

# 2020 **B** **BICG** BALTIC INSTITUTE OF CORPORATE GOVERNANCE

ANNUAL REPORT

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# Dear partners and friends,



Year 2020 was marked by tough worldwide pandemic restrictions for people and for businesses they are in. In order to continue to do business, we had to reorganize it, to adjust and also to use the emerging opportunities.

In 2020, Boards and management groups were able to review strategies, adopt new ways of working and start using new technological connectivity tools that led to a “new normal” (as we started to call it) - less travelling, more working from home, organizing meetings and trainings online, new business opportunities, new approach towards agility and sustainability.

That is where good corporate governance has proven to be as important as never before, with sustainability becoming a new highlight and an inner necessity to help guarantee achievement of long-term goals for all stakeholders. Hand in hand with the European Confederation of Directors' Association (ecoDa), the Board of the Baltic Institute of Corporate Governance (BICG) has also decided to put more focus on environmental, social and governance (ESG) related matters not only in the long term, but also in our short-term goals and action plans.

While the BICG has kept its mission of delivering value to all stakeholders by promoting global competitiveness of Baltic companies through adoption of leading corporate governance practices for over a decade - including ESG related matters, we will be providing extra focus for the letters “E” and “S” in our education programs, events and other initiatives.

Year 2020 was also a year of breakthrough for the BICG as an organisation. To strengthen activities in Estonia, Country Manager Estonia joined the management team. And while the circumstances were unusual, our member community continued to grow and our voice continued to shape corporate governance practices across the Baltics - through active policy participation, education programs, corporate governance guidelines and recommendations.

Looking into the near future and stepping into 2021, we thank all the partners and friends for staying with us and supporting us in continuing our mission.

Together with ecoDa, we call for all directors, Boards and businesses to focus on good corporate governance to accelerate change and ensure sustainable growth in the Baltics and Europe, for a better future.

**Lina Kapčinskienė**

Chair of the Board

# Dear members,



What a year. While there are entirely too many reasons for it to be remembered as a demanding time across the Baltics and worldwide, it is my hope that many of you will also have a reason to remember it with admiration of anyone and everyone who came together to overcome its challenges.

For me, it was a privilege to observe how BICG members' community continued to grow and become even stronger and more diverse, with an increasing number of businesses and business leaders wanting to support the development of good corporate governance in Estonia, Latvia and Lithuania, even in these unusual times.

It is your commitment and support that strengthens our shared voice and enables our work towards improving corporate governance practices in the Baltics.

And while for the first time ever we had to hold our highly-practical education programs and other events partially or fully online, with varied technological solutions the demand for participation was as high as ever, including our signature Board member education program, newly created program for corporate secretaries and free-of-charge education of civil servants, which remains unique across Europe.

Among the highlights in policy advocacy was the finalization of the new Latvian Corporate Governance Code, developed with the participation of the BICG and raising the bar for all companies by emphasising the importance of independent Board members, internal culture, ethics, transparency, appropriate strategy development and risk governance, etc.

Aiming for a better governance of state- and municipality-owned companies (SOEs and MOEs), the BICG also assisted the Organisation for Economic Co-operation and Development (OECD) in evaluating the progress made in Lithuanian SOEs since accession in 2018, and led the team of experts in preparing new MOEs ownership policy for Riga city.

As the scope and pace of our activities continues to increase every year, I am very happy to say that the BICG as an organization has grown as well, with Country Manager Estonia joining the management and with Policy groups being established under the BICG Board in Latvia and Lithuania.

Looking forward to another year of a certain uncertainty, I want to thank you for being on our team.

**Rytis Ambrazevičius**

President

# Key Developments & Achievements

## PROJECTS

1

**Assessments of company governance practices with the Corporate Governance Assessment Tool** developed by the BICG continued in 2020, with the participation of Estonian, Latvian, Lithuanian and pan-Baltic companies. Such evaluations identify company strengths, weaknesses and allow to develop comprehensive plans for improvement, at the same time providing new insights into corporate governance state of play in Baltic companies. As control environment seems to be the area with most room for advancement across many businesses, we are set to further emphasise this topic in education programs and other events.

## POLICY

2

**Working group at the Lithuanian Parliament** for analysing several legislative proposals, including increasing the number of state representatives in Boards of strategic and other SOEs as well as strengthening the independence criteria for independent Board members, was joined by the BICG in the beginning of the year, supporting the improved independence criteria, but advocating against the increase of state representatives on Boards. Both were passed into law.

3

**Arguments against the potential strengthening of political influence in secondary and lower level companies in the Lithuanian state-owned company groups** were submitted by the BICG to the Parliament, Government and President in April, arguing against the initiative that the same governance requirements that are applied to the parent companies should be applied to the secondary or lower level companies, meaning that the government could take over such duties of the parent company as setting the required rate of the return on assets, etc., and against the initiative mandating that at least one civil servant has to be included into the Boards of all secondary or lower level companies considered to be of strategic importance. Despite the President's veto, it was approved by the Parliament.

4

**Proposals for how to improve the governmental initiative to establish a centralized governance model of Latvian SOEs** were submitted to the Cross-Sectoral Coordination Centre in May. The initiative proposes that the centralization will start with transferring 9 commercially oriented SOEs under the supervision of a newly established asset manager. Further discussions with all stakeholders are expected in 2021, in order for the proposal to proceed through the legislative process.

