

ACTIVITY REPORT 2020

PROJECTS

1. **Assessments of company governance practices with the Corporate Governance Assessment Tool** developed by the BICG continued throughout the year, with the participation of Estonian, Latvian, Lithuanian and pan-Baltic companies. Such evaluations identify company strengths, weaknesses and allow to develop comprehensive plans for improvement, at the same time providing new insights into corporate governance state of play in Baltic companies. As control environment seems to be the area with most room for improvement across many businesses, we are set to further emphasise this topic in our education programs and other events. More about the assessment tool: <http://www.bicg.eu/governance/corporate-governance-assessment/>.

POLICY

2. **Working group at the Lithuanian Parliament** for analysing several legislative proposals, including increasing the number of state representatives in Boards of strategic and other state-owned companies (SOEs) as well as strengthening the independence criteria for independent Board members, was joined by the BICG, where we were supporting the improved independence criteria, but advocated against the increase of state representatives on Boards. Both were passed into law.
3. **Arguments against the potential strengthening of political influence in secondary and lower level companies in the Lithuanian state-owned company groups** were submitted to the Parliament, Government and President in April. We argued against the initiative that the same governance requirements that are applied to the parent companies should be applied to the secondary or lower level companies, meaning that the government could take over such duties of the parent company as setting the required rate of the return on assets, etc. We also did not support the initiative mandating that at least one civil servant has to be included into the Boards of all secondary or lower level companies considered to be of strategic importance. Despite the President's veto, it was approved by the Parliament.
4. **Proposals for how to improve the governmental initiative to establish a centralized governance model of Latvian SOEs** were submitted to the Cross-Sectoral Coordination Centre in May. The initiative proposes that the centralization will start with transferring 9 commercially oriented SOEs under the supervision of a newly established asset manager. Further discussions with all stakeholders are expected in 2021, in order for the proposal to proceed through the legislative process.
5. **Meeting with the President of Latvia** Egils Levits was held in June, as the BICG was invited to discuss various corporate governance related matters, including the proposals to centralise governance of Latvian SOEs and the initiative to improve governance of Riga city owned companies.
6. **Commentary on proposed legislation to improve governance of universities in Latvia** was provided by the BICG in June, suggesting to improve the definition of proposed Board responsibilities, so that they better reflect Board's strategic role, oversight duties and its need to have a long-term perspective. The respective legislation is proceeding through the Latvian Parliament and is expected to pass into law by the end of 2021.

7. **Comments against lowering the required proportion of independent members in Lithuanian SOEs and municipality-owned companies (MOEs) with a special status** (VJ, SĮ) from 1/2 to 1/5 were provided to the parliamentary Economic Committee, as the BICG joined the related session and discussion in June. As of yet, the respective legislation did not proceed through the Parliament.

8. **Commentary to the Organisation for Economic Co-operation and Development (OECD)** on the latest corporate governance developments in Lithuania was provided by the BICG in August, in preparation for the OECD report released at the end of the year to evaluate the progress Lithuania made since its accession in 2018. Additionally, meetings between the independent Board members as well as other representatives of SOEs and OECD were organised by the BICG in September.

Among the areas for improvement highlighted both in the BICG commentary and OECD report, were operational independence and supervisory responsibilities of SOEs Boards and directors, SOEs Board member selection process, etc. Full report: <https://ej.uz/oecdlt>.

9. **New, comprehensive and binding ownership policy for Riga city municipality owned companies** was finalised in August by the Advisory Council of external experts chaired by the BICG. As approved by the Riga city during the same month, the new ownership policy outlines decision making processes, nomination of Supervisory and Management Boards, strategy setting, reporting, transparency and disclosure requirements as well as other corporate governance practices (link, LV: <https://www.riga.lv/lv/media/4945/download>). Advisory Council continues to assist the city administration on further improvements in 2021.

In Estonia, discussion was started with the Tallinn city municipality regarding the possibility to draft corporate governance guidelines for municipality owned companies as well, potentially taking into account both the Riga experience and guidelines developed by the BICG for the Vilnius city municipality in 2015.

