the company to adopt a confidential information trading policy that forces managers to notify as soon as they trade securities. Also, the company must notify without delay whenever it realizes any transaction from any shareholder who holds at least 3 percent of the total voting rights in the company, when this transaction leads to an increase or decrease of such holdings through any individual percentage. Thus, the rules of AIM impose obligations of direct reporting to confidential agents as is the case in the Hellenic Capital Market, and impose early warning requirements for disclosure. Only through the supervision of the company can the transactions of confidential information be disclosed to the investors. When the company detects transactions of confidential information, the report must be made without delay, in contrast to the Greek regulation where there is a delay of a few days.

In the area of general governance requirements, the difference between the ATHEX and the London Stock Exchange is quite significant. In Greece, securities regulation imposes a number of corporate governance requirements on listed issuers. In contrast, AIM rules do not cover specific corporate governance issues.

In Greece, AIM companies are not required to have board control, appointment or remuneration committees (Rousseau, 2008). In rare cases, AIM does not even require independent directors. However, companies often seek advice from their prospective corporate governance or other issues not specifically covered by AIM rules. It is indeed one of the tasks of the prospective consultant to advise on what is appropriate from the point of view of corporate governance and what is necessary to protect the reputation of the market. The corporate governance arrangements of companies in the Main Market and AIM have been the subject of detailed studies.

What emerges from the research is a complex picture in which various market-based and legal actors contribute to explaining AIM's attractiveness to listed companies. Among these factors, the peculiarities of the London market play an important role. However, AIM's alternative regulatory regime facilitates the ability of companies to take advantage of this market. Given the relevance of the regulatory dimension, it was also investigated whether the AIM model is complete for the approach followed by the Alternative Market of the Athens Stock Exchange. Specifically, this paper examined whether AIM is doing something more effectively and whether Greek Capital Market companies should look for AIM features to remain competitive. If they are not able to effectively perform their basic functions, the ATHEX EN.A. risks losing market share as it will be less attractive to

companies. In addition, two significant differences were identified in the regulatory models used by the Athens Stock Exchange Alternative Market and AIM. The first difference is related to the choice made by AIM in favor of a principles-based approach to regulating admission, as opposed to the Athens Stock Exchange which uses a rules-based approach. The second concerns the range of current liabilities imposed on listed companies. Continuous disclosure and corporate governance requirements are lighter on AIM than on the Athens Stock Exchange Alternative Market. Overall, at AIM, the candidate advisor is the one who replaces the most detailed registration requirements and the most stringent ongoing obligations. Without this effective "nomadic system", it is doubtful that AIM would be a viable market with such a regulatory environment. In this regard, any attempt to introduce certain elements of the AIM regulatory model into the Greek Capital Market must include the transplantation of the "nomadic system", the implementation of which could prove to be a complex and dangerous task.

## **6. Conclusion**

To summarize, corporate governance includes all the rules that govern the way an organization is run. Modern corporate governance systems and internationally recognized good practices help to improve the operational performance of a company's financial position, through the most efficient allocation of resources. The quality of corporate governance can boost investor confidence, provide easier access to finance, reduce the cost of capital for emerging market businesses, and increase business valuation.

The annual reports and the financial statements of the companies are the main means of communication between the company and the interested parties. Organizations are encouraged to adopt good corporate governance practices to improve their performance and to protect the interests of shareholders. The present work examines the adoption or not of good corporate governance practices, in a controlled sample (17) of companies listed on the Athens Stock Exchange, which during the financial year 2008-2020 traded in the Alternative Market. An attempt was made to make a comparative analysis of the most important of the best corporate governance practices, which originate from the Greek Legislation and the Code, through the citation of detailed tables and graphs.

The main findings of the research showed a mildly discouraging situation, in terms of the degree of compliance of (17) Greek companies under examination with the principles of the Corporate Governance Code and especially (12) Greek companies in the alternative market in the year 2020. In total the companies do not comply significantly with the principles of their code, except in certain cases such as the composition of the board of directors in terms of distribution per sheet, the existence of key shareholders in the boards, the presence of a remuneration committee and the separation of roles and the Chairman of the Board.

Overall, the findings of this research, through the analysis of Greek companies and their comparison with the companies of the main market, regarding the degree of compliance with the principles of the Corporate Governance Code that they have adopted, showed that companies in the main market exercise very good practices, greatly outperforming alternative market companies. However, this does not mean that the companies of Alternative Market do not show a relative compliance, as the results are relatively encouraging, although there is a great deal of improvement.

In conclusion, the international literature, as cited, shows that there is a relationship between corporate governance and business performance from different perspectives, such as better decision making, more effective asset management, better competitive advantage and improved confidence.

In more detail regarding the application of best practices, which have been selected in the present research, by the companies of the sample, the following conclusions emerge: Regarding the implementation of the Corporate Governance Code, (4) of the (12) companies have published on their website the Corporate Governance Code which they apply voluntarily. Regarding the number of members of the Board of Directors, Law 3016/2002 stipulates the minimum number of members of the Board to (3) members, while Hellenic Corporate Governance Code recommends for listed companies (7) to (15) members. In the companies of the audited sample, most companies, i.e., at a rate of 75% have a BoD which consists of (5) to (15) members, from (15) members and above has no company and 15% has a Board of Directors with less than (7) members. From the previous research, it is found the general conclusion that the companies of the sample as a whole, meet only the necessary requirements of the Greek legislation, applying exclusively the letter of the law with the minimum requirements. While the recommendations and prompts of Code, which are helpful in creating good corporate governance, are adopted to a small extent by the companies in the audited sample, with some exceptions but are not universally applicable.

In this context, for the companies of the alternative market of the Athens Stock Exchange, it is proposed to further shield the corporate governance mechanisms through the application of internationally recognized good governance practices. The importance of the role of these companies for the strength and growth of other companies as well as for the prevention of possible new crises, makes it necessary to strictly adhere to the rules of corporate governance and enhance transparency in decision-making. Organizations themselves should seek stricter controls (internal and external), provide better information to related parties and stakeholders, establish effective governing bodies elected through clear and transparent procedures, and create an appropriate framework to ensure organizations from representation problems.

Based on the above, the primary goal of the companies will be achieved, i.e., to increase the value of the organizations, and not temporary profits that will simply contribute to the short-term financial reward of the top executives. Furthermore, it is proposed as future research, the demystification of the aforementioned best practices and the finding of other practices or qualities that the members of the Board of Directors should have in order to perform their duties more effectively, such as, possibly, the selection of Board members. to be carried out not in terms of executive or non-executive qualities, but on the basis of the qualifications, knowledge and skills that the candidate members must possess as well as to evaluate on a regular basis the effectiveness and efficiency of the new features in the context of corporate governance.

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