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1 Setting the Scene – Sources and Overview

1.1 What are the main substantive ESG-related regulations and who is driving the regulatory agenda in your jurisdiction?

- **EU Corporate Sustainability Reporting Directive ("CSRD")**
  Application:
  (a) large undertakings, which are currently subject to the EU Non-Financial Reporting Directive ("**NFRD**"), and are, broadly, public-interest entities with an average of 500 employees or with control of a large group that has a consolidated average of 500 employees (January 2024);
  (b) large undertakings or parents of a large group which are not currently subject to the NFRD and are, broadly, undertakings whose balance sheet exceeds two of the following three requirements: (i) balance sheet total of €20 million; (ii) net turnover of €40 million; and (iii) average 250 employees (January 2025); and
  (c) listed small and medium-sized companies (January 2026).
  Key changes:
  (a) introduces the double materiality assessment requirement, which refers to impact materiality and financial materiality; and
  (b) the assessment extends to direct and indirect relationships and therefore firms must look through their value chain. The European Sustainability Reporting Standards ("**ESRSs**") set out detailed information and precedents for firms that are subject to CSRD.
  As at October 2024, the CSRD has not been transposed into Greek law. Until CSRD is formally incorporated into Greek law, the current applicable regulation is the is NFRD, which has been transposed into Greek law through article 151 of Law 4548/2018.
- **Greek Environmental Law no. 4936/2022 ("Greek Environmental Law 2022")**
  Application: a wide range of companies in different sectors, with a view to reducing carbon emissions and making Greece carbon neutral by 2050.
  Key changes:
  (a) it sets several targets across industries for the next few years;
  (b) it requires listed entities and other in scope entities to report their carbon footprint publicly accessible electronic database implemented and operated by the Natural Environment and Climate Change Agency every October from 2023;
  (c) indicatively, in terms of electric mobility, from January 2024 at least one-quarter of new corporate vehicles must be electric or hybrid, while from January 2030 all new privately used or corporate vehicles must produce zero emissions; and
  (d) in terms of energy production, from January 2025, the sale and installation of petrol-fuelled heaters is strictly forbidden, while from the end of December 2028, the production of electricity from lignite-powered plans is banned, with the possibility of accelerating this phase-out to 2025, depending on energy security concerns. By 2030, the carbon emissions of buildings, social infrastructure (especially relating to sports, culture, public lighting and other public spaces), irrigation systems, sewage systems and state vehicles must be reduced by 30% against the carbon emissions benchmark of 2019.
- **EU Green Bond Standard Regulation ("EUGB" standard)**
  Application: anyone who issues a green bond with the EUGB certification.
  Key changes:
  (a) the proceeds of EUGBs are required to be invested in economic activities aligned with the Taxonomy;
  (b) alignment of the bond with the EuGB standard needs to be verified by an accredited verifier; and
  (c) reporting requirements on how the proceeds are used and their impact in line with the EUGB framework.
- **EU Emissions Trading System Directive ("EU ETS Directive")**
  Application: companies operating in various sectors, including power and heat generation, energy-intensive industries, shipping and aviation, whose activities emit specific greenhouse emissions ("**GHG emissions**"). From January 2024, the scope of the EU ETS Directive was extended to cover GHG emissions from all large ships (5,000 gross tonnage and above) entering EU ports, as well as the installations for the incineration of municipal waste above a certain threshold.
  Key changes:
  (a) regulated entities shall monitor the GHG emissions of their activities;

(b) every March the regulated entities shall submit an emissions report verified under the verification and accreditation rules of the Directive;
(c) every April, the regulated entities shall surrender the allowances for their verified emissions;
(d) from 2025, entities falling within the scope of Emissions Trading System 2 will have to start monitoring their emissions; and
(e) a separate emissions trading system has been created, covering fuel combustion in buildings, road transport and other sectors, set to begin in 2025.

The EU ETS Directive has been transposed into Greek law through the issuance of updated ministerial decisions.

- **EU Energy Performance of Buildings Directive ("EPBD") (as amended by Directive 2018/844)**
  Application: very broad; residential and non-residential buildings, public and private, new and existing structures.
  Key changes:
  (a) major renovations must involve energy performance upgrade;
  (b) new buildings must meet minimum energy performance requirements;
  (c) a certification system is introduced for the energy performance of buildings; and
  (d) introduction of a common methodology for calculating the energy performance of buildings.