10. **New Latvian corporate governance code** was finalised in Latvia in November, after two years of expert discussions, with the participation of the BICG. The new code, which includes strengthening the institute of independent Board members, emphasises importance of internal culture, ethics and transparency, and describes improved processes for developing the strategy and implementing risk governance, was publicly introduced at the beginning of 2021, replacing the previous code drafted in 2010. Link, LV: <https://ej.uz/lvcgg>.

11. **New law defining the governance of public media** was approved by the Latvian Parliament in November, after two years of discussions. It establishes a good practice of separating media regulating and public media shareholding functions by creating a new shareholding entity and, as advised by the BICG, requires that knowledge of good corporate governance is mandatory in the set of competencies for public media shareholder representatives. The new legislation is gradually coming into effect since the beginning of 2021.

12. **Proposal to the Parliament regarding the introduction of corporate governance and sustainability reporting in largest Latvian SOEs and MOEs** was drafted by the Ministry of Justice and the BICG in November. It suggests that the largest SOEs and MOEs should report on the sustainability matters and corporate governance practices on the same level as listed companies. Further discussions are set to continue at the Parliament in 2021.

13. **Commentary against the proposed changes in Lithuanian SOEs governance**, which would transfer the right to appoint Boards in secondary and lower-level companies from the holding companies to the shareholding ministries, was provided by the BICG to the Ministry of Economy and Innovation in November.

14. **Process of re-establishing Supervisory Boards in SOEs and MOEs in Latvia continued throughout the year**, with the BICG participation in Nomination Committees for 12 companies, where the selections resulted in all 32 of newly elected members being independent. Having started with the largest Latvian SOEs in 2016, the process of re-establishing Supervisory Boards has now moved on to the SOEs and MOEs that are mid-sized and/or have the legal status of a joint stock company, based on good corporate governance guidelines and recommendations by the BICG.

15. **Update of the governance guidelines for small and medium businesses, accreditation of national education programs, policy advocacy related to the standardised sustainability reporting initiative by the European Commission** and other items were among ongoing projects the BICG worked on throughout the year in the framework of the European Confederation of Directors Associations (ecoDa).

EDUCATION

16. After the spring session had to be postponed due to quarantine measures implemented in the Baltics, **two sessions of Board member education were held in autumn**, bringing the total number of BICG graduates to over 800. We were honoured by the Latvian President Egils Levits sending his greetings to all the participants. A few pictures here: <https://ej.uz/20201A>, and here: <https://ej.uz/20202B>.
17. **First ever program for corporate secretaries in the Baltics** was held by the BICG in November and December. Over 30 participants from Lithuania, Latvia, Estonia and Finland joined the highly practical, two-day program, offering insight into the varied role and duties of a corporate secretary in ensuring excellence in Board work and improving overall corporate governance practices in a company.
18. **Corporate governance education program for civil servants** directly involved in SOEs governance policies and delegated to the Boards of SOEs, which was developed by the BICG in 2019, continued in 2020 and was expanded to include municipal servants as well.

In Latvia, 70 civil servants and over 90 municipal servants joined the free-of-charge course, organised in cooperation with the Cross-Sectoral Coordination Centre in November and December. While in Lithuania over 30 civil servants started the program at the beginning of the year, its remaining part continues to be on hold due to the pandemic related measures, as of 2021. In Estonia, discussion regarding the possibility to organise such a program is ongoing.

Additionally, experience in providing corporate governance education for civil servants was shared by the BICG at the Member's Forum ecoDa in June, aiming to encourage other Institutes to consider creating similar programs, as the BICG initiative currently appears to be unprecedented across Europe.

