HELLENIC CORPORATE GOVERNANCE COUNCIL

**CONSULTATION TEXT**

# Special Practices of Good Corporate Governance

# For Non-Listed Companies

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**Preamble**

This document establishes a framework of general principles and practices of good corporate governance for non-listed companies. The category of non-listed companies is quite wide and includes, amongst others, startups, closely held companies with one shareholder who is also the manager (single-shareholder companies), family-owned businesses, consortia, as well as subsidiaries of listed companies.

In this analysis, when reference is made to (a) Societes Anonymes ("SAs" – companies limited by shares), (b) shareholders, (c) general meeting of shareholders and (d) board, in the event that a company of different form is implementing the special good governance practices, indicatively, personal company, private company or Limited Liability Company, then these references shall concern, to the extent these are applicable (a) personal company, private company or Limited Liability Company (b) partners, (c) partners meeting and (d) managers, respectively.

To date, apart from legislation (L. 3016/2002), special rules of corporate governance for listed companies have been only introduced via the "Hellenic Corporate Governance Code for Listed Companies" (The Code), which can be equally apply to large non-listed companies. As there is no reference point, therefore, for non-listed companies (apart from isolated references in corporate laws 2190/1920, 3190/1955 and 4072/2012), there is the risk that they fail to adopt and develop a proper framework for corporate governance, something which may have a negative impact on their long-term efficacy and success.

It should be noted, that, as regards non-listed companies, the adoption of special practices is totally optional for the companies, unlike listed ones where the principle of "comply or explain" applies, in respect to the principles of the Code. Special practices of good corporate governance are therefore not associated with the obligation of companies to comply with these, apart from those restrictive practices which are clearly mentioned in the corporate laws.

There is, also, a list of reasons and advantages, for which non-listed companies need to pay particular attention to corporate governance:

- Long-term returns
- New funding resources
- Corporate reputation
- Access to expert knowledge
- Thorough understanding -by managers across all levels- of proper corporate management
- Self-assessment of managers against certain benchmarks and ability to take corrective measures
- Enhancing the trust of minority shareholders *vis-à-vis* the company

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- More effective corporate management, based not only on the individual actions of managers but also on a wide range of abilities and processes which ensure the company's continuity beyond the level of individuals.

- Transparency in processing the company's financial data, something which is to the benefit of both shareholders and future investors or creditors

- Creation of an acceptable business profile which promotes trust and acceptance by company shareholders, customers and associates

Shareholders of non-listed companies are typically restricted in making their shares available as they are not trading in organized markets. Moreover, there may be additional restrictions in making their shares available, under the provisions of the company's articles of association. Therefore, shareholders of non-listed companies may find themselves "trapped" in the company and with a significant investment risk. An effective corporate governance framework partly offsets this risk, while ensuring maximum possible protection of the interests of minority shareholders by the management. Also, a corporate governance framework can include an exit strategy for minority shareholders who may wish to withdraw from the company. All this shows that the adoption of special practices of good governance by a non-listed company can make the company more attractive to minority investors.

Additionally, non-listed companies, can, by means of adopting special practices of good governance, seek funding not only from associated persons (shareholders, parent companies), but also from banks, investment funds, as well as individual investors. External financiers of such type seek validation that their investment shall be treated equally *vis-à-vis* the interests of majority shareholders. In this sense, corporate governance can become for non-listed companies a significant tool for identifying new funds.

All of the above are indicative of the benefits for non-listed companies when adopting special practices of good corporate governance.

Applying the rules of corporate governance of listed companies to non-listed ones, in a proportionate way, is not recommended and is practically not applicable, mainly due to the different structure and organization of non-listed companies, but also because of the following reasons:

➢ Structure of Greek non-listed companies: In most Greek non-listed SAs, the majority of shares is owned by a specific shareholder/specific group of shareholders or family (family businesses), who are also in charge of the company's management. On the contrary, minority shareholders have a limited participation in decision-making and their rights often have a limited practical effect. Therefore, whereas in the case of listed companies conflict of interest is mainly identified in the relation between the management and the shareholders, in non-listed ones it lies in the relation between majority and minority shareholders. There should also be a clear distinction between individual interests of shareholders-founders and corporate interest which should be the main objective of the company.

