



BALTIC INSTITUTE
OF CORPORATE
GOVERNANCE

ANNUAL REPORT 2012



WORDS TO ACTION:
THE BALTIC GOVERNANCE CHALLENGE

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“The Baltic Institute of Corporate Governance is a reliable partner in implementing good management practices in all Lithuania. The results that you achieved in reforming State-Owned Enterprises are impressive, and provide strong value to the State”
President Dalia Grybauskaite

A photograph of a man in a dark pinstripe suit and light blue shirt, smiling broadly. He is standing in front of a large window that looks out onto a cityscape. In the foreground, the backs of two people are visible; they are seated and clapping their hands. To the left, there is a whiteboard with some faint lines drawn on it. The room has a modern, bright interior with a curved ceiling.

BICG delivers value to its stakeholders by promoting global competitiveness of Baltic companies through adoption of leading Corporate Governance practices.

Message from the Board & Council

Dear Stakeholders

The mission of BICG is to deliver value to its stakeholders by promoting global competitiveness of Baltic companies through adoption of leading corporate governance practices. In 2012 we have continued to fulfill our mission.

State Owned Enterprises (SOEs) were again one of our focus areas in 2012.

SOEs are fundamentally important to the Baltic economy. They provide crucial services to industry and the public. When things go well, they can provide a solid base for economic and social development, contribute significantly to state budgets, and be an important tool to achieve government policies.

When things go wrong, they can become a crushing financial and political burden. The public interest in the performance of SOE is thus often acute. From the state's perspective, maximizing SOE performance is a goal of overriding importance.

In order to provide a tool for better SOE Governance and create more transparency in the sector BICG published a report "Governance of State-owned Enterprises in the Baltic States" in 2012. This report represents one of the most ambitious attempts to look at SOE governance in the Baltic region.

The report was distributed to the Baltic Presidents, Prime Ministers, relevant Ministers and SOEs as well as key stakeholders in the region and beyond. We are planning to publish alike report in 2014 where we will focus on a larger number of SOEs, and measure development in the sector over time.

This report and our other activities have been developed with much help and support, therefore our appreciation goes to the Corporate Governance Council as well as Board and President for another year of positive results.

Equally important are the members and stakeholders of BICG, we could not exist without this dedicated support of our ideas and goals.

March 14, 2013



Daiga Auzina-Melalksne
Chairman BICG Board



Ian Plenderleith
Chairman BICG Corporate Governance Council

A close-up photograph of a person's hands holding a newspaper. The person is wearing a dark blue suit jacket over a light blue shirt. A silver watch is visible on their left wrist. The newspaper is held open, showing multiple columns of text. The background is bright and out of focus.

We have in a short time attracted attention to the need for improvements in transparency and accountability, something that was clearly highlighted when US Secretary of State Hillary Clinton made a video address at our Annual General Meeting in 2011

Message from the President

Dear Members,

As an NGO operating across the Baltic states we strive to be transparent in our activities and accountable to our members and stakeholders for the change and results we deliver.

In 2012 our annual general meeting and conference was one of the highlights, we were truly honored when H.E. Dalia Grybauskaitė, President of the Republic of Lithuania addressed our members in a video greeting at this event. The Presidents statement was joined by international speakers and regional politicians.

During the year BICG arranged delegations to Copenhagen and Singapore that offered our members an opportunity to get inspired and learn from International speakers and Governance experts.

One of the experienced leaders the delegates had an opportunity to listen to in Copenhagen was former UK Prime Minister Gordon Brown who spoke about Global Interdependence.

In Singapore we had an opportunity to visit the Parliament, Singapore Exchange, Singapore Port, Google and many more companies. We also listened to an impressive presentation from TEMASEK, the investment company overseeing a portfolio valued at more than 198 Billion S\$.

The hardest but also the most rewarding undertaking was the publication of the report "Governance of State-owned Enterprises in the Baltic States". This report was inspiring to create and hopefully valuable to read.

In 2013 we are looking forward to a year of change and improvement, with a continued effort into education, policy setting and cooperation with other NGOs. One of our new initiatives will be a survey looking at executive management changes in SOEs over 20 years.

Our organization continues to receive support and interest from not only our corporate and individual members, but as well from stakeholders such as Embassies, local Government and regional stakeholders.

We appreciate the support from all of you, and hope we can continue to deliver on our promises.

I wish you the best in the year ahead.

March 14, 2013

Kristian Kaas Mortensen
President



Words to Action: The Baltic Governance Challenge

The core idea of the Baltic Governance Challenge is fairly straightforward: the words need to become actions. This is true in both SOEs and in the private sector.

In BICG we have done our best to stimulate sharing of knowledge and best practices with shareholders, management and stakeholders. Now it is time to make this understanding become change that can generate positive and tangible results.

Below we present some illustrations of BICG activities in 2012:

- BICG launched “Governance of State-owned Enterprises in the Baltic States” to further shed light on SOEs. To the best of our knowledge it is the most sophisticated attempt ever to rank the governance practices of SOEs, and the only one to compare SOEs internationally. In addition, the publication provides a highly comprehensive analysis. It looks at four interlinked aspects of SOE governance: public perceptions; individual SOE rankings; an examination of board structures; and an analysis of the legal and institutional frameworks. At the same time, the publication is designed to be compact and easy to read. This report received extensive media coverage and was mentioned in the Baltic Development Forums „State of the Region Report 2012” and was as well mentioned in the IMF country report for Latvia in January 2013.
- The participants in the roundtable discussion at the Swedish Embassy residence in Vilnius on the sixth of February 2012 represented major Lithuanian media companies, journalists, editors and government institutions. In cooperation with Baltic Institute of Corporate Governance, Ambassador Ruthström-Ruin invited Mr. Leif Beck Fallesen, a well known Danish media profile to chair a discussion under the title “The role of Independent media in Lithuania today”.