  In May 2024, EPBD was revised under the "Fit for 55" package, introducing stricter energy performance standards, mandatory solar readiness for new buildings, and renovation passports to support long-term renovation planning. Revised EPBD also requires the deployment of solar installations on new buildings and enhanced energy monitoring for existing systems. Greece has not transposed yet the EPBD into its national legislation.
- **Greek Law 4412/2016 on public procurement and National Action Plan for the promotion of Green Public Procurement ("GPP"), as updated in 2024**
  Application:
  Public procurement contracts for services and products, with specific categories for which the incorporation of green criteria is mandatory e.g. lighting, paper, screens, laptops, airconditioning, etc. and others for which the incorporation of green criteria is strongly recommended e.g. furniture and waste disposal.
  Key changes:
  In July 2024, the GPP Plan's quantitative targets were amended for contracts relating to paper, the design, construction and maintenance of roads and the design construction and maintenance of buildings.
- **Greek Law 5151/2024 relating to the modernisation of waste management**
  Application:
  Various public bodies.
  Key changes:
  The Law has modernised waste management in Greece by introducing changes which:
  (a) enable the Ministry of Environment and Energy to undertake initiatives to ensure proper waste management at a local level;
  (b) modify the collective deposit-return scheme in accordance with European best practices;
  (c) enable the National Producers' Register to interoperate with other registries; and
  (d) extend the possibility of marine transportation to all separately collected recyclable materials.
- **Greek law on private insurance against natural disasters no. 5116/2024**
  Application: all public authorities, private insurance companies, and individuals affected by natural disasters.
  Key changes:
  (a) mandatory private insurance for property owners in high-risk areas to strengthen resilience against natural disasters; and
  (b) new state aid framework for individuals and businesses affected by disasters, covering housing assistance and restoration costs.
- **Greek Corporate Governance Law no. 4706/2020 ("Greek Corporate Governance Law")**
  Application: listed companies.
  Key changes: introduces various requirements relating to the "G" in ESG, including:
  (a) obligations on sufficient representation of each gender (at least 25%);
  (b) fitness and propriety requirements for board members and independence criteria for independent board members; and
  (c) the obligation to implement a corporate governance system and a sustainable development policy.
- **EU Sustainable Finance and Disclosure Regulation ("SFDR")**
  Application:
  (a) financial market participants, which includes investment firms providing portfolio management, credit institutions providing portfolio management, AIFMs, managers of qualifying venture capital and social entrepreneurship funds, certain insurance undertakings; and
  (b) financial advisers, which includes investment firms providing investment advice, credit institutions providing investment advice and AIFMs with MiFID top-ups.
  Key changes:
  (a) categorisation of financial products as having:
    i. no sustainability scope;
    ii. promoting environmental or social characteristics (light green); or
    iii. having sustainable investments as their objective (dark green);
  (b) website and pre-contractual disclosures relating to firms' integration of sustainability risks in light of their categorisation;
  (c) website and pre-contractual disclosures on the extent to which firms consider the principal adverse impacts of investment decisions on sustainability factors; and
  (d) updates to remuneration policies.

  A recent amendment to the SFDR under Regulation (EU) 2023/2869 mandates financial market participants and advisers to submit disclosures to the European Single Access Point (ESAP), in standardised formats, by January 2028, including relevant metadata such as entity identifiers.
- **EU Taxonomy Regulation ("Taxonomy")**
  Application:
  (a) financial market participants (as defined in SFDR above); and
  (b) listed companies, credit institutions and insurers captured by the definition of "large public interest entities"; under the definition, these entities meet the size test if on a consolidated basis, they have: (i) more than 500 employees; and (ii) a balance sheet of

more than €20 million or net turnover of more than €40 million.

Key changes:

(a) Introduces the first EU classification system and defines which economic activities are environmentally sustainable;

(b) Financial market participants became subject to the requirement to make pre-contractual disclosures in relation to economic activities labelled environmentally sustainable; and

(c) Large public interest entities became obliged to disclose in their non-financial statements the extent to which their activities are environmentally sustainable, including the proportion of their turnover, Capex and Opex associated with environmentally sustainable activities.

The Climate Delegated Act and the Environmental Delegated Act under the Taxonomy introduced technical screening criteria for additional environmental objectives, such as sustainable use and protection of water and marine resources, circular economy, pollution prevention, and biodiversity restoration. They also expanded the scope of the Taxonomy by conditionally including specific gas and nuclear activities, providing clearer guidance for categorising these activities under strict conditions to support the transition from high-carbon sources to climate-neutral alternatives.