➢ Funds – funding: Greek non-listed SAs usually find financing from their founders and shareholders. The lack of accessibility to organized markets imposes serious restrictions in finding funding sources other than banks. Establishing an effective and transparent framework of corporate governance can be a means for retrieving new funding and, if they so wish, to attract new shareholders/investors to the company. It is clear that this framework creates the belief to new investors that there are processes in place which shall ensure and protect their

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interests and that their funds are properly managed. In this sense, adopting special practices of good corporate governance strengthens development for non-listed companies.

➢ Non-listed companies have a significantly greater freedom in determining their strategy as they are free from legal restrictions and commitments.

➢ Non-listed companies, are in their majority either small or very small and may not have ongoing access to specialized consulting in regards to the application of the principles of corporate governance. It is therefore important to have a general framework of special practices of good governance and make it available to the company, shareholders and the management.

**AIM AND MEANS FOR CORPORATE GOVERNANCE**

Aim:

Corporate Governance aims to ensure that the company is managed in such a way to secure long-term shareholder interests. It also aims to ensure long-term corporate benefits by means of ensuring good relations between all corporate stakeholders (shareholders, the management, creditors).

Special practices of good governance for non-listed companies are meant to assist corporate governance based on standards and principles which have been proven to add value and contribute to the company's long-term interests. It is up to all parties associated to the company to adopt, wholly or partly, the principles set forth by the special practices, taking into consideration cost and benefit.

Achieving this goal requires mission, responsibility, transparency, merit-based assessment and professionalism.

Mission:

The company should primarily formulate a specific mission and specify the means and the time frame within which the mission should be accomplished.

Responsibility:

A responsible management pays attention in:

- choosing the proper size and composition of the company's management teams,
- clearly allocating responsibilities and powers; shareholders/partners and the management should develop a systematic method in allocating responsibilities and powers and they should have a written account of this allocation. Allocation of responsibilities and powers should be periodically reviewed to ensure that it reflects the complexity, structure and size of the company,
- protecting material and immaterial corporate assets,
- complying with the standing regulatory framework of each corporate section, and

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- organizing and putting together all procedural details of board meetings. For example, the role of the chairman of the board, the frequency of meetings, the nature of information given to board members.

Transparency:

Transparency is primarily ensured by:

- establishing clear decision-making processes and delineating limits of authority,
- establishing mechanisms for timely, accurate, adequate and clear briefing of all those who are part of the decision-making processes for the company,
- regularly, thoroughly and reliably informing shareholders and interested parties on corporate issues and providing them with financial and other type of information,
- submitting corporate cases to internal and external audits and reviews by proper and independent persons or institutions, capable of identifying risks, as well as
- creating a culture of reviews and assessment which ensure transparency and distinction of powers, both during decision-making and in executing business operations with an aim to eliminate risk and achieve corporate goals.

Professionalism – meritocracy:

Professionalism and meritocracy are mainly assured by:

- ensuring that executives have the proper skills, mainly by means of implementing the policy for choosing and evaluating new candidate executives. Board members need to receive the proper introductory briefing prior to their appointment.
- Implementing a proper, merit-based, and transparent remunerations policy, which shall be connected to board member's evaluation and in general to meeting corporate goals, and
- Making provisions for removing inadequate members of the board.

Long-term benefit for all shareholders:

Long-term benefit for all shareholders is achieved, amongst others, by establishing mechanisms to ensure that:

- Individuals or groups of individuals with certain powers or who represent certain interests do not have the opportunity to act to the detriment of the common interests of all shareholders,
- shareholders and the management are always in communication,
- there is an established procedure for board to inform shareholders on the company's financial status, on the functioning of the board and on corporate governance in general, including risk management and the sufficiency of the internal controls system,

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- all shareholder responsibilities and rights are highlighted and that there is a clear communication method of shareholders with the company.

