2018

PROXY PAPER™

GUIDELINES

AN OVERVIEW OF THE GLASS LEWIS APPROACH TO PROXY ADVICE

GREECE

GLASS LEWIS

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Guidelines Introduction

These guidelines are intended to supplement Glass Lewis' Continental Europe Policy Guidelines by highlighting the key policies that we apply specifically to companies listed in Greece and the relevant regulatory background to which Greek companies are subject, where they differ from Europe as a whole. The Continental Europe Policy Guidelines clarify the underlying principles, definitions and global policies that Glass Lewis uses when analysing Greek companies in accordance with best practice standards for Greece.

Where a topic is not addressed in these guidelines, but is addressed in the Continental Europe Policy Guidelines, we consider our policy approach and the relevant regulations and recommendations to be substantially the same in the market as in continental Europe. Wherever our policy deviates from the Continental Europe Policy Guidelines, we will clearly state this.

CORPORATE GOVERNANCE BACKGROUND

Greek company law 2190/1920 and its subsequent amendments provide the legislative framework for corporate governance in Greece. Best practices are delineated in the Greek Corporate Governance Code for Listed Companies (the "Code"), published in October 2013 by the SEV Hellenic Federation of Enterprises. This Code forms a body of recommendations for the governance of listed companies applicable on a "comply or explain" basis. Best practice requires all listed companies to issue a corporate governance statement which contains information regarding: (i) voluntary compliance with, or deviation from, the Code; (ii) a short description of how the board operates and relevant information on board members; (iii) details regarding risk management and external auditor(s); and (iv) a corporate governance statement that includes a remuneration report on directors' compensation.

SUMMARY OF CHANGES FOR THE 2018 GREECE POLICY GUIDELINES

The significant changes and updates to our 2018 Greece Guidelines are summarised below:

AUDIT COMMITTEE

We have updated our guidelines to clarify our position on the election of external audit committee members. In particular, we typically recommend voting against the individual appointment of an external member to the board's audit committee. However, when a company proposes to elect the audit committee as a corporate body independent from the board we will evaluate such proposals on a case-by-case basis.

A Board of Directors that Serves Shareholder Interest

ELECTION OF BOARD OF DIRECTORS

Greek companies are governed by a one-tier board structure, with a unitary board of directors combining both supervisory and management functions.[1]

INDEPENDENCE

In Greece, we put directors into three categories based on an examination of the type of relationship they have with the company:

Independent Director — An independent director has no material, financial, familial[2] or other current relationships with the company[3], its controlling shareholder(s), its executives, or other board members, except for board service and standard fees paid for that service. An individual who has been employed by the company within the past five years[4] is not considered to be independent. We use a three year look back for all other relationships.

Affiliated Director — An affiliated director has a material, financial, familial or other relationship with the company or its executives, but is not an employee of the company.[5] Directors will normally be classified as affiliated if they:[6]

- Have served in an executive capacity at the company in the past five years;
- Have — or have had within the past three years — a material business relationship with the company;
- Have served on the board for more than 12 consecutive years;[7]
- Have close family ties with any of the company's advisers, directors or employees;

1 Law 3016/2002, art. 3 § 1.
2 Per Glass Lewis' Continental Europe Policy Guidelines, familial relationships include a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces, nephews, in-laws, and anyone (other than domestic employees) who shares such person's home. A director is an affiliate if the director has a family member who is employed by the company.
3 A company includes any parent or subsidiary in a group with the company or any entity that merged with, was acquired by, or acquired the company.
4 In our view, a five-year standard is appropriate because we believe that the unwinding of conflicting relationships between former management and board members is more likely to be complete and final after five (5) years. However, Glass Lewis does not apply the five-year look back period to directors who have previously served as executives of the company on an interim basis for less than one (1) year.
5 If a company classifies a non-executive director as non-independent, Glass Lewis will classify that director as an affiliate, unless there is a more suitable classification (i.e., shareholder representative, employee representative).
6 Most of these standards are in line with the criteria established by the Code, A.II (2.5). While we will classify board members as affiliates in accordance with these standards, we will evaluate voting recommendations based on this issue on a case-by-case basis.
7 In line with our Continental Europe Policy Guidelines, we refrain from recommending to vote against any directors on the basis of lengthy tenure alone. However, we may recommend voting against certain long-tenured directors when lack of board refreshment may have contributed to poor financial performance, lax risk oversight, misaligned remuneration practices, lack of shareholder responsiveness, diminution of shareholder rights or other concerns. In conducting such analysis, we will consider lengthy average board tenure (more than 12 years), evidence of planned or recent board refreshment, and other concerns with the board's independence or structure.

