



HCAP 2022

Growthfund

Pillar 1: Legal

Legal framework, objectives, and coordination with macroeconomic policies

Principle 1

1. The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).

1.1. The legal framework for the SWF should ensure legal soundness of the SWF and its transactions.

1.2. The key features of the SWF's legal basis and structure, as well as the legal relationship between the SWF and other state bodies, should be publicly disclosed.

Growthfund is Greece's National Investment Fund that was established as a Societe Anonyme by virtue of law 4389 of 2016 (herein "the law" or "Growthfund's law"). Law 4389 / 2016 can be found in the Government's Gazette website:

https://www.et.gr/api/DownloadFeksApiNomoiSmall/?fek_pdf=20160100094 (articles 184 -214) [in Greek].

The law provides for the fund's key management bodies and their interaction with the sole shareholder, namely the Ministry of Finance, at arm's length. It also covers the legal relationship between the fund and other state bodies, in cases where this is applicable. Such cases could, for instance, be the case of an investment realized by Growthfund's subsidiaries that could be (partially) financed through public (structural) funds.

Growthfund's law provides that some specific, key issues relevant to the fund's operations are regulated by its Internal Regulation for which the law provides its minimum chapters.

The Ministry of Finance is the fund's sole shareholder. According to the provisions of Greek Corporate law, this means that the Ministry of Finance has all the duties and rights as the fund's General Assembly.

More specifically, the law provides that the fund's General Assembly will approve its Internal Regulation that will at minimum include:

- The fund's Corporate Governance framework
- The fund's Conflict of Interest Policy
- The accounting standards that the fund will use for accounting and reporting purposes
- Any assignment of duties to the fund's executives
- The fund's procurement regulation

- The fund's dividend policy
- The fund's investment policy
- The fund's Compliance Regulation and Policy
- The Coordination Mechanism ("CM") framework. This framework regulates the assignment of Special Obligations (Services of General Economic Interest) that are assigned to Growthfund's subsidiaries for reasons of Public or Social Policy.

Any amendments or additions to the fund's Internal Regulation have to be approved by the fund's General Assembly. Most of the chapters of the fund's Internal Regulation are publicly available in the fund's webpage, under the section "Corporate Governance" > "Internal Regulation".

The fund is managed by its Board of Directors (BoD). In addition to the BoD, the law provides for another management instrument, the Supervisory Board (SB).

The members of the Supervisory Board are appointed by the fund's General Assembly (MoF). The SB constitutes of five members, out of which:

- Three of its members are selected by the MoF, upon agreement by the European Commission (EC) and the European Stability Mechanism (ESM) that act jointly
- Two of its members are jointly selected by the EC and the ESM upon agreement by the MoF

The fund's SB is responsible for:

- Selecting the Members of the fund's BoD
- Defining the BoD members remuneration policy
- Ensuring the compliance of the BoD's actions with the provisions of the fund's law and Internal Regulation
- The evaluation of the members of the Board and the proposal for their term renewal or revoke, to the Ministry of Finance (MoF)

The endorsement of a series of proposals by the BoD that eventually require a General Assembly approval: a) the establishment of some new subsidiary b) the transfer of some asset back to the state c) any amendments or additions to the fund's Internal Regulation d) any share capital increase e) any proposal for amending the fund's statute

The fund's BoD constitutes of five to nine members Their key responsibilities include:

- The legal representation of the fund
- It appoints and can revoke the appointment of the fund's Chief Financial Officer and Director of Internal Audit
- The approval of the general working terms and conditions for the fund's staff, including the relevant remuneration policy
- It approves, following a proposal by the fund's CEO, the fund's annual business plan
- It decides, in compliance with the provisions of Greek Corporate law, for the exercising of voting rights in the fund's subsidiaries General Assemblies
- It approves any spin-offs in the fund's "Direct Subsidiaries" (please see next page)
- It decides for the realization of the fund's Investments following a proposal by the Investment Committee (please see next paragraph for the Boards' Committees)
- It takes appropriate measures to ensure compliance with the principles of corporate governance, transparency and oversight, in accordance with international best practices and OECD guidelines.
- It submits to the Supervisory Board quarterly reports on compliance with the corporate governance rules of this law and the Company's Internal Regulations, as specifically analyzed in the Internal Regulations.

- Submits the Company's financial statements for approval to the General Meeting of the sole shareholder.
- Prepares and submits to the General Assembly of the sole shareholder an annual report regarding the Company's activities. The said report is simultaneously submitted to the Parliament and discussed before the relevant Committee in accordance with article 202 of law 4389/2016.
- Proposes to the General Assembly of the sole shareholder, upon endorsement by the Supervisory Board: a) the increase of the Company's share capital b) amendments in the fund's statute c) the establishment of new Direct Subsidiaries d) amendments to the fund's Internal Regulation
- Submits for approval to the fund's General Assembly, the fund's Strategic Plan.