- “Play to win” was the theme of a BICG summer event where our members had the pleasure to discuss with two international speakers, namely Mr. Bob Greifeld, Chief Executive Officer of the NASDAQ OMX Group (NASDAQ: NDAQ), the world’s largest exchange company, and Mr. Anders Eldrup a Danish business leader who for years has been a central figure in Danish politics and business.
- We successfully continued BICG board member education and organized one session in May, 2012. The Program was led by Raoul Hasselgren and sold out with 42 high level participants. Meanwhile we had a chance to congratulate Eglė Gudelytė-Harvey from TEO LT who became BICG graduate number 200. In 2013 we are having two board member education programs, in May and November.
- Former UK Prime Minister Gordon Brown was one of many amazing speakers during our visit to Copenhagen. BICG had arranged a delegation of Baltic leaders to spend two days in Copenhagen hosted by DI (Confederation of Danish Industry) and the Baltic Development Forum together with IS.
- We for the first time hosted a Christmas reception at BICG office in Vilnius. The reception was attended by more than 80 guests who had the possibility to greet outgoing Prime Minister Andrius Kubilius, the guest of honor.
- Private companies is another focus area for BICG, therefore we launched a Lithuanian language edition of our handbook “Corporate Governance Guidance for Unlisted Companies “. This is an addition to our English and Latvian language editions.
- One of the true highlights and the biggest opportunity for our members was when BICG hosted a delegation of 26 Baltic business leaders on the best practice mission to Singapore in October. In Singapore we had the honour of meeting impressive people and amazing companies, all in all we took home many ideas to be implemented. BICG extends a special thank you to Mr. Andy Lim for his support during our visit.
- During the year BICG made presentations on Baltic Corporate Governance progress in Oslo and Brussels, locally we delivered presentations at SSE Riga Alumni day, Latvian Employers’ Confederation, Horasis China Conference in Riga, Lithuanian Energy Conference, Global Lithuanian Leaders conference and many more.
- Tandem at the top is important, especially in SOEs. Therefore BICG arranged a two day seminar for the CEOs & Chairmen in the Lithuanian Energy SOEs. The Seminar was opened by Minister of Energy Arvydas Sekmokas, and had more than 30 participants.
- Municipality owned companies often face some resembling opportunities and problems as the larger SOEs. BICG together with the Municipality of Klaipeda and the Lithuanian Ministry of Economy arranged a regional Municipality conference to share the best practice and new ideas among them.



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

Encouragement by participation

BICG's ambitious objectives have been confirmed by fruitful and meaningful results that were delivered throughout 2012.

However they would have not been reached without the vigorous encouragement and involvement from a committed international network of governance experts, board professionals and government officials.

BICG is honored to have this great support and we show our deep appreciation to everyone who has been involved in our activities and contributed to our results.

In particular, we would like to thank the following individuals:

Mr. Ib Andresen,

Ib Andresen Industri A/S, Denmark

Mr. James Ankers,

Director, Rothschild Singapore

Mr. Phil Armstrong,

CEO, Global Corporate Governance Forum, United States

Mr. Lasse Bolander,

Chairman, FDB, Denmark

Mr. Hell Bundgaard,

Chief Consultant, DI (Confederation of Danish Industry), Denmark

Mr. Derek Callow,

Head of Marketing – Southeast Asia, Google Inc, Singapore

H.E. Ambassador Anne E. Derse¹,

United States Embassy in Vilnius

H.E. Valdis Dombrovskis,

Prime Minister of the Republic of Latvia

¹ The following people is no longer in the position indicated in the report



The Baltic Institute of Corporate Governance is an internationally recognized driver of best practice Corporate Governance development in the Baltic region, a topic of high importance not only in our region but globally

Mr. Anders Eldrup,

Chairman of Copenhagen Cleantech Cluster and a board member of the Rockwool Foundation,
Denmark

Mr. Leif Beck Fallesen,

Business policy adviser, business commentator, board member and former CEO & Editor in Chief of Børsen,
Denmark

Mr. W. Richard Frederick,

External Consultant, Baltic Institute of Corporate Governance, Spain

Mr. Bob Greifeld,

Chief Executive Officer of the NASDAQ OMX Group the world's largest exchange company, USA

H.E. Dalia Grybauskaite,

President of the Republic of Lithuania

Mr. Raoul Hasselgren,

External lecturer, Baltic Institute of Corporate Governance, Sweden

H.E. Andrius Kubilius¹,

Prime Minister of the Republic of Lithuania

Mr. Kevin Lai,

Director, Singapore Economic Development Board, Singapore

Mrs. Hwee Hua Lim,

Senior Advisor, Kohlberg Kravis Roberts & Co. L.P and independent non-executive director on Ernst & Young's
Global Advisory Council (GAC), Singapore