Managing relations with other stakeholders, such as customers, consumers, employees, suppliers etc.:

A modern and accountable company needs to seek the narrowly defined corporate interests while ensuring minimum possible negative impact to third-party interests. More specifically, the company should take measures to avoid corporate choices with negative effects to the interests of third parties associated with the company. This can be achieved via communication and by identifying corporate goals in light of requirements /expectations of stakeholders. A company with a complete corporate governance system assesses risks and opportunities that relate to all stakeholders and adjusts procedures accordingly.

**Scope**

Practically apply the principles of corporate governance is by no means an easy task. It is certain that it will bring about change in the company's operation and may lead to an increase of daily processes. Many small and medium-sized enterprises may think that the application of special practices adds extra administrative load to the company and therefore increases operational cost.

These difficulties show that, for special practices of good governance to be applied in a corporate environment:

1. People who are in charge of decision-making in the company need to believe in the necessity to adopt special practice of good corporate governance and to apply these for the sake of the company, and

2. Implementing a corporate governance framework should be proportionate to the size and growth potential of each company. Considering that there are considerable differences between non-listed company's (ranging from family-owned businesses to closely-held ones and very large) there is no "recipe" solution for all companies and the implementation of the framework should be done in relation to the principles of corporate governance that are applied.

Since, therefore non-listed companies find it difficult to implement special practices of good corporate governance, practices need to be separated into two distinct and dynamic phases taking into consideration the size, complexity, goals and level of maturity of each company:

Special practices falling under the first phase shall address and shall be easy to implement by all non-listed companies, while special practices of phase two shall address and be applicable to larger and more complex non-listed companies. Finally, it should be noted that when, in following analysis, there is no reference to the first or second phase, then this practice is applied across all non-listed companies.

**Special practices of good corporate governance**

**Formulating corporate governance framework**

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Company shareholders need to establish a framework of corporate governance rules. This framework shall be reflected, as much as possible, in the articles of association and can also be part of the company's by-laws or of the shareholders' agreement.

Usually, corporate governance regulations that are included in the company's articles of association are not further specified during the company's establishment or following that. Shareholders address the establishment of a complete framework of principles and rules of good governance as an independent negotiation item, when the articles of association are agreed upon, as well as periodically during the reviews.

Regardless of its nature, the corporate governance framework includes three main areas of interest:

1. Relations between shareholders, the management, the board and other stakeholders.

2. Goals-setting, means of achieving these and monitoring corporate performance.

3. Management incentives in a fair, effective way, to the benefit of both the company and shareholders.

The formulation of this framework needs to take place in a way that the company assets are not considered to be an extension of shareholder assets. Certain practices which can assist in that direction include transferring some responsibilities to the board as well as to formulate a remunerations policy of the members of the board.

The formulation of the framework needs to be linked with the company's system of values aiming to protect corporate interests against corruption, non-compliance with the statutory/regulatory framework and intending to maintain/strengthen corporate reputation and trust expressed by shareholders and stakeholders.

The specification of details and individual rules of corporate governance rules, as this is primarily reflected in the articles of association and then to the shareholder's agreement, should not be transferred and should remain under the board's area of responsibility, with the consent of shareholders, following a discussion in the general meeting of shareholders, to ensure flexibility.

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## Part A – The board and its members

### 1. Phase one

#### 1.1 Role and responsibilities of the board – Functioning of the board

***1.1.1. There should be a clear separation and distinction between the powers and duties of shareholders, of the board and those in charge with the daily management of the company (company's executives).***

Apart from the distinction of the responsibilities of the general meeting of shareholders and the board, it would be useful to have a distinction of the responsibilities of the board collectively exercised, from those which can be assigned to one or more persons.

Assigning certain basic areas of responsibility (apart from those provided for by the law) to the general meeting of shareholders can facilitate a more engaged participation of the minority shareholders and reinforce their trust in the company. In every case, reserving some topics for the responsibility of the general meeting of shareholders should be examined on a case-by-case basis to avoid operational problems of the company.