The Board has established the following committees:

- a) Audit Committee
- b) Investment Committee
- c) Corporate Governance Committee
- d) Candidates Committee

Along with the establishment of the fund, the law provides for the transfer of a pool of state assets to the fund. These assets are enterprises that are either partially or wholly owned by the State. These enterprises are classified by the law as either: a) Direct Subsidiaries b) Other subsidiaries. The key differences in the governance of these two classes are that the fund's direct subsidiaries are obliged to adopt the fund's Internal Regulation (where applicable) and that the fund management needs to seek approval for any spin-offs or establishments on the "Direct Subsidiaries" level.

Along with the initial pool of assets, the law outlines key levers for value creation. These levers provide Growthfund with the flexibility to expand or shrink its current portfolio, depending on the targets set by the management.

The law describes the implication of the State as a shareholder in Growthfund's target – establishing a process that avoids political intervention or deviation from the fund's scope. Every 3-5 years, the Minister of Finance submits their high-level Strategic Directions to the Fund, which are used by the fund as a basis to formulate a 3–5-year Strategic Plan. The Plan is then approved by the fund's General Assembly and is, in turn, used as a basis by the fund for the formulation of its Business Plan and the articulation of its key targets.

Growthfund's law and its Internal Regulation constitute the fund's institutional framework.

Principle 2

The policy purpose of the SWF should be clearly defined and publicly disclosed.

The law explicitly states that Growthfund serves the public interest, mainly through its key objectives, which are: a) to support the country's investment strategy implementation and b) to contribute financial resources for public debt repayment and overall fiscal stability.

Both key objectives are related to value creation, for which Growthfund's institutional framework provides enough flexibility to achieve.

Principle 3

3. Where the SWF's activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency

with the overall macroeconomic policies.

As a holding company, Growthfund has been classified by the ELSTAT (Hellenic Statistics Authority) as a “General Government Entity”(GGE). This means that the company’s operations affect public deficit and debt accordingly.

Being classified by the ELSTAT as a GGE means there is already coordination with the relevant authorities (mainly the Government Accounting Office – “GAO”) through which Growthfund is obliged to provide the State with five-year rolling budgets every year. This reporting obligation provides alignment with the country’s fiscal and macroeconomic policies. However, the holdco’s size is immaterial compared to the overall size of the public sector.

There is no obligation to disclose rolling budgets at a fund level. However, several of Growthfund’s subsidiaries are also flagged as “GGEs” and must align their budgets to fiscal and macroeconomic policies.

Relevant provisions about the fund’s reporting and financial obligations towards public debt and deficit are found in law 4270 of 2014 that regulates all relevant issues for General Government Entities:

https://www.et.gr/api/DownloadFeksApiNomoiSmall/?fek_pdf=20140100143

Principle 4

4. There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF’s general approach to funding, withdrawal, and spending operations.

4.1. The source of SWF funding should be publicly disclosed.

4.2. The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.

The fund’s initial funding arrangements are explicitly stated in its founding law. The fund’s initial share capital is also explicitly stated and publicly disclosed in the fund’s law. These arrangements provide an initial Share Capital of 40 million euros transferred to the fund through tranches (a possibility provided under Greek Corporate law). The fund’s Share Capital is defined in Article 187 of the law (please see link in GAPP 1).

The law also provides for the fund’s key means of proceeds creation that supplement the fund’s funds. These are relevant to Growthfund exercising its role as a shareholder to the state assets entrusted to it: a) through proper management, reform and growth plans, the fund can receive dividends from its subsidiaries; b) through the option of divestment, the fund can receive proceeds from asset(s) disposal. Both means are regulated by the fund’s internal regulation. Especially for the disposal of an asset, there needs to be approval from the fund’s General Assembly (Ministry of Finance –“MoF”) to ensure alignment with the State’s Ownership policy.

The fund’s spending is also regulated, as it should take place within the limits of its Strategic Planning based on the State’s guidance.

Lastly, all spending, proceeds, capital and other financial information is disclosed on an annual basis through the fund’s financial statements (both standalone and group) which, under corporate law, are also approved by its Annual General Meeting.

Principle 5

5. The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.

As already stated:

The fund is designated as a “GGE” by the ELSTAT, so it is obliged to provide statistical data to the State regularly

The fund’s group financial statements are consolidated on an annual basis and are accordingly reported to its sole shareholder (MoF) that acts as the fund’s General Assembly. Furthermore, and due to provisions by Corporate Law, the Shareholder must also approve the fund’s standalone and group financial statements

In addition, the fund also publishes a yearly sustainability report and produces other internal and external reports when asked / needed.

Pillar 2: Institutional

Institutional Framework and Governance Structure.