5

**Meeting with the President of Latvia** Egils Levits was held in June, as the BICG was invited to discuss various corporate governance related matters, including the proposals to centralise governance of Latvian SOEs and the initiative to improve governance of companies owned by Riga city.

6

**Commentary on proposed legislation to improve governance of universities in Latvia** was provided by the BICG in June, suggesting to improve the definition of proposed Board responsibilities, so that they better reflect Board's strategic role, oversight duties and its need to have a long-term perspective. As of April 2021, the respective legislation was proceeding through the Parliament and expected to pass into law later in the year.

7

**Comments against lowering the required proportion of independent members in Lithuanian SOEs and MOEs with a special status (VĮ, SĮ)** from 1/2 to 1/5 were provided to the parliamentary Economic Committee, as the BICG joined the related session and discussion in June. As of April 2021, the respective legislation was not proceeding through the Parliament.

# 8

**Commentary to the Organisation for Economic Co-operation and Development (OECD)** on the latest corporate governance developments in Lithuania was provided by the BICG in August, in preparation for the OECD report released at the end of the year to evaluate the progress Lithuania made since its accession in 2018. Additionally, meetings between the independent Board members as well as other representatives of SOEs and OECD were organised by the BICG in September.

Among the areas for improvement highlighted both in the BICG commentary and OECD report, were operational independence and supervisory responsibilities of SOEs Boards and directors, SOEs Board member selection process, etc.

# 9

**New, comprehensive and binding ownership policy for Riga city municipality owned companies** was finalised in August by the Advisory Council of external experts chaired by the BICG. As approved by the Riga city during the same month, the new ownership policy outlines decision making processes, nomination of Supervisory and Management Boards, strategy setting, reporting, transparency and disclosure requirements as well as other corporate governance practices. Advisory Council continues to assist the city administration on further improvements in 2021.

In Estonia, discussion was started with the Tallinn city municipality regarding the possibility to draft corporate governance guidelines for municipality-owned companies as well, potentially taking into account both the Riga experience and guidelines developed by the BICG for the Vilnius city municipality in 2015.

# 10

**New Latvian corporate governance code** was finalised in Latvia in November, after two years of expert discussions, with the participation of the BICG. The new code, which includes strengthening the institute of independent Board members, emphasises importance of internal culture, ethics and transparency, and describes improved processes for developing the strategy and implementing risk governance, was publicly introduced at the beginning of 2021, replacing the previous code drafted in 2010.

# 11

**New law defining the governance of public media** was approved by the Latvian Parliament in November, after two years of discussions. It establishes a good practice of separating media regulating and public media shareholding functions by creating a new shareholding entity and, as advised by the BICG, requires that knowledge of good corporate governance is mandatory in the set of competencies for public media shareholder representatives. The new legislation is gradually coming into effect since the beginning of 2021.

# 12

**Proposal to the Parliament regarding the introduction of corporate governance and sustainability reporting in largest Latvian SOEs and MOEs** was drafted by the Ministry of Justice and the BICG in November. It suggests that the largest SOEs and MOEs should report on the sustainability matters and corporate governance practices on the same level as listed companies. As of April 2021, further discussions were set to continue in the Parliament.

# 13

**Commentary against the proposed changes in Lithuanian SOEs governance**, which would transfer the right to appoint Boards in secondary and lower-level companies from the holding companies to the shareholding ministries, was provided by the BICG to the Ministry of Economy and Innovation in November.

# 14

**Process of re-establishing Supervisory Boards in SOEs and MOEs in Latvia continued throughout the year**, with the BICG participation in Nomination Committees for 12 companies, where the selections resulted in all 32 of newly elected members being independent. Having started with the largest Latvian SOEs in 2016, the process of re-establishing Supervisory Boards has now moved on to the SOEs and MOEs that are mid-sized and/or have the legal status of a joint stock company, based on good corporate governance guidelines and recommendations by the BICG.

# 15

**Update of the governance guidelines for small and medium businesses, accreditation of national education programs, policy advocacy related to the standardised sustainability reporting initiative by the European Commission** and other items were among ongoing projects the BICG worked on throughout the year in the framework of the European Confederation of Directors Associations (ecoDa).

## EDUCATION

# 16

After the spring session had to be postponed due to quarantine measures implemented in the Baltics, **two sessions of Board member education were held in autumn**, bringing the total number of BICG graduates to over 800, and with the Latvian President Egils Levits sending his greetings to all participants.



17

**First ever program for corporate secretaries in the Baltics** was held by the BICG in November and December. Over 30 participants from Lithuania, Latvia, Estonia and Finland joined the highly practical, two-day program, offering insight into the varied role and duties of a corporate secretary in ensuring excellence in Board work and improving overall corporate governance practices in a company.

18

**Corporate governance education program for civil servants** directly involved in SOEs governance policies and delegated to the Boards of SOEs, which was developed by the BICG in 2019, continued in 2020 and was expanded to include municipal servants as well.