EVENTS

19. **Non-formal independent Board members club for independent Board members working in Lithuanian SOEs and MOEs** continued its quarterly meetings for the fifth year and discussed the role of the Board in preventing and managing crises, best disclosure and reporting practices, etc. **In Latvia, non-formal Board members club** met for the fourth year, to discuss strategy development, sustainability and ESG, etc.
20. **Three webinars on the Board's role during the time of crisis** were organized in Estonia, Latvia and Lithuania in April, as a series of remote events to discuss the new realities of the global pandemic and share experience of dealing with previous crises, with over 120 members joining online. More: www.ej.uz/coweb.
21. **Annual General Meeting (AGM) & Governance Conference 2020** were held in April. Because of the quarantine measures implemented in the Baltics and elsewhere, for the first time ever both events had to be held remotely, with members submitting their voting ballots in writing and connecting to the conference speakers from France, Netherlands, Finland and Belgium online, to hear more about what can the Baltic countries learn from the best corporate governance practices of other OECD countries. More: <https://www.bicg.eu/highlights-of-agm-conference-2020/>.
22. **Online conference 'Cybersecurity on the Agenda of the Baltic Boards'** was held by the BICG in September to introduce the **Handbook on Cyber-Risk Oversight**, prepared by the Internet Security Alliance (ISA) and ecoDa, including the BICG. Designed to assist Board members across Europe, the handbook can be found here: <https://ej.uz/cybersec>.
23. **BICG member event in Tallinn** was held in October, to discuss priorities of operations in Estonia.

24. **7th annual Risk governance conference in Lithuania**, focusing on the risks related to business digitalisation, was organised by the BICG in October, together with COBALT and SEB. Held fully online, it was joined by over 120 participants. More: <https://ej.uz/risklt2020>.

1st annual Risk governance conference in Latvia was held by the BICG in November, together with Swedbank, KPMG Baltics and Eversheds Sutherland Bitāns. Focusing on risk governance in Latvian companies, global trends and best practice advice, speakers appeared for a live online broadcast, joined by over 400 participants. Pictures: <https://ej.uz/risklv2020>.

In Estonia, the first governance conference is set to be organised in 2021.

25. **Member experience sharing event** was held online in Latvia in November, with Latvenergo, Nasdaq, Olainfarm, RB Rail and Schwenk sharing how are good corporate governance practices implemented in their respective companies.

26. **Excellence of start-up governance and value of good corporate governance in times of crises** were among the topics discussed at the events joined by us as guest speakers, including events organised by the Lithuanian Business Angels Network, Estonian chapter of Transparency International and conference CexitBiz (Corona Exit).

COMMUNITY

27. **BICG Country Manager Estonia was appointed** in March, with Erik Sakkov, an experienced manager who has previously held top level positions at such companies as Tallinn Airport and Nordica, joining the team, to actively promote good corporate governance in Estonia by initiating public policy changes, developing member network, engaging directors, shareholders and top managers in the BICG education programs as well as other projects and initiatives. More: <https://www.bicg.eu/country-manager-estonia-appointed/>.

28. **Code of Ethics** was announced by the BICG in May, as a set of guidelines of ethical behaviour for all of the members to refer to, and as a declaration that BICG as a community and each member separately are expected to follow a high standard of ethics. More: <https://www.bicg.eu/about-us/code-of-ethics/>.

29. **New Chair was appointed** by the Board of the BICG in June, with Lina Kapčinskienė, Chair of the Management Board at Baltic Agro Machinery and an active ambassador of the BICG initiatives for over a decade, taking over from Daiga Auziņa-Melalksne, Head of Nasdaq Baltic Exchanges. More: <https://www.bicg.eu/new-chair-of-the-board/>.

30. **Policy Groups under the Board of the BICG were established in Lithuania and Latvia** in October, to support the mission of the BICG by proposing initiatives, guidelines and recommendations as well as by being highly reactive to any proposals made by other parties in the field of corporate governance and company law. Comprised of members who are experienced directors, managers, legal experts and corporate governance specialists, the Policy groups are currently working on their priorities. In Estonia, a Policy Group is set to be created in the future, as the member community expands further. More: <http://www.bicg.eu/policy-groups-established-at-the-bicg/>.

31. **BICG community continued to grow**, as we welcomed new individual and corporate members, with the total numbers increasing from 187 to 206 and from 48 to 55, respectively.