



POLICY

1. **A new draft of the Lithuanian corporate law, based on the European Model Company Act** and meant to improve the overall standard of good governance and doing business in Lithuanian companies, was finalised this year, after the project was first started in 2016, by the working group led by the BICG and joined by Nasdaq Vilnius, Lithuanian central bank as well as law offices Degesys & Partners, Ellex and Sorainen. The new draft is currently being introduced to business organisations and other stakeholders, for their feedback.



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2. **Proposals for how to improve both supervisory board and management board member selection processes in the Latvian state-owned companies (SOEs)** were submitted to the Latvian Prime Minister in January, after the meeting where the Prime Minister and the BICG also discussed the possibility to invite the Organisation for Economic Co-Operation and Development (OECD) to perform a review of overall Latvian progress since it joined the organisation in 2016. After the change of the Government and a meeting with the new Prime Minister in February 2024, a memorandum for corporate governance improvement is set to be signed, with more details to follow in the upcoming months.

3. **Arguments against additional involvement of various ministers and coordinating institutions in approving donations initiated by SOEs and municipality-owned companies (MOEs)**, like it was proposed by the Latvian Government, were provided by the BICG to the Latvian Parliament in May and June. They were accepted and incorporated into the new law, passed by the Parliament in October. From now on, the shareholder meeting will determine when the management of SOEs and MOEs will have to receive consent from the board or the shareholder meeting regarding donations.

4. Previous BICG policy initiative to strengthen the strategic role of supervisory boards in privately held companies in Latvia has fully come into law, as of June. With earliest proposals discussed since 2018, new regulations outline such supervisory board responsibilities as 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.

5. Comments regarding the governmental proposal to amend SOEs governance legislation were submitted by the BICG to the Latvian Government in September. In addition to the ongoing BICG initiative to introduce mandatory shareholder expectation letters in Latvian SOEs, our newest proposals include improvement of SOEs management board nomination process.

Aiming to ensure that good governance principles are followed in nomination practices at SOEs, the BICG continues to participate in the selections as well, including Board member selection at Latvijas Loto, most recently.

6. Revised G20/OECD Principles of Corporate Governance, considered to be an international standard for the best corporate governance practices since they were announced in 2015, were officially launched in September. During the revision process, the BICG provided comments for the text in the framework of the European Confederation of Directors' Associations (ecoDa).

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Comments for the upcoming update of the OECD Guidelines on Corporate Governance of SOEs were provided as well, in September, focusing on the recommendation that board members of SOEs should be appointed on merit alone, as opposed to lower qualification standard currently applied to many delegated members.

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7. Statement encouraging the Latvian government to have greater ambitions in implementing shareholder function at SOEs was drafted by the BICG in December, advocating for setting a new strategy and business case for SOEs expansion into foreign markets. The respective draft is set to be made public later in 2024.

8. Corporate Sustainability Due Diligence Directive, European Sustainability Reporting Standards and Global Internal Audit Standards were among the European policy issues worked on by the BICG in the framework of ecoDa.



While among the new publications by ecoDa were **ESG Governance: Questions Boards Should Ask To Lead The Sustainability Transition**



Report and Recommendations On Independent Directors



Directors' Duties And Liabilities - A Survey Report By ecoDa And Allen & Overy, etc.



EDUCATION

9. Three sessions of Board member education were held during the year, with over 120 new graduates completing the course. An equal gender representation among the participants was achieved during the last session, for the first time during the 14 years of the program, indicating a growing pool of diverse candidates for Board positions in the Baltics.



10. First ever corporate governance education for municipal servants

in Lithuania was held in May, with 20 participants from 14 municipalities finishing the course. A separate session for the representatives of the Vilnius city municipality was held in September and October as well. Originally created for civil servants working with the governance of SOEs, the 4-day and free-of-charge program is designed to provide knowledge necessary in making informed governance-related decisions. Developed in cooperation with the Governance Coordination Centre under the Ministry of Economy and Innovation, it remains a unique initiative across Europe.

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11. Good corporate governance program for representatives of the Bank

of Lithuania was held in August. Designed to offer knowledge useful in implementing their supervisory functions over financial companies, the two-day course was joined by 22 participants.

12. First fintech board member education program was held with the Fintech Hub LT and Institute of Internal Auditors Lithuania in September. A two-day online course was prepared based on Bank of Lithuania regulations, expectations as well as the best market practices, and joined by 19 participants.

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13. Chair education was held in Stockholm in November, with 30 new graduates completing the course. Held every two years, the program offers a chance to learn from the most experienced Scandinavian chairs as well as other experts.

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14. First started in Latvia, **quarterly members' breakfast** events expanded into Lithuania in 2023 and will be organized in Estonia in 2024 as well, providing an opportunity to discuss the latest corporate governance trends, case studies and the activities of the BICG in each country.

15. **Non-formal Independent board members** club in Lithuania and **non-formal Board members club in Latvia** held quarterly meetings to discuss such issues as stakeholder engagement, governance of reputational risks, how to deal with a growing intensity of board work, etc.