In Latvia, 70 civil servants and over 90 municipal servants joined the free-of-charge course, organised in cooperation with the Cross-Sectoral Coordination Centre in November and December. While in Lithuania over 30 civil servants started the program at the beginning of the year, its remaining part continues to be on hold due to the pandemic related measures, as of April 2021. In Estonia, discussion regarding the possibility to organise such a program is ongoing.

Additionally, experience in providing corporate governance education for civil servants was shared by the BICG at the Member's Forum ecoDa in June, aiming to encourage other Institutes to consider creating similar programs, as the BICG initiative currently appears to be unprecedented across Europe.

## EVENTS

19

**Non-formal independent Board members club for independent Board members working in Lithuanian SOEs and MOEs** continued its quarterly meetings for the fifth year and discussed the role of the Board in preventing and managing crises, best disclosure and reporting practices, etc. **In Latvia, non-formal Board members club** met for the fourth year, to discuss strategy development, sustainability and ESG, etc.

20

**Three webinars on the Board's role during the time of crisis** were organized in Estonia, Latvia and Lithuania in April, as a series of remote events to discuss the new realities of the global pandemic and share experience of dealing with previous crises, with over 120 members joining online.

# 21

**Annual General Meeting (AGM) & Governance Conference 2020** were held in April. Because of the quarantine measures implemented in the Baltics and elsewhere, for the first time ever both events had to be held remotely, with members submitting their voting ballots in writing and connecting to the conference speakers from France, Netherlands, Finland and Belgium online, to hear more about what can the Baltic countries learn from the best corporate governance practices of other OECD countries.

# 22

**Online conference 'Cybersecurity on the Agenda of the Baltic Boards'** was held by the BICG in September to introduce the **Handbook on Cyber-Risk Oversight**, prepared by the Internet Security Alliance (ISA) and ecoDa, including the BICG.

# 23

**BICG member event in Tallinn** was held in October, to discuss priorities of operations in Estonia.

# 24

**7<sup>th</sup> annual Risk governance conference in Lithuania**, focusing on the risks related to business digitalisation, was organised by the BICG in October, together with COBALT and SEB. Held fully online, it was joined by over 120 participants.

**1<sup>st</sup> annual Risk governance conference in Latvia** was held by the BICG in November, together with Swedbank, KPMG Baltics and Eversheds Sutherland Bitāns. Focusing on risk governance in Latvian companies, global trends and best practice advice, speakers appeared for a live online broadcast, joined by over 400 participants.

In Estonia, the first governance conference is set to be organised in 2021.

# 25

**Member experience sharing event** was held online in Latvia in November, with Latvenergo, Nasdaq, Olainfarm, RB Rail and Schwenk sharing how are good corporate governance practices implemented in their respective companies.

# 26

**Excellence of start-up governance and value of good corporate governance in times of crises** were among the topics discussed at the events joined by us as guest speakers, including events organised by the Lithuanian Business Angels Network, Estonian chapter of Transparency International and conference CexitBiz (Corona Exit) in Latvia.

## COMMUNITY

# 27

**BICG Country Manager Estonia was appointed** in March, with Erik Sakkov, an experienced manager who has previously held top level positions at such companies as Tallinn Airport and Nordica, joining the team, to actively promote good corporate governance in Estonia by initiating public policy changes, developing member network, engaging directors, shareholders and top managers in the BICG education programs as well as other projects and initiatives.

# 28

**Code of Ethics** was announced by the BICG in May, as a set of guidelines of ethical behaviour for all of the members to refer to, and as a declaration that BICG as a community and each member separately are expected to follow a high standard of ethics.

