



BALTIC
— INSTITUTE —
OF CORPORATE GOVERNANCE

Annual Report
2013

Governance, Guidance, Growth
Baltic Competitiveness Continues



BALTIC
— INSTITUTE —
OF CORPORATE GOVERNANCE

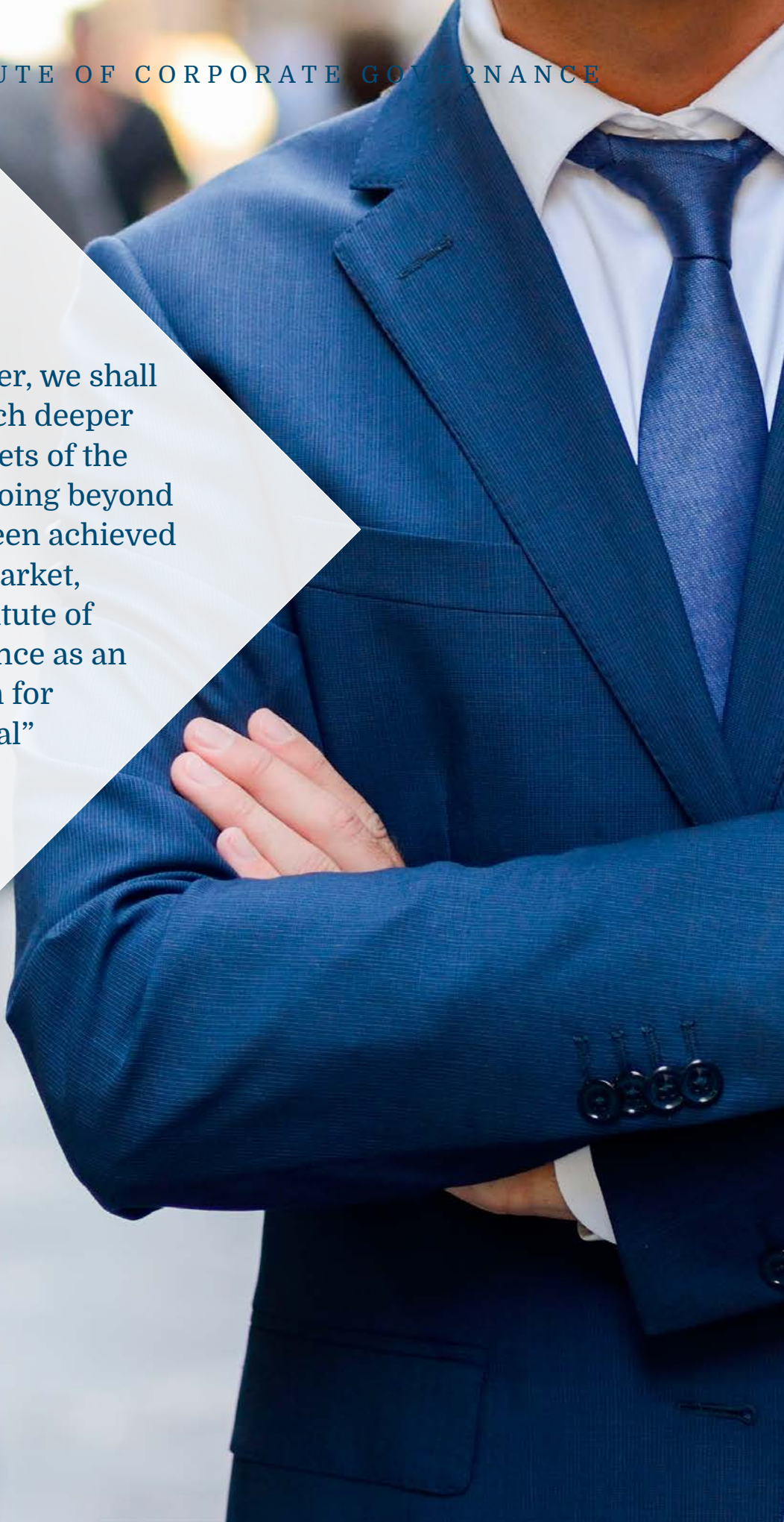
Annual Report
2013


Contents

6	Message from the Board & Council
8	Message from the President
10	Governance, Guidance, Growth: Baltic Competitiveness
16	Share, Support, Succeed
24	Honorary Members
26	Mission, Vision and Values
28	Member Information
30	Composition and Work of the Board
32	Composition and Work of the Corporate Governance Council
34	Management
36	2013 Financial Statement
38	Independent Auditors Report

“Now more than ever, we shall concentrate on much deeper integration of markets of the Baltic States, thus going beyond what has already been achieved by EU’s common market, I see the Baltic Institute of Corporate Governance as an exemplary platform for such reasonable goal”

President Andris Bērziņš





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

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,

Baltic competitiveness continues, the Baltic States are an integrated part of the Nordics and together the Nordic-Baltic Eight or NB8 is one of the most prosperous regions in the world.

