

**BALTIC**  
— INSTITUTE —  
OF CORPORATE GOVERNANCE

**BICG**  
Corporate Governance

# ASSESSMENT TOOL

# BICG Corporate Governance ASSESSMENT TOOL

## Information to potential participants

To promote best corporate governance practices among the Baltic companies, Baltic Institute of Corporate Governance (BICG) has developed a practical tool that allows to assess company's corporate governance practices against international benchmarks and best standards. As a result, companies can identify their strengths, weaknesses and develop comprehensive plans for improvement.

### OBJECTIVES

- To assess current implementation of CG principles and compliance against given benchmarks,
- To indicate opportunities in CG development,
- To track the evolution of governance practices both for individual companies and for countries over time,
- To educate companies on the essential elements of good governance,
- To promote global competitiveness of Baltic companies through adoption of leading CG practices.

### ASSESSMENT BENEFITS FOR THE COMPANY

- Detailed analysis of individual company governance practices,
- Evaluation of the level of compliance against the best practice standards,
- Evaluation of the level of compliance against the aggregate performance of all participating companies,
- Identification of both strengths and areas for improvement in the company's governance practices,
- Opportunity for the company to develop a well-rounded and complete agenda, remedial plans and close gaps with best practice standards,
- Data collection for tracking the evolution of governance practices within the company over time.

By implementing best CG practices, a company can improve competitiveness and foster sustainable growth, enhance and safeguard reputation, build better control environments, reduce potential fraud and conflicts of interest, improve relationships among the management, board, shareholders and stakeholders, increase value of the company.

## BACKGROUND OF THE METHODOLOGY AND BENCHMARKS

The Assessment Tool is based upon 3 internationally recognised benchmarks.

**G20/OECD Principles of Corporate Governance** are directed mainly at listed companies, though their broad principles are considered relevant to a wider set of companies and even non-corporate entities such as public administrations. The OECD has produced various guidance and reports on good practices that were used during the development of the Assessment Tool.

**OECD Guidelines on Corporate Governance of State-Owned Enterprises** are directed exclusively at SOEs. The OECD considers the Guidelines to be a further elucidation of the Principles. As a consequence, SOEs are expected to comply both with the Guidelines and the Principles. When in doubt, the Assessment Tool requires assessing a company by the higher-level benchmark that is understood to be the OECD Principles.

**ecoDa Corporate Governance Guidance and Principles for Unlisted Companies in Europe** is directed at unlisted companies. Unlisted companies are a heterogeneous group. The ecoDa Guidance is subdivided into two phases, to represent an evolution in an unlisted company's governance towards best practice. Phase 1 includes Principles 1-9 that apply to all unlisted companies. Phase 2 includes Principles 10-14, which apply to large companies, companies with external financing and those that are planning an eventual listing.

## PARTICIPATING COMPANIES (BY TYPE)

Companies will be assessed against international benchmarks depending on their types.

Company type	Benchmarks	Remarks
Listed companies	G20/OECD Principles of Corporate Governance ( <a href="http://goo.gl/Oc3PTT">http://goo.gl/Oc3PTT</a> )	Public Interest Companies (PIEs) defined as such in legal acts of the EU should also be categorized as listed. Companies that only make bond offerings are not considered PIEs in the Baltic States. Even a small portion of publicly traded shares means that the company should be categorized as listed.
State-owned enterprises	OECD Guidelines on Corporate Governance of State-Owned Enterprises, 2015 Edition ( <a href="http://goo.gl/C3Ia35">http://goo.gl/C3Ia35</a> )	SOEs should be categorized according to the criteria of control. Usually, majority ownership is a reasonable thumb rule for it. If the majority of shares is publicly traded, the compliance level of the company should be assessed against the listed company benchmarks.
Un-listed and closely-held companies	ecoDa Corporate Governance Guidance and Principles for Unlisted Companies in Europe ( <a href="https://goo.gl/el5F4Z">https://goo.gl/el5F4Z</a> )	Unlisted companies can range from micro-businesses to corporate giants and partnerships.

If the number of companies interested in participating in the assessment will surpass the cap set by the BICG, the selection criteria are to be applied as follows:

- Intention to have balance among companies from Latvia, Lithuania and Estonia,
- Intention to have balance among 3 types of companies: listed, SOEs and unlisted/closely-held companies,
- Intention to attract companies with higher level of application of corporate governance principles (based on publicly available information: financial, non-financial and governance reporting and disclosure; board independence, etc.),
- Intention to attract companies with a non-executive governing body (board, supervisory board).

## INDICATORS AND CG CATEGORIES

The Assessment Tool groups 58 indicators into five CG categories (and respective subcategories).