# 29

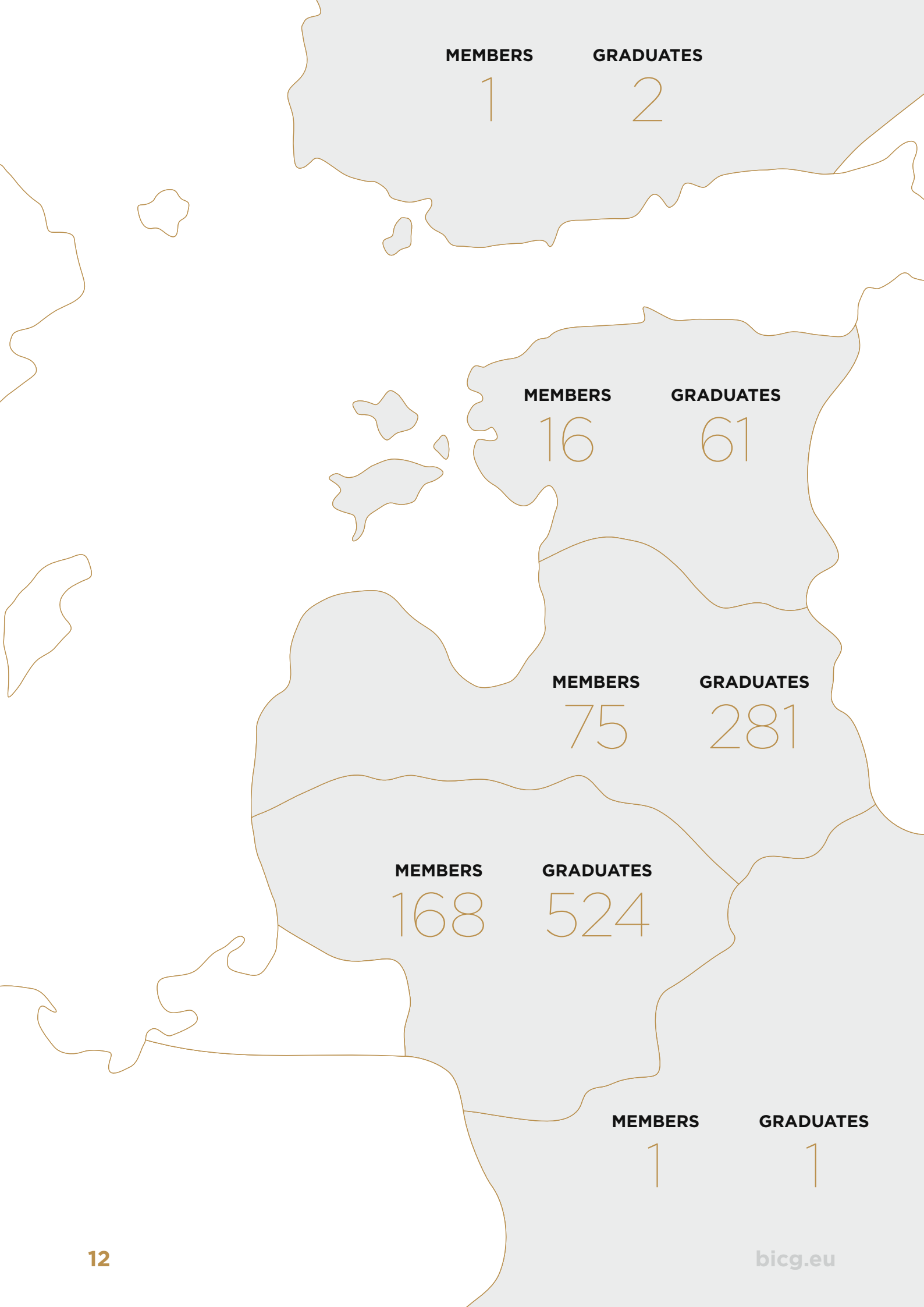
**New Chair was appointed by the Board** of the BICG in June, with Lina Kapčinskienė, CEO and Chair of the Board at Baltic Agro Machinery and an active ambassador of the BICG initiatives for over a decade, taking over from Daiga Auziņa-Melalksne, Head of Nasdaq Baltic Exchanges.

# 30

**Policy Groups under the Board of the BICG were established in Lithuania and Latvia** in October, to support the mission of the BICG by proposing initiatives, guidelines and recommendations as well as by being highly reactive to any proposals made by other parties in the field of corporate governance and company law. Comprised of experienced directors, managers, legal experts and corporate governance specialists, the Policy groups are working closely with the management and reporting to the Board of the BICG. In Estonia, a Policy Group is set to be created in the future, as the member community expands further.

# 31

**BICG community continued to grow**, as we welcomed new individual and corporate members, with the total numbers increasing from 187 to 206 and from 48 to 55, respectively.



# Mission, Vision and Values

## Vision

Baltic Institute of Corporate Governance and its community are locally and internationally recognized as drivers of the best corporate governance practices.

## Mission

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

## Values

### **Integrity**

Honesty and high moral principles in all we do.

### **Excellence**

The highest standards are applied by us and for us.

