



# ANNUAL REPORT 2021

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# Dear members and friends,



We have mostly planned this last year to be the year when all the pandemic restrictions are lifted, business plans become more expansive and we again work and travel with more ease, didn't we?

And 2021 was a successful year in most business areas, at least in the Baltic countries, where national domestic product increased significantly and growth of business revenues and profits suggested a prospering future. During the last three decades of independence, we have all made every effort to raise the prosperity of our countries and increase quality of operations to catch up with European and global standards, including those of good corporate governance.

There is still a lot to be done, but now we have to turn from qualitative indicators to fundamental existential challenges first. As in 2020 businesses have gone through their continuity plans and risk assessment documents in consideration of the pandemics, now we have to do it again, only for a much different reason.

It is hard to even write and to boast about the achievements of the Baltic Institute of Corporate Governance (BICG) in 2021, about all the achievements of all of us in the Baltic countries, when there is a war happening right next to us. We are now in the year 2022, more than two decades into the 21<sup>st</sup> century, but still have to face it, to face the war, after Russia, assisted by Belarus, invaded Ukraine and started a war of incredible cruelty. A turn of both political and economic events took place, with urgent security questions in Europe, humanitarian crisis, increased inflation, potential lack of resources, etc. This is what I meant by saying that now we have to go through business continuity plans and risk assessment documents again, to revise strategies, to revise our actions. Only that now we have to turn to the core value of the very existence of any business. How can our business impact the future? In this case, how can it help support the highest values of all - freedom, democracy and peace?

As of March, over 300 companies have either suspended or scaled down their dealings with Russia in reaction to the invasion into Ukraine. Many of these companies are among the biggest in the world in terms of revenue, and this is the result of brave decisions made by their Boards and shareholders. Decisions of this dimension are really something that should stem from the Boards in general. In addition to that, European Confederation of Directors Associations (ecoDa) has called on all European Board members to take action by questioning their mandates in Russian and Belarusian companies. A call that was joined by the BICG as well.

We as Board members now have to declare our position. How can we personally and in solidarity embrace and support business decisions to enhance peace and freedom in our neighbourhood and on the global scale?

BICG stands with Ukraine and the Ukrainian people in solidarity.

Slava Ukraini!

**Lina Kapčinskienė**

Chair of the Board

# Dear members,



While ongoing geopolitical, pandemic and other challenges in the Baltics and elsewhere might seem beyond our control, they are not beyond our influence, whatever direct or indirect. We can choose to make appropriate business and personal decisions to hamper their effects and to keep on the path of progress.

I am thankful to the community of the BICG for the continued support to good corporate governance, which allows us to move forward in our mission to increase effectiveness, transparency and overall competitiveness of the businesses across the Baltics.

For the first time ever, the total number of our members has exceeded 300 and continues to increase.

With the strengthening of operations in Estonia, three sessions of the Board member education program were held for the first time in one year as well, compared to the usual two. We have also returned to Stockholm for our Chair education program, which now has a hundred graduates and remains the only program dedicated to ensuring effective Board leadership in the region.

At the same time, we continue to share our knowledge with the civil servants free-of-charge, most recently through corporate governance workshops focused on the concept of shareholder expectations letter held at the end of the year.

Among the highlights in policy advocacy, I want to mention BICG proposals to amend Latvian state-owned companies (SOEs) governance legislation by improving the definition of an independent Board member and by introducing corporate governance and sustainability reporting to the largest SOEs and MOEs, which is now passed into law.

We have also contributed the Baltic experience and perspective in preparation to the new governance guidelines for unlisted European companies, which were updated for the first time in a decade, in the framework of the European Confederation of Directors' Associations (ecoDa).

And as I thank you for making our work possible, I thank you for leading by example as well. During the first Latvian Corporate Governance Awards and Forum held last year, members of the BICG achieved wins in all three categories, setting the standard for all businesses in the Baltics.

Here is to another year of bringing about change, no matter what the challenges might be.