To stay competitive we must grow even further. Latvia recently joined the Euro and Lithuania will soon follow, one currency across the Baltics that is part of a greater Europe will act as further enhancement for growth in the region.

Shareholders from small to large companies must start to show real leadership in creating well-governed companies. They must create companies that are truly transparent and show real accountability to the investors, employees, stakeholders and the public.

Shareholders should focus on building a valuable company rather than a pure dividend payer, implementing proper Governance standards is the perfect vehicle for this.

Leadership is needed in the Baltic companies; they must start to bridge the gap between the way they operate and how their international competitors operate. The day of small local or regional markets are long gone, competition to our companies will increase from all sides and we must stand ready to meet the challenge.

During 2013 we issued two new interesting policy & research documents; "CEOs in Lithuanian State-Owned Enterprises" and "Guidance on Board Effectiveness, Handbook for State-Owned Enterprises" we hope these documents will follow our past publications and inspire change and improvement.

Through our many activities and engagement with other civil society organizations and Governments we share the common responsibility to develop our region. This year we had the opportunity to engage diverse topics such as corruption, capital market development and corporate governance in the EU.

Looking forward we will continue our work to raise Baltic corporate Governance standards, to seek active engagement with our stakeholders and to provide inspiration for change.



Daiga Auzina-Melalksne
Chairman BICG Board



Antanas Zabulis
Chairman BICG Corporate Governance Council

MESSAGE FROM THE PRESIDENT

Dear Members,

We are just months away from celebrating the 5th Anniversary of the Baltic Institute of Corporate Governance. We have become a strong member driven organization that is constantly growing and developing.

We have in the past year had a record number of events both locally and internationally for you, our members.

Creating these events is made significantly easier with the support from people and companies, something that is easier achieved when the organization membership is active at the level we see in our Institute.

In 2013 the Annual General Meeting & Conference continued a tradition of having a unique video address when H.E. Andris Bērziņš, President of Latvia addressed us with an affirmative message of further integrating the Baltic markets.

One of the most ambitious projects was the creation of the first Baltic executive education “Chairman’s Certificate”. This took place in Stockholm and presented an exclusive development opportunity to 24 Senior Baltic business executives.

A visit to London was made with a business delegation of our members to attend the annual IOD convention in Royal Albert Hall. With stirring speeches from Sir Richard Branson and Jack Welch, our members had an enjoyable time.

We will in 2014 strive to offer challenges, opportunities and development to our members, and thereby collectively contribute to continued Baltic competitiveness.

I want to thank our members for their commitment and trust; their challenges to the Institute provide energy and inspiration.



Kristian Kaas Mortensen
President

A person wearing a blue button-down shirt is holding an open red book. The book is open to a blank page, and the person's hand is visible on the right side, holding the book. The background is blurred, suggesting an indoor setting.

GOVERNANCE, GUIDANCE, GROWTH: BALTIC COMPETITIVENESS CONTINUES

Delivering value to our members and stakeholders is our highest priority.

We want with the involvement of our members and stakeholders to promote global competitiveness of Baltic companies through adoption of leading corporate Governance practices.

During the year we have had a high number of value driven activities trying to deliver on these promises. Below we present some examples of these activities.

- International relations are important for continued growth, trade and investments, in October BICG had the opportunity to visit the IOD (Institute of Directors) with H.E. Valdis Dombrovskis. The Prime Minister shared Latvian experiences with IOD members.

Following the IOD visit BICG had with the Prime Ministers office, EBRD and LIAA participated in the planning of “Invest in Latvia” Forum 2013 -The fastest growing economy in the European Union. This investment conference took place in the EBRD and had participation from many UK companies and investors who had an opportunity to meet Citadele Bank, Airbaltic and other Latvian companies.