***1.1.2. The company needs to ensure that the board can be effective in managing the company, that its members have the proper knowledge and experience taking into consideration the interests of company shareholders pursuant to the principle of fair and equal treatment of shareholders.***

During the first years of operation of the company and because of the structure of most of Societes Anonymes, in most SAs what is observed is that the main stakeholders-founders of the company are also in charge of the management of the company, without necessarily having the necessary knowledge and experience to exercise all assigned managerial responsibilities. To the extent that the company is growing and expanding its activities, it is necessary for managing executives to have the necessary knowledge and experience. Often however, main stakeholders hesitate to trust key corporate managerial roles to third parties.

A way to deal with this problem is to form a consultation committee made up of individuals with special knowledge and experience. This committee shall offer consultation to the board and shall identify areas with administrative weaknesses and challenges. The advantages of this approach are the following:

- Firstly, business decisions are more likely to be effective given the participation of experts during decision-making.
- Secondly, more systematic attention is awarded to long-term goals and strategy of the company.
- Thirdly, transparency in decision-making is promoted.
- Fourthly, there is greater balance between company and shareholder interests.
- Finally, the participation of third-parties to the company reinforces professionalism and operation of the Board.

Moreover, greater emphasis should be paid in specifying the role of the committee. In the next phase, individuals making up the consultation committee could be included in the Board.

### 1.2 Basic Principles of the functioning of the board

- Managing the company objectively aiming at safeguarding its interests.
- The Company's goals and strategy should be specified by the board that also assesses their achievement potential.
- Adoption of the bylaws, which also make reference to ethical issues, encouraging both the management and the employees to conduct business in accordance to corporate values.

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### 1.3 Size and composition of the board

It is important that the number of the members of the board is proportionate to the size and type of business activities of the company.

As the company grows and expands its business activities, board members should also increase. Board members should maintain their independence and objectivity which should not be affected by their relations with the company or shareholders. When selecting board members, the company needs to ensure that they are experienced and have the necessary skills to exercise their duties and that they mainly have the time required to participate in board meetings.

It is recommended that, when signing the agreement for participating in the board, they are informed on the time that they are expected to dedicate for board service.

Recruiting board members is a matter of substance and not a formality.

### 1.4 Responsibilities and conduct of board members

A key responsibility of the board is to ensure professionalism and ethical conduct of employees and executives. More particularly, law and standing regulations need to be applied to avoid conflict of interests and the company should comply with the rules that relate to gifts to customers. In general, there should be an *ethos* of professionalism, participation and contribution of the company to the needs of the wider community in the framework of social responsibility, and promotion of continuous professional development of employees.

Regarding the specification or the role of employees, the board needs to encourage, with the proper means, constructive participation of employees in formulating corporate strategy.

### 1.5 Scheduling board Meetings

The board needs to meet regularly, exercise the assigned duties and have on time all the necessary information to do so. Board meetings need to match the needs of each company.

Board needs to set out clear procedures that allow its members to communicate with the management for the provision of additional information.

Board meetings need to be prescheduled, as much as possible, not to change as changes in dates may result in the absence of non-executive members of the board.

## 2. Second Phase

### 2.1 Role and required responsibilities of the chairman of the board

There needs to be a clear distinction between the responsibilities of the chairman of the board and those of the chief executive. Despite usual practice, in larger-sized companies these responsibilities should not fall under the same person. It would be useful to have a flowchart with the responsibilities of the chairman and those of the chief executive, making clear

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reference to the types and categories of the responsibilities for each of them, depending on the size or type of the company.

The chairman should ensure that board members are informed as timely as possible and as thoroughly as possible, on agenda topics and facilitate the addressing of board questions by company executives. Also, the chairman should inform board members on the implementation of decisions made. Finally, he/she should encourage the participation of board members to professional training seminars or scheduling meetings between new and more senior board members.

### 2.2 Board and executives evaluation

The board needs to periodically present to the general meeting of shareholders the assessment or self-assessment of member performance as well as that of managers. This assessment should be performed by an external evaluator.

This procedure needs to include, amongst others, criteria set by the Board, degree of engagement and participation of board to meetings (frequency of participation, preparation readiness, and participation to committees). Assessment of executives shall be done in the same way, based on criteria set by the board, also including the ability of the executive to execute the orders and follow the instructions of the board.