- Own or control 10% or more of a company's share capital or voting rights or are employed by or have a material relationship with a significant shareholder; and/or

- Own or control more than 0.5% of the company's share capital or voting rights and have one or more relationships with the company, as specified by law.[8]

Inside Director — An inside director simultaneously serves as a director and as an employee of the company. This category may include a board chair who acts as an employee of the company or is paid as an employee of the company.[9]

Definition of "material" — A material relationship is one in which the value exceeds:

- €50,000 (or 50% of the total compensation paid to a board member, or where no amount is disclosed) for board members who personally receive compensation for a professional or other service they have agreed to perform for the company, outside of their service as a board member. This limit would also apply to cases in which a consulting firm that is owned by or appears to be owned by a board member receives fees directly;

- €100,000 (or where no amount is disclosed) for those board members employed by a professional services firm such as a law firm, investment bank or large consulting firm where the firm is paid for services but the individual is not directly compensated. This limit would also apply to charitable contributions to schools where a board member is a professor, or charities where a board member serves on the board or is an executive, or any other commercial dealings between the company and the board member or the board member's firm;

- 1% of the company's consolidated gross revenue for other business relationships (e.g., where the board member is an executive officer of a company that provides services or products to or receives services or products from the company);

- 10% of shareholders' equity and 5% of total assets for financing transactions; or

- the total annual fees paid to a director for a personal loan not granted on normal market terms, or where no information regarding the terms of a loan have been provided.

Voting Recommendations on the Basis of Board Independence

Glass Lewis believes a board will be most effective in protecting shareholders' interests when the majority of its members are non-executive and at least one-third of all directors are independent.[10] We also expect, in particular, companies with dispersed share ownership to include additional independent directors to better reflect their ownership structure.

Where the above thresholds are not met, we typically recommend voting against some of the affiliated and/or inside directors in order to satisfy the non-executive and independence threshold we believe is appropriate. However, we accept the presence of representatives of significant shareholders in proportion to their equity or voting stake in the company.

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8 Greek law categorises a director as non-independent if he or she owns more than 0.5% of the company's share capital or voting rights *and* has one or more of the following relationships: (i) maintains a corporate or other professional relationship with the company or its subsidiaries which affects the corporation's activity, particularly if he or she is an important supplier or client; (ii) is board chair or manager of the company; (iii) is chair or an executive member of the board or manager of a subsidiary; and, (iii) has second-degree kinship or a marital relationship with an executive board member, manager, or controlling shareholder of the company or its subsidiaries. Law 3016/2001, art. 4 § 1(a-c) as amended by Law 3091/2002.

9 In accordance with Greek best practice recommendations, if a former CEO of a company is appointed as chair within three years of his retirement as CEO, he shall be considered an executive chair. The Code, A.III (3.3) (October 2013).

10 This is in accordance with the best practice recommendations pursuant to the Code, A.II (2.3) (October 2013). We note, however, Greek law imposes less stringent requirements. The law requires that one-third of its members consist of non-executive directors and that each board must have at least two independent directors. Law 3016/2002, art. 3 § 1.

Voting Recommendations on the Basis of Committee Independence

In line with the Glass Lewis Continental Europe Policy Guidelines, we believe that only non-executive board members should serve on a company's audit[11] and compensation[12] committees and that a majority of the members of each committee should be independent. Moreover, if the company has established a nominating[13] and/or governance committee, we believe a majority of the members of these committees should be independent. We accept the presence of representatives of significant shareholders on this committee in proportion to their equity or voting stake in the company.

BOARD STRUCTURE AND COMPOSITION

Our policies with regard to board structure and composition are not materially different from our Continental Europe Policy Guidelines, with the exception of our policy on board size.

SEPARATION OF THE ROLES OF BOARD CHAIR AND CEO

There is no regulation in Greece mandating that the board chair and CEO positions remain separate. Greek best practice recommendations also do not specifically promote the separation of the roles of board chair and CEO; however, the Code does encourage delineation of the responsibilities of the chair and their distinction from those of the CEO.[14] In practice, it is not unusual in Greece for the same person to hold these two positions, but it is best practice to appoint an independent vice chair when the role of chair and CEO is combined or in the presence of an executive chair.[15]

When a board has a separate nominating committee, we generally do not recommend that shareholders vote against CEOs who serve on or chair the board. However, we may recommend voting against the nominating committee chair when the chair and CEO roles are combined without explanation and one of the following criteria is met: (i) the board is not sufficiently independent; or (ii) the board has failed to appoint a lead independent director or independent vice chair. In the absence of a nominating committee, we may recommend voting against the board chair under these conditions. Further, we typically encourage our clients to support separating the roles of chair and CEO whenever that question is posed in a proxy, as we believe that it is in the long- term best interests of the company and its shareholders.