**Rytis Ambrazevičius**

President

# KEY DEVELOPMENTS & ACHIEVEMENTS

## POLICY

- 1. Suggestions for improving Board member selection process in Lithuanian state-owned companies (SOEs)** were submitted by the BICG to the Ministry of Transport and Communications during a round of public consultations in February, arguing for increased transparency and professionalism of the process as well as for improved competence and independence requirements for the candidates.
- 2. Proposal to amend Latvian Commercial Law aimed at strengthening the strategic role of Supervisory Boards in privately held companies** was submitted by the BICG to the Ministry of Justice in March, advocating for Supervisory Board responsibilities to include approving company strategy and financial objectives (budget), monitoring their implementation, ensuring oversight of company internal control and risk governance systems, and approving corporate governance related policies (such as risk governance, ethics code, responsible business conduct, etc.). It has been reviewed by the Ministry and further discussions at the Government and Parliament are expected in 2022, together with the overall amendments to the Latvian Commercial law.  
BICG proposal was drafted with the involvement of the BICG Policy Group in Latvia.
- 3. Commentary regarding the changes to the selection process of Board members in Lithuanian SOEs** proposed by the Ministry of Economy and Innovation was submitted by the BICG to the Lithuanian Government in May and June, arguing for safeguards against state involvement in the Board member nomination process for secondary and lower-level companies in company groups, for equalised qualification requirements to civil servants delegated to the Boards, etc. Discussions are continuing.
- 4. Concept of shareholder expectation letter for SOEs and municipality-owned companies (MOEs)** was developed by the BICG in Latvia in June and then introduced to Riga city municipality, with an agreement to run a pilot project by defining first such letters for selected MOEs in Riga. Full policy proposal to the Latvian government regarding shareholder letters was finalised in autumn, and it is expected that it will be discussed by the Government and at the Parliament in 2022. Currently, state and municipalities in their role as shareholders are defining general strategic goals for each company, but no clear and disclosed shareholder expectations are set in terms of financial and non-financial objectives.  
BICG proposal was drafted with the involvement of the BICG Policy Group in Latvia.

5. **Advisory Council on governance of Riga City owned enterprises, chaired by the BICG, continued to provide recommendations to the municipality** throughout the year, including guidance on corporate governance and sustainability reports, definition of strategic objectives, setting financial and non-financial objectives as well as guidance on a dividend policy at MOEs, etc. Total of 11 meetings were held. As August marked one year since the Advisory Council drafted and Riga city approved new MOEs ownership guidelines, a review of the progress made since is ongoing and set to conclude in 2022 as well.
6. **Feedback for how to improve legislation on internal audit role and its interaction with Supervisory Boards in Latvia** was provided in August to the Ministry of Justice, which is working on the review of the relevant laws.
7. **BICG proposals to amend Latvian SOEs governance legislation, by improving the definition of an independent Board member and by introducing corporate governance and sustainability (non-financial) reporting** to the largest SOEs and MOEs was approved by the Parliament in November. In March 2022, it was confirmed by the Latvian Government that companies will report according to the principles defined in the new Latvian Corporate Governance Code, which was developed with the participation of the BICG a year before.
8. **Aiming to ensure the best Board member selection procedures at SOEs and MOEs**, the BICG continues its work in the Nomination Committees, most recently joining Nomination Committees for Supervisory and Management Boards of Latvian Railways, Riga Airport, Latvijas Televīzija, Latvenergo, State Real Estate and Latvian Post, among others, with the assistance of our members in several processes.
9. **Governance guidelines for unlisted European companies** updated for the first time in a decade; **publication of Five Corporate Governance Guidelines to Accelerate Change and Sustainable Growth in Europe; comments on Sustainable Corporate Governance Initiative by the European Commission**, including a meeting with the European Commissioner for Justice, and other policy advocacy on the European level; as well as other items were among projects the BICG worked on this year in the framework of the European Confederation of Directors Associations (ecoDa).

We continue to share our knowledge with the European partners as well, lately with involvement from our members, with SCHWENK Latvia sharing its experience in sustainability as an inalienable part of business on CG Circles – a discussion platform of ecoDa.

## EDUCATION

10. **Three sessions of the Board member education program** were held for the first time in one year, compared to the usual two, keeping in mind growing interest from Estonia, as our Estonian operations continue to grow.

11. **Chair education program** was held in Stockholm in November, with the total number of graduates of this course now at 100. We were hosted by East Capital, SEB and Telia, and had a chance to welcome Ms Katherine Löfberg, Chair of the Board at Löfbergs; Mr Staffan Bohman, Chair of Electrolux; Mr Harald Norvik, former Chair of Statoil, and others among many experienced speakers who shared their knowledge about effectively leading a Board.