- **EU Corporate Sustainability Due Diligence Directive ("CSDDD")**

Application:

(a) Large companies with more than 1,000 employees and a turnover exceeding €450 million globally.

(b) High-impact sectors, such as mining, agriculture, and textiles, with more than 250 employees and €40 million in turnover, are also covered but have an extended compliance timeline.

(c) Certain non-EU companies generating over €150 million in the EU market will also be subject to these rules.

Key changes:

(a) Mandatory due diligence: Companies must identify, prevent, and address adverse impacts on human rights and the environment throughout their operations, subsidiaries, and value chains.

(b) Climate change transition plan: Companies must adopt a transition plan aligned with the Paris Agreement and the 2050 climate neutrality target, including intermediate targets set under the European Climate Law.

(c) Director responsibility: Company directors will be responsible for overseeing the due diligence strategy and ensuring compliance, integrating these aspects into overall corporate governance.

(d) Enhanced stakeholder engagement: Requires direct consultation with affected communities and stakeholders in the development and monitoring of sustainability strategies.

CSDDD was ratified on 25 July 2024 and must be transposed into national laws by 26 July 2026.

There are several other EU laws which touch on ESG issues, e.g.: the new EU Product Liability Directive, which includes provisions for product sustainability; the EU Low Carbon Benchmark Regulation, which establishes criteria for sustainable financial benchmarks; or the Carbon Border Adjustment Mechanism Regulation, which introduces a carbon price on imports of certain goods from countries with less stringent climate policies. It is expected that most future EU legislation will touch on ESG matters going forward.

In Greece, the regulatory agenda is primarily driven by European Union directives and regulations, with a strong emphasis on environmental sustainability, corporate transparency, and sustainable finance. The EU Green Deal, the Fit for 55 package, and the European Climate Law significantly influence national policies. The Greek government, particularly through the Ministry of Environment and Energy and Ministry of Economy and Finance, plays a proactive role in implementing national laws aligned with these EU sustainability objectives. The Greek National Plan for Energy and Climate ("**NECP**") was updated in August 2024 to align with the EU's 2030 climate objectives, focusing on energy efficiency, renewable energy, and greenhouse gas emissions reductions.

The Hellenic Capital Market Commission ("**HCMC**") is also pivotal in implementing ESG-related regulations, particularly for financial market participants. Additionally, there is increasing pressure from the private sector and investors, both locally and internationally, for companies to integrate ESG practices, largely driven by the SFDR and the Taxonomy. Civil society, including NGOs and environmental advocacy groups, further shapes the ESG landscape by pushing for stricter environmental and social regulations. This collective effort ensures Greece remains aligned with EU climate and sustainability objectives.

1.2 What are the main ESG disclosure regulations and how have they evolved during the past 12 months?

In Greece, the key ESG disclosure regulations currently in force are EU-driven, with national implementation adapting to recent updates and new standards.

The following are the main ESG Disclosure Regulations in Greece deriving from EU law:

- The CSRD, which enters into force in a staggered manner between 2024 and 2026. From 1 January 2024, it requires those firms which are currently subject to the EU Non-Financial Reporting Directive (i.e., large undertakings which are public interest entities with at least 500 employees) to report on much more detailed corporate sustainability disclosure requirements. The first companies report under the new standards starting from the 2024 financial year, with the ESRS providing detailed guidance on compliance.
- The EU ETS Directive, which requires regulated entities to disclose the GHG emission from their activities. The shipping industry which is a core pillar of Greece's economy becomes subject to the disclosure rules for maritime emissions whereby entities surrender allowances in 2025 for their emissions reported in 2024.
- The SFDR, which requires financial advisors and financial market participants (e.g., asset managers, investment and insurance advisers) to make mandatory disclosures on websites, pre-contractual documentation and periodic reports.
- Taxonomy, which requires financial market participants to make disclosures in relation to economic activities they label environmentally sustainable, and large public interest entities to disclose the proportion of their turnover, Capex and Opex associated with environmentally sustainable activities.

ESG disclosure obligations deriving from Greek laws include:

- Greek Environmental Law 2022, which requires listed firms, credit institutions, insurance companies, investment firms and various other players in the energy, logistics, utilities and retail space to disclose their carbon footprint for the previous year. The first reports were due on 31 October 2023, setting the stage for broader corporate compliance.
- Greek Corporate Governance Law, which imposes various obligations for good governance on listed companies.