Mr. Andy Lim,

Lithuanian Honorary Consul in Singapore

Mr. John Lim,

Chairman of Singapore Institute of Directors and the OECD Asian network on Corporate Governance for State
Owned Enterprises, Singapore

Mr. Flemming Lindelov,

Chairman, AICHEMA Group, Denmark

Mr. Ulf Lindgren,

Former Adjunct Professor of Entrepreneurship at INSEAD, Sweden

¹ The following people is no longer in the position indicated in the report

Mr. Lars G. Nordström,

Chairman, Vattenfall, former President and Group CEO of Nordea. Sweden

H.E. Daniels Pavluts,

Minister of Economy of the Republic of Latvia

Mr. Dilhan Pillay,

Senior Managing Director, TEMASEK, Singapore

H.E. Ambassador Cecilia Ruthström-Ruin,

Swedish Embassy in Vilnius

H.E. Arvydas Sekmokas¹,

Minister of Energy of the Republic of Lithuania

H.E. Ambassador Mats Staffansson,

Swedish Embassy in Riga

Ms. Tan Beng Tee,

Assistant Chief Executive, Maritime and Port Authority of Singapore (MPA), Singapore

H.E. Ambassador Leif Arne Ulland,

Norwegian Embassy in Vilnius

Mr. Lawrence Wong,

Head of Listings, SGX (Singapore Exchange), Singapore

H.E. Rimantas Žylius¹,

Minister of Economy of the Republic of Lithuania

¹ The following people is no longer in the position indicated in the report

Better governance of State-Owned Enterprises will have a positive impact on the state budget, the public's perception of the government, and on the quality of infrastructure and services.



Honorary Members

BICG receives support and assistance from many companies, institutions, Embassies and individuals, our work would be all but impossible without this support.

BICG once a year awards honorary membership of the institute to some of these individuals who have contributed the most.

BICG honorary membership was on March 14, 2013 awarded to:

- **Mr. Carl Berneheim**, Co-founder of BICG and BICG Board member from 2009 until 2013

BICG honorary membership was on March 27, 2012 awarded to:

- **Mr. Phil Armstrong**, Head, Global Corporate Governance Forum

The first ever BICG honorary members were announced on March 18, 2011 at the annual general meeting and conference, they are:

- H.E. British Ambassador to Lithuania **Simon Butt**¹
- H.E. Swedish Ambassador to Lithuania **Ulrika Croonenberg-Mossberg**¹
- H.E. US Ambassador to Lithuania **Anne Derse**¹
- **Mr. Raoul Hasselgren**

The totality of assistance, friendship and support to BICG from these six individuals are a key reason why the Institute today is thriving with members and accomplishments despite its young age.

¹ The following people is no longer in the position indicated in the report



Baltic Institute of Corporate Governance represents more than 100 Baltic members. We are a non profit, non governmental organization with strong involvement from the Baltic business and political leaders.

BlackRock

Corporate governance in emerging markets: risks and challenges for investors

by Mr. Mikkel Skougaard

Vice President, Corporate Governance & Responsible Investment EMEA

Companies in emerging markets present an attractive investment opportunity. However, corporate governance risks associated with investing in emerging markets remain high on the investors agenda and is often cited as a key critical factor for investors when making investment decisions.

Research seems to suggest that better governed companies in emerging markets enjoy certain advantages such as allowing them to raise capital effectively and at a lower cost, as inadequate investor protection may reduce firm value and increase its cost of capital. Furthermore, it also suggests that companies in emerging markets often trade at a governance discount relative to peer companies elsewhere, pointing to the fact that the dispersion between the quality of the company and the valuation of its stock is to some extent a reflection of investor concerns over governance risks. Corporate governance is a key component in investment risk and valuation, as low standards can have a significant impact on stock performance, hence the willingness of investors to pay a premium for well-governed companies. These aspects demonstrate that good governance is extremely beneficial for emerging market companies wanting to build an attractive investment case, particularly in a risk-averse environment, as companies with strong governance are rewarded by investor demand.

Yet, despite the clear benefits of adopting better governance standards, as an investor we are often faced with lower levels of governance standards, and are often confronted with a number of multifaceted corporate governance risks, including but not limited to:

- a lack of ownership transparency
- accessibility of information
- an overall lack of timely and relevant information
- low or non-existent board independence
- the lack of board committees (e.g. audit committee)
- poor accounting and reporting standards
- opaque related party transactions
- lower responsiveness from Boards to shareholder concerns

external article _____



These facts highlight the importance of the work of the Baltic Institute of Corporate Governance in trying to advance and promote the adoption of better corporate governance practices across the region.



As the list indicates, improving transparency and disclosure, as well as the Board's disposition to engage with shareholders are key initial steps in adopting better governance practices, allowing management and the Board to explain how the company's own governance approach addresses investor risks and concerns. As a long-term investor, we prefer to engage in a sustained dialogue with the management and the Board to improve mutual understanding and to implement fundamental changes rather than opting for short-term fixes. It is partly for these reasons that we engage not only in the public policy debate, but also directly with the companies we invest in as we seek to ensure that management is running the company in the best long-term interest of all shareholders, enhancing its long-term economic value. The aim with our engagement efforts is to ensure that policy makers and Board members understand the importance of adopting better corporate governance standards and improving shareholder rights. Improving corporate governance practices in emerging markets is of paramount importance, not only for long-term investors like BlackRock, but also for companies and countries as better corporate governance practices can help raise and maintain investor confidence, making them both more attractive investment destinations.