### 2.3 Staffing board with independent candidates

During the second phase, companies need to ensure that board composition also includes third, independent parties, i.e. individuals who are neither involved in the daily company operations nor shareholders. It should also be ensured that these individuals have the professional qualifications and time to be actively involved with their assigned activities and position and that they can actively participate in board meetings. It would be useful if, once a year, these individuals submitted in board meetings their recommendations for the company's strategy. Also, these individuals need to play a key role in formulating board members' remunerations policy.

## Part B – Remuneration

The level and structure of remuneration needs to be one that attracts new members and keeps on board existing ones with the right qualifications to ensure efficient management of the company. There should be transparency in terms of the height and general remuneration policy.

Board remunerations' policy can significantly contribute in curving out clear distinctions between shareholders' role and that of board members. More specifically, there should be a clear distinction between corporate interest and that of the founder-shareholder and clarify that this relates to two different persons.

Board members have the right to be remunerated for the services offered. Their remuneration needs to be linked to the nature, criticalness of responsibilities and duties, as well as to the time required from them for board service. Clearly, there are difference in the participation base of shareholders in corporate results. Even in cases where roles coincide in one person, it is useful to make this distinction.

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On the other hand, the board needs to establish a clear policy and transparent criteria for specifying remunerations of executives and associated these with company performance. Also short-term and long-term company goals. The specification of transparent criteria particularly concerning remuneration reinforces the trust of third parties vis-à-vis the company, and therefore, their investment in the company. The range of information shared as far particular remuneration issues needs to be proportionate to the type of company and business goals pursued. The range of information shared needs to be specified in a corporate governance plan.

**Part C- System of Internal Controls**

The System of Internal Controls is the responsibility of the board, the management and all involved company personnel. The System of Internal Controls should not be confused with the Internal Audit Function, which is a company service primarily aiming to assess the extent of efficiency of the System of Internal Controls as far as coverage corporate risk.

1. First Phase

The board needs to establish a System of Internal Controls and Risk Management to secure shareholder investment and protect corporate assets. The board specifies the nature and the risk exposure that is acceptable for the company to meet its strategic goals.

Executives need to also establish a System of Internal Controls which is proportionate for the size and complexity of the company and have the responsibility for the daily monitoring of risk. The System of Internal Controls needs to be based on optimal practices and be designed in such a way so as to adequately guarantee efficient company operation, the reliability and completeness of financial and corporate data as well as the compliance of the company with its regulatory and statutory obligations.

Executives can assign company audits to third persons, who are independent and have the proper experience and who, on their part, shall apply systematic methods to assess the effectiveness and sufficiency of control activities (safeguards) which have been adopted. Also, they submit regular reports to managers thus contributing to the achievement of corporate objectives. It is recommended that a high-ranking manager is responsible (1) to supervise the implementation of the System of Internal Controls which is detailed further below, and (2) to assess findings and further share the information whenever and wherever this is required.

It is recommended that internal policies and procedures are established as well as control activities delineating management of risk, related to:

- Daily company operation
- Market risks
- Human resource management
- Cases of fraud
- Business Ethics
- Managing liquidity
- On-site security and security of information systems
- Limits for transactions
- Accounts consolidation and monitoring cash flow
- Audit procedures for budget and expenses
- Audit and approval of transactions by an independent, authorized employee

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- Security and confidentiality of information
- Managing Documents
- Compliance with regulatory provisions
- Compliance with health and safety regulations and with environment protection rules

A set of corporate procedures needs to be in place to address specific risks to which the company is exposed. For example, procedures need to be established for:

- Fighting fraud
- Cash Management
- Monitoring bank agreements
- Business readiness system (Crisis Management) and/or Business Continuity Programme
- Prevention and early identification of threats from cyberspace and vulnerabilities of electronic applications

2. Second Phase

Audit Committee

During the second phase, it is recommended that an Audit Committee is set up, consisting of non-executive members of the company's board. Internal Control reports will be regularly submitted to the Committee.