Other disclosure obligations include the Low Carbon Benchmark Regulation which currently only applies to the Athens Stock Exchange.

1.3 What voluntary ESG disclosures, beyond those required by law or regulation, are customary?

There is such a large number of EU regulations that firms are struggling to keep up with mandatory requirements before they get the time to turn their attention to voluntary ESG disclosures. It is rare that companies adopt voluntary ESG disclosures unless one or more of the following drivers are present:

(1) regulation by the HCMC whose strategic plan for 2022–2027 includes "sustainability and new ways to conduct supervision" as one of its key pillars, or the Bank of Greece ("**BOG**") which has made ESG a priority;
(2) listing on the Athens Stock Exchange which has launched an AthEx ESG index and ESG portal with a view to bolstering ESG compliance across the listed space; and/or
(3) activity in an area with a clear environmental angle, e.g., energy, packaging, renewables.

The most prevalent voluntary ESG disclosures are those set out in the Greek Corporate Governance Code, which includes best practices on rules that are already applicable to listed companies. The voluntary nature is twofold. For listed companies, there is guidance which goes beyond the legal requirements. For unlisted companies, compliance with any part of the code is voluntary. The Code requires companies to comply with special practices relating to ESG issues, or otherwise to specifically explain the reasons for their non-compliance in their corporate governance reports ("comply or explain" principle).

The Code's special practices on sustainability provide, among other things, that: (a) the promotion of the corporate interest and competitiveness of the company shall be linked to its sustainability; (b) sustainability shall be determined by the impact of the company's activities on the environment and the wider community; (c) the BoD shall ensure that mechanisms are in place for the knowledge and understanding of the interests of the stakeholders and shall monitor their effectiveness; (d) the company shall adopt a special policy on ESG and sustainable development; (e) the BoD shall, in the context of the sustainability policy, determine in the annual report the non-financial issues concerning the long-term sustainability of the company which are essential for the company, the shareholders and the stakeholders, as well as how the company handles them, and must describe how the interests of the stakeholders in the discussions and decision-making have been taken into account; and (f) the BoD shall bind and monitor the executive administration on matters relating to new technologies and environmental issues.

The Code's special practices on diversity and social impact provide that companies must implement a diversity policy applicable to senior and mid-level management, and that the BoD must take into account the interests of different stakeholders in company strategy.

1.4 Are there significant laws or regulations currently in the proposal process?

There is a long pipeline of laws and regulations at the EU level currently in the proposal stage.

There are currently no significant Greece-specific bills or laws awaiting formal adoption. However, various implementing laws for EU legislation are anticipated, including:

- the CSRD – Greece is expected to align its national legislation with CSRD requirements imminently to meet the compliance deadlines;
- the revised EPBD; and
- the CSDDD.

1.5 What significant private sector initiatives relating to ESG are there? To what extent are private companies reporting on ESG issues?

Significant Greek initiatives that are not imposed by public policy/legislation are led by semi-institutional players or non-profit associations, outlined below:

- The Athens Exchange ("**AthEx**") has contributed to the formation of a more sustainable Greek capital market, by joining ESG partnerships in order to increase awareness of the Greek companies on the importance of ESG transparency and develop tools which will reduce complexity and the burden of ESG disclosures.
- The Hellenic Federation Enterprises ("**SEV**") is a non-profit association with a broad membership across sectors of the economy. Its ESG objective is to provide tools for the incorporation of ESG factors in businesses operations and participate in the social dialogue on ESG issues promoting the private sector interests.
- The Hellenic Bank Association ("**HBA**") is a non-profit association, representing Greek and foreign credit institutions operating in Greece. In recent years, the HBA has put ESG and sustainable finance issues at the top of its agenda. The HBA plays an active role in raising awareness among Greek businesses, highlighting the benefits of adopting ESG practices, while also enhancing the role of the banking system in promoting sustainable development and a green transition. Notably, in October 2023, the HBA announced the adoption of common interbank ESG questionnaires by Greek banks for corporate clients, in order to assist them in improving their ESG performance.
- The Hellenic Corporate Governance Council ("**HCGC**") is a non-profit association established as a joint initiative by AthEx and SEV. It has issued the Greek Corporate Governance Code, mentioned in question 1.3 above.
- Certain industries have developed their own sector-specific ESG guidelines, such as the Guide to ESG Reporting by the Hellenic Chamber of Shipping to address the unique environmental and social challenges of the shipping industry in Greece.

