

CHAPTER

5.6

SHAREHOLDERS, STAKEHOLDERS AND ACCOUNTABILITY

How the Board protects shareholder rights, builds relationships with stakeholders and accounts for its decisions through disclosure and communication.

IN THIS SECTION

5.6.1	Rights and equitable treatment of shareholders	177
5.6.2	Stakeholder relationship governance	180
5.6.3	Board accountability, disclosure and communication	185

5.6.1

RIGHTS AND EQUITABLE TREATMENT OF SHAREHOLDERS

The **protection** of shareholder rights and the **equitable treatment** of shareholders are **core elements of a sound corporate governance framework**. They are especially important in the Baltic states, where companies may have concentrated ownership structures, controlling shareholders, family owners, state or municipal owners, and, in listed companies, minority investors. Good governance requires that all shareholders are treated fairly, that their rights are respected in practice, and that control is exercised responsibly.

Shareholders **should have secure and effective rights** to participate in fundamental corporate decisions. These include the right to vote at general meetings, elect and remove Board members, approve major changes to the company's statutes or share capital, receive dividends when declared, and obtain relevant information on the company. Shareholders should also have the right to receive timely notice of general meetings, review meeting materials in advance, ask questions, submit proposals where permitted by law, and vote in person, by proxy or through electronic means where available. These rights should not exist only formally; companies should organise shareholder engagement in a way that enables informed and meaningful participation.

Equitable treatment means that shareholders of the same class should be treated equally. Minority shareholders should be protected from abusive actions by controlling shareholders, management or the Board. This is particularly relevant in companies with a dominant shareholder, family-controlled companies, state-owned enterprises, municipal companies and group structures. Transactions with related parties, changes in control, share issuances, dividend decisions, asset transfers and intra-group arrangements should be handled transparently and on fair terms. The Board should ensure that such matters are properly reviewed, conflicts of interest are managed, and decisions are taken in the interests of the company as a whole.

The Board has a **central responsibility** in protecting the integrity of shareholder governance. Board members should not see themselves as representatives of the shareholder who nominated them, but as fiduciaries of the company. Once elected, they must exercise independent judgement, act with due care and loyalty, and consider the long-term interests of the company. This is particularly important where Board members are nominated by controlling shareholders, the state, a

municipality, private equity investors or family owners. The Board should create conditions for constructive shareholder dialogue, while preserving the clear division between ownership, Board oversight and executive management.

Transparent communication is essential for shareholder confidence. Listed companies should provide accurate, timely and balanced disclosure to the market, ensuring that all investors receive material information at the same time. Private companies should also establish appropriate information flows between the company, the Board and shareholders, especially where not all shareholders are involved in management. In family businesses and closely held companies, clear reporting practices can reduce mistrust and prevent conflicts. In state-owned and municipal companies, transparency supports public accountability and helps protect the company from political or informal influence.

Shareholder engagement should be encouraged, but it should be structured and responsible: **shareholders should not bypass the Board** by giving informal instructions to management or individual Board members. The company should have clear procedures for shareholder communication, including how shareholder proposals, questions and concerns are addressed.

Equitable shareholder treatment also requires effective management of conflicts of interest. Board members, executives and controlling shareholders should disclose personal, financial or related-party interests that may affect their judgement. The company should have **clear procedures** for approving related-party transactions, including review by independent Board members or a relevant Board committee where appropriate. Material related-party transactions should be disclosed in accordance with law and good practice.

In practice, good shareholder governance depends not only on legal rights, but also on culture. **Owners should exercise their rights responsibly**; Boards should **protect the interests of the company** as a whole; and management should operate within clear authority delegated by the Board. The objective is not to weaken ownership influence, but to ensure that ownership is exercised transparently, fairly and in a manner that supports sustainable success, investor confidence and long-term value creation.

KEY TAKEAWAYS

A. The protection of shareholder rights and the equitable treatment of shareholders are core elements of governance, and especially important in the Baltic states, where ownership is often concentrated in controlling, family, state or municipal hands alongside minority investors.