**Part D – Risk Management**

1. First Phase

The board shall draft a manual of risks, which should be regularly updated and include information on the following:

- Description of key risks to which the company is exposed.
- Probabilities of risks actually materializing.
- Impact in case of risk materialization.
- Actions required for risk elimination making reference to the control activities that reduce or totally eliminate the exposure of the company.

Board members should be given the option to seek specialized advice from independent professionals in designing a risk management system.

2. Second Phase

During the second phase, it is recommended to draw up a supervisory mechanism and regularly inform the board on the application of the Risk Management System, one that covers a wide range of risks (categories of risks that relate to strategy, operations, finances and compliance) and ensure that the control systems operate effectively and that areas of concern which require further analysis and management are addressed.

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**Part E – Regulatory Compliance**

1. First Phase

A key responsibility of the board is the protection of corporate interests *vis-à-vis* violations of legislation and of the regulatory framework, with particular emphasis on corruption incidents.

Every company, is required to establish, monitor and apply rules that ensure transparency and regulatory compliance of both the company and personnel, with the standing statutory and legislative framework, by means of recording policies, procedures and by offering training.

**2. Second Phase**

During the second phase, it is recommended to draw up a mechanism for supervision and for regular briefing of the board on the implementation of a compliance policy with the standing Laws and Regulations, on following-up incidents of non-compliance and on putting together action plans to avoid similar incidents.

**Part F – Relations with shareholders**

There needs to be good communication between the board and the shareholders, as well as effective exercise of the rights of minority shareholders.

Progressively, additional shareholder's agreements, need to regulate issues which were not specified during the drafting of the articles of association.

Given the fact that minority shareholders have a fixed and stable relationship with the company (while minority shareholders to listed companies primarily maintain their participation based on investment criteria), the need for transparent information of minority shareholders, on corporate issues, are particularly increased in relation to what happens with listed companies (where the need for information sharing is present for all data that are related to formulating the stock price).

The board, therefore, is challenged to formulate the policy and procedures required to ensure that shareholders are informed periodically on corporate matters of importance. As a minimum, invitations and agenda meetings, meeting minutes, internal audit reports as well as evaluations of board members and executives should be made available to the shareholders.

Furthermore, it is recommended that the chairman of the board is responsible for accepting requests from shareholders for information, for recommending to the board that the company satisfies such requests, on a case-by-case basis, and for communicating with the requestor shareholder based on the relevant board decision.

The company needs to inform shareholders, at least when they are summoned to a general meeting of shareholders, on all rights of minority shareholders, according to the law and to the company's articles of association as well as on all procedures in place for exercising these rights.

Furthermore, the relationship of shareholders with the company needs to be seen as an ongoing one and not to be limited in their participation in typical general meeting of shareholders.

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Apart from sketching them out in the articles of association, corporate governance practices need to be addressed dynamically through shareholder agreements, which are more flexible in nature and more easily adaptable both to the new conditions that are created from company growth, but also to the changing financial conditions as a whole. A shareholder agreement should ideally provide for:

- cases of share transfer is not subject to any restrictions,
- restrictions imposed on shares transfer, as prior approval or stock options,
- conditions of activating stock options, identifying the asking price of a stock or the mechanism and variables for fixing that price, as well as
- exit mechanisms that exist in veto rights which create problems with decision-making, e.g. option right in terms of making stock available to others.

Also, it is recommended that shareholder agreements include forecasts on the board composition, and these forecasts need to be in alignment with the framework set forth by Greek legislation towards this direction.

Shareholders need to operate in a distinct way in relation to other corporate bodies, respecting the responsibilities of these bodies and complying with regulations.

**Part G – Relations with other stakeholders**

3. First Phase

Looking to ensure long-term company interests, the management investigates the effects of the operation of the company on:

- the market and consumers,
- human resources,
- local economy,
- environment,
- suppliers,
- society as a whole,

and adjusts its activities and action plans accordingly.

This phase also includes the identification both of specific stakeholders who affect and/or are affected by the operation/growth of the company and of communication methods with these stakeholders (e.g. consumer complaint mechanism).