Although many large companies (particularly those in regulated sectors such as listed entities and financial institutions) have already adopted formal ESG reporting practices, smaller companies and non-listed firms in Greece have been slower to implement comprehensive ESG frameworks. This is

expected to shift significantly with the upcoming implementation of the CSRD. Consequently, more Greek companies will be required to systematically integrate and disclose ESG data, driving wider adoption of sustainability practices and transparency across the corporate landscape.

2 Principal Sources of ESG Pressure

2.1 What are the views and perspectives of investors and asset managers toward ESG, and how do they exert influence in support (or in opposition) of those views?

Investors are increasingly asking about ESG policies as they are often subject to ESG disclosures themselves and, therefore, need to ensure that their investments are aligned with the relevant ESG principles. Some investors specifically seek to invest only in article 8 (light green) or article 9 (dark green) funds under SFDR. For those investors, the 2024 ESMA guidelines on funds' names using ESG or sustainability-related terms are particularly relevant. The majority are, at the moment, satisfied with fund disclosures about not investing in certain market segments, e.g., arms and tobacco, which do not pursue a greener agenda.

2.2 What are the views of other stakeholders toward ESG, and how do they exert influence in support (or in opposition) of those views?

The view and behaviour of other stakeholders is generally coloured by the extent to which they are subject to ESG obligations themselves, or otherwise under ESG scrutiny, e.g., providers of financing have started insisting on their clients complying with ESG metrics. In this context, some players who have the liquidity and knowhow seize the opportunity to become market leaders in ESG and increase their market share. In the context of capital market transactions or large-scale mergers and acquisitions with an environmental element, there is increasing appetite for performance of ESG due diligence.

As a general rule, the influence of employees and retail customers is limited in terms of ESG but they nevertheless exert some pressure.

2.3 What are the principal regulators with respect to ESG issues, and what issues are being pressed by those regulators?

The principal regulator for sustainable finance regulation in Greece is the HCMC. The HCMC reached out to Greek investment firms about their slow compliance with SFDR and the Taxonomy while for new authorisations, the HCMC is requesting evidence of ESG policies.

The Bank of Greece ("**BoG**") supervises the Greek banks and has set up the Climate Change and Sustainability Centre to coordinate sustainability actions and the Climate Change Impacts Study Committee which is an interdisciplinary committee of scientists. BoG invests in green bonds and is expected to take a leading role in supervising banks' compliance with ESG legislation.

The Regulatory Authority for Waste, Energy and Water ("**RAEWW**") is the national energy regulator, serving as "guarantor" of the proper functioning of Greek energy market. RAEWW monitors and controls the energy market in sectors such as electricity production from all types of sources, electricity supply, transmission and security in the Greek market. Further, RAEWW may take regulatory measures for the proper functioning of energy markets. Since 2023, the responsibilities of RAEWW expanded over water services and urban waste management with a view to modernising the overall governance framework for issues related to water and urban waste management.

For completeness, primary competence for tackling climate change rests with the newly established Ministry for Climate Crisis and Civil Protection. This ministry prepares the National Strategy for Adaptation to Climate Change, setting national energy targets and strategies to achieve them.

2.4 Have there been material enforcement actions with respect to ESG issues?

Since the majority of ESG laws are relatively new, there have not yet been material enforcement actions.

Over the years, there have of course been enforcement actions with respect to breaches of environmental laws in a broader sense. Examples include actions relating to waste disposal, the preservation of Greek islands' water deposits, and the environmental protection of beaches.

2.5 What are the principal ESG-related litigation risks, and has there been material litigation with respect to ESG issues, other than enforcement actions?

The primary risk in ESG-related litigation is greenwashing or misleading claims. There has not yet been material litigation in Greece relating to this topic. This is expected to change as the application of the same EU-driven ESG disclosure rules have led to investigations and actions in other parts of the EU.

2.6 What are current key issues of concern for the proponents of ESG?

The first key issue for concern is the incredibly complex nature of the regulatory requirements, and particularly the Taxonomy requirements. Most Greek companies are SMEs that do not have the scale or in-house expertise to digest the huge volume of ESG laws, regulations, guidance, and technical standards.

Secondly, the fast pace of change in the ESG space could render what was ESG-compliant a few years ago, an example of greenwashing today. In light of this, players are hesitant to be early adopters of new EU legislation and slow to differentiate themselves from the herd which gives them comfort.