B. Shareholders should have effective rights to participate in fundamental decisions: to be notified of and vote at general meetings, elect and remove Board members, approve changes to the statutes and capital, receive dividends and obtain information, in person, by proxy or electronically.

C. Shareholders of the same class are treated equally, and minority shareholders are protected from abuse in related party transactions, changes of control, share issues, dividends, asset transfers and intra-group arrangements.

D. Board members are fiduciaries of the company, not representatives of the shareholder who nominated them; they exercise independent judgement and act in the long-term interests of the company as a whole.

E. Transparent communication, structured shareholder engagement that does not bypass the Board, and the management of conflicts of interest sustain shareholder confidence; ultimately, good shareholder governance depends on culture as much as on legal rights.

QUESTIONS FOR THE BOARD

1. *Are our shareholders, including minority shareholders, able to exercise their rights effectively: timely notice, access to materials, questions, proposals and voting by proxy or electronic means?*
2. *How does the Board ensure that related party transactions, capital changes, dividends and intra-group arrangements are reviewed independently and concluded on fair terms?*
3. *Do Board members nominated by a controlling shareholder, the state or a municipality act as fiduciaries of the company, and how would the Board respond to informal instructions from an owner?*
4. *Do all shareholders receive material information at the same time, and do we have clear procedures for handling shareholder questions, proposals and concerns?*
5. *How does the Board maintain a constructive dialogue with the owners while preserving the division between ownership, Board oversight and executive management?*

5.6.2

STAKEHOLDER RELATIONSHIP GOVERNANCE

Stakeholders are individuals, groups or organisations that have a stake in the company, through interest, influence or both, each with their own needs and expectations. They range from shareholders, employees and Board members to lenders, customers, suppliers, government and local communities.

According to the G20/OECD Principles of Corporate Governance, "The corporate governance framework should consider the rights, roles and interests of stakeholders and encourage active co-operation between companies, shareholders and stakeholders in creating value, quality jobs, and sustainable and resilient companies."[24]

There are many benefits to building and maintaining positive stakeholder relationships, including:

- lower operational and project risk;
- a stronger reputation;
- buy-in for the company's plans;
- compliance with regulatory requirements;
- competitive advantage.

Identification of stakeholders

The first step is to identify the key stakeholders: to determine the stakeholder groups and understand their needs and the roles they play. Some simply need to be kept informed, while others directly influence the company's operations or the outcome of particular projects.

Mapping the stakeholders

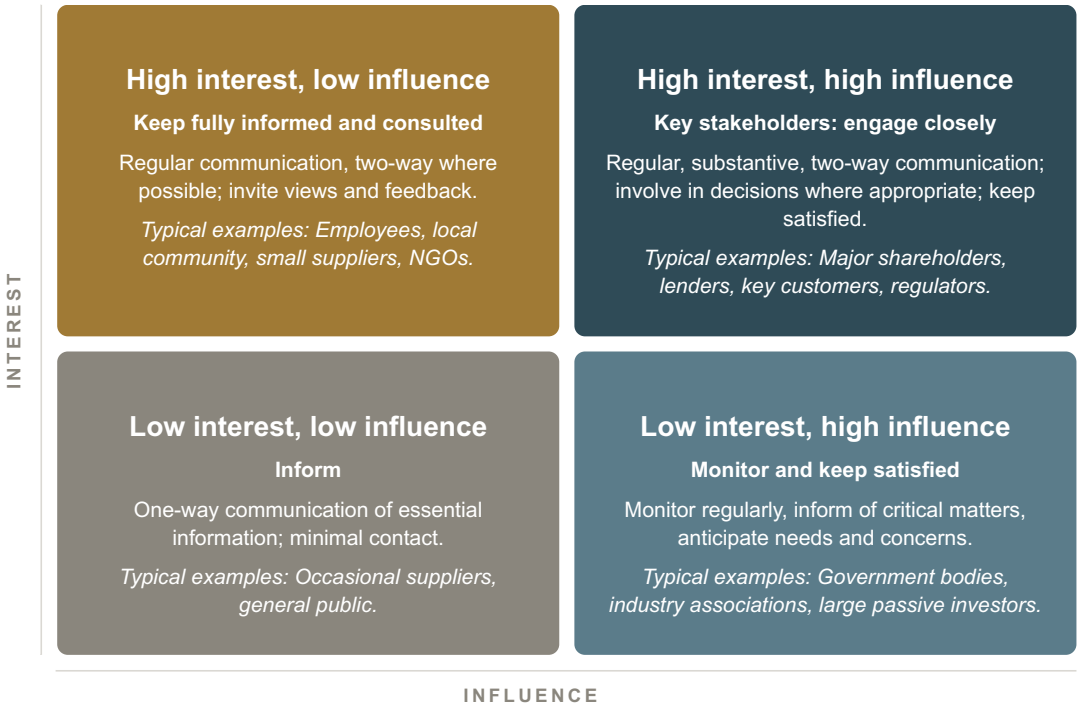
By mapping its stakeholder groups, the company can develop a plan to engage with each group in the way that works best for it. This makes the best use of resources: groups that need less attention are not over-communicated with, while the groups with high interest and high influence are engaged in greater depth.