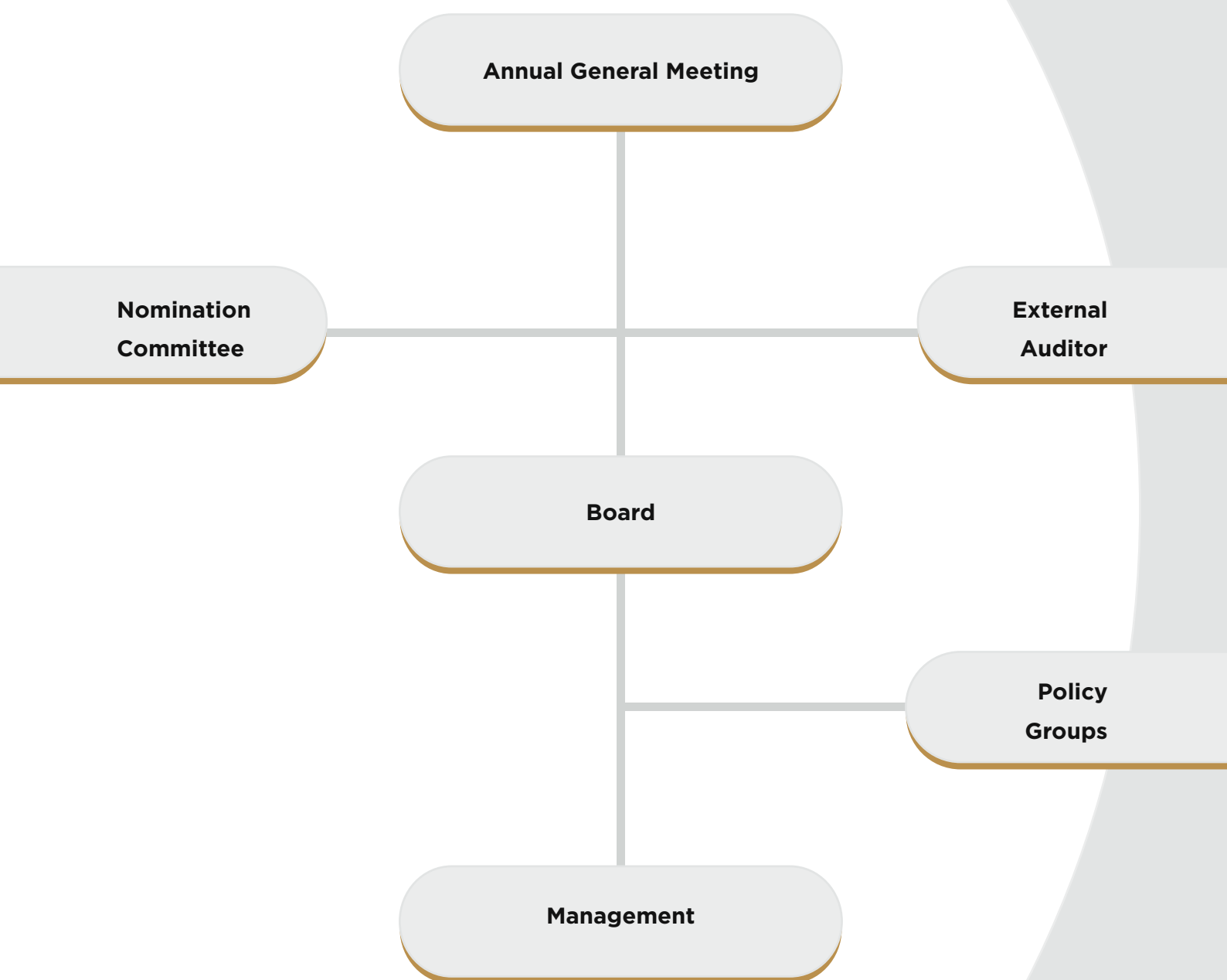
### **Transparency**

Clear communication about what we do, why we do it and how we do it.

### **Leadership**

Challenging the status quo and driving the necessary change.

# Structure



# Annual General Meeting

The BICG is an association governed by its members who convene for their Annual General Meeting (AGM) by the 1<sup>st</sup> of May every year.

AGM is the topmost decision-making body, approving annual activity reports, financial statements, electing Board members, etc.

Each member of the BICG has one vote at the AGM.

Otherwise, there are two main membership categories, individual and corporate.

Any person who has graduated from the BICG Board member education course is eligible to become an individual member. Individual members pay annual membership fee of 100 EUR.

Corporate members are companies that support an active corporate governance agenda in the Baltics. Their membership applications are first considered and then decided on by the Board of the BICG. There are three categories of corporate membership, depending on the level of support. Development corporate members pay an annual membership fee of 5.000 EUR, Baltic corporate members pay an annual membership fee of 3.000 EUR, and National corporate members pay an annual membership fee of 1.000 EUR

# Nomination Committee



**Aiga Ārste-Avotiņa**

Chair of the Nomination  
Committee

Managing Partner,  
Amrop Latvia



**Nijolė Kelpšaitė**

Member of the Nomination  
Committee

Managing Partner,  
J. Friisberg & Partners Lithuania



**Marja-Liisa Soone**

Member of the Nomination  
Committee

Head of Legal and Compliance,  
Ridango

Nomination Committee makes recommendations for electing and re-electing Board members, based on the requirements set for the Board composition and rotation in the bylaws and best practice guidelines of the BICG, encouraging balance of competencies, equal country representation, etc. It is comprised of three members, elected by the AGM, for a 1-year tenure. Chair of the Nomination Committee is elected by its members.



# Board



**Lina Kapčinskienė**  
Chair of the Board

CEO and Chair of the Board,  
Baltic Agro Machinery



**Daiga Auziņa-Melalksne**  
Member of the Board

Chair of the Management Board,  
Nasdaq Riga



**Guntars Baļčūns**  
Member of the Board

Chief Financial Officer,  
Latvenergo



**Kārlis Danēvičs**  
Member of the Board

Member of the Management Board,  
SEB Latvia



**Riina Kāi**  
Member of the Board

Chief Financial Officer,  
Elering



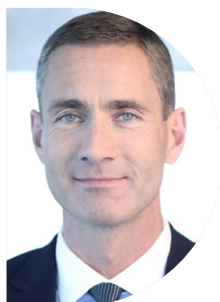
**Priit Lepasepp**  
Member of the Board

CEO and Founder,  
Sunly



**Irmantas Norkus**  
Member of the Board

Managing Partner,  
COBALT Lithuania



**Kaarel Ots**  
Member of the Board

CEO,  
Nasdaq Tallinn



**Daiva Rakauskaitė**  
Member of the Board

Partner,  
Business Angels Funds I-II

Board supervises the performance of the BICG, its management and guides the organization strategy. It consists of nine members, elected by the AGM, with the recommendation of the Nomination Committee, for a tenure of 3 years. Chair of the Board is elected by the Board, during the first meeting after the AGM. Board meetings are typically held every six to eight weeks, including a strategy session held once a year.