SIZE OF THE BOARD OF DIRECTORS

Greek law provides that the board of directors must be composed of a minimum of three members.[16] In line with Greek best practice recommendations, we typically recommend voting against the nominating committee chair[17] if a board has: (i) fewer than seven directors (provided, however, that this will generally not apply to small-cap companies with smaller boards); or, (ii) more than 15 directors.[18]

BOARD DIVERSITY

The Greek Code of Corporate Governance recommends that the nominating committee propose a diversity policy, including gender balance, for board members, which is adopted by the board and published on the company's website. The corporate governance statement should make specific reference to the diversity

11 Best practice in Greece requires that the audit committee have at least three non-executive members with a majority of independent members, one of whom serves as the chair. The Code, B.I (1.4) (October 2013).
12 Although not required by law, it is best practice in Greece to establish a compensation committee of at least three non-executive members with a majority of independent members, one of whom serves as the chair. The Code, C.I (1.6) (October 2013).
13 Greek best practice recommends the creation of a nominating committee which consists of a majority of non-executive members, with at least one independent member. The Code, A.V (5.6) (October 2013).
14 The Code, A.III (3.1) (October 2013). We note that Greek law does not specifically address the separation of board chair and CEO positions.
15 The Code, A.III (3.3) (October 2013).
16 Law 2190/1920, art. 18 § 8.
17 In the absence of a nominating committee, we will recommend voting against the board chair.
18 The Code, A.II (2.1) (October 2013).

policy applied by the company in relation to the composition of its board and the percentage of each gender represented in the board and senior executive team.[19]

BOARD COMMITTEES

Under Greek law, companies are required to set up an audit committee which is composed of at least three members. The audit committee may be an independent corporate body or a committee under the board of directors. Members of this committee are non-executive board members and external members elected by the general meeting of shareholders.[20] In addition, best practice recommendations encourage the creation of two additional committees in areas where there is particular concern about conflicts of interest, such as in the compensation and nominating procedures.[21]

ELECTION OF AUDIT COMMITTEE MEMBERS

Under Greek law, the members of the audit committee are appointed by shareholders at the general meeting separately from the election of directors.[22] We may recommend voting against this proposal, should the proposed composition of the audit committee not consist of a majority of independent members with an independent chair, in accordance with best practice as described above. In addition, we may consider recommending shareholders vote against this proposal if, based on the company's disclosure, we are unable to identify at least one member of the committee who has the requisite audit and financial expertise. When the company proposes to elect the audit committee as an independent corporate body we will evaluate such proposals on a case-by-case basis. Nonetheless, we believe that the audit committee under the board of directors should be comprised exclusively of members of the board who would have first hand knowledge of the Company's related activities and operations. As such, we may recommend voting against the individual appointment of an external member to the audit committee under the board of directors. However, we will refrain from recommending against the slate election of the audit committee members where such a committee includes external members but satisfies best practice independence requirements as described above. In cases where a company does not provide information regarding the proposed nominees to the audit committee, we will recommend that shareholders abstain from voting on this proposal.

Our policies with regard to the formation of committees and committee performance are not materially different from our Continental Europe Policy Guidelines.

ELECTION PROCEDURES

Our policies with regard to election procedures are not materially different from our Continental Europe Policy Guidelines. The following are clarifications regarding best practice recommendations in Greece.

ELECTION OF DIRECTORS AS A SLATE

We note that in Greece, it is common for companies to elect their directors as a slate. In such cases, we recommend voting against the entire slate when the composition of the board does not meet our recommendation as to the number of non-executive and independent directors.

DIRECTOR TERM LENGTH

Under Greek law, directors may be elected for a term of up to six years and there is no limit to the number of terms a director may serve.[23]

19 The Code, A.II (2.8) (October 2013).
20 Law 4449/2017, art. 44.
21 Best practice generally recommends two committees in addition to the audit committee. The Code, A.I. (1.2) (October 2013). However, it notes that the functions of nominating and compensation procedures may be combined into a single committee. The Code, A.V. (5.9) (October 2013).
22 Law 4449/2017, art. 44.
23 Law 2190/1920, art. 19 § 1-2.