When mapping stakeholders, place them in one of the four categories shown in the figure below.

24 OECD (2023), G20/OECD Principles of Corporate Governance, OECD Publishing, Paris, Chapter IV, The role of stakeholders in corporate governance.

Figure 5.7 **Stakeholder mapping by interest and influence**

Figure 5.7 **Stakeholder mapping by interest and influence**



Stakeholder mapping places each stakeholder group according to its interest in the company and its influence over it, so that the company can engage with each group in the way that suits it and make the best use of its resources. The key stakeholders, with high interest and high influence, are engaged closely and may be involved in decisions; highly interested groups with less influence are kept fully informed and consulted; influential groups with little day-to-day interest are monitored and their needs anticipated; and groups with low interest and low influence receive essential information only. The map should be reviewed regularly, since interest and influence change with circumstances.

It is very important to share information with stakeholders clearly and in good time, using the channels each stakeholder group prefers. Trust is established and maintained by being transparent about the status and plans of the company's activities and projects. Good communication is essential to share the company's vision with its stakeholder groups: provide the big picture, with timelines and key milestones where needed.

Another part of communication with stakeholders is active listening, one of the most important stakeholder communication skills. Listen to their feedback and make sure that their perspectives, suggestions and concerns are understood. It is good practice to convene stakeholder forums and invite key stakeholder representatives. Stakeholders who feel heard are far more likely to trust the company.

To embed stakeholder engagement in the company's operations, the Board should:

1. define stakeholder engagement as a core value;
2. identify, discuss and prioritise the key risks associated with changing societal expectations;
3. determine the Board's financial and non-financial information needs for decision-making, management oversight and the monitoring of key stakeholder relationships;
4. discuss and approve key performance indicators for social, environmental and financial performance;
5. approve a policy for external reporting;
6. integrate stakeholder issues into the annual general meeting of shareholders;
7. discuss the risks and impacts of projects and operations and provide transparent disclosure to shareholders and other key stakeholder groups;
8. convene stakeholder forums and invite key stakeholder representatives to address Board meetings;
9. consider establishing a stakeholder relations committee.

Balancing the interests of the stakeholder groups

Different stakeholder groups may have different and sometimes opposing interests. For instance, employees want higher pay while customers want lower prices, and one part of a community wants well-paid jobs while another does not want a factory built nearby.

The Board should consider the interests of the relevant stakeholder groups and find the most suitable way to balance them, taking into account the interests and long-term goals of the company.

Addressing conflicting interests requires careful consideration, compromise and effective communication by the Board, to find solutions that balance the needs of stakeholders while maintaining the sustainable development of the company and observing ethical standards. The key activities and considerations are:

1. Stakeholder identification. The Board should ensure that the company identifies its stakeholder groups and their interests (see stakeholder mapping above).
2. Stakeholder communication. The Board should ensure that the company establishes clear and consistent communication channels and delivers relevant and timely information about its activities and plans and their impact. The company should also actively seek stakeholders' feedback: communication should flow in both directions.