# Policy Groups

## Latvia



**Uldis Biķis**

Chair of the Policy Group

Chair of the Supervisory Board,  
Latvijas Finieris



**Gundars Bērziņš**

Member of the Policy Group

Chair of the Supervisory Council,  
Olainfarm



**Mārtiņš Bičevskis**

Member of the Policy Group

Professional Board Member



**Gatis Flinters**

Member of the Policy Group

Partner,  
COBALT Latvia



**Juta Kaktiniece**

Member of the Policy Group

Head of Legal,  
SEB Latvia



**Zane Kotāne**

Member of the Policy Group

Chief Financial Officer,  
Olainfarm



**Andris Lauciņš**

Member of the Policy Group

Partner,  
EY



**Rinalds Sluckis**

Member of the Policy Group

CEO,  
Digital Mind



**Jānis Vanags**

Member of the Policy Group

Chief Corporate Officer,  
Maxima Latvija

# Lithuania



**Viktorija Trimbel**

Chair of the Policy Group

Professional Board member



**Renata Damanskytė-Rekašienė**

Member of the Policy Group

Chief Legal Counselor,  
EPSO-G



**Simona Grinevičienė**

Member of the Policy Group

Legal Office Director,  
Ignitis grupė



**Agnė Jonaitytė**

Member of the Policy Group

Partner,  
Primus



**Ina Muckienė**

Member of the Policy Group

Senior Manager,  
PwC Legal Lithuania



**Gediminas Varnas**

Member of the Policy Group

Member of the Management Board,  
Nasdaq Vilnius



**Povilas Žukauskas**

Member of the Policy Group

Partner,  
Wallace

Policy Groups support initiatives by the BICG by proposing guidelines, recommendations and being highly reactive to any proposals made by other parties in the field of corporate governance and company law. Working closely with the management, Policy Groups are designated by country and currently are established in Latvia and Lithuania. Members of Policy Groups are appointed by the Board, for a tenure of 3 years. Chair of a Policy Group is elected by the Policy Group, for a tenure of 1 year.

# Management Team



**Rytis Ambrazevičius**  
President



**Andris Grafs**  
Vice President Latvia



**Erik Sakkov**  
Country Manager Estonia

Management of the BICG is responsible for the daily operations and is supervised by the Board. Members of the management team do not serve on the Board of the BICG, but they are invited to attend Board meetings.

# Management and Board Statement

The Board of the BICG has discussed and approved the Annual Report of the BICG for the year 2020.

The financial statements in this annual report have been prepared in accordance with the Lithuanian law and have been audited by KPMG. In our opinion, these financial statements give a true and fair view of the financial position of the BICG on the 31<sup>st</sup> of December, 2020 as well as of the results of the operations of the BICG for the financial year 2020.

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

March 26, 2021

## Management of the BICG

**Rytis Ambrazevičius**

President

## Board of the BICG

**Lina Kapčinskienė**

Chair of the Board

**Daiga Auziņa-Melalksne**

Member of the Board

**Guntars Baļčūns**

Member of the Board

**Kārlis Danēvičs**

Member of the Board

**Riina Käi**

Member of the Board

**Priit Lepasepp**

Member of the Board

**Irmantas Norkus**

Member of the Board

**Kaarel Ots**

Member of the Board

**Daiva Rakauskaitė**

Member of the Board



# 2020 Financial Statements and Auditor's Report

## Independent Auditor's Report

To the Members of Association BALTIC INSTITUTE OF CORPORATE GOVERNANCE

### Opinion

We have audited the financial statements of Association BALTIC INSTITUTE OF CORPORATE GOVERNANCE ("the Association"). The Association's financial statements comprise:

- the statement of financial position as at 31 December 2020,
- the performance statement for the year then ended,
- the notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Association as at 31 December 2020, and of its financial performance for the year then ended in accordance with the *Rules for Accounting, Preparation and Presentation of the Financial Statements of Non-Profit Limited Civil Liability Entities* ("*Accounting Rules for Non-Profit Entities*"), approved by Order No. 1K-443 of the Minister of Finance of the Republic of Lithuania as of 18 December 2018.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with *Accounting Rules for Non-Profit Entities*, 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

