

# Corporate Governance Guidance for Unlisted Companies Launched by the Baltic Institute of Corporate Governance

As unlisted companies make a major contribution to Baltic economic growth and employment, today the Baltic Institute of Corporate Governance (BICG) has launched the first ever Corporate Governance Guidance and Principles for Unlisted Companies in the Baltics. Good corporate governance is highly important for unlisted companies. And it is not concerned just with the relations between a company's board of directors and shareholders, but it is also about establishing processes and attitudes that adds value to the business, help build reputation and ensure its long-term continuity and success.

The Guidance was developed based on Corporate Governance Guidance and Principles for Unlisted Companies in Europe prepared by European Confederation of Directors' Associations (ecoDa).

The specific corporate governance needs of unlisted companies have, to date, been relatively neglected by governance experts as well as by policy-makers. In particular, the Lithuanian, Latvian and Estonian Corporate Governance Codes are primarily aimed at listed rather than unlisted enterprises. The aim of Corporate Governance Guidance and Principles for Unlisted Companies in the Baltics is to fill the void.

"Last year we published a Baltic guidance for State owned enterprises, this year we follow up with a guidance for unlisted companies. This sector comprises up 70% of our economy and improving corporate governance in this area will have a positive impact on the economy and growth in employment. ", - Kristian Kaas Mortensen, President, Baltic Institute of Corporate Governance says.

Fourteen principles of good governance are presented on the basis of a dynamic phased approach, which takes into account the degree of openness, size, complexity and level of maturity of individual enterprises. A dynamic approach towards governance is essential, since governance frameworks must evolve over the life cycle of a business.

The principles provide a governance roadmap for family owners or founder-entrepreneurs as they plan the development of their companies over the corporate life cycle. These principles may be relevant for subsidiary companies and joint ventures as well. Even state-owned companies or social enterprise organizations can be inspired by the best practices laid down here.

"As investors, we see good corporate governance as well as environmentally and socially responsible behavior as essential in managing any company with the aim of maximizing long-term shareholder value. In our investment region, improving corporate governance is an important and obvious first step for companies in their efforts to attract investors. Companies which are managed along clear and credible principles that align shareholder interests; with an independent board and transparent financial reporting are clearly better positioned to enhance investor confidence and thereby increase investor interest. This publication is an excellent guide to unlisted companies in the Baltics wanting to implement a governance framework based on international best practice", - Louise Hedberg, Head of Corporate Governance, East Capital AB says.

To see the full Corporate Governance Guidance and Principles for Unlisted Companies in the Baltics go to:  
[www.corporategovernance.lt](http://www.corporategovernance.lt)



## Notes to editors

The case for better corporate governance in unlisted companies:

- Many unlisted enterprises are owned and controlled by single individuals or families. Good corporate governance in this context is not primarily concerned with the relationship between boards and external shareholders (as in listed companies). Nor is it mainly about compliance with formal rules and regulations. Rather, it is about establishing a framework of company processes and attitudes that add value to the business, help build its reputation and ensure its long-term continuity and success.
- Good corporate governance is particularly important to the shareholders of unlisted companies. In most cases, such shareholders have limited ability to sell their ownership stakes, and are therefore committed to staying with the company for the medium to long term. This increases their dependence on good governance.
- Good governance can also play a crucial role in gaining the respect of key external stakeholders. In an environment of mounting societal scrutiny towards the business world, even unlisted companies have to devote attention to their stakeholder responsibilities. Corporate reputation will benefit from a gradually increasing transparency and accountability.
- An effective governance framework defines roles, responsibilities and an agreed distribution of power amongst shareholders, the board, management and other stakeholders. Especially in smaller companies, it is important to recognize that the company is not an extension of the personal property of the owner.

## About the Baltic Institute of Corporate Governance:

The Baltic Institute of Corporate Governance (BICG) is a not-for-profit, non-governmental association with strong involvement from Baltic business and political leaders.

The BICG is leading the way in Baltic corporate governance by helping to create better governed public and private companies.

The BICG as an association is governed by its members. The relationship between the Association's members, the Board, the Council, management and other stakeholders is regulated in the bylaws of the Association.

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