3. Balancing interests. Not all stakeholder groups have the same interests, so compromises are needed. The company should balance the different interests and seek solutions that benefit all sides, cooperating with key stakeholders and involving them in decision-making where appropriate. Engaging them builds a sense of mutual benefit and loyalty. The costs, benefits and risks of each alternative should be considered, together with the short- and long-term implications for the company and its stakeholders. Such an approach benefits the company's competitiveness and image.
4. Monitoring and assessment. It is important to monitor and regularly assess the results of business decisions against the interests and opinions of the stakeholder groups, for example by evaluating stakeholders' reactions and satisfaction. In this way the Board and the company understand the real consequences of their decisions and can make the necessary adjustments and improve their decision-making.

KEY TAKEAWAYS

A. Stakeholders are all those with a stake in the company through interest, influence or both; the G20/OECD Principles call for their rights, roles and interests to be recognised and for active cooperation in creating value.

B. Good stakeholder relationships lower risk, strengthen reputation, secure buy-in, support compliance and create competitive advantage.

C. Stakeholders are identified and mapped by interest and influence; the key stakeholders, with high interest and high influence, receive regular, substantive, two-way communication, while other groups are informed or monitored proportionately.

D. Communication with stakeholders is clear, timely and delivered through the channels each group prefers, and it includes active listening, for example through stakeholder forums.

E. The Board embeds stakeholder engagement in the company's operations, sets KPIs for social, environmental and financial performance, approves the external reporting policy and, where interests conflict, balances them in the long-term interest of the company and monitors the results.

QUESTIONS FOR THE BOARD

1. *Who are our key stakeholders, when did we last map them by interest and influence, and does the map reflect changes in our business and environment?*
2. *Does each key stakeholder group receive the communication it needs, through the channels it prefers, and how do we listen to what they tell us?*
3. *Which stakeholder interests conflict with each other or with the company's plans, and how has the Board balanced them in recent decisions?*
4. *Has the Board approved KPIs for social, environmental and financial performance and a policy for external reporting, and does it review them?*
5. *Do we monitor stakeholders' reactions to our decisions and adjust where necessary, and would the Board know if a key relationship were deteriorating?*

5.6.3

BOARD ACCOUNTABILITY, DISCLOSURE AND COMMUNICATION

The G20/OECD Principles of Corporate Governance state that "The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, sustainability, ownership, and governance of the company."[25]

Timely and proper accountability strengthens the company's transparency, which improves its relationships with stakeholders and increases trust.

The Board is responsible for overseeing the company's performance, ensuring effective control of operations and being accountable to shareholders and other stakeholders for the company's activities, disclosing a true, timely and understandable picture of the company's position and prospects.

The annual report is the primary document for which the Board is accountable; it is described in the section "Disclosure and communication" below.

To give the Board, shareholders and other stakeholders external and objective assurance that the financial statements present fairly, in all material respects, the financial position and performance of the company, the financial statements must be audited by an independent, competent and qualified auditor in accordance with high-quality international auditing standards (see sub-chapter 5.2.6).

The G20/OECD Principles of Corporate Governance stipulate that the following information should be disclosed:[26]

1. The financial and operating results of the company
2. Company objectives and non-financial sustainability information
3. Capital structures, group structures and their control arrangements
4. Major share ownership, including beneficial owners, and voting rights
5. Remuneration of members of the Board and key executives
6. Information about Board members, including their qualifications, the selection process, their composition, other company directorships and whether they are regarded as independent by the Board
7. Related party transactions

25 OECD (2023), G20/OECD Principles of Corporate Governance, Chapter V, Disclosure and transparency.
26 OECD (2023), G20/OECD Principles of Corporate Governance, Principle V.A.

