DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

The terms below are used throughout the Handbook in the meaning given here. Where the Estonian, Latvian and Lithuanian legal terms differ, the local terms are given in brackets.

TERM	MEANING
Annual general meeting (AGM)	The ordinary meeting of shareholders held once a year to approve the annual accounts, decide on the distribution of profit, elect Board members and the auditor and decide other matters reserved to the shareholders by law or by the articles of association.
Balanced Board	A Board with the right mix of size, skills, experience, independence, diversity, continuity, renewal and dynamics to provide effective oversight, constructive challenge and sound decision-making.
Board	The collective body elected by the shareholders to set the direction of the company and to supervise its management. In this Handbook, “Board” refers to the Supervisory Board, also called the Council (Nõukogu in Estonia, Padome in Latvia, Stebėtojų taryba in Lithuania), in two-tier structures, and to the Board of directors (Valdyba in Lithuania) in one-tier structures.
Board charter	An internal document, approved by the Board or the shareholders, that sets out the Board’s role, composition, working procedures, committees, decision-making and reporting rules.
Board committee	A smaller group of selected Board members, established to prepare, monitor and advise on specific areas of the Board’s responsibility, such as audit, remuneration or nomination. Committees prepare decisions; the final decision remains with the Board.
Board competence matrix	A practical tool used to assess and plan the Board’s composition by mapping the skills, experience, knowledge and attributes needed for effective governance and long-term company success.
Board diversity	A Board composed of members with different backgrounds, experiences, skills, perspectives and personal characteristics, enabling broader insight, better challenge and more effective decision-making.
Board dynamics	The way Board members interact, debate, challenge, listen and make decisions together, shaping the quality of the Board’s collective judgement and effectiveness.
Board evaluation	The regular assessment of the performance of the Board as a whole, its committees, the Chair and the individual members, carried out as a self-assessment or with an external facilitator and leading to an improvement action plan.
Board member	A person elected or appointed to the Board; the term used in this Handbook in preference to “director”. Board members may be executive, non-executive or independent.
Board member rotation	Regular and orderly renewal of Board members over time, usually through term limits, staggered appointments, re-election cycles or maximum tenure rules.

TERM	MEANING
Board member succession planning	Planning how future Board members will be identified, selected and appointed to ensure that the Board continues to have the right mix of skills, independence, diversity and experience.
Board secretary	The person or function that supports the Board in its work: organising meetings, preparing agendas and materials, taking minutes, keeping corporate records, advising on governance procedures and compliance, and acting as the link between the Board, management and the shareholders. Also called company secretary or chief governance officer.
Business judgement rule	A legal principle under which Board members are not liable for business decisions that turn out badly, provided that the decision was taken in good faith, on an informed basis, within the Board's authority, without a conflict of interest and in the interests of the company.
Chair of the Board	The Board member elected to lead the Board: planning its work, chairing its meetings, ensuring effective discussion and decision-making, and maintaining the relationship with the CEO and the shareholders.
Chief executive officer (CEO)	The head of the executive team, responsible to the Board for the day-to-day management of the company and the implementation of its strategy.
Code of conduct (code of ethics)	A document approved by the Board that sets out the values, principles and standards of behaviour expected of Board members, managers and employees.
Comply or explain	The principle underlying corporate governance codes: a company either follows each recommendation of the code or explains publicly why it does not.
Conflict of interest	A situation in which the personal, financial or other interests of a Board member, a manager or a person related to them could influence, or appear to influence, the judgement they exercise on behalf of the company.
Control environment	The foundation of a company's governance and internal control system, reflecting its culture, values, accountability, roles, policies and behaviours that guide how decisions are made, risks are managed and rules are followed.
Corporate governance	The system by which companies are directed and controlled: the relationships between the management, the Board, the shareholders and other stakeholders, and the structure through which the company's objectives are set and the means of attaining them and of monitoring performance are determined.
Corporate governance code	A set of recommendations on good governance practice issued by a stock exchange or another body, applied by listed companies on a "comply or explain" basis and used as a benchmark by other companies.
Directors' and officers' liability insurance (D&O insurance)	Insurance that protects Board members and managers against claims for personal liability arising from the performance of their duties, and the company against the related costs.
Executive Board member	A top executive of the company who also serves on the Board (in one-tier structures).
Executive team (management)	The Management Board or the executive managers employed by the company and responsible for running its day-to-day business, reporting to the Board or directly to the shareholders (Juhatus in Estonia, Valde in Latvia, Vadovybė in Lithuania).