Principle 6

6. The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives.

The fund’s law provides for clear operational independence from the State. Furthermore, a supplementary arm’s length provision is included: to detach the fund’s management appointment from political cycles, the fund’s Board of Directors is selected by a Supervisory Board and not by its General Assembly, in contrast to general corporate legislation.

The fund’s Supervisory Board (“SB”) is responsible for the evaluation, selection, and revoke of the fund’s Board Members (“BoD”) based on criteria and targets that serve the fund’s mission.

The fund’s law clearly states each body’s responsibilities to achieve operational independence and mission fulfilment.

This means that although the fund is flagged as a GGE for statistical and fiscal purposes, it is outside the core public sector.

The State provides the fund with high-level objectives for 3-5 years, as the fund is a key tool of economic policy. However, the fund and its management have full independence when deciding the strategies and specific targets, upon which the SB evaluates them annually.

Principle 7

7. The owner should set the objectives of the SWF, appoint the members of its governing body(ies) in accordance with clearly defined procedures, and exercise oversight over the SWF’s operations.

The owner, the MoF, sets its high-level objectives in the Strategic Guidelines, as provided by the fund’s law.

It is then the fund's responsibility to transform these guidelines into a strategic plan. Once the Plan is articulated, it is submitted to the shareholder for approval so that the owner can confirm the alignment of the fund’s objectives with the state’s objectives.

The Strategic Plan provides the basis for the fund’s Business Plan and annual budget.

The oversight and alignment of the fund's operations are achieved by submitting its annual statements to the General Assembly for approval and appropriate release from liability for the BoD members.

The relevant process is described in the fund's Internal Regulation and is publicly available on the fund's corporate webpage under the section Company > Strategic Plan. It is also available along with the process description, the current Strategic Plan, which runs for the period 2022-2024. Some key and confidential commercial information has been omitted from the publicly available file, an option provided by the fund's Internal Regulation.

Principle 8

8. The governing body(ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions.

The governing body's obligations are clearly stated in the fund's law. The fund's mission and mandate are also explicitly stated in the founding legislation.

Furthermore, the specific interests of the State, as it is represented by the Minister of Finance in Growthfund's General Assembly, are described in its Strategic Guidelines and are further developed through the process of Strategic and Business Planning described in previous GAPPs.

Lastly, the law provides the minimum competencies for the fund's Board Members, providing a supplementary safety net to attract adequate members to carry out the fund's functions.

Principle 9

9. The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.

As stated in previous GAPPs, Growthfund's management is completely independent from the State, by virtue of being appointed by an independent Supervisory Board, and their responsibilities are clearly defined in the fund's law (including the fund's statute). Moreover, through the Strategic and Business Planning framework that the fund is implementing, the State provides for its broad policy targets, and it is the fund's full independence to decide how to achieve those.

Principle 10

10. The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.

The fund's accountability framework is clearly defined and stated in its founding legislation:

- As a Societe Anonyme, the fund is obliged to report based on the requirements of corporate law
- In addition to the above, the fund's law provides for additional reporting on a quarterly and semi-annual basis, following "as-if-listed" standards. All the fund's reports are published on the fund's website under the section Company - >Financial Results – Reports.
- Furthermore, the fund is obliged by law to report its annual statements to the Parliament.

In addition to the provisions of the fund's law, there are also chapters in the company's internal regulation that further describe key reporting lines and information ("performance monitoring framework" and "performance audit framework").

Principle 11

11. An annual report and accompanying financial statements on the SWF's operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.

The fund's annual (standalone and consolidated) statements are prepared according to the IFRS and strictly follow the rules that the Greek corporate law provides regarding timing and publication.

Principle 12

12. The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.

The fund's annual financial statements are audited by renowned external auditors in cooperation with the fund's Audit Committee. PwC Greece audited Annual standalone financial results of 2021.

Furthermore, the fund's semi-annual statements are also surveyed by external auditors based on a relevant provision by the fund's law (this is not obligatory according to Greek corporate law. However, it is a supplementary provision to the fund's framework).

Principle 13

13. Professional and ethical standards should be clearly defined and made known to the members of the SWF's governing body(ies), management, and staff.

Some key professional standards for the members of the governing bodies are already set in the fund's law. In addition, the fund has built a strong compliance function that oversees and promotes ethical standards for the governing bodies, management, and staff.

All staff members have job descriptions related to the fund's organizational chart.

The interaction of roles and responsibilities is clear as it is described as a set of internal processes that are documented and available to the fund's employees in its intranet.

The areas covered indicatively are:

- Strategic and Business planning
- KPIs setting and monitoring
- Reporting
- Communication (internal and external)
- Portfolio management
- Investments
- Financial Statements compilation
- Travel & other expenses
- Annual leave

Principle 14

14. Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.