8. Foreseeable risk factors
9. Governance structures and policies, including the extent of compliance with the applicable corporate governance code and how it is implemented
10. Debt contracts, including the risk of non-compliance with covenants

To improve the quality of corporate disclosures, companies should move away from generic, declaratory statements in favour of **concise, company-specific reporting** that explicitly links initiatives to the company's purpose, strategy and values. This is best achieved by highlighting **measurable outcomes and impacts** rather than merely describing policies, while ensuring that all reporting on stakeholder engagement demonstrates how external views have directly influenced Board decisions. Furthermore, disclosures must provide transparency into **governance practices**, specifically detailing how the Board reviews the effectiveness of risk management systems and how executive remuneration is aligned with long-term cultural and strategic goals.

As the risk profile of the business changes constantly, accountability needs to be ingrained in the culture of the company and subject to regular review. A strong sense of accountability and the application of best practice help to safeguard the reputation of the company and of its Board members. Stakeholders scrutinise companies and their Boards ever more closely, and accountability procedures should be an important part of the Board's duties.

All relevant regulations and EU directives, in particular the Corporate Sustainability Reporting Directive (CSRD) and the accounting and transparency rules, should be taken into account when setting up the framework for the company's disclosures and reporting.[27]

The Board must ensure that all material information is disclosed in a timely manner and through the channels most suitable for the company's stakeholders.

Disclosure and communication

The significance of a company's disclosure and communication cannot be overstated: transparency fosters trust and is a crucial component of sound business practice.

Each stakeholder group has distinct interests in the company. For instance:

– shareholders and investors are interested in the company's performance, prospects, governance practices and Board composition;

27 Directive (EU) 2022/2464 on corporate sustainability reporting (CSRD); its scope and timetable were amended by the EU "Omnibus" simplification package adopted in 2025–2026.

- regulators and authorities are concerned with the company's compliance with laws and regulations;
- customers focus on the safety and sustainability of products and on warranties;
- employees are interested in the company's performance, remuneration practices and workplace safety.

Further details on stakeholder groups and their interests can be found in sub-chapter 5.6.2.

The Board should ensure that the **communication strategy** is grounded in stakeholder mapping and prioritisation. In this way the Board helps the company to build robust relationships with its stakeholders, manage risks more effectively and achieve its objectives, with better outcomes for all parties.

The Board should formulate and approve a **disclosure and communication policy** that sets out how the company communicates and discloses information and how the Board oversees this. All other internal documents on the subject should be developed on the basis of this policy and approved by the CEO. The information disseminated by the company should be timely, accurate and relevant.

The primary sources of disclosure and communication are the following.

The **company's annual** report is a fundamental document of its accountability, and the Board should be actively involved in its preparation. A well-crafted annual report should be comprehensible to a broad audience, not only to experts. Besides information about the company's past performance and current position, it should include the latest developments and a view of the future. The annual report should contain the following key sections:

- letters from the Chair of the Board and the CEO;
- the company's purpose, vision, mission and values;
- brief highlights of the strategy (the full strategy document should remain confidential);
- the major risks that could prevent the company from achieving its objectives, how they are managed and how risk management is organised;
- analysis of external factors and trends and of the internal situation of the company;
- a description of the company's operations, its business model and how value is created;
- the governance of the company, including the Board and its committees, their performance and remuneration, governance practices and policies and performance against them;

– the company's financial and non-financial (including sustainability) performance against the targets set.

The Board should lead the preparation of the annual report, with management preparing the information. It is good practice to divide the preparation into steps:

1. discussion and agreement of the topics (the table of contents);
2. preparation by management, and review by the Board, of the first draft of the non-financial part;
3. final review of the full document, including the financial information;
4. endorsement of the annual report and its submission for approval by the general meeting of shareholders. The annual report should be communicated both internally and externally and be accessible on the company's website.

In recent decades companies have adopted a broader form of accountability, integrated **reporting**: a process that results in communication by the company, most visibly a periodic integrated report, about how it creates value over time. The Integrated Reporting Framework is now maintained by the IFRS Foundation.[28]

The Board should be aware of recent and forthcoming **EU rules** on corporate reporting, in particular the CSRD, the European Sustainability Reporting Standards (ESRS) and the Corporate Sustainability Due Diligence Directive (CSDDD), and ensure that the company complies with them.