- For our members and stakeholders the annual flagship event continues to be the Institutes Annual General Meeting & Conference. In March 2013 we hosted our 3rd AGM with international keynote speakers. H.E. Andris Bērziņš, President of Latvia gave a welcome address via video, he was followed by key note speeches from Harri Kerminen, Boardmember of Finnair, Marianne Philip, Chairman of Kroman Reumert and many other speakers. BICG was proud to award honorary membership to Carl Berneheim. Mr. Berneheim was a strong co-founder of BICG, and has continued to be a long term supporter and friend, something we are very grateful for.

- Encouraging implementation of international best practice was the aim of the new BICG report called “CEO’s in Lithuanian State-Owned Enterprises”.

This report poses interesting questions such as:

- How well do CEO nomination practices stack up against international norms?
 - Are CEOs selected for competence or political affiliation?
 - Is the process by which CEOs are chosen effective in finding the best talent?
 - Do CEOs have the right experience, skills and education?
 - Is CEO tenure and turnover a problem?
 - Are executive powers sometimes abused?
- Promoting the Baltics internationally, creating new business connections and bringing home valuable inspiration are some of the reasons why our members continue to support our International Business delegations. In 2013 our visit to London in September included attending the IOD annual convention in Royal Albert Hall with inspiration from speakers such as Sir Richard Branson and Jack Welch. During company visits the delegation learned best practice from The Financial Reporting Council, Blackrock, Rothschild and EY.
 - State-Owned Enterprises (SOE’s) are an important part of the economy in the Baltic States, how they are managed and governed impact the economy and set the tone at the top for not only for SOE’s but for the private sector as well. BICG therefore published “Guidance on Board Effectiveness, Handbook for State-Owned Enterprises (EE, LV, LT)” in October. The handbook is an adaptation of the Financial Reporting Council’s (UK) “Guidance on Board Effectiveness” and has references to OECD experiences and guidelines.

The target audience for the handbook is current and future board members, both when they are from the public sector and the board assignment is a part of their day-to-day job, and when they are independent board members from outside the Government. We also believe this handbook will be valuable for Government Ministers, officials and Parliamentarians that are overseeing SOE’s and perhaps are involved in nominating board members and communicating with the SOE’s. Finally the handbook should act as a window to the public, so they might understand what to expect when we manage these valuable assets on their behalf.

- The Institutes Executive Education for Professional Board members continues to be our flagship activity and draw some of the most experienced business executives in the Baltics as participants. In 2013 we again hosted May and November sessions that were both sold out. We have now had eight Board member education programs with almost 300 Graduates. This program continues under the leadership of Raoul Hasselgren with support from local and international experts.
- Seeing a strong demand from our members for continued education programs we developed the first Baltic “Chairman’s Certificate”. This program was hosted in Stockholm in December and gave 24 senior Baltic business executives a unique development opportunity.

The program drew board professionals such as Paul Bergqvist, Chairman of the Board, East Capital Explorer AB, Marianne Abib-Pech, Author of The Financial Times Guide to Leadership, Lead the Future, Svein Ruud, Managing Partner, Amrop Sweden, Olav Fjell, Chairman, Northland Resources, Erik Thedéen, State Secretary, Ministry of Finance, Hans Dalborg and many more who shared their experience with the BICG members.

This new BICG event was strongly supported by NASDAQ OMX Group, Handelsbanken and East Capital who opened their doors and networks to the participants.

- Tandem at the Top is especially important in State Owned Enterprises. Recognizing this, the Latvian Government and H.E. Valdis Dombrovskis, Prime Minister of the Republic of Latvia, asked BICG to organize a leadership and Governance training.

The participants during a two day program were State Secretaries, senior officials and SOE managers. The program took place at Stockholm School of Economics in Riga with local, regional and international speakers that included the OECD. The graduation certificates were later awarded at The Cabinet of Ministers of the Republic of Latvia by Prime Minister Valdis Dombrovskis.

- Promoting Business Integrity as a tool for Lithuania’s Regional Leadership was not only the title but also the aim of a roundtable discussion hosted by H.E. Dalia Grybauskaitė, President of the Republic of Lithuania, with the participation of The OECD. BICG was proud to be involved in the creation of this event and as well to share our views with the participants on this very important topic. The event was hosted in April in the Presidential palace.

