

CHAPTER

9

FINAL REMARKS: FROM GOVERNANCE RULES TO GOOD GOVERNANCE PRACTICE

Why good governance is ultimately a matter of practice rather than rules, and how to make this Handbook part of the Board's everyday work.

Good corporate governance is a continuous journey towards the long-lasting success of a company. It is not a formal structure, a set of documents or a compliance exercise but **a way in which power, responsibility and accountability are organised within the company**. Its value becomes visible when important decisions are made: when strategy is challenged, risks managed, management held accountable, shareholders treated fairly, conflicts of interest handled appropriately, and the company's long-term interests protected as well as possible.

For Baltic businesses, corporate governance should be understood as **a practical tool for building stronger, more resilient and more trusted companies**. While there are different types of companies - listed, private, family businesses, state-owned and municipal enterprises, start-ups, financial institutions and company groups – and while their governance models will not and should not be identical, the core principles remain the same for everyone: clear separation of roles, competent and independent oversight, integrity, transparency, accountability and a focus on sustainable long-term value creation.

A decisive role in this process belongs to the Boards. A good Board does not manage the company on a daily basis, but it ensures that the company is properly directed and controlled. It sets the tone from the top, challenges and approves strategy, oversees performance, appoints and evaluates management, protects the integrity of reporting and controls, ensuring that both significant risks and opportunities are properly addressed. The effectiveness of governance therefore depends not only on the existence of a Board, but on the quality of its work: preparation, judgement, constructive challenge, independence of mind, ethical conduct and the ability to act in the best interests of the company.

The next stage of governance development in the Baltic region should **move beyond formal compliance**. Many companies already have the basic governance structures. The real question is whether these structures work in practice. Are Board agendas focused on the most important issues? Are Board materials concise, timely and decision-oriented? Are risks discussed before they become crises? Is the management properly supported and challenged? Are conflicts of interest addressed transparently? Are shareholders engaged fairly? Does the Board evaluate its own performance and improve its work?

Corporate governance should also evolve as the company evolves. A small private company may begin with simpler but still disciplined governance practices. A family business may need clearer succession and ownership rules. A listed

company requires stronger disclosure, investor engagement and Board independence. An SOE or municipal company must combine professional commercial oversight with public accountability. A group company must ensure that group policies do not weaken the duties and judgement of subsidiary Boards. Proportionality is therefore essential, but **proportionality should never be used as an excuse for weak governance**.

Ultimately, **good governance is about trust**: trust between shareholders and the Board, between the Board and management, between the company and its employees, investors, creditors, regulators, customers and society. Trust cannot be created by formal rules alone. It is built through consistent behaviour, transparent decisions, responsible leadership and a commitment to the long-term success of the company.

This Handbook should therefore be used not only as a reference document, but as **a practical guide for continuous improvement.** Each company should periodically ask whether its governance framework is still fit for purpose, whether the Board is adding real value (and, if not, then why), and whether the company is prepared for the future. Good governance is never finished. It is a continuous journey of strengthening accountability, improving decisions and building companies that deserve confidence. Only then will the companies in the Baltics and elsewhere achieve log-term success.