

Address by the President of Latvia, Egils Levits, at the forum 'Good governance: towards social prosperity and economic competitiveness of Latvia'

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[Egils Levits](#)



Ladies and gentlemen,

Last weekend Latvia approved the national Corporate Governance Code. It is a guide to good conduct for every entrepreneur who wants to build a business that meets corporate governance standards such as fairness, accountability and transparency. Code is based on standards that reflect best corporate governance practices from around the world. All private and state-owned businesses should follow these standards.

Good governance is a priority that Latvia chose when it decided to join the OECD. OECD has developed specific guidelines on how businesses should be managed. This primarily applies to public companies that are state or municipally owned, and the same standards can, of course, also be followed by private sector, as well.

Accession to OECD helped Latvia ensure that good governance practices are reinforced at the level of state-owned enterprises (SOEs). We have open SOE managing and executive board selection procedures for already six years now. SOEs have independent managing boards, capable of taking decisions that benefit the company and all stakeholders. Companies work with operational strategies, report on their performance and keep general public up to date on what they do. It is a radical change compared to what we used to see 10 years ago.

After numerous scandals Saeima did review the Law on Governance of Capital Shares of a Public Person. Local governments are now required to meet the common requirements at their companies since early 2020. It is a way to reduce undue political influence. Shareholder decisions at municipal companies are taken by executive directors and not municipal politicians.

Administration of Riga City has made the most notable progress in terms of good governance. When the new OECD practice-based rules were adopted a little more than a year ago, Riga companies began gradual transition to the new governance culture.

Good corporate governance is also essential for publicly traded companies looking for investors and often working with diverse range of shareholders. Good governance helps company attract investors, creates more interest about company as an investment opportunity among financiers. Good governance is an important economic driver at the business level and for the national economy.

Our control bodies like Financial and Capital market Commission (FCMC) are paying close focus on sustainability in everyday operations, especially good corporate governance procedures.

Starting from the next year, publicly traded companies will mostly base their corporate governance reports on standards detailed in the new Corporate Governance Code.

If we look at the sectoral trends, we can see that capital markets have the fastest-growing sustainability rates, and capital market players are spearheading the application and reporting in this area. Non-financial reports, corporate governance and other overviews are issued routinely. Sustainability is equally important for other entities as well. By that I mean state and municipal enterprises that should set the example for private sector.

Corporate governance is intuitive and requires firm decisions. It is not enough to put the corporate governance values on paper. Good governance is something you practice every day.

The positive effect of corporate governance becomes especially apparent during unexpected situations and cases when next generation of managers comes in or company tries to raise additional funding. Corporate Governance Code is perfect for all types of companies. Shareholder structure or industry does not play major role in its application.

Corporate governance is key to company's chances of becoming truly sustainable. It is an essential element that both public and private companies should focus on. And we can make specific rules and regulations that oblige state and municipal enterprises to observe these standards.

Latvia needs sustainable businesses and corporate governance is a tool for facilitating that. Every company that follows corporate governance standards will become a part and reflection of our national success and growth story.

Thank you to everyone who helped create the national Corporate Governance Code!

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