- Our book “Corporate Governance in Swenglish” written by Raoul Hasselgren has for a number of years been successful in our various education programs and in 2013 we published the second edition. This new edition includes updated Swedish Governance cases and much more.
- Creating a “Value Adding Board” is optimal for most companies, but also a rather difficult task. In May our members therefore had the opportunity to listen to and learn from a very experienced board professional and business leader Mr. Torben Ballegaard Sørensen, Author of „The Value Adding Board,,. Mr. Sørensen is a full time board executive serving as Chairman of the Electrolux Audit Committee. Board member of Egmont Fonden, Pandora Holding A/S and many more. Previous positions include being President and CEO of Bang & Olufsen a/s and Executive Vice President of LEGO A/S.
- Prosperous and well-functioning capital markets are important for a thriving economy and a healthy source of financing. With the support of the EBRD and Citadele Bank we invited to a discussion on “How can the Baltic States reach a competitive international capital market level”.

Sir Suma Chakrabarti, President of the European Bank for Reconstruction and Development, spoke on “How the EBRD is complementing capital markets in support of Latvian enterprises”. Other speakers were Katre Kovask, CEO, AS Premia Foods and Daiga Auzina-Melalksne, CEO, Nasdaq OMX Riga.

- Costly and lengthy shareholder disputes are not uncommon, and often destroy friendship, company value and business potential.

For this reason BICG developed a Baltic program “Boardroom disputes and how to deal with them”. The first public event was created with the Swedish Chamber of Commerce in Lithuania and had Robertas Degesys from Baltic Legal Solutions as the speaker. This program was adapted from the International Finance Corporation’s (IFC) “Resolving Corporate Governance Disputes Program”. We expect to extensively promote this program in the future.

- The “13th EUROPEAN CORPORATE GOVERNANCE CONFERENCE” took place in Vilnius in October as part of the Lithuanian Presidency of the EU. This conference is one of the key annual Governance events in Europe and draws participants from all over the EU and beyond. BICG together with the Lithuanian Ministry of Economy were very involved in the work to arrange and host this event. BICG also participated with several speakers and many BICG members joined as participants. Antanas Zabulis, Chairman of the BICG Corporate Governance Council was the moderator of the event.

- The European business angels week took place in November, in Lithuania the Business angels fund (LT) and Invega hosted a “Business Angels post investment activities” event, BICG supported and participated in this important event by presenting our “Boardroom disputes and how to deal with them” program.
- BICG gave presentations promoting best corporate Governance practices in many events and conferences such as: Leadership for Sustainability conference in Vilnius, Baltic M&A and Private Equity Forum in Riga, and Business Integrity conference in Riga.
- Strong boards are a competitive advantage, this was therefore the focus of our members event in Riga in October. Mr. Lasse Bolander, Chairman of COOP Denmark shared his experience and perspectives with our members. H.E. Per Carlsen, The Danish Ambassador in Riga welcomed the participants to the event.

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.

SHARE,
SUPPORT,
SUCCEED



Without the support from people and companies who share their resources, experience and network with the Institute and our members then we would not be as successful as we are.

From the outset in 2009 and still continuing we have been blessed with friendship and support from so many individuals, this is heartwarming and encourages continued efforts to reach our mission.

We will not be able to fully appreciate the value of someone giving a day or just an hour of their schedule, or someone opening their company for our members – but we can truly see that the combined efforts of everyone is paying off in a better governed Baltic region that post crisis again is the fastest growth region in the EU.

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

Mrs. Marianne Abib-Pech,

Author of The Financial Times Guide to leadership, Lead the Future, Hong Kong

Mr. Phil Armstrong,

CEO, IFC/Global Corporate Governance Forum, United States

H.E Ambassador Eitvydas Bajarūnas,

Lithuanian Embassy in Sweden

Mr. Ugo Bassi,

Director for Capital and Companies, DG Internal Market and Services, European Commission, Belgium

Mr. Guntis Belavskis,

CEO, Citadele, Latvia

Mr. Anders Berg,

Chair of the Working Party on State Ownership and Privatisation Practise, OECD, Norway

Mr. Paul Bergqvist,

Chairman of the Board, East Capital Explorer AB, Sweden

Mr. Magnus Billing,

President, NASDAQ OMX, Stockholm

Mrs. Cristine Blondel,

Founder and Advisor, Family Governance, France

H.E. Andris Bērziņš,
President of the Republic of Latvia

Mr. Lasse Bolander,
Chairman, Coop, Denmark

Mrs. Sarah Blomfield,
Managing Director, Rothschild, United Kingdom

Mr. Stephen Bruyant-Langer,
Author of Your Next Career and Senior Client Partner, Korn/Ferry
International, Denmark