However, in line with Greek best practice recommendations, we prefer that director terms not exceed four years, giving shareholders the opportunity to have a say on the composition of the board on a more regular basis.[24] We will recommend voting against the nominating committee chair when director terms exceed this limit.[25]

24 The Code, A.V (5.1) (October 2013).

25 In the absence of a nominating committee, we may recommend voting against the board chair.

Transparency and Integrity in Financial Reporting

In Greece, shareholders are required to approve a company's financial statements and dividend policy on an annual basis. They must also elect the company's independent auditors[26] and approve their fees. While we have outlined the principle characteristics of these types of proposals that we encounter in Greece below, our policies regarding these issues are not materially different from our Continental Europe Policy Guidelines.

ACCOUNTS AND REPORTS/CONSOLIDATED ACCOUNTS AND REPORTS

As a routine matter, Greek company law requires that shareholders approve a company's annual and consolidated financial statements within at least six months after the end of the fiscal year, in order for them to be valid.[27]

CAPITAL REPAYMENTS

Greek companies commonly seek shareholder approval of capital repayments in lieu of traditional cash dividends. Under Greek law, capital repayments made through a reduction in par value of shares are generally subject to lower tax rates than cash dividends. As such, Greek companies sometimes propose capital repayments in lieu of, or in addition to, dividend distribution. We believe that returning capital to shareholders in this manner is in shareholders' best interests, and will generally recommend voting for such a proposal, as well as all related proposals required to implement the capital repayment.

26 Law 4449/2017, art. 42.
27 Law 2190/1920, art. 34.

The Link Between Compensation and Performance

In Greece, shareholders are not entitled to vote on executive compensation at this time and reports detailing a company's compensation policy are not typically disclosed. 28

The Greek Code of Corporate Governance does currently require a report contained within the corporate governance statement which provides disclosure of board members' remuneration, including information on base salary, non-share-based cash or in-kind compensation, and equity-based incentives on an individual basis.[29] In an effort to improve transparency and implement the EU Shareholders' Rights Directive, Greek law now provides that upon request by shareholders representing at least 5% of the share capital, the board must announce the amounts paid to, or any additional benefits received by, directors and/or managers of the Company during the last two years at the general meeting, unless the board can demonstrate a material reason for withholding this information.[30]

Our policies with regard to these issues do not deviate from the principles discussed in our Continental Europe Policy Guidelines.

DIRECTOR COMPENSATION

Proposals requesting shareholder approval of directors' fees for the last fiscal year as well as the proposed fees for the next fiscal year are common. We will usually support these proposals if there is sufficient disclosure, and the fees are reasonable and in line with those paid by the company's peers.

EXECUTIVE COMPENSATION

The Greek Code of Corporate Governance recommends that the company's policy and principles regarding the determination of the remuneration of executive directors of the board be included in the company's corporate governance statements.[31] We may vote against members of the compensation committee for failure to comply with this best practice recommendation.

EQUITY COMPENSATION

Glass Lewis believes that equity compensation awards are useful, when not abused, for retaining employees and providing an incentive for them to act in a way that will improve company performance.

In Greece, some companies allocate equity compensation to employees. Under Greek law, companies are required to disclose details regarding the allocation of newly issued shares to any employee stock option or stock grant plan.[32] In addition, share issuances to be used for equity compensation must be approved by shareholders and must not exceed 10% of the share capital on the date of the general meeting.[33]

28 The Code, Preamble (October 2013) states that additional recommendations regarding shareholders' consideration of executive remuneration would be introduced in 2012; however, as of November 2016, no further information had been provided regarding this issue.
29 The Code, annex III.
30 Law 2190/1920, art. 39 § 4, as amended by Law 3884/2010, art. 8.
31 The Code, C.I. (October 2013).
32 Law 2190/1920, art. 13 § 13.
33 Law 2190/1920, art. 13 § 13.

Governance Structure and the Shareholder Franchise

In Greece, shareholders are frequently asked to discharge directors and/or auditor(s) from liability and also authorise multiple types of related party transactions. While we have outlined the principle characteristics of these types of proposals that we encounter in Greece below, our approach to these issues is similar to other European markets.

RATIFICATION OF DIRECTORS' AND/OR AUDITOR'S ACTS

Pursuant to Greek law, shareholders are entitled to discharge the members of the board of directors and/or auditor(s) from any and all of their actions during the past fiscal year.[34] The discharge from liabilities is binding for all shareholders and can hinder legal claims against board members or auditors.

As noted in Glass Lewis' Continental Europe Policy Guidelines, we will evaluate each proposal on a case-by-case basis. Unless there are any concerns about the integrity and performance of the directors and/or auditor being ratified, we will generally recommend voting for this proposal. In addition, when we have serious concerns regarding the actions of the board and no members of the board are up for election, we are more likely to recommend voting against the ratification of board acts.