On behalf of KPMG Baltics, UAB

**Rūta Kupinienė**  
Certified Auditor

Vilnius, the Republic of Lithuania  
24 February 2021

		Notes	2020	2019
<b>ASSETS</b>				
<b>A.</b>	<b>NON-CURRENT ASSETS</b>			
I.	INTANGIBLE ASSETS		-	-
II.	PROPERTY, PLANT AND EQUIPMENT		1.087	706
III.	FINANCIAL ASSETS		-	-
IV.	OTHER NON-CURRENT ASSETS		-	-
			<b>1.087</b>	<b>706</b>
<b>B.</b>	<b>CURRENT ASSETS</b>			
I.	INVENTORIES	1.	2.073	1.840
II.	ACCOUNTS RECEIVABLE WITHIN ONE YEAR	2.	11.415	33.227
III.	OTHER CURRENT ASSETS		-	-
IV.	CASH AND CASH EQUIVALENTS		181.744	236.325
			<b>195.232</b>	<b>271.392</b>
	<b>TOTAL ASSETS</b>		<b>196.319</b>	<b>272.098</b>
<b>EQUITY, FINANCING AND LIABILITIES</b>				
<b>C.</b>	<b>EQUITY</b>			
I.	SHAREHOLDERS CAPITAL		-	-
II.	RESERVES		-	-
III.	INVIOABLE CAPITAL		-	-
IV.	ACCRUED ACTIVITY RESULT		-	-
			<b>-</b>	<b>-</b>
<b>D.</b>	<b>FINANCING AMOUNTS</b>	3.	<b>140.050</b>	<b>182.974</b>
			<b>140.050</b>	<b>182.974</b>
<b>E.</b>	<b>ACCOUNTS PAYABLE AND LIABILITIES</b>			
I.	NON-CURRENT ACCOUNTS LIABILITIES		-	-
II.	CURRENT ACCOUNTS LIABILITIES	4.	56.269	89.124
			<b>56.269</b>	<b>89.124</b>
	<b>TOTAL EQUITY, FINANCING AND LIABILITIES</b>		<b>196.319</b>	<b>272.098</b>

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

These financial statements were approved on 24 February 2021 and signed by:

**Rytis Ambrazevičius**  
President

**Laura Bulonienė**  
Accountant, Scandinavian  
Accounting and Consulting UAB



		Notes	2020	2019
<b>I.</b>	<b>REVENUE</b>		<b>405.995</b>	<b>435.442</b>
I.1	SALES REVENUE	5.	264.435	341.565
I.2	FINANCING REVENUE		141.499	93.815
I.3	OTHER REVENUE		61	62
<b>II.</b>	<b>COSTS</b>		<b>405.995</b>	<b>435.442</b>
	COST OF GOODS, SERVICES RENDERED AND OTHER			
II.1	SALES COSTS	6.	224.570	281.525
II.2	OPERATING COSTS	7.	181.425	153.917
II.3	OTHER COSTS		-	-
<b>III.</b>	<b>OPERATING RESULT BEFORE TAX</b>		-	-
<b>IV.</b>	<b>INCOME TAX</b>		-	-
<b>V.</b>	<b>NET OPERATING RESULT</b>		-	-

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

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## 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. The data is stored and kept in the registry of legal entities.

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 2020 12 31 – 4 employees. 2019 12 31 - 3 employees.

Association “BALTIC INSTITUTE OF CORPORATE GOVERNANCE” had not participated in the projects in the year 2020.

Association “BALTIC INSTITUTE OF CORPORATE GOVERNANCE” the accounting is performed by UAB “Scandinavian Accounting and Consulting”, company code 111507550, company address Radvilėnų pl. 56, Kaunas.

## 2. Accounting policies

### Basis of preparation

The financial statements are prepared in accordance with the Law on Accounting of Lithuania and 18<sup>th</sup> December 2018 of Finance Minister of the Republic of Lithuania Order Nr. 1K-443 “Approval of the laws for accounting and preparation and submission of financial statements and the assets received free of charge 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 Euros (“Euro”).

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 EUR 290 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, 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 "Financing revenue" in the Performance statement according to the 18th December 2018 of Finance Minister of the Republic of Lithuania Order Nr. 1K-443 "Approval of the laws for accounting and preparation and submission of financial statements and the assets received free of charge 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 the Performance statement. Other expenses, not directly attributable to projects, are classified as operating expenses in the Performance statement.

The salary expenses directly attributable to projects are classified as costs of services rendered in the Performance statement. The salary expense, which are not directly attributable to projects is classified as operating expenses in Performance statement.

### Foreign currencies

Transactions denominated in foreign currency other than euros (EUR) are translated into EUR 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:

2020	2019
<hr/>	<hr/>
1 EUR = 10,0568 SEK	1 EUR = 10,4400 SEK

### Income tax

The Association does not calculate income tax as it did not receive any income as a result of commercial activity in 2020 and 2019 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 that are not adjusting events are disclosed in the notes when material.

### 3. Notes

#### 1. Inventories

For the year ended 31 December prepayments, inventories and contracts in progress consisted of the following:

	2020	2019
Prepayments for suppliers	1.086	559
Deferred charges	987	1.281
<b>Total</b>	<b>2.073</b>	<b>1.840</b>

#### 2. Other receivables within 1 year

At December 31 other receivables were as follows:

	2020	2019
Trade receivables	2.537	25.771
Receivables – membership fee	425	6.175
Other receivables	8.453	1.281
<b>Total</b>	<b>11.415</b>	<b>33.227</b>

#### Other receivables consists of:

VAT receivables from LT STI 5.501 Eur

VAT receivables from LV STI 1.063 Eur

VAT receivables from EE STI 1.730 Eur

Social securities contributions from SSIF 159 Eur

#### 3. Financing

At December 31 membership fees and contributions were as follows:

	2020			
	Membership fee	Contributions	Other financing	Total
Balance at 1 <sup>st</sup> of January	182.974	-	-	<b>182.974</b>
Receipts	98.575	-	-	<b>98.575</b>
Usage	(141.499)	-	-	<b>(141.499)</b>
<b>Closing balance at 31<sup>st</sup> of December</b>	<b>140.050</b>	<b>-</b>	<b>-</b>	<b>140.050</b>