H.E. Ambassador Per Carlsen,
Danish Embassy in Latvia

Mr. Hans Christiansen,
Senior Economist, Corporate Affairs Division, OECD, Paris

Mr. Hans Dalborg,
Honorary Chairman, Nordea, Sweden

H.E. Valdis Dombrovskis,
Prime Minister of the Republic of Latvia

Mr. Stefan Eiche,
Regional General Manager, Scandinavian Airlines, Germany

Mr. Olav Fjell,
Chairman, Northland Resources, Norway


Mr. W. Richard Frederick,
External Consultant, Baltic Institute of Corporate Governance,
Spain

Mr. Martin Gauss,
CEO, Airbaltic, Latvia

Mr. Seamus Gillen,
CEO, Advanced Boardroom Excellence, United Kingdom

H.E. Dalia Grybauskaite,
President of the Republic of Lithuania





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.

Mrs. Birgitta Stymne Göransson,

Board member, Stockholm Chamber of Commerce, Sweden

Mr. Johan Hallsenius,

Managing Partner, Kreab Gavin Anderson, Sweden

Mr. Raoul Hasselgren,

External Lecturer, Baltic Institute of Corporate Governance, Sweden

Mr. Chris Hodge,

Director of Corporate Governance,
UK Financial Reporting Council, United Kingdom

H.E. Ambassador Henrik Landerholm,

Swedish Embassy in Riga

Mr. Peter Elam Hakansson,

Chairman, East Capital, Sweden

Mr. Alexander Izosimov,

Board Member, East Capital AB, Russia

H.E Ambassador Gints Jegermanis,

Latvian Embassy in Sweden

Mr. Harri Kerminen,

Boardmember, Finnair, Finland

Mr. Andrius Kubilius,

Former Prime Minister of the Republic of Lithuania

H.E. Ambassador Asta Skaisgirytė Liauškienė,

Lithuanian Embassy in London

Mr. Flemming Lindelov,

Chairman, ACHEMA Group, Denmark

Mr. Bjornar Lund,

CEO, DNB Bank, Lithuania

Mr. Håkan Molin,

General Manager, Handelsbanken, Lithuania

Mr. Patrick Moulette,

Head, OECD Anti-Corruption Division, Paris

Mr. Anders Paalzow,

Rector, Stockholm School of Economics in Riga, Latvia

Mrs. Marianne Philip,

Deputy Chairman, Danish Corporate Governance Committee,
Denmark

Mrs. Annika Poutiainen,

Head of Surveillance Nordics, NASDAQ OMX, Sweden

Mr. Mads Qwist,

2010 Speaker of the Year in Denmark and owner of Styrkefokus,
Denmark

H.E. Ambassador Cecilia Ruthström-Ruin,

Swedish Embassy in Vilnius

Mr. Svein Ruud,

Managing Partner, Amrop, Sweden

Mr. Mikkel Skougaard,

Vice President Corporate Governance & Responsible Investment
EMEA, BlackRock, United Kingdom

Mr. Peter Sponbergs,

Board Dynamics, Sweden

Mr. Ignas Staškevičius,

Chairman of the Board, NDX, Lithuania

Mr. Jan Stenberg,

Chairman, Memira, Sweden

Mr. Torben Ballegaard Sørensen,

Chairman, Electrolux Audit Committee, Denmark

H.E. Ambassador Andris Teikmanis,

Latvian Embassy in London

Mr. Erik Thedéen,

State Secretary, Ministry of Finance, Government of Sweden

Mr. Nerijus Udrenas,

Chief Adviser to the President of the Republic of Lithuania

Mr. Magnus Ugglä,

Executive Vice President, Handelsbanken International, Sweden


H.E. Ambassador Leif Arne Ulland,

Norwegian Embassy in Vilnius

Mr. Patrick Zurstrassen,

Chairman, EcoDa, Luxembourg





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.

“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”

Former US Secretary of
State Hillary Clinton

HONORARY MEMBERS



The Institute is constantly the recipient of kindness, support and encouragement. This further enables our success and ability to reach higher goals.