Another key issue is the lack of available data. As ESG becomes much more prevalent, it has started to receive intense criticism, for example on issues of data quality and reliability, greenwashing, credibility of corporate disclosures and trustworthiness of ESG rating agencies, as well as debates on what is ultimately the right target. Providers of green financing and firms subject to ESG regulation try very hard to source the relevant data in order to comply with reporting requirements. The CSRD will put further pressure on sourcing data, but its wide application may force more firms to start systematically collecting the data and therefore play a role in curing the data sourcing problem.

2.7 Have ESG issues attracted shareholder activism, and from whom?

In line with the rest of Europe, shareholder engagement and activism has increased. The Greek Corporate Governance Law implements the Shareholder Rights Directive II into national law, which encourages shareholder engagement. Accurate data on shareholder activism is difficult to source; there has not yet been a noticeable ESG angle to shareholder activism.

3 Integration of ESG into Strategy, Business Operations and Planning

3.1 Who has principal responsibility for addressing ESG issues? What is the role of the management body in setting and changing the strategy of the corporate entity with respect to these issues?

The responsibility of ESG matters rests with the company Board of Directors ("**BoD**"), as a result of its broader responsibility for operations. The BoD is responsible for setting the values, culture and strategy of the company, which is a basis for the business plan. The BoD should monitor the implementation of the business plan and regularly review the opportunities and risks in relation to its strategy and measures to address them.

For listed companies, Greek company law imposes requirements on the BoDs to disclose information on the performance and impact of the company's activities in relation to ESG issues, respect for human rights, anti-corruption and bribery-related issues. The BoD is responsible for compliance with new ESG regulation, the disclosure of necessary information in relation to mandatory non-financial reporting, the creation of the ESG profile based on best practices, and corporate culture reforms.

3.2 What governance mechanisms are in place to supervise management of ESG issues? What is the role of the board and board committees *vis-à-vis* management?

Commitment to ESG issues is ultimately the responsibility of the BoD. The BoD oversees the company's risk management framework, and is responsible for ensuring that all risks, including ESG risks, are properly managed. The BoD can delegate day-to-day performance of ESG obligations to management and/or (if appropriate) designated committees. The BoD regularly reviews the responsibilities of management, as well as evaluating the performance of the executive members, by setting subjective and objective performance criteria including on ESG factors at the beginning of each year. The BoD of a listed company is supported in its duties and corporate resolutions by at least three committees: the Audit Committee; the Remuneration Committee; and the Nominations Committee. The duties, governance and function of these committees are reflected in each committee's charter, which is approved by the BoD. Each company may establish additional BoD committees according to its necessities, such as an ESG committee.

In recent years, it has become more common for Greek listed companies and companies operating in carbon-intensive industries to create in their organisational structure the position of Sustainability Officer, undertaking specific duties on ESG matters and reporting to the ESG/Internal Audit Committee, where applicable, and to the BoD. In addition, listed companies and, on a voluntary basis, non-listed companies, have established annual evaluations of the performance and effectiveness of the BoD and its committees.

3.3 What compensation or remuneration approaches are used to align incentives with respect to ESG?

Under the Greek regulatory framework, a company limited by shares must adopt and implement a remuneration policy that contributes to the company's operating strategy, long-term interests and sustainability. The remuneration policy applies to BoD members (executive and non-executive), is approved by the shareholders' General Meeting, and is updated every four years. In addition, in the case of listed companies, a report must be published annually on all types of remuneration paid to board members with sufficient reasoning.

There is currently no legal requirement to link remuneration to ESG factors, but the Greek Corporate Governance Code recommends that the BoD examines and links the remuneration of the executive members with indicators on ESG issues and sustainable development that could give long-term value to the company. The BoD must ensure that these indicators are relevant, reliable and promote the correct and efficient management of ESG issues and sustainable development.

In practice, most companies that have embedded ESG policies in their business plans link the provision of variable remuneration (bonuses) to the achievement of specific measurable ESG-related Key Performance Indicators.

3.4 What are some common examples of how companies have integrated ESG into their day-to-day operations?

ESG integration into day-to-day operations depends on the company's size, whether it is listed and whether it is active in an area which requires more in terms of ESG e.g. energy, public sector, financial services. Examples include:

(a) producing sustainability reports;
(b) engaging in and publishing involvement in ESG initiatives and charity contributions;
(c) creating roles for ESG officers or allocating responsibility for ESG compliance to designated employees;
(d) collecting ESG data and requesting the same from providers;
(e) assessing the ESG performance of buildings; and
(f) incorporating the AthEx ESG index.