These facts highlight the importance of the work of the Baltic Institute of Corporate Governance in trying to advance and promote the adoption of better corporate governance practices across the region. However, the process for improving corporate governance standards does not rest solely on institutions like the BICG, but also on regulators, companies and shareholders alike. Investors like BlackRock play a central role in making any corporate governance framework effective, particularly one which is based on the 'comply or explain' principle, as we continually work to achieve the most effective balance between regulation and best practice guidance to ensure a corporate governance framework that supports a sustainable investment environment. As a long-term investor, we are interested in ensuring a robust corporate governance framework, one that protects the interests of our clients as long-term shareholders, ultimately ensuring there is sufficient information in the public domain to allow holding Boards and management to account.

Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy.

The researches referenced are those carried out by Blackrock and others sources during the period of 2001 and 2013 among academia and other private institutions. The details are available on request from BlackRock.

INTRODUCTION TO BLACKROCK: BlackRock is a leader in investment management, risk management and advisory services for institutional and retail clients worldwide. As at 31 December, 2012, BlackRock's assets under management was \$3.792 trillion. Our client base includes corporate, public, multi-employer pension plans, insurance companies, third-party and mutual funds, endowments, foundations, charities, corporations, official institutions, banks and individuals. BlackRock represents the interests of its clients by acting in every case as a fiduciary. It is from this perspective that we engage on all matters of public policy, supporting regulatory reform globally where it increases transparency, protects investors, and facilitates responsible growth of capital markets.

THE CGRI TEAM AT BLACKROCK: The 20 members of BlackRock's team for **Corporate Governance & Responsible Investment** „CGRI team“ are based in six offices around the world. The CGRI team is a fully integrated part of the investment process as we view corporate governance as an investment function. At BlackRock we believe that corporate governance is an integral part of our fiduciary duty to enhance the value of our clients. As such, the team partners with portfolio managers, clients and external research providers to meet the needs and expectations of clients through a range of services including:

- Proxy voting under BlackRock's policy
- BlackRock proprietary or client-customized ESG risk evaluation
- Issuer engagement
- Market updates on the evolving governance landscape



“Your work to reform State-Owned Enterprises sends a strong message across the region about the importance of transparency and accountability. As you continue to grow stronger economies and increase opportunity, know that the United States stands with you”

US Secretary of State Hillary Clinton

What is BICG

BICG represents Baltic board professionals and their companies by:

MISSION

BICG delivers value to its stakeholders by promoting global competitiveness of Baltic companies through adoption of leading corporate governance practices

VISION

BICG is an internationally recognized driver of best practice Corporate Governance in the Baltic region.

VALUES

Trust, Integrity & Excellence

Member information

BICG aims to give members and stakeholders the best possible insight into factors considered relevant for ensuring efficient and fair evaluation of the Institute's activities

By providing balanced and open information to its members, BICG aims to create the best conditions to attract and keep a strong member base that fairly represents good Governance practices in the Baltics.