RELATED PARTY TRANSACTIONS

Greek law provides strict limitations and protection for minority shareholders in the case of related party transactions. The Code notes that transparency in this area is particularly important in Greece, where the majority of listed companies are controlled by a limited number of significant shareholders, and thus there is a high probably that their interests may conflict with minority shareholders.[35] By law, related parties are not permitted to carry out any transactions within the scope of any of the Company's business without prior shareholder approval.[36]

There are three common types of related party transactions that are typically submitted for shareholder approval: (i) contracts between the company and firm in which a member of the company's management and/or board of directors has an interest ; (ii) additional compensation for directors or executives not previously approved by shareholders; and (iii) authorisation of a company's board of directors and/or executives to participate in the board of directors and/or the management of affiliated companies with similar or related business goals.

We will evaluate related party transactions on a case-by-case basis. We generally approve transactions that fall within the company's regular course of business or those for which the company has provided a sufficient rationale.

34 Law 2190/1920, arts. 22a, 35 § 1. Law 3884/2010 adds subsection 2 to the original article 35 and provides that members of the board of directors and employees of the company may vote for exonerating directors only with shares they own or hold by proxy, on the condition that they have received a proxy with specific voting instructions.

35 The Code, General Principles (1) (October 2013).

36 Law 2190/1920, art. 23a.

SHAREHOLDERS' RIGHTS

Under Greek law, shareholders holding at least 5% of a company's share capital may submit the following requests: (i) convocation of an extraordinary meeting; (ii) addition of items to the agenda of a general meeting already convened; or (iii) announcement at the general meeting regarding the amount paid to the board of directors, management, or any related parties in the past two years, unless the board can demonstrate a material reason for withholding this information.[37]

37 Law 2190/1920, art. 39 §2, as amended by Law 3884/2010, art. 8. The request to add items to the agenda must be submitted to the board of directors fifteen days prior to the meeting date and the board must publish these items at least seven (7) days before the meeting date.

Capital Management

Greek companies are authorised to increase share capital through several methods, which may or may not involve the issuance of shares.[38] It is most common for Greek companies to issue shares and/or debt instruments, amend the par value of a company's shares, and repurchase or cancel stock. Greek companies may also choose to propose a stock split or a reverse stock split. Our policies regarding these matters do not differ materially from our Continental Europe Policy Guidelines.

ISSUANCE OF SHARES AND/OR CONVERTIBLE SECURITIES

Under Greek law, all capital increases, including those deriving from the issuance of convertible debt instruments, but excluding those for non-cash contribution, must be offered to existing shareholders on a pro-rata basis unless the general meeting authorises the board to waive such preemptive rights.[39]

CAPITALISATION OF RESERVES

The successive or simultaneous capitalisation (i.e. incorporation) of reserves, resulting in the free allotment of shares and/or an increase in the par value of shares, is another method Greek companies may elect in order to increase their paid-in capital. In these cases, there is no risk of shareholder dilution.

Some Greek companies may opt to combine an increase in par value through the capitalisation of reserves with a subsequent decrease in par value, followed by a repayment to shareholders in lieu of a cash dividend. As previously noted in the capital repayments section, this approach seeks to maximise the tax benefits under Greek law and we believe that it is in shareholders' best interests, so long as the company is left with a sufficiently strong balance sheet in light of its capital requirements.

AUTHORITY TO REPURCHASE SHARES

We note that Greek law limits the number of shares that may be repurchased to no more than 10% of the company's issued share capital. Furthermore, the authority to repurchase shares cannot be granted for a period exceeding 24 months.[40] We will generally support buyback programs in Greece.

AUTHORITY TO CANCEL SHARES AND REDUCE CAPITAL

In conjunction with a share repurchase program, companies often times proceed to subsequently cancel the repurchased shares. Pursuant to Greek law, companies must transfer or cancel their own shares under certain conditions within a period of three years from the date of their repurchase.[41] As a general rule, we will support these proposals in line with the Continental Europe Policy Guidelines.

38 Law 2190/1920, art. 13 and Law 3016/2002, art. 9.
39 Law 2190/1920, art. 13 § 7.
40 Law 2190/1920, articles 16 § 1 and 16 § 2(a).
41 Law 2190/1920, art. 16 § 5-6.

DISCLAIMER

This document is intended to provide an overview of Glass Lewis' proxy voting policies and guidelines. It is not intended to be exhaustive and does not address all potential voting issues. Additionally, none of the information contained herein should be relied upon as investment advice. The content of this document has been developed based on Glass Lewis' experience with proxy voting and corporate governance issues, engagement with clients and issuers and review of relevant studies and surveys, and has not been tailored to any specific person.

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