## EVENTS

12. **Non-formal independent Board members club** for independent Board members working in Lithuanian SOEs and MOEs, and **non-formal Board members club** in Latvia continued their quarterly meetings, this year focusing on such issues as CEO evaluation, effective IT governance, etc.
13. **Meeting with the President of Latvia Egils Levits** was joined by the BICG as well as other organisations in January, to discuss ways to bolster capital markets in Latvia, including further strengthening of good corporate governance in SOEs and private companies.
14. **Latvian Capital Market Forum 2021** was joined by the BICG in January, to discuss new Latvian Corporate Governance Code, which was drafted with the participation of the BICG and finalised a year before, after over two years of discussions.
15. **Discussion on New Global Trends in the Strategies of Lithuanian Businesses** was organised by the BICG and COBALT law offices in March, to highlight new business trends reinforced by the pandemic realities and likely to continue in the post-pandemic world, which should be considered by all businesses in their strategies. Over 100 participants joined the discussion.
16. **Introductory webinar to corporate governance for Lithuanian media representatives** was held in March by the BICG and joined by 2 major media outlets, with webinar materials distributed to others as well.
17. **Member event in Estonia** was held online in April, to discuss priorities of the BICG operations in Estonia, including growing memberships, increased participation in corporate governance education programs, policy advocacy, etc.
18. **Annual General Meeting (AGM) & Governance Conference 2021** were held in April. Because of the quarantine measures implemented in the Baltics and elsewhere, both events were held remotely. The conference focused on ESG as the new strategy and business model for Baltic companies and was joined by speakers from across the Baltics and over 500 participants, with Valdis Dombrovskis, Executive Vice President of the European Commission, welcoming everyone.

- 19. Expert discussion on the strategic role of Supervisory Boards** was co-organised by the BICG as a member of the Corporate Governance Advisory Board under the Ministry of Justice, which drafted the new Latvian Corporate Governance Code in 2020. It was held in May, attracting over 200 participants. It was one of the total six events that took place during the year within the round of discussions to introduce the new Latvian Corporate Governance Code, with more than 8000 views reached online, across different platforms.
- 20. Member experience sharing event** was held online in June, with a building materials producer SCHWENK Latvia sharing how EU Green Deal and other sustainability measures are implemented in the company.
- 21. First annual Forum on Riga city owned company governance** was organized by the Riga city and its Advisory Council, chaired by the BICG, in August, with the participation of the mayor and the executive director of the city, to discuss progress and continuing challenges since the announcement of MOEs ownership guidelines in 2020.
- 22. First Latvian Corporate Governance Awards and Forum** were organized in September, by the Latvian Corporate Governance Advisory Board under the Ministry of Justice, where the BICG is a member, with the participation of the President of Latvia Egils Levits. Members of the BICG led the awards by example and achieved wins in all three categories, with Andris Grafs, BICG Vice President Latvia, being recognized personally.
- 23. 8<sup>th</sup> annual Risk governance conference in Lithuania**, examining risks facing businesses that do not properly address the importance of environmental, social and governance (ESG) elements in their strategies, was organized by the BICG, COBALT law offices and SEB bank in September, attracting 90 participants.
- Conference ‘ESG - how to do business sustainably?’** was held by the BICG and Swedbank in Tallinn in September, with participation of the Minister of Entrepreneurship and Information Technology and focusing on the environmental aspects of doing business as well as calling for Estonian and Baltic companies to take action. Attended both in-person and online, it was joined by 120 participants.
- 2<sup>nd</sup> annual Risk governance conference in Latvia** focused on ESG risks as well and was held in December, in partnership with Swedbank, KPMG, and Eversheds Sutherland Bitāns, attracting over 400 participants live and online.
- 24. Webinar on ensuring a more effective dialogue between Board members and internal auditors** was held in October, in partnership with the Lithuanian Internal Auditors Association, attracting over a hundred participants.

