



BALTIC INSTITUTE OF CORPORATE GOVERNANCE

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An open letter to:

Algirdas Butkevičius, Prime Minister of Lithuania

Māris Kučinskis, Prime Minister of Latvia

Taavi Rõivas, Prime Minister of Estonia

RAIL BALTICA HAS TO BECOME A ROLE MODEL FOR WELL GOVERNED PROJECTS IN THE BALTICS

The Baltic Institute of Corporate Governance (hereinafter – BICG) welcomes the agreement on the division of responsibilities in Rail Baltica project implementation, which was reached by the representatives of Latvia, Estonia and Lithuania last week, and encourages the Baltic governments to use this new momentum to ensure that the project continues according to the best practices and with no further delays.

A significant progress was made by agreeing on the Rail Baltica procurement model and on the strong central role of the Baltic joint venture RB Rail in designing, constructing and marketing Rail Baltica.

To now ensure that this agreement and the entire project are successfully implemented, BICG strongly encourages the three Baltic governments to adhere to the best internationally recognized corporate governance principles, as set out in the standards by the Organisation for Economic Co-operation and Development (OECD).

To run the project according to the budget and to build everything in due time, it is crucial to introduce common and unitary governance approach and implementation of internationally recognized corporate governance standards. International best practice envisions transparency and disclosure of the project objectives, activities and finances. It foresees effective governance and decision-making structure – clearly assigning specific rights and responsibilities of interaction among Rail Baltica shareholders, Supervisory Board and Management Board during the entire life cycle of the project.

Supervisory Board of Rail Baltica should have the necessary authority, competencies and objectivity to carry out their functions of strategic guidance and supervising the performance of Management



Board. Shareholders should consider electing several independent Supervisory Board members who have to be able to exercise objective judgment on corporate affairs independently from management and governments.

Baltic governments and its institutions should refrain from intervening in operational management (day-to-day) activities of the project and allow full operational autonomy for RB Rail, the central manager of the project.

To ensure that the project is managed to the highest standards, only professionals of the highest competence and international experience should join the RB Rail team.

Taking into account the potential impact of Rail Baltica project on the Baltic economies, Baltic States have to wisely use the granted unprecedentedly high financing by the EU (up to 85% of the investments until 2020), in order to get further financing up to 2025 for the project which is estimated to cost nearly 5 billion euros in total.

These principles of good governance were discussed at the international Rail Baltica Governance Conference 2016, held this April in Riga. If the governments of Lithuania, Latvia and Estonia can adhere to these principles in practice, Rail Baltica can become a role model for future infrastructure projects in Europe.

About the Baltic Institute of Corporate Governance

Baltic Institute of Corporate Governance (BICG) is a non-profit and non-governmental organization missioned to deliver value to its stakeholders by promoting global competitiveness of Baltic companies and economies, through adoption of leading corporate governance practices.

BICG is leading the way in the Baltic business community by helping to create better governed public and private companies. BICG provides studies and guidelines on corporate governance for private sector entities and state-owned enterprises.

Activities of the Institute are financed by the contributions of its members and by the organization of education programs. The Institute currently has 100 individual and over 40 corporate members in Estonia, Latvia and Lithuania.

Respectfully,

Rytis Ambrazevičius
President

Baltic Institute of Corporate Governance

Enclosed: BICG Expectations for Rail Baltica project and joint venture RB Rail in corporate governance on 3 pages, as prepared for the Rail Baltica Governance Conference 2016.