Every year at our annual general meeting we have the privilege to show our appreciation to a few select people who have made an extra and continued support to our work.

Honorary membership was on March 25, 2014 awarded to:

- H.E. David Hunt British Ambassador to Lithuania
- H.E. Cecilia Ruthström-Ruin Swedish Ambassador to Lithuania
- H.E. Leif Arne Ulland Norwegian Ambassador to Lithuania

Honorary membership was on March 14, 2013 awarded to:

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

Honorary membership was on March 27, 2012 awarded to:

- Mr. Phil Armstrong, Head, IFC/Global Corporate Governance Forum

Honorary membership was on March 18, 2011 awarded to:

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

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

A full-page photograph of a man in a brown, textured suit and tie, holding a dark briefcase. The background is blurred, showing an indoor setting with warm lighting. The text "MISSION, VISION AND VALUES" is overlaid in white, bold, serif font.

MISSION, VISION AND VALUES

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.

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.

MEMBER INFORMATION



*New structure as of March 25 2014

The Institute 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, The Institute 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 Tuesday, 25 March 2014 at Swedbank, Konstitucijos pr. 20A, Vilnius.

THE INSTITUTE 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 Institute 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 BOARD



CHAIRMAN

Daiga Auzina-Melalksne
CEO, Nasdaq OMX Riga



Linas Dičpetris
Ernst & Young,
Partner



Undine Bude
Eko Baltija
board member



Sonata Matulevičienė
Business Unit Manager Baltic
Countries, UAB Baxter



Paulius Gruodis
Glimstedt Law firm,
Partner



Katrine Judovica
Chairperson
“Narvesen Baltija”



Ilona Nurmela



Darius Maikstenas
Management and
Governance professional



Jerry Wirth
Partner
R B Management

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 nine meetings in 2013, 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 2013.



COMPOSITION AND WORK OF THE CORPO- RATE GOVERNANCE COUNCIL

LT MEMBERS



Antanas Juozas Zabulis
Chairman of the Investment
committee, Ad Ventum



Arminta Saladžienė
Head of NASDAQ OMX
Baltic Market



Robertas Dargis
President of Lithuanian
Confederation of Industrialists

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

EE MEMBERS



Ian Plenderleith
CEO, Tallinna Vesi



Erkki Raasuke
Managing Director,
LHV Group



Raino Paron
Partner at
Raidla Lejins & Norcous

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 three times in 2013. 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 2013.



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





2013 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 2013.

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 2013 and of the results of the Institute's operations for the financial year 2013.

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, March 24, 2014

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



Linas Dičpetris, Member of the Board



Undine Bude, Member of the Board



Sonata Matulevičienė, Member of the Board



Paulius Gruodis, Member of the Board



Katrine Judovica



Ilona Nurmela



Darius Maikstenas



Jerry Wirth





INDEPENDENT AUDITOR'S REPORT



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Lithuania

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Website: kpmg.com/lt

Independent Auditor's Report

To the members of Association Baltic Institute of Corporate Governance

Report on the Financial Statements

We have audited the accompanying financial statements of Association Baltic Institute of Corporate Governance (hereinafter "the Association"), which comprise the balance sheet as at 31 December 2013, 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 40–48.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Order No. 1K-372 of the Minister of Finance of the Republic of Lithuania of 22 November 2004 on Approval of Rules of Accounting and Preparation and Submission of Financial Statements of Non-Profit Limited Civil Liability Legal Entities, and for such internal control as management determines is necessary to enable the preparation of the 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 judgement, 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 2013, and of its financial performance for the year then ended in accordance with Order No. 1K-372 of the Minister of Finance of the Republic of Lithuania of 22 November 2004 on Approval of Rules of Accounting and Preparation and Submission of Financial Statements of Non-Profit Limited Civil Liability Legal Entities.

Other Matter

The financial statements of Association Baltic Institute of Corporate Governance for the year ended 31 December 2012 were audited by another auditor who expressed an unqualified opinion on those financial statements on 28 February 2013.