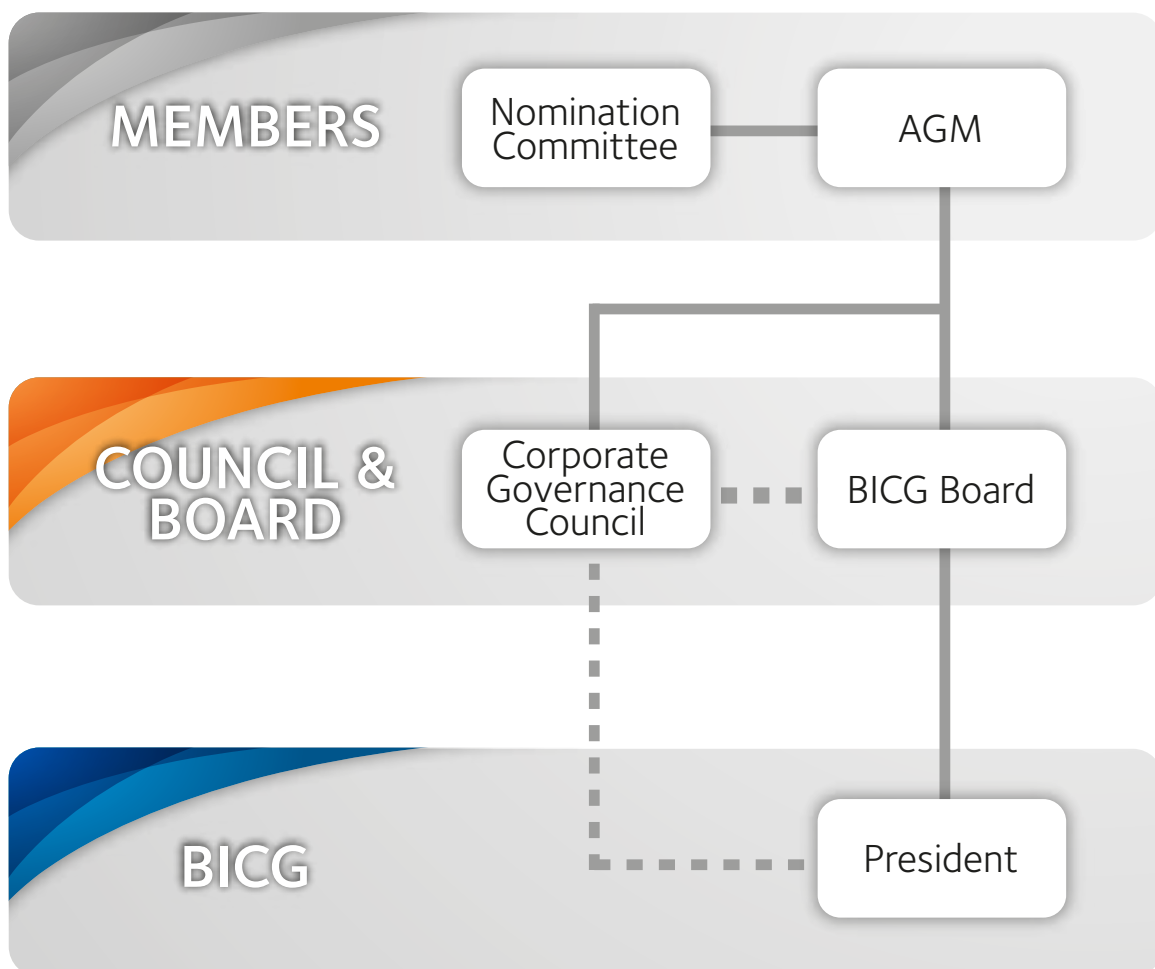
Annual General Meeting

The Institute's Annual General Meeting will be held on Thursday, 14 March 2013 at Swedbank, Konstitucijos pr. 20A, Vilnius.

BICG is an association 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. The full bylaws are publicly available on the BICG website.

BICG has two forms of membership: individual and corporate. Any person who has graduated the BICG Executive Education for professional board members and who pays an annual membership fee of 100 Euro will become an individual member. Corporate membership is by invitation only; corporate members must be approved by the BICG Board. In 2013 Baltic members will pay an annual membership fee of 3.000 Euro. In 2013 National corporate members will pay an annual membership fee of 1.000 Euro.

Each member has one vote at the general meeting. Only BICG individual members are eligible for the BICG Board positions. The Annual General Meeting (AGM) every year will elect three members to serve on the Nomination Committee who will do the selection of and propose to the AGM candidates for the Board positions.



Composition and work of the BICG Board

The General Meeting elects the BICG Board. The Board will have nine members elected by the General Meeting. The members of the Board are elected individually. At each Annual General Meeting three members of the board step down but may be reelected.

Prior to recommending candidates for election at the General Meeting, the Nomination Committee distributes a presentation of each candidate's background, relevant competencies and any managerial positions or positions of responsibility, and the Nomination Committee justifies its recommendations on the basis of the recruitment criteria it has laid down.

The Board of BICG ensures that the management observes the goals, strategies and business procedures established by the Board. Information from the management is provided systematically at meetings as well as in the BICG annual report.

The BICG Board governs the Institute and oversees the operational aspects.

The Board of BICG held eight meetings in 2012, one of these meetings was devoted to developing the strategy of BICG.

In between its ordinary meetings, the Board receives written information on the Institute's activities and extraordinary meetings or consultations are convened if necessary. None of the members of the BICG Board are involved in the executive management of the Institute, and have received no remuneration for their work in 2012.



CHAIRMAN

Daiga Auzina-Melalksne

CEO, Nasdaq OMX Riga



Linas Dičpetris

Ernst & Young,
Partner



Undine Bude

Eko Baltija,
board member



Arminta Saladžienė

Head of
NASDAQ OMX
Baltic Market



Paulius Gruodis

Glimstedt Law firm,
Associate partner



Carl Berneheim

Swedish
Chamber of Commerce,
Chairman



Andrus Alber

Head of Investor
Relations,
Trigon Capital



Darius Maikštėnas

Vicepresident, Omnitel
Chairman, LESTO



Jerry Wirth

Partner
R B Management

Composition and work of the Corporate Governance Council

The Council members are nominated by the BICG Board and approved by the AGM for a one year term. The Council consists of nine members, three from each Baltic country. The Council is led by a Chairperson, elected by the CG Council members.

The Council members set the “tone at the top” in Corporate Governance. They act not just as Ambassadors for the Institute, but also as its formal representatives in various national, regional and international entities and events. The BICG Council advises on its strategic direction and activities, and in cooperation with the national governments, the stock exchanges and other stakeholders, advises and endorses Corporate Governance guidance and codes.

The Council met one time in 2012. In between its ordinary meetings, the Council receives written information on the Institute’s activities, and extraordinary meetings or consultations are convened when necessary.

None of the members of the BICG Council are involved in the executive management of the Institute, and have received no remuneration for their work in 2012.

EE Members



CHAIRMAN
Ian Plenderleith
CEO, Tallinna Vesi



Erkki Raasuke
Chairman, Estonian Air



Raino Paron
Partner at
Raidla Lejins & Norcous

LV Members



Uldis Bikis
CEO of Latvijas finieris



Vitālijs Gavrilovs
President of Employers'
Confederation of Latvia



Dr. Juris Binde
Chairman of Board
Latvijas Mobilais Telefons

LT Members



Antanas Juozas Zabulis
President, UAB Omnitel



Rolandas Barysas
CEO & Editor
in chief,
Verslo Žinios



Prof. Viktoras Butkus
Chairman of the Board
Fermentas International Inc.