	2019			
	Membership fee	Contributions	Other financing	Total
Balance at 1 <sup>st</sup> of January	191.990	-	-	<b>191.990</b>
Receipts	84.799	-	-	<b>84.799</b>
Usage	(93.815)	-	-	<b>(93.815)</b>
<b>Closing balance at 31<sup>st</sup> of December</b>	<b>182.974</b>	<b>-</b>	<b>-</b>	<b>182.974</b>

#### 4. Current accounts payable and liabilities

At December 31 current accounts payable and liabilities were as follows:

2020				
	During the financial year	During the one year	During five years	Total
Trade accounts payable	4.094			<b>4.094</b>
Prepayments	777	-	-	<b>777</b>
Liabilities for employee	97	-	-	<b>97</b>
Reserve for accrued holidays	27.717	-	-	<b>27.717</b>
Accrued annual bonuses	21.064	-	-	<b>21.064</b>
Other accrued charges	2.520			<b>2.520</b>
<b>Other accrued charges</b>	<b>56.269</b>	-	-	<b>56.269</b>

2019				
	During the financial year	During the one year	During five years	Total
Trade accounts payable	1.546			<b>1.546</b>
Prepayments	3.829	-	-	<b>3.829</b>
Deferred income of coming periods	55.290	-	-	<b>55.290</b>
Reserve for accrued holidays	21.867	-	-	<b>21.867</b>
Payable VAT LV, EE countries	4.162	-	-	<b>4.162</b>
Other accrued charges	2.430			<b>2.430</b>
<b>Closing balance at 31<sup>st</sup> of December</b>	<b>89.124</b>	-	-	<b>89.124</b>

#### 5. Sales revenue

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

	2020	2019
Revenue from education programs for managers	229.230	247.350
Revenue from other projects	35.205	94.215
<b>Total</b>	<b>264.435</b>	<b>341.565</b>

#### 6. Cost of goods, services rendered and other sales costs

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

	2020	2019
Executive education programs costs	96.565	202.698
Other projects costs	128.005	78.827
<b>Total</b>	<b>224.570</b>	<b>281.525</b>

	2020	2019
Payroll expenses	141.586	117.441
Catering services	14.602	55.724
Lectors fee	18.887	39.921
Seminars material/Handout	23.640	25.436
External project cost	896	1.524
Hotel/ Education premises	21.109	13.143
Lectors travel and hotel expenses	316	9.982
Transportation costs	127	4.398
Travelling expenses	-	3.499
Video&Pictures + Hotel	600	3.393
Representation expenses	2.807	7.064
<b>Total</b>	<b>224.570</b>	<b>281.525</b>

## 7. Operating costs

For the years ended 31 December operating costs rendered consisted of the following:

	2020	2019
Salary and related expenses, attributed to administration	112.633	72.232
Accounting and audit services	23.106	21.897
Business trip expenses	2.306	12.011
Car rent and maintenance expenses	6.141	4.990
Rent of premises	6.430	6.430
Representation expenses	412	1.964
Communication expenses	1.634	1.671
Office expenses	851	936
Bank services	389	456
Depreciation	550	705
Changes in foreign currency exchange rate, net	135	455
Other operating expenses	26.838	30.170
<b>Total</b>	<b>181.425</b>	<b>153.917</b>

## 8. Remuneration to management

Remunerations to management for the years ended 31 December:

	2020	2019
Salary expenses not including contributions for social insurance	78.518	88.507
Average annual number of managers	1	1

As at 31 December 2020, pursuant to the decision of the Association Board, an annual bonus in an amount equal to 1.5 monthly salary was accrued for the manager.

In 2020, there were no transactions between the Association and the Association manager as well as the members of the Board, except for the accrued annual bonus and the usual salary for the manager, which was fixed in the labor contract based on the decision of the Board. The significant transactions between association, legal persons engaged in a non-profit-making activity, support providers and support recipients in the year 2020 had not taken place.

## 9. Contingencies and commitments

On 31 December 2020 and 31 December 2019 the Association has not participated in any judicial procedures, which according to the management, might significantly affect financial statements. Tax Administrator has not performed in Association full scope tax reviews. Tax Administrator may at any time make the review on accounting, transactions and other documents, accounting records and tax reports for the current and 3 past calendar years; in some other cases for current years and 5 or 10 past calendar years and to calculate additional taxes and penalties. Company management is not aware of the circumstances due to which the potential significant liability for unpaid taxes could arise.

Although the pandemic and related restrictions are still ongoing, it is not expected that this will have a significant impact on the Association's activities and revenues. The interest in the training of board members and chairpersons organized by the Association, from which most income together with membership fees is received, is not diminished; therefore, the Association forecasts that in 2021 the groups of participants will be fully formed as last year.

Moreover, the Association has the possibility to organize trainings both remotely (online) and in a “hybrid” way, when the participants of each country gather in the capital of their country and are connected to participants in other countries by live video. By registering for the training, all training participants agree to participate in any of the above-mentioned forms of training.

#### **10. Significant operating lease commitments**

The company with a legal person has entered into a termless office space operating lease. The one-year lease services price is 7.780 euros (including VAT).

#### **11. Post balance sheet events**

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

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# ASSOCIATION BALTIC INSTITUTE OF CORPORATE GOVERNANCE

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