On behalf of KPMG Baltics, UAB

Vilmantas Karalius
Certified Auditor

Vilnius, the Republic of Lithuania
8 March 2014

Balance sheet

AS OF 31 DECEMBER 2013

(LTL, unless otherwise stated)

	Notes	2013	2012
ASSETS			
A. NON-CURRENT ASSETS			
I. INTANGIBLE ASSETS		-	-
II. PROPERTY, PLANT AND EQUIPMENT		7,844	1,781
III. FINANCIAL ASSETS		-	-
		7,844	1,781
B. CURRENT ASSETS			
I. INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS		2,004	194
II. ACCOUNTS RECEIVABLE WITHIN ONE YEAR		45,864	28,789
III. OTHER CURRENT ASSETS		-	-
IV. CASH AND CASH EQUIVALENTS		339,373	232,772
		387,241	261,755
TOTAL ASSETS		395,085	263,536
EQUITY AND LIABILITIES			
C. EQUITY			
I. CAPITAL		-	-
II. REVALUATION RESERVE		-	-
III. RESERVES		-	-
IV. RETAINED EARNINGS			
IV.1. Accumulated surplus / deficit of the reporting year		-	-
IV.2. Accumulated surplus / deficit of the previous year		53,994	53,994
		53,994	53,994
D. FINANCING			
I. Contributions		5,000	-
II. Membership fees		260,017	116,692
III. Other contributions		-	-
	3	265,017	116,692
E. AMOUNTS PAYABLE AND LIABILITIES			
I. NON-CURRENT ACCOUNTS PAYABLE AND LIABILITIES		-	-
II. CURRENT ACCOUNTS PAYABLE AND LIABILITIES			
II.1. Accounts payable to suppliers		13,422	6,032
II.2. Advances received		-	-
II.3. Salary and related liabilities		53,925	41,738
II.4. Other accounts payable and current liabilities		8,727	45,080
		76,074	92,850
TOTAL EQUITY AND LIABILITIES		395,085	263,536

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved on 8 March 2014 and signed by:



Kristian Kaas Mortensen
President



Vita Martinkaitienė
Accountant, Scandinavian Accounting and Consulting UAB

Performance statement

FOR THE YEAR ENDED 31 DECEMBER 2013

(LTL, unless otherwise stated)

	Notes	2013	2012
I. REVENUE			
Income from executive education programs		874,243	399,489
Income from other projects		15,003	91,672
Used financing	3	14,468	138,848
Other income		-	22
		903,714	630,031
II. EXPENSES			
COSTS OF SERVICES RENDERED	4, 5	741,485	502,001
OPERATING EXPENSES		162,229	128,030
Accounting and audit services		41,630	39,069
Car rent and maintenance expenses		33,876	36,007
Rent of premises		20,410	3,453
Salary and related expenses, attributed to administration		19,799	22,659
Business trip expenses		10,522	9,171
Communication expenses		9,996	8,041
Office expenses		3,066	3,054
Bank services		2,644	1,535
Marketing and gifts		2,429	3,495
Depreciation		2,323	1,338
Changes in foreign currency exchange rate, net		1,627	1,513
Representation expenses		1,539	1,933
Membership expenses in other organizations			(16,279)
Other operating expenses		12,368	13,041
		903,714	630,031
III. ACCUMULATED SURPLUS / DEFICIT BEFORE INCOME TAX		-	-
IV. INCOME TAX		-	-
V. NET RESULT		-	-

The accompanying explanatory notes are an integral part of these financial statements.
These financial statements were approved on 8 March 2014 and signed by:



Kristian Kaas Mortensen
President



Vita Martinkaitienė
Accountant, Scandinavian Accounting and Consulting UAB

EXPLANATORY NOTES

FOR THE YEAR ENDED 31 DECEMBER 2013

(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 (hereinafter "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 two employees in 2013 and one employee in 2012.

2. Accounting policies

Basis of preparation

The financial statements are prepared in accordance with the Law on Accounting of Lithuania and Order No. 1K-372 of Finance Minister of the Republic of Lithuania dated 22 November 2004 "The rules for preparation and presentation of accounting and financial statements for non-profit limited liability entities".

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 tangible fixed 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 revenue account "Used financing" in the Performance statement (according to the Order No. 1K-371 of Finance Minister of the Republic of Lithuania dated 5 November 2012 regarding the change of Order No. 1K-372 of Finance Minister of the Republic of Lithuania dated 22 November 2004 "The rules for preparation and presentation of accounting and financial statements for non-profit limited liability entities").