4. Second Phase

During the second phase, the board needs to assess the position of the company vis-à-vis other stakeholders and formulate a particular programme outlining material issues, i.e. in areas of importance for the company. This programme needs to include a clear outline of all goals for company relations with other stakeholders as well as corporate productivity and performance indicators as well as methods to achieve goals.

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Also, the board needs to have established a particular communication method with other stakeholders and have a specific procedure for informing them (e.g. through a Corporate Responsibility Report).

**Part H – IT Systems**

The board needs to ensure that all proper corporate governance practices that relate to Information Technology Systems have been adopted. Information Technology Governance is the responsibility of the company's management and needs to include the appropriate organizational structure and all proper procedures that ensures that existing information systems fully support the goals set out by the management.

1. First Phase

During the first phase, the board needs to specify someone who will be in charge of IT systems; this person needs to have sufficient professional experience and expert knowledge on the domain and have clearly delineated responsibilities for this role.

It is recommended to draft an IT strategy which should be in alignment with the overall business strategy of the company, as this has been set forth by the board. The approved strategy needs to specify and describe the current and future needs of the company's technological infrastructure.

2. Second Phase

The second phase includes the drafting of analytical policies and procedures for IT, which shall describe the operational and management framework of Information Systems. All recorded policies and procedures need to feature the necessary safety guards and necessary control mechanisms, and should include the following:

- Policy for hardware and software protection of IT systems (access security, data protection, systems protection, security of network and communications infrastructure)
- Daily support of users and operations.
- Standards and procedures for managing IT projects.

Moreover, it is recommended to draft a Business Continuity Plan (BCP) and a Disaster Recovery Plan (DRP), in which, based on a business impact analysis and risk assessment, the following are specified:

- All critical operations and systems – resources used,
- the risks that threaten the critical operations, ranking these based on their likelihood and impact,
- the operational costs from a potential downtime of critical operations and the cost for resuming operation, as well as
- the recovery time and recovery point.

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As far as recommendations under this phase, it should be companies themselves who have to examine the extent to which they will adopt these recommendations, wholly or partly, depending on the nature and activities of companies and decide on whether they will proceed to a gradual adoption/adjustment.

**Family-owned Businesses**

Apart from all of the above, family-owned businesses need to establish procedures of corporate governance through which any conflicts between family members can be resolved, and equal information sharing to all parties ensured, regardless of their engagement with company activities. The selection of the appropriate mechanisms and procedures needs to take into consideration the size of the company, the number of family members in the company as well as their involvement in it.

As we often see family-owned businesses with 50%-50% ownership split, it is recommended that in these cases there is a mechanism in place to elect board members and to receive other important information to ensure uninterrupted company operation. Also, it is recommended to have an exit mechanism in case of failure to reach a decision.

A key feature of family-owned businesses is that family bonds and relations affect the procedures and decision-making processes. However, family wealth is usually largely bound to the family business. For this reason, it is important to ensure the company's autonomous operation and development which in turn promotes, in an optimal way, the long-term asset interests of the family as a whole.

Family members need to adopt principles and procedures to both formulate and clearly reflect the vision and goals of the family for the company as well as the company's activities and development. Roles and relations between members need to be clearly delineated and family relations need to be distinguished from relations that are developed within the company. More specifically, it is useful for family disputes to be dealt with in a way that they don't affect the smooth company operation. Indicatively, it is useful to have arbitration mechanisms and mechanism for settling family disputes from outside bodies.

Also, special provisions should be made to ensure smooth transition of family members and other persons to the management, as well as for formulating the policy of the company in relation to employment of family members and transfer of stock. On this issue, it is particularly important to take special and timely action to establish mechanisms to avoid impasse (clauses in the articles of association or a contract for stock transfer), in case of conflicts in family relations, given the fact that appealing to courts is almost certain to lead to the destruction of the company.

Finally, company bodies need to operate having in mind to serve company interests, distinguishing these from family interests, while avoiding discriminatory treatment favoring family members, thus ensuring meritocracy and equal opportunities and treatment.

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