

ACTIVITY REPORT 2021

POLICY

1. **Suggestions for improving Board member selection process in Lithuanian state-owned companies (SOEs)** were submitted by the BICG to the Ministry of Transport and Communications during a round of public consultations in February, arguing for increased transparency and professionalism of the process as well as for improved competence and independence requirements for the candidates.
2. **Proposal to amend Latvian Commercial Law aimed at strengthening the strategic role of Supervisory Boards in privately held companies** was submitted by the BICG to the Ministry of Justice in March, advocating for Supervisory Board responsibilities to include approving company strategy and financial objectives (budget), monitoring their implementation, ensuring oversight of company internal control and risk governance systems, and approving corporate governance related policies (such as risk governance, ethics code, responsible business conduct, etc.). It has been reviewed by the Ministry and further discussions at the Government and Parliament are expected in 2022, with the overall amendments to the Latvian Commercial law.

BICG proposal was drafted with the involvement of the BICG Policy Group in Latvia.

3. **Commentary regarding the changes to the selection process of Board members in Lithuanian SOEs** proposed by the Ministry of Economy and Innovation was submitted by the BICG to the Lithuanian Government in May and June, arguing for safeguards against state involvement in the Board member nomination process for secondary and lower-level companies in company groups, for equalised qualification requirements to civil servants delegated to the Boards, etc. Discussions are continuing.
4. **Concept of shareholder expectation letter for SOEs and municipality-owned companies (MOEs)** was developed by the BICG in Latvia in June and then introduced to Riga city municipality, with an agreement to run a pilot project by defining first such letters for selected MOEs in Riga. Full policy proposal to the Latvian government regarding shareholder letters was finalised in autumn, and it is expected that it will be discussed by the Government and at the Parliament in 2022. Currently, state and municipalities in their role as shareholders are defining general strategic goals for each company, but no clear and disclosed shareholder expectations are set in terms of financial and non-financial objectives.

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5. **Advisory Council on governance of Riga City owned enterprises, chaired by the BICG, continued to provide recommendations to the municipality** throughout the year, including guidance on corporate governance and sustainability reports, definition of strategic objectives, setting financial and non-financial objectives as well as guidance on a dividend policy at MOEs, etc. Total of 11 meetings were held. As August marked one year since the Advisory Council drafted and Riga city approved new MOEs ownership guidelines, a review of the progress made since is being carried out currently as well.
6. **Feedback for how to improve legislation on internal audit role and its interaction with Supervisory Boards in Latvia** was provided in August to the Ministry of Justice, which is working on the review of the relevant laws.

7. **BICG proposals to amend Latvian SOEs governance legislation, by improving the definition of an independent Board member and by introducing corporate governance and sustainability (non-financial) reporting** to the largest SOEs and MOEs was approved by the Parliament in November. In March 2022, it was confirmed by the Latvian Government that companies will report according to the principles defined in the new Latvian Corporate Governance Code, which was developed with the participation of the BICG a year before. More: <https://ej.uz/soesandmoes>.
8. **Aiming to ensure the best Board member selection procedures at SOEs and MOEs**, the BICG continues its work in the Nomination Committees, most recently joining Nomination Committees for Supervisory and Management Boards of Latvian Railways, Riga Airport, Latvijas Televīzija, Latvenergo, State Real Estate and Latvian Post, among others, with the assistance of our members in several processes.
9. **Governance guidelines for unlisted European companies** updated for the first time in a decade (link: <https://ej.uz/ecodaguidelines>); **publication of Five Corporate Governance Guidelines to Accelerate Change and Sustainable Growth in Europe** (link: <http://www.bicg.eu/wp-content/uploads/2021/03/ecoDa-Five-Corporate-Governance-Guidelines.pdf>); **comments on Sustainable Corporate Governance Initiative by the European Commission**, including a meeting with the European Commissioner for Justice, and other policy advocacy on the European level (more: <https://ecoda.eu/policy-updates/>); as well as other items were among projects the BICG worked on this year in the framework of the European Confederation of Directors Associations (ecoDa). More here: <https://www.bicg.eu/wp-content/uploads/2022/01/ecoDa-2021-Activity-Report.pdf>.

We continue to share our knowledge with the European partners as well, lately with involvement from our members, with SCHWENK Latvia sharing its experience in sustainability as an inalienable part of business on CG Circles – a discussion platform of ecoDa.

EDUCATION

10. **Three sessions of the Board member education program** were held for the first time in one year, compared to the usual two, keeping in mind growing interest from Estonia, as our Estonian operations continue to grow. Latest pictures: <https://ej.uz/3rdBME>.
11. **Chair education program** was held in Stockholm in November, with the total number of graduates of this course now at 100. We were hosted by East Capital, SEB and Telia, and had a chance to welcome Ms Katherine Löfberg, Chair of the Board at Löfbergs; Mr Staffan Bohman, Chair of Electrolux; Mr Harald Norvik, former Chair of Statoil, and others among many experienced speakers who shared their knowledge about effectively leading a Board. Pictures: <https://ej.uz/chair2021pictures>.

EVENTS

12. **Non-formal independent Board members club** for independent Board members working in Lithuanian SOEs and MOEs, and **non-formal Board members club** in Latvia continued their quarterly meetings, this year focusing on such issues as CEO evaluation, effective IT governance, etc.
13. **Meeting with the President of Latvia Egils Levits** was joined by the BICG as well as other organisations in January, to discuss ways to bolster capital markets in Latvia, including further strengthening of good corporate governance in SOEs and private companies.
14. **Latvian Capital Market Forum 2021** was joined by the BICG in January, to discuss new Latvian Corporate Governance Code, which was drafted with the participation of the BICG and finalised a year before, after over two years of discussions.
15. **Discussion on New Global Trends in the Strategies of Lithuanian Businesses** was organised by the BICG and COBALT law offices in March, to highlight new business trends reinforced by the pandemic realities and likely to continue in the post-pandemic world, which should be considered by all businesses in their strategies. Over 100 participants joined the discussion.
16. **Introductory webinar to corporate governance for Lithuanian media representatives** was held in March by the BICG and joined by 2 major media outlets, with webinar materials distributed to others as well.