All dealings with third parties are based on economic and financial grounds and are covered by the relevant policies. For instance, the fund's procurement policy is based on the public procurement law. Furthermore, there are provisions to the fund's investment policy and technical supplement on the appointment and evaluation of external managers.

In addition to the above, the fund's law also provides that the dealings between the fund's subsidiaries should be done at arm's length and on purely commercial and financial grounds (unless not applicable).

Principle 15

15. SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.

The fund's operations clearly abide by its founding law and internal regulation (that is amended only through approval by the Ministry of Finance).

Furthermore, the fund and its subsidiaries' operations and transactions are compliant with a series of other bylaws, such as :

- The Constitution
- Local Corporate law
- Local listed company law
- Hellenic Capital Markets regulation
- EU and local State Aid legislation
- Other EU and local directives that regulate issues relevant to urban transportation, water management, energy, telecommunications and so on.

Principle 16

16. The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed.

The fund's institutional framework defines the governance framework of the fund, its objectives, and how it is managed. This is publicly available both on the Government Gazette and the fund's corporate webpage. Furthermore, the fund includes extensive relevant reporting and links to its annually published statements.

Principle 17

17. Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.

As stated in previous GAPPs, the fund's audited (standalone and group) statements are compiled based on IFRS and published annually following their approval by the fund's General Assembly (MoF).

Pillar 3: Investment

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Principle 18

18. The SWF's investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles.

18.1. The investment policy should guide the SWF's financial risk exposures and the possible use of leverage.

18.2. The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they are selected and their performance monitored.

18.3. A description of the investment policy of the SWF should be publicly disclosed.

The fund's Investment Policy is publicly available on the fund's webpage under the section Corporate Governance > Internal Regulation.

The policy provides for broad objectives and asset classes. It also provides for further specialization in the fund's Technical Supplement which is a working document that has not yet been published.

Lastly, the fund's reporting framework provides that it should have a separate chapter relevant to investment performance in its Annual Statements. This chapter has not yet been published, since the fund opted not to proceed with any investments due to the economic recession and the overall economic context of the previous years.

Principle 19

19. The SWF's investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds.

19.1. If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed.

19.2. The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.

Growthfund's Investments framework (Policy & Technical Supplement) provides for five key asset classes that differ from each other in terms of returns and risk parameters. These five asset classes constitute the fund's strategic and tactical asset allocation, approved by its shareholder, ensuring a proper balance between return, risk and policy-making, if applicable. Each targeted asset class refers to and is gauged against specific benchmarks, making Growthfund's investments transparent and having clear and defined returns, ex-ante.

Furthermore, the fund's policy provides for investing for reasons other than financial or economic returns, e.g. in distressed companies that need to be supported to deliver public policy objectives.

The management of the fund's portfolio (both the legacy portfolio and the portfolio acquired through investments) is managed through generally accepted asset management principles, as in its totality, it has to achieve the return and overall targets set by the sole shareholder in its Strategic Guidelines and the relevant Strategic Plan.

Principle 20

20. The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.

The fund is obliged by its institutional framework to operate in good business terms overall. Furthermore, the fund must abide by the rules of competition set out in the EU's competition framework.

Principle 21

21. SWFs view shareholder ownership rights as a fundamental element of their equity investments' value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.

The fund's ownership rights are covered by the sole shareholder's Strategic Guidelines; in it, the Minister of Finance, states the minimum participation percentages that they wishes for the fund to maintain in the forthcoming years. The fund can suggest some deviation from the Minister's guidelines. However, this requires approval by its General Assembly.

The fund exercises its ownership rights in a prudent manner, respecting several bylaws that cover its' subsidiaries' operations, such as the Greek corporate law, the law for the listed entities and so on.

Lastly, the fund is represented on the boards of its subsidiaries by Growthfund employees appointed as representatives. These members are asked to follow a specific policy and seek internal consensus before voting on a series of important issues, such as the subsidiary's annual budget, any strategic or business plans, and so on.

Principle 22

22. The SWF should have a framework that identifies, assesses, and manages the risks of its operations.

22.1. The risk management framework should include reliable information and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function.

22.2. The general approach to the SWF's risk management framework should be publicly disclosed.

Principle 23

23. The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.

Growthfund's overall performance (both as a group and standalone) is published annually in its financial statements. The owner is not only informed, but it has the right to approve (thus release the fund's BoD from any liability) or reject the fund's results, initiating the revocation of its BoD members.

Furthermore, the fund publishes quarterly reports for the parent company, an annual sustainability report, and an annual corporate governance declaration.

In addition to the above, supplementary provisions for reporting relate to investments, the performance of some subsidiaries assigned to deliver some public service, etc.

Principle 24

24. A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.

Growthfund is committed to reviewing the implementation of the GAPP on a bi-annual basis.