### 1. Shareholder protection and rights

- Shareholder protection
- Shareholder rights

### 2. Board of directors

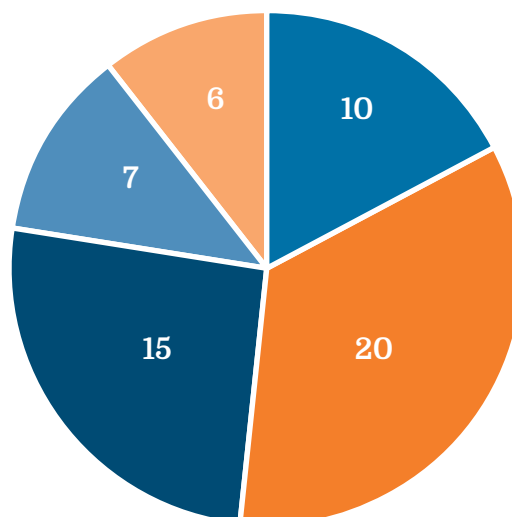
- Role of the board
- Board responsibilities
- Board structure and processes
- Independence and objective judgment

### 3. Transparency and reporting

- Financial reporting
- Non-financial reporting
- Governance reporting

### 4. Control environment

### 5. Stakeholders



## INDICATORS AND CG CATEGORIES

Compliance with the indicators of the CG Assessment Tool is scored on a scale of three levels:

Level	Description
A	The goal has been fully met; and there is little or nothing that the company can do to enhance its practices
B	The goal is partially, but not fully met; and there are some clearly identifiable steps that the company could take to enhance its practices
C	The goal has not been met; and there are significant steps that need to be taken by the company to enhance its practices

## WHO IS CONTACTED AT THE COMPANY

The main contacts at the company during the assessment process are:

- Chair of the non-executive board (supervisory council) and other agreed board members,
- Independent board (supervisory council) members (where they exist),
- Chief Executive Officer (CEO),
- Corporate Secretary (or Chief Legal Counsel),
- Chief Finance Officer (CFO),
- Internal Auditor (or Head of Control),
- Compliance officer.

Generally, it is advisable to go as high within the company hierarchy as possible. The Chair of the board is generally the optimal contact to start with. Chair participation is necessary for giving the CG assessment the profile and support that it deserves within the company. The Chair is also the ultimate recipient of the final assessment and will be in charge of any future governance reforms.

BICG and the company will agree on the meeting schedule with company representatives, based on relevancy and responsibility aspects, e.g.:

Meeting with Chair, other agreed board members, independent board members	Topic: Board of directors
Meeting with Corporate Secretary / Chief Legal Counsel	Topic: Shareholder protection and rights
Meeting with Internal auditor / Compliance officer	Topic: Control environment
Meeting with CEO or Corporate Secretary, CFO	Topic: Transparency and reporting
Meeting with CEO or Corporate Secretary	Topic: Stakeholders

The company can decide to involve more representatives, at its own discretion.

## PROCESS OF ASSESSMENT

Process of assessment is divided into four phases: preparatory activities, data collection, assessment and closing phase.

### I. Preparatory phase

1. Assigning dedicated project manager and representatives for contact within the company,
2. Establishing the project schedule (dates, time etc.), including meeting schedule for 2 half-day meetings (form available),
3. Receiving documents needed to start the assessment from BICG, including benchmarks the company will be assessed against and assessment form,
4. Familiarization with the received documents,
5. Kick-off call between the company representatives and BICG with the objective to discuss organizational arrangements,
6. If requested by the company, an Agreement (including a section on responsibilities of BICG and of the company) and a Non-Disclosure Agreement (NDA) will be signed regarding the use of internal or confidential documents (forms available).

## II. Data collection phase

1. Collection of data and proofing documents within the company, including:
  - Filling in the background data on the company (form available).
  - Filling in the checklist on CG documents in the company (Policies and Reports, form available).
2. Filling in the assessment form, self-assessing the degree of compliance, providing substantiating evidence and notes (form available).
3. Submitting the assessment form and other data to BICG.

## III. Assessment phase

1. Desk research by BICG, including analysis of data that is publicly available and the self-assessment provided by the company,
2. 2 half-day meetings between the representatives of BICG and the company,
3. Additional Q&A sessions between BICG and the representatives of the company (if needed),
4. Final assessment of compliance by BICG that can differ from the self-assessment result.

## IV. Closing phase

1. Preparation of individual report on the assessment result (within 1 month after finishing the exercise),
2. Presentation of the assessment result to the company,
3. Preparation of the final public aggregate report, after all companies participating in the project are assessed,
4. Communication of assessment results to the broader public by BICG in a public aggregate report (see section about public report below).

# REPORTS

## Individual report to the company

BICG will submit a report to the company approximately in one month after finishing the exercise and it will include:

- Information about CG assessment process in the company,
- Essential findings and a summary of the state of governance in the company,
- Evaluation of compliance levels in 5 CG categories against benchmarks,
- Evaluation of compliance against each of the 58 CG indicators against benchmarks,
- Definition of areas for improvement,
- Respective detailed recommendations to achieve better compliance.

## Public aggregate report - disclosure of assessment results of all assessed companies

Final public report of assessment project will include:

- Names and profiles of participating companies,
- TOP 3 performers (names, scoring - e.g. 86 out of 100),
- Aggregate result of compliance within 5 CG categories,
- Information about TOP 3 CG indicators that all companies adhere best to, and TOP 3 CG indicators that are least implemented in practice,
- Main conclusions, including trends and recommendations.

Information about company compliance against each of the 58 CG indicators will not be provided in the public aggregate report.

## PRICING AND PAYMENTS

Participation fee for BICG members - 2500 EUR + VAT,  
for others - 3500 EUR + VAT.  
Payment should be made prior to the assessment.

[Contact us for more information](#)



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