BICG Management

The BICG Board appoints the President who is in charge of the day-to-day operation of the Institute. The President of BICG is not a member of the BICG Board or Council, but attends Board and Council meetings.



Kristian Kaas Mortensen

President, Baltic Institute of Corporate Governance



BICG activities consistently support the overall aim of improving the level of governance in the three Baltic States.

2012 Financial Statement

Management and Board Statement

The Board of the Baltic Institute of Corporate Governance have today discussed and approved the Annual Report of the Institute for 2012.

The financial statements in this annual report has been prepared in accordance with the Republic of Lithuania Law on Accounting and Financial Reporting, and Finance Minister of Republic of Lithuania Order No. 1K-372 "The rules for preparation and presentation of accounting and financial statements for non-profit limited liability entities" and has been audited by Deloitte.

In our opinion the financial statements give a true and fair view of the Institute's financial position at 31 December 2012 and of the results of the Institute's operations for the financial year 2012.

Further, in our opinion the Annual Report and the audited financial statements include a fair view of the development in the Institute's operations and financial matters; the results for the year; the financial position as well as describing the significant risks and uncertainties affecting the Institute.

We recommend that the Annual General Meeting approve the Annual Report.

Vilnius, February 28, 2013

Management of the Baltic Institute of Corporate Governance

Kristian Kaas Mortensen, President



Board of the Baltic Institute of Corporate Governance

Daiga Auzina-Melalksne, Chairman of the Board



Carl Berneheim, Member of the Board



Arminta Saladžienė, Member of the Board



Linus Dičpetris, Member of the Board



Paulius Gruodis, Member of the Board



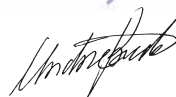
Andrus Alber, Member of the Board



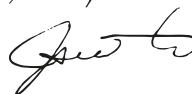
Darius Maikstenas, Member of the Board



Undine Bude, Member of the Board



Jerry Wirth, Member of the Board



INDEPENDENT AUDITOR'S REPORT

To the Board of Association Baltic Institute of Corporate Governance

We have audited the accompanying financial statements of Association Baltic Institute of Corporate Governance (hereafter – “the Association”), which comprise the balance sheet at 31 December 2012, and the performance statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, as set out on pages 38-47.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Finance Minister of Republic of Lithuania Order No. 1K-372 The Rules for Preparation and Presentation of Accounting and Financial Statements for Non-Profit Limited Liability Entities issued on 22 November 2004 and other legal regulations on accounting and financial reporting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Association as at 31 December 2012, and its financial performance for the year then ended in accordance with Finance Minister of Republic of Lithuania Order No. 1K-372 The Rules for Preparation and Presentation of Accounting and Financial Statements for Non-Profit Limited Liability Entities issued on 22 November 2004 and other legal regulations on accounting and financial reporting.

Deloitte Lietuva UAB
Company's Audit Certificate No. 001275



Jekaterina Jocienė
Certified Auditor
Auditor's Certificate No. 000436

Vilnius, Republic of Lithuania
28 February 2013

A man in a dark suit, white shirt, and dark tie is leaning against a large, multi-paned window in a modern office. He is looking towards the camera. The office has a light-colored floor and a white wall. In the background, there are modern buildings visible through the window. The overall atmosphere is professional and bright.

BICG was founded in 2009, with the aim of bridging the gap between the level of Governance in the Baltics and the Nordics and EU.

Balance sheet

AS OF 31 DECEMBER 2012
(LTL, unless otherwise stated)

	Notes	2012	2011
ASSETS			
A. NON-CURRENT ASSETS			
I.	INTANGIBLE ASSETS	-	-
II.	PROPERTY, PLANT AND EQUIPMENT	1.781	3.119
III.	FINANCIAL ASSETS	-	-
		1.781	3.119
B. CURRENT ASSETS			
I.	INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS	194	34.528
II.	ACCOUNTS RECEIVABLE WITHIN ONE YEAR	28.789	24.018
III.	OTHER CURRENT ASSETS	-	3.085
IV.	CASH AND CASH EQUIVALENTS	232.772	83.946
		261.755	145.577
		263.536	148.696
EQUITY AND LIABILITIES			
C. EQUITY			
I.	CAPITAL	-	-
II.	REVALUATION RESERVE	-	-
III.	RESERVES	-	-
IV.	RETAINED EARNINGS		
IV.1.	Profit of the reporting year	-	-
IV.2.	Profit of the previous years	53.994	53.994
		53.994	53.994
D. FINANCING			
I.	Contributions	-	-
II.	Membership fees	116.692	16.595
III.	Other financing	-	-
	3	116.692	16.595
E. AMOUNTS PAYABLE AND LIABILITIES			
I.	NON-CURRENT AMOUNTS PAYABLE AND LIABILITIES	-	-
II.	CURRENT AMOUNTS PAYABLE AND LIABILITIES		
II.1.	Amounts payable to suppliers	6.032	28.598
II.2.	Advances received	-	18.990
II.3.	Salary and related liabilities	41.738	24.944
II.4.	Other accounts payable and current liabilities	45.080	5.575
		92.850	78.107
		263.536	148.696