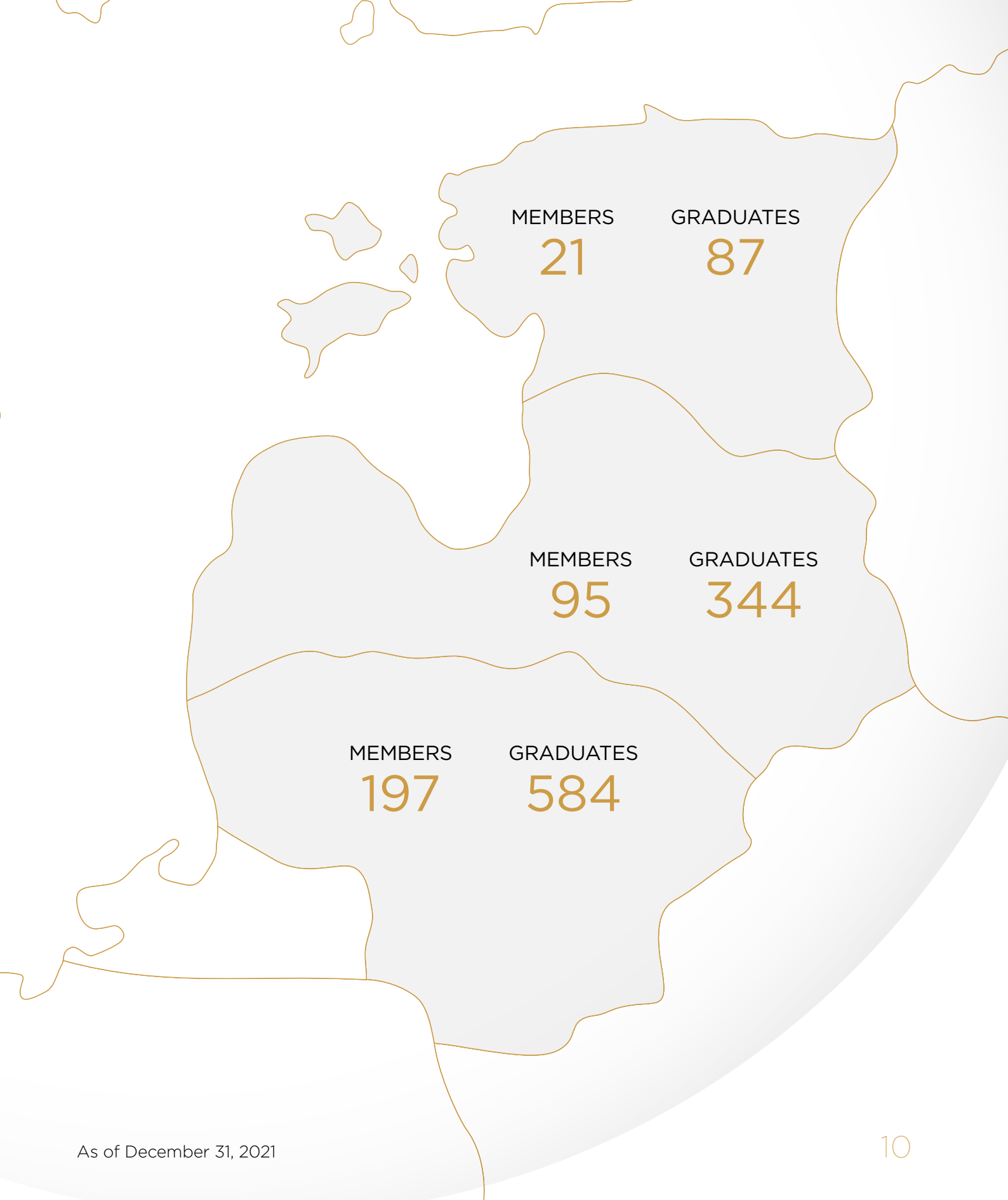
**25. Farewell evening with Raoul Hasselgren**, who retired from lecturing in education programs of the BICG in autumn, was held in October in Vilnius, bringing together both the first and the latest graduates of the BICG. Mr Hasselgren joined Board member education program at its start in 2009, and Chair education program since it was first organised in 2011. He has taught 100 business leaders in Estonia, 250 – in Latvia and 500 – in Lithuania.

**26. Corporate governance workshops for civil servants** representing shareholding entities of SOEs and MOEs were held in December in Latvia, in cooperation with the Cross-Sectoral Coordination Centre, and joined by nearly 70 participants. It focused on the concept of shareholder expectations letter newly proposed by the BICG, as such a concept is not yet developed in Latvia.

**27. Discussion on future challenges for corporate governance** organised by EY, webinar analysing if good corporate governance is key to business success by the American Chamber of Commerce, panel discussion on sustainability organised by Swedbank and 8<sup>th</sup> annual conference on state property management by Newsec and COBALT were among the events we joined as speakers, emphasising such issues as the importance of reviewing current corporate governance practices to make actionable improvement plans in a company, etc.

## COMMUNITY

**28. BICG community continued to grow and become increasingly diverse**, as we welcomed new individual and corporate members, with the total numbers growing from 206 to 256 and from 55 to 57, respectively.



MEMBERS

21

GRADUATES

87

MEMBERS