The **company's website** is another vital, easily accessible and widely used source of information. It should be user-friendly, allowing easy navigation and access to up-to-date and relevant information, and offer interactive communication.

The website should contain comprehensive information about the major owners, the Board, management and the internal auditor. All relevant documents, such as the articles of association, the charters of the Board and its committees, policies, codes and annual reports, should be readily accessible.

If the company operates beyond its country of registration, it should provide information in other languages, ensuring that the scope of information is consistent across all languages. A whistleblowing section (see sub-chapter 5.3.3) should be prominently placed on the home page for easy access. Given the risk of hacking, robust security measures and regular back-ups of the website are essential.

To ensure effective corporate communication, the Board must take a proactive approach to overseeing communication practices, processes and monitoring mechanisms. This helps to safeguard and enhance the company's reputation, foster

28 IFRS Foundation, Integrated Reporting Framework (2021), available at www.integratedreporting.ifrs.org.

stakeholder trust and promote the company's success. To this end, the Board should:

1. approve a comprehensive communication strategy;
2. formulate and approve a disclosure and communication policy;
3. ensure that a dedicated person, such as a communication manager, is responsible for corporate communication;
4. regularly assess the CEO's communication;
5. regularly review and approve key communication materials, such as the financial statements and the annual report;
6. ensure that a crisis communication plan is in place, regularly reviewed and updated and supported by training (see sub-chapter 5.2.4);
7. ensure effective internal communication.

The primary communicator should be the CEO, with the Chair or other Board members stepping in only when the CEO is unable to communicate, for instance because of misconduct or absence.

The Board must remember that it is the ultimate guardian of the company's reputation.

Reputation management

In creating and maintaining reputation, the Board's role is to ensure that all the factors contributing to the company's reputation are coordinated, including the reward and incentive systems. If these systems reward individual action, communication about teamwork will be ineffective, since people behave in line with how they are measured rather than with what they are told.

With **social networks**, customer service has become part of public communication, since customers often express their dissatisfaction on these platforms. The Board must therefore ensure that customer service systems and standards are aligned with the communication strategy and that practical solutions are implemented when issues become public.

KEY TAKEAWAYS

A. The Board is accountable to shareholders and other stakeholders for the company's activities and must ensure timely, accurate and understandable disclosure of all material matters, as the G20/OECD Principles require.

B. The annual report is the primary document of accountability: the Board decides its structure, reviews the non-financial part, endorses the final report for approval by the general meeting and ensures its publication; the financial statements are audited by an independent auditor.

C. Disclosure should be concise and company-specific, linking initiatives to purpose, strategy and values, showing measurable outcomes and explaining how stakeholder views have influenced Board decisions, in compliance with EU reporting rules such as the CSRD and ESRS.

D. The Board approves a disclosure and communication policy and a communication strategy grounded in stakeholder mapping, ensures a dedicated communication function, reviews key materials, and keeps a crisis communication plan ready; the CEO is the primary communicator.

E. The company's website is a vital source of information, with up-to-date documents, information in the relevant languages, a prominent whistleblowing section and robust security; the Board is the ultimate guardian of the company's reputation, including in customer service and social media.

QUESTIONS FOR THE BOARD

1. *Does the Board decide the structure of the annual report, review the non-financial part and endorse the final document before it goes to the general meeting?*
2. *Is our disclosure company-specific and outcome-focused rather than generic, and does it show how stakeholder views have influenced the Board's decisions?*
3. *Do we comply with the reporting requirements that apply to us, including the CSRD and ESRS where in scope, and who verifies this?*
4. *Has the Board approved a disclosure and communication policy and a communication strategy, and who is responsible for corporate communication?*
5. *Is the company's website current, complete and secure, with the key governance documents and a whistleblowing channel easily found?*
6. *Is a crisis communication plan in place and tested, and does the Board know when it would be expected to step in for the CEO as communicator?*