The accompanying explanatory notes are an integral part of these financial statements.
These financial statements were approved on 28 February 2013 and signed by:



Kristian Kaas Mortensen
President



Božena Rakovska
Accountant, Scandinavian Accounting and Consulting UAB

Performance statement

FOR THE YEAR ENDED 31 DECEMBER 2012

(LTL, unless otherwise stated)

	Notes	2012	2011
I. REVENUE			
Revenue		491.183	452.256
		491.183	452.256
II. EXPENSES			
COSTS OF SERVICES RENDERED	5,6	502.001	500.099
EXPENSE COMPENSATION (-)		(138.848)	(211.997)
OPERATING EXPENSES			
Accounting and audit services		39.069	31.232
Car rent and maintenance expenses		36.007	13.351
Salary and related expenses, attributed to administration		22.659	21.512
Business trip expenses		9.171	14.455
Communication expenses		8.041	9.374
Marketing and gifts		3.495	2.546
Rent of premises		3.453	10.358
Office expenses		3.054	1.196
Representation expenses		1.933	3.660
Bank services		1.535	2.092
Changes in foreign currency exchange rate, net		1.513	472
Depreciation		1.338	836
Membership expenses in other organizations		(16.279)	34.528
Other operating expenses		13.041	18.542
III. TOTAL OPERATING EXPENSES		128.030	164.154
IV. TOTAL EXPENSES		491.183	452.256
V. PROFIT BEFORE INCOME TAX		-	-
V. INCOME TAX		-	-
V. NET PROFIT		-	-

The accompanying explanatory notes are an integral part of these financial statements.
These financial statements were approved on 28 February 2013 and signed by:



Kristian Kaas Mortensen
President



Božena Rakovska
Accountant, Scandinavian Accounting and Consulting UAB

Explanatory notes

FOR THE YEAR ENDED 31 DECEMBER 2012

(LTL, unless otherwise stated)

1. General information

Association Baltic Institute of Corporate Governance was registered on 29 September 2009. Association's code is 302441498, office is located at Jogailos str. 4 Vilnius, Lithuania.

Association Baltic Institute of Corporate Governance (thereafter – “the Association”) is a public non-profit legal entity engaged in social and educational activities, including organization of the education process, preparation and implementation of programs and methodologies in the fields of corporate governance.

The Association employed one employee both in 2012 and 2011.

2. Accounting policies

Basis of preparation

The financial statements are prepared in accordance with Finance Minister of Republic of Lithuania Order No. 1K-372 The Rules for Preparation and Presentation of Accounting and Financial Statements for Non-Profit Limited Liability Entities issued on 22 November 2004 and other legal regulations on accounting and financial reporting.

The financial statements have been prepared on the historical cost basis.

The accompanying financial statements are presented in the national currency of Lithuania, the Litas (“LTL”).

The Association is not required and does not prepare cash flows statement.

The principal accounting policies are set out below.

Property, plant and equipment

Property, plant and equipment are such assets, which are under the Association's ownership and control; are reasonably expected to generate economic benefits in future periods; are going to be used longer than one year; acquisition cost can be reliably measured; and acquisition value is exceeding the minimum value set for each asset group.

Depreciation is computed using the straight-line method over the estimated useful live of the related asset. Depreciation expenses are charged to the operating expenses in the Performance statement.

Property, plant and equipment with acquisition value over LTL 1.000 and useful life more than one year are capitalized.

Property, plant and equipment depreciation periods:

Group of Property, plant and equipment asset	Useful lives
IT and telecommunication equipment	3 years

At the end of every year the Association reviews the estimated useful life, carrying amount and depreciation method of non-current assets and the changes in accounting estimates and judgments, if any, are recognized on a prospective basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in transit and cash in banks, demand deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Financing

Membership fees, Objective contributions and Other financing received are accounted for on an accrual basis, i.e. contributions are credited to the Performance statement in the periods when related expenses, which they are intended to compensate, incurred. Contributions are recognized when they are received or there is a reasonable assurance that they will be received.

Contributions related to income

Contributions related to income are received as a reimbursement for expenses already incurred or as a compensation for unearned revenue, and also all other Contributions other than those related to assets.

Objective contributions are used as primary financing source to compensate related expenses. When project is finished, unused funding is, in accordance with agreed conditions in the contract, either recognized in the Performance statement as the funding excess of compensated amounts or the unused funding is returned to the contribution providers.

Membership fees are used to finance activities only when objective contributions and other financing, including profit for the year from other activities, is used and those funds are not sufficient to compensate the cost incurred.

The used part of the financing related to the objectives of the Association during the reporting period is shown in separate account "Expense compensation" with minus sign in the Performance statement.

Objective contributions related to assets

Objective contributions related to assets include objective contributions to finance asset acquisitions and non-monetary asset contributions. Initially such contributions are recorded at the fair value of the corresponding assets and subsequently credited to the Performance statement over the useful lives of related non-current assets.

Revenue recognition

Revenue is recognized when it is probable that the Association will receive the economic benefit and the revenue can be reliably estimated. Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods and services provided net of value-added tax and/or rebates and discounts.

Expenses recognition

Expenses are recognized on an accrual basis and revenue and expense matching principles in the reporting period when income related to these expenses was earned, irrespective of the time the money was paid.