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 and Vice President's salary expenses directly attributable to projects are classified as Costs of services rendered in Performance statement. The 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:

2013	2012
1 EUR = 3.4528 LTL	1 EUR = 3.4528 LTL
1 LVL = 4.9184 LTL	1 LVL = 4.9520 LTL
10 SEK = 3.8492 LTL	10 SEK = 4.0042 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 LTL 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 2012 and 2013; 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, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

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:

	2013			
	Membership fee	Contributions	Other financing	Total
Balance at 1 st of January	116,692	-	-	116,692
Receipts	157,793	5,000	-	162,793
Usage	(14,468)	-	-	(14,468)
Closing balance at 31st of December	260,017	5,000*	-	265,017

*Contribution amount is related to the project of 2014.

	2012			
	Membership fee	Contributions	Other financing	Total
Balance at 1 st of January	16,595	-	-	16,595
Receipts	158,138	80,807	-	238,945
Usage	(58,041)	(80,807)	-	(138,848)
Closing balance at 31st of December	116,692	-	-	116,692

4. Costs of services rendered

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

	2013	2012
Executive education programs	535,307	206,547
Other projects	206,178	161,643
Total expenses, excluding financed projects	741,485	368,190
Expenses partly financed by Objective Contributions	-	133,811
Total costs of services rendered	741,485	502,001

5. Cost of educational programs rendered

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

Cost of services rendered	2013	2012
Payroll expenses	296,971	203,930
Lectors fee	174,687	54,831
Hotel / Education premises	114,301	65,699
Seminars material / Handout	68,524	35,795
Lectors travel and hotel expenses	28,744	17,467
Speakers travel and other expenses	25,938	11,516
Video&Pictures + Hotel	16,415	4,397
Travelling expenses	5,045	431
Representation costs	4,769	5,393
Transportation costs	4,311	8,231
Marketing and gifts	1,780	2,621
Catering services	-	5,370
External project cost	-	86,320
Total	741,485	502,001

6. Restatement of comparative information in Performance statement for the year ended 2012

Change in accounting policy

During accounting period the Company has changed its accounting policy due to Order No. 1K-371 of Finance Minister of the Republic of Lithuania dated 5 November 2012.

The result of the change in accounting policy is disclosed bellow.

Was presented the following in 2012:

1. 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.

The politics of financing use had changed in 2013 as follows:

1. The used part of the financing related to the objectives of the Association during the reporting period is shown in separate revenue account “Used financing” in the Performance statement.

	2012 Before restatement	Change in accounting policy	2012 As restated
REVENUE			
Revenue from education programs	399,489		399,489
Income from other projects	91,672		91,672
Used financing		138,848	138,848
Other income	22		22
	491,183	138,848	630,031
EXPENSES			
Cost of services rendered	502,001		502,001
Expense compensation	(138,848)	138,848	
Operating expenses			
Accounting and Audit services	39,069		39,069
Car rent and maintenance expenses	36,007		36,007
Payroll expenses	22,659		22,659
Business trip expenses	9,171		9,171
Communication expenses	8,041		8,041
Marketing and gifts	3,495		3,495
Rent of premises	3,453		3,453
Office expenses	3,054		3,054
Representation expenses	1,933		1,933
Bank services	1,535		1,535
Changes in foreign currency exchange rate, net	1,513		1,513
Depreciation	1,338		1,338
Membership expenses in other organizations	(16,279)		(16,279)
Other operating expenses	13,041		13,041
	128,030	-	128,030
TOTAL EXPENSES	491,183	138,848	630,031
ACCUMULATED / DEFICIT BEFORE INCOME TAX	-	-	-
INCOME TAX	-	-	-
NET RESULT	-	-	-

7. Remuneration to management

Remunerations to management for the years ended 31 December:

	2013	2012
Salary expenses not including contributions for social insurance	193,862	174,714
Average annual number of managers	1	1

There was no Remuneration or Gratuitous assets transferred for Board and Council members for the year 2013.

8. Contingencies and commitments

At 31 December 2013 and 2012 the Association was not involved in any legal proceedings that in management's opinion would have a material impact on the financial statements.

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

	2013	2012
Within a year	26,701	29,040
In second to fifth year	-	26,701
Total	26,701	55,741

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



Vita Martinkaitienė
Accountant, Scandinavian Accounting and Consulting UAB

CORPORATE MEMBERS

BALTIC CORPORATE MEMBERS



CORPORATE MEMBERS



NOTES

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BALTIC
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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 of best practice Corporate Governance in the Baltic region.

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