17. **Member event in Estonia** was held online in April, to discuss priorities of the BICG operations in Estonia, including growing memberships, increased participation in corporate governance education programs, policy advocacy, etc.
18. **Annual General Meeting (AGM) & Governance Conference 2021** were held in April. Because of the quarantine measures implemented in the Baltics and elsewhere, both events were held remotely. The conference focused on ESG as the new strategy and business model for Baltic companies and was joined by speakers from across the Baltics and over 500 participants, with Valdis Dombrovskis, Executive Vice President of the European Commission, welcoming everyone. Link to the recording of the conference: https://www.youtube.com/watch?v=F6GomAg_8al.
19. **Expert discussion on the strategic role of Supervisory Boards** was co-organised by the BICG as a member of the Corporate Governance Advisory Board under the Ministry of Justice, which drafted the new Latvian Corporate Governance Code in 2020. It was held in May, attracting over 200 participants. Link to the recording of the discussion: <https://www.youtube.com/watch?v=5mcFYJ2OOjs&t=5s>. It was one of the total six events that took place during the year within the round of discussions to introduce the new Latvian Corporate Governance Code, with more than 8000 views reached online, across different platforms. All recordings: <https://www.fktk.lv/mediju-telpa/nozares-temati/diskusiju-cikls-labakai-korporativai-parvaldibai/>.

Explanatory simplified introduction of the new Latvian Corporate Governance Code was also made available in May, in the form of a brief video: <https://www.youtube.com/watch?v=SS10aX-s4v4>.
20. **Member experience sharing event** was held online in June, with a building materials producer SCHWENK Latvia sharing how EU Green Deal and other sustainability measures are implemented in the company.
21. **First annual Forum on Riga city owned company governance** was organized by the Riga city and its Advisory Council, chaired by the BICG, in August, with the participation of the mayor and the executive director of the city, to discuss progress and continuing challenges since the announcement of MOEs ownership guidelines in 2020. Recording of the event: <https://ej.uz/forums082021>.
22. **First Latvian Corporate Governance Awards and Forum** were organized by the Latvian Corporate Governance Advisory Board under the Ministry of Justice, where the BICG is a member, in September, with the participation of the President of Latvia Egils Levits. Members of the BICG led the awards by example and achieved wins in all three categories, with Andris Grafs, BICG Vice President Latvia, being recognized personally. More information: <https://www.bicg.eu/corporate-governance-awards-held-in-latvia/>.
23. **8th annual Risk governance conference in Lithuania**, examining risks facing businesses that do not properly address the importance of environmental, social and governance (ESG) elements in their strategies, was organized by the BICG, COBALT law offices and SEB bank in September, attracting 90 participants. Line-up: <https://risk-conference.eu/LT2021/>.

Conference ‘ESG - how to do business sustainably?’ was held by the BICG and Swedbank in Tallinn in September, with participation of the Minister of Entrepreneurship and Information Technology and focusing on the environmental aspects of doing business as well as calling for Estonian and Baltic companies to take action. Attended both in-person and online, it was joined by 120 participants. More: <https://ej.uz/2021ESGTallinn>.

2nd annual Risk governance conference in Latvia focused on ESG risks as well and was held in December, in partnership with Swedbank, KPMG, and Eversheds Sutherland Bitāns, attracting over 400 participants live and online. Line-up: <https://risk-conference.eu/LV2021/>.
24. **Webinar on ensuring a more effective dialogue between Board members and internal auditors** was held in October, in partnership with the Lithuanian Internal Auditors Association, attracting over a hundred participants. Line-up: <https://vaa.lt/renginiai/webinar-a-more-effective-dialogue-between-board-members-and-internal-auditors/>.

25. **Farewell evening with Raoul Hasselgren**, who retired from lecturing in education programs of the BICG in autumn, was held in October in Vilnius, bringing together both the first and the latest graduates of the BICG. Mr Hasselgren joined Board member education program at its start in 2009, and Chair education program since it was first organised in 2011. He has taught 100 business leaders in Estonia, 250 – in Latvia and 500 – in Lithuania. More: <https://ej.uz/OctoberRH>.
26. **Corporate governance workshops for civil servants** representing shareholding entities of SOEs and MOEs were held in December in Latvia, in cooperation with the Cross-Sectoral Coordination Centre, and joined by nearly 70 participants. It focused on the concept of shareholder expectations letter newly proposed by the BICG, as such a concept is not yet developed in Latvia.
27. **Discussion on future challenges for corporate governance** organised by EY (link: <https://ej.uz/eyconf>), webinar analysing if good corporate governance is key to business success by the American Chamber of Commerce (link: <https://ej.uz/amchamlvconf>), panel discussion on sustainability organised by Swedbank (link: <https://ej.uz/swedbankconf>) and 8th annual conference on state property management by Newsec and COBALT were among the events we joined as speakers, emphasising such issues as the importance of reviewing current corporate governance practices to make actionable improvement plans in a company, etc.

COMMUNITY

28. **BICG community continued to grow and become increasingly diverse**, as we welcomed new individual and corporate members, with the total numbers growing from 206 to 250 and from 55 to 57, respectively.