TERM	MEANING
General meeting of shareholders	The supreme body of the company, through which the shareholders exercise their rights; it meets annually (see AGM) and, where needed, at extraordinary meetings.
Independent Board member (INED)	A non-executive Board member who, in accordance with the applicable regulatory requirements and the company's internal policies, meets the independence criteria and has been assessed as independent by the Board (see sub-chapter 4.4).
Internal audit	An independent and objective assurance and advisory function that evaluates the effectiveness of governance, risk management and internal control, reporting functionally to the Board or its audit committee.
Key performance indicator (KPI)	A measurable indicator used to monitor the achievement of the company's or the CEO's objectives.
Management Board	In two-tier structures, the executive body responsible for managing the company, supervised by the Supervisory Board (Juhatus in Estonia, Valde in Latvia, Valdyba in Lithuania where it performs a management function).
Non-executive Board member	A Board member who is not employed by the company and is not engaged in its management or day-to-day operations.
One-tier and two-tier structures	In a one-tier structure a single Board, composed of executive and non-executive members, directs and supervises the company; in a two-tier structure a Supervisory Board (Council) supervises a separate Management Board (see sub-chapter 2.2).
Related party transaction (RPT)	A transfer of resources, services or obligations between the company and a related party (a shareholder, a Board member, a manager, a close family member or an entity controlled by them), regardless of whether a price is charged.
Risk appetite	The amount and type of risk that the company is willing to take in pursuit of its objectives, as set by the Board.
Shareholders' letter of expectations	A document in which the shareholders, typically the state or a controlling owner, set out their expectations of the company and its Board regarding strategy, performance, governance and reporting.
Stakeholders	Individuals and groups with an interest in, or influence over, the company's activities: shareholders, employees, customers, suppliers, creditors, regulators, local communities and others.
State-owned enterprise (SOE)	A company in which the state or a municipality holds a controlling interest.
Supervisory Board (Council)	In two-tier structures, the body elected by the shareholders to supervise the Management Board and to decide the matters reserved to it; also called the Council.
Three Lines Model	A model describing the roles in risk management and control: management (first line), risk, compliance and other support functions (second line) and internal audit (third line), with the Board providing oversight.
Tone at the top	The example set by the Board and senior management through their own conduct, decisions and communication, which shapes the culture of the company.
Whistleblowing	The reporting by employees or other persons of breaches of law, misconduct or unethical behaviour through a confidential channel, with protection against retaliation under the EU Whistleblowing Directive.

ABBREVIATIONS

ABBREVIATION	MEANING
AGM	Annual general meeting
AI	Artificial intelligence
BICG	Baltic Institute of Corporate Governance
CEO	Chief executive officer
CFO	Chief financial officer
CG	Corporate governance
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSDDD	Corporate Sustainability Due Diligence Directive
CSRD	Corporate Sustainability Reporting Directive
D&O	Directors' and officers' (liability insurance)
DORA	Digital Operational Resilience Act
ESG	Environmental, social and governance
ESRS	European Sustainability Reporting Standards
EU	European Union
GDPR	General Data Protection Regulation
IIA	The Institute of Internal Auditors
INED	Independent non-executive Board member
ISO	International Organization for Standardization
KPI	Key performance indicator
M&A	Mergers and acquisitions
NIS2	Directive on measures for a high common level of cybersecurity
OECD	Organisation for Economic Co-operation and Development
R&D	Research and development
RPT	Related party transaction
SOE	State-owned enterprise
SRD II	Shareholder Rights Directive II