16. **Webinar on how the boards, risk managers and the internal audit need to cooperate in order to embed sustainability into organizations strategy and operations** was held by the BICG and the Lithuanian Internal Auditors Association in January, in light of the corporate sustainability reporting directive approved by the European Council in November. It was attended by over 200 participants from across the Baltics and Ukraine.

17. **3rd annual Risk Governance Conference in Latvia** was organized by the BICG, Swedbank, KPMG and Eversheds Sutherland Bitāns in March. Joined by nearly 300 participants in person and online, it included such topics as development of business continuity and recovery plans.

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18. Expert discussion ‘What is the role of supervisory boards and how can it be ensured that they add value in the company?’ was organized by the BICG and Latvian Corporate Governance Advisory Board, Cross-Sectoral Coordination Center, Nasdaq Riga and Latvenergo in March, joined by over 200 participants online and in person. Among its topics were developing competences of civil servants involved in governance policies and decisions, proper board composition, etc.

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19. Annual General Meeting & Governance Conference 2023 were held in Vilnius in April, with the conference spotlighting how good governance is a key tool in fostering business resilience among many current uncertainties.

20. Discussion with the Latvian Prime Minister and relevant experts about whether good governance should be considered a luxury or not was organised by the BICG at the conversation festival LAMPA 2023 in June.

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21. Workshop on the ‘G’ dimension of ESG by ecoDa, where the BICG is a member, was held in June.

Other events during the year included webinars on Corporate Sustainability Due Diligence Directive and Director Remuneration in Europe.

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22. First corporate governance experience sharing forum among Riga, Vilnius and Tallinn city municipalities was organised in Riga by the Corporate Governance Advisory Board under the Ministry of Justice, where the BICG is a member, in August, to discuss different corporate governance models, roles of boards and executives, financing by capital markets, climate neutrality, governance of reputational risks, etc.

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23. Discussion ‘How to select a board suitable for the company’s growth strategy?’ was organized by the Corporate Governance Advisory Board under the Ministry of Justice, where the BICG is a member, in co-operation with Nasdaq, KPMG and State Chancellery.

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24. Introductory good corporate governance event for startups was organised by the BICG in Tallinn in September. Held to provide insight into the importance of a professional board and how overall good corporate governance can become a valuable competitive edge, it was joined by such experienced practitioners as Katarina Bonde (Mentimeter, etc.); Andris K. Bērziņš (Change Ventures, etc.); Triin Hertmann (Grünfin, etc.); and Rita Sakus (European Business Angels Network, etc.).

25. Training for the representatives of over 10 ministries and other Latvian institutions fulfilling the role of shareholders at Latvian SOEs was held in November, together with the State Chancellery and Sorainen law offices, emphasising what duties fall inside and what are outside of the shareholder responsibilities.

26. Sustainable Governance Awards, previously known as Latvian Corporate Governance Awards, and Forum were held in December, by the Latvian Corporate Governance Advisory Board under the Ministry of Justice, where the BICG is a member. Companies competed in the categories of stakeholder management, board work and others.

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27. Many other events were joined by the BICG as speakers to promote good corporate governance, including:

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Seminar for listed and other companies organised by Nasdaq Vilnius in February.

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Summit on ‘Stakeholder Capitalism in a New Global Era’ by the Danish Professional Directors Association in Copenhagen in March.

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Conference ‘From Grey to Green: Latvia’s Success Story’ organized by the Finance Latvia Association in April.

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Webinar on the Corporate Social Responsibility Directive (CSRD) organized by Ecovis ProventusLaw in April.

Lecture at the University of Latvia on corporate governance of SOEs in May.

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Discussion about the relationships between internal audit and boards organised by the Latvian Post.

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EBIT 2023, the biggest executive conference in Latvia, in June.

Workshop at the Latvian Railways to discuss best practices in governing reputational risks, in October.

Conference ‘Lemtspēja’ for the leaders of both public and private sectors, in November.

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CEO roundtable ‘Driving Sustainability at the Core of the Business’ at the Baltic Sustainability Awards, in December.





COMMUNITY

28. BICG community continued to grow, as we welcomed new individual and corporate members, with the total numbers growing from 278 to 287 and from 66 to 72, respectively.



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29. Rytis Ambrazevičius, President of the BICG, was elected to Chair the Board of ecoDa in May, for a tenure of two years. Headquartered in Brussels, ecoDa unites national institutes of directors in over 20 European countries, acting as a corporate governance expertise sharing network, a place for debate and a credible voice in the development of corporate governance related recommendations, including European level legislation.

30. New composition of the Policy Groups under the Board of the BICG was confirmed by the Board for the upcoming three-year tenure, in October. Currently established in Latvia and Lithuania, Policy Groups work together with the management in providing recommendations in the field of corporate governance and company law. In Estonia, a Policy Group is set to be created in the future, as the member community expands further.

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31. Nomination Committee Charter was published by the BICG in November, describing procedures and processes of Board member nomination at the BICG.

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32. 'Better boards, companies, economies, and societies' was defined as the purpose of the BICG in December, above the newly worded mission, vision and values. Recommended as a basis for further strategic choices, the definition of a purpose provides the reason a company or other organization exists and the positive impact it aims to have on the world.