3.5 How have boards and management adapted to address the need to oversee and manage ESG issues?

The BoDs of carbon-intensive companies and regulated entities have set ambitious ESG targets, which are reflected in their strategy, internal policies and organisational structure. New positions or even departments have been created to focus on ESG strategy, compliance and reporting.

At the same time, the BoDs themselves are paying close attention to ESG issues, as evidenced by numerous non-financial disclosures, and ESG-related issues being included on meeting agendas with a view to prioritising ESG risks.

The challenge is whether the direction given by the BoD and management can be implemented by the business appropriately as Greek companies have faced challenges in complying with ESG rules.

4 Finance

4.1 To what extent do providers of debt and equity finance rely on internally or externally developed ESG ratings?

Debt and equity finance providers are under increasing pressure to take ESG ratings into account, and they do so where possible. External ratings are not always available for Greek companies in respect of each aspect of ESG. Another concern is that external ESG ratings often demand small and medium-sized enterprises to meet exceptionally high standards. As a result, finance providers sometimes find themselves forced to create internal ESG ratings that are more targeted to the market in terms of geography and size.

4.2 Do green bonds or social bonds play a significant role in the market?

Between 2019 and 2022, Greek firms jumped at the opportunity to issue green bonds, but the activity has since slowed down. Green bonds were issued not only by the Greek systemic banks, but also by listed entities in the energy, construction and real estate space.

The Athens Stock Exchange created the information hub "ATHEX BONDS GREENet" to enhance the visibility of issuers, active in sustainable development, to international and domestic investors.

There has not been a specifically social bond issued in Greece to date, but this is predicted to change once the Social Taxonomy legislation is published.

4.3 Do sustainability-linked bonds play a significant role in the market?

Not yet, as the focus has been primarily on green bonds. However, the role of sustainability-linked bonds is expected to increase. Indicatively, in October 2023, one of the Greek systemic banks issued a Sustainable Bond Framework acting as an overarching governance framework for green, social and sustainability-linked products.

4.4 What are the major factors impacting the use of these types of financial instruments?

First and foremost, the lack of reliable data is a real complication for issuers of these types of financial instruments. Greece's economy consists of mostly small and medium-sized enterprises which find themselves unable to provide the level of analytical data required by these types of bonds. The reporting and data sourcing obligations are too onerous for smaller players to accommodate.

Secondly, the very complicated legal framework makes it difficult for issuers to get up to speed with the requirements fast enough, digest them and use them to leverage profitable business propositions.

Thirdly, the constantly evolving nature of the legal requirements deters players who may fear that what is generally acceptable today in terms of sustainable financing will soon fall below the bar and become susceptible to greenwashing claims.

4.5 What is the assurance and verification process for green bonds? To what extent are these processes regulated?

Currently, the green bond market is not governed by hard-wired legislation. Instead, there are voluntary guidelines and standards issued by industry groups which set a soft minimum standard. The key guidelines observed by the industry are those of the International Capital Markets Association ("**ICMA**") and the Climate Bond Initiative ("**CBI**"). There are four core components to green bond projects under both standards: (1) use of proceeds; (2) the process for project evaluation and selection; (3) management of proceeds; and (4) reporting. Under the ICMA standards, green bonds are defined as any type of bond instrument whose proceeds or equivalent amounts are exclusively applied to finance or refinance eligible green projects, which include projects falling within the following categories: (a) renewable energy; (b) energy efficiency; (c) pollution prevention and control; (d) environmentally sustainable management of living natural resources and land use; (e) terrestrial and aquatic biodiversity; (f) clean transportation; (g) sustainable water and wastewater management; (h) climate change adaptation; (i) circular economy-adapted products, production technologies and processes; and (j) Green Buildings.

The CBI guidelines set out more granular requirements than the ICMA in relation to pre- and post-issuance, but always in the context of the four components of green bond projects outlined above. Crucially, a key component of the CBI scheme is the certification process.