During the reporting period the expenditure of the Association are recognized as expense of the reporting period, if they cannot relate to specific income and does not foresee as income of future reporting periods.

All expenses directly attributable to projects are classified as Costs of services rendered in Performance statement. Other expenses, not directly attributable to projects, are classified as operating expenses in Performance statement.

The President's salary expenses directly attributable to projects are classified as Costs of services rendered in Performance statement. The president's salary expense, which are not directly attributable to projects are classified as operating expenses in Performance statement.

Foreign currencies

Transactions denominated in foreign currency other than Litas (LTL) are translated into LTL at the official exchange rate of Bank of Lithuania on the date of the transaction, which approximates the prevailing market rates.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Foreign currency exchange gains and losses resulting from translation at year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the Performance statement. Gains and losses arising on exchange are included in net profit or loss for the period.

As of 31 December applicable rates used for principal currencies were as follows:

2012	2011
1 EUR = 3,4528 LTL	1 EUR = 3,4528 LTL
1 LVL = 4,9520 LTL	1 LVL = 4,9421 LTL
10 SEK = 4,0042 LTL	10 SEK = 3,8600 LTL

Income tax

In accordance with the Corporate Income Tax Law for non-profit organizations, revenue received to directly satisfy the requirements of public interest is not taxable. The taxable income equivalent to 25 thousand Litas is taxed at 0 percent tax rate if revenue received from commercial activities does not exceed one million LTL, while the remainder of the taxable income – by 15 percent tax rate. If revenue from commercial activities exceeds 1 million Litas, all taxable income is taxed at 15 percent tax rate.

The Association does not calculate income tax as it did not receive any income as a result of commercial activity in 2011 and 2012; and all revenue was used to satisfy the requirements of the public interest.

Related parties

Related parties are defined as founders, employees, members of the management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Association.

Subsequent events

Subsequent events that provide additional information about the Association's position at the balance sheet date (adjusting events) are reflected in the financial statements. Subsequent events events that are not adjusting events are disclosed in the notes when material.

3. Financing

At December 31 membership fees and contributions were as follows:

	2012			
	Membership fee	Objective contributions	Other financing	Total
Balance at 1 of January	16.595	-	-	16.595
Receipts	158.138	80.807	-	238.945
Usage	(58.041)	(80.807)	-	(138.848)
Closing balance at 31 of December	<u>116.692</u>	<u>-</u>	<u>-</u>	<u>116.692</u>

	2011			
	Membership fee	Objective contributions	Other financing	Total
Balance at 1 of January	11.117	-	-	11.117
Receipts	165.389	51.792	294	217.475
Usage	(159.911)	(51.792)	(294)	(211.997)
Closing balance at 31 of December	<u>16.595</u>	<u>-</u>	<u>-</u>	<u>16.595</u>

4. Revenue

For the years ended 31 December revenue consisted of the following:

	2012	2011
Income from executive education programs	399.489	390.166
Income from other projects	91.672	62.050
Other income	22	40
Interest income	-	-
Total revenue	491.183	452.256

5. Costs of services rendered

For the years ended 31 December cost of services rendered consisted of the following:

	2012	2011
Executive education programs	206.547	271.455
Other projects	161.643	175.655
Total expenses, excluding financed projects	368.190	447.110
Projects partly financed by objective contributions	133.811	52.989
Total costs of services rendered	502.001	500.099

6. Cost of educational programs rendered

For the years ended 31 December cost of educational programs and executive education programs rendered consisted of the following:

	2012	2011
Salary and related expenses, attributed to projects	203.930	193.611
External project expenses	86.320	17.739
Hotel / Education premises	65.699	94.978
Lectors' fee	54.831	89.768
Seminar material / Hand-outs	35.795	49.680
Lectors' travel and hotel expenses	17.467	17.809
Speakers' travel and other expenses	11.516	17.822
Transportation expenses	8.231	10.875
Representation expenses	5.393	1.317
Catering services	5.370	-
Video&pictures, hotel	4.397	-
Marketing expenses and gifts	2.621	3.584
Travelling expenses	431	2.916
Total	502.001	500.099

7. Remuneration to management

Remuneration to management for the years ended 31 December:

	2012	2011
President remuneration (excl. contributions for social insurance)	174.714	165.921
Average annual number of managers	1	1

There was no remuneration or gratuitous assets transferred for Board and Council members for the year 2012 and 2011.

8. Contingencies and commitments

At 31 December 2012 and 2011 the Association was not involved in any legal proceedings.

At 31 December the Association's car operating lease future liabilities were:

	2012	2011
Within a year	29.040	29.040
In the second to fifth year	26.701	55.660
Total	55.741	84.700

9. Post balance sheet events

No significant events have occurred after the date of financial statements and before the approval of financial statements.



Kristian Kaas Mortensen
President



Božena Rakovska
Accountant, Scandinavian Accounting and Consulting
UAB

Corporate Members

BALTIC CORPORATE MEMBERS



CORPORATE MEMBERS





BALTIC INSTITUTE
OF CORPORATE
GOVERNANCE

LEADING THE WAY IN CORPORATE GOVERNANCE

Baltic Institute of Corporate Governance delivers value to its stakeholders
by promoting global competitiveness of Baltic companies through
adoption of leading Corporate Governance practices.

Baltic Institute of Corporate Governance is an internationally recognized driver
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