Looking ahead, the new EU Green Bond standard ("**EUGB**"), which was approved by the European Parliament in October 2023, introduces a more onerous regime while allowing issuers to continue using existing standards for the issuance of green bonds. The European Central Bank has expressed its view that EUGBs should become a mandatory standard within a reasonable time frame. Under the new regime, all proceeds of EUGBs are required to be invested in economic activities aligned with the Taxonomy. Alignment of a bond with the EUGB standard will have to be verified by an accredited verifier, and each national regulator will be responsible for supervising compliance with the regime.

4.6 What other developments and factors are driving or hindering the financing of green projects?

The financing of green projects in Greece is driven by multiple factors, including the updated NECP, which has created a supportive framework for green financing and encouraged companies to align with national sustainability goals. Institutional investors are also increasingly incorporating ESG criteria into their investment strategies, driving demand for green financial instruments such as green bonds and sustainability-linked bonds. Furthermore, EU funding initiatives, like the NextGenerationEU plan, have provided substantial financial backing, targeting areas such as energy transition, digital transformation, and sustainable infrastructure. Greece's shift towards renewable energy, particularly in the solar and wind sectors, has generated substantial opportunities for green financing, positioning the energy sector as a primary beneficiary of these instruments.

Despite these positive trends, several barriers continue to limit the wider adoption of green finance in Greece. A major challenge is the lack of robust ESG data, particularly

from SMEs, which often find it difficult to meet the stringent reporting and analytical requirements of green financial instruments. The constantly changing and complex regulatory environment also adds to market uncertainty, deterring participants who are concerned about compliance issues or potential accusations of greenwashing. Additionally, high transaction costs associated with green bonds – such as certification and verification – further restrict access for smaller issuers. The limited liquidity of the Greek market presents an additional challenge to the growth of green finance. Lastly, heightened investor sensitivity to greenwashing risks creates scepticism, which may further slow the market's expansion.

5 Trends

5.1 What are the material trends related to ESG?

The ESG landscape is constantly evolving, as are the trends both in Greece and at EU level, with 2025 set to be a pivotal year. Investors, regulators, and other stakeholders are increasingly requesting additional information on ESG factors, putting pressure on the businesses, funds, and banks to adapt to a more sustainable environment.

An overarching trend is the emphasis on improving and clarifying the disclosure requirements. Further, regulators and investors are taking a harder stance on greenwashing, leading to increased scrutiny and the need for more rigorous third-party assurance of ESG claims. In addition, the lack of reliable ESG data has been a long-standing challenge, particularly for smaller companies and initiatives are underway to bridge this gap.

In relation to the "E" factor, a key trend is the transition to cleaner energy, which has faced challenges in light of the geopolitical instability, as well as the extreme weather events. For Greece, its current favourable climate for renewable energy makes it well-positioned to capitalise on this transition. However, recent natural disasters such as wildfires and floods highlight the urgent need to incorporate climate adaptation measures, especially for sectors vulnerable to physical climate risks (e.g., agriculture, real estate and tourism). As regards the banking sector, the ECB's climate risk stress tests have revealed that many banks are still lagging in their climate risk management and data capabilities. The real estate sector and any industry players with exposure to real estate assets, will also be significantly affected by the requirements to upgrade the energy performance of their buildings. Meanwhile, "hard-to-abate" sectors face significant challenges in decarbonising due to their reliance on high-temperature processes and specialised chemical reactions, making electrification difficult and costly. The shipping industry which is a key pillar of the Greek economy will be significantly affected by the new suite of its ESG laws and come under a lot of pressure to reduce its GHG emissions.

In relation to the "S" factor, the EU is expecting the Social Taxonomy to be published which will shed light on the priorities. In the meantime, attention is given to issues of gender equality, diversity and inclusion in the workplace, and access to the labour market. We expect to see how Greek listed companies and credit institutions will address the social factors of ESG to create sustainable and responsible organisations. Among others, important ESG indicators include engaging with different stakeholder groups to better understand the impact of operations and corporate decisions, and adapting workplaces to be accessible for employees with disabilities. In addition, large entities face the challenge of increasing the quota of women, in order to achieve gender balance at all levels of the organisational structure, particularly in management positions, and to reduce the gender pay gap.

In relation to the "G" factor, corporate boards and managements are under pressure to strengthen their ESG skills and rapidly integrate sustainability into corporate strategies. More internal governance mechanisms may be sought to comply with reporting and disclosure requirements and the extensive compliance risk faced by large companies that fall within the scope of ESG regulations. In addition, we expect to see how and whether dedicated BoD committees and ESG officers can help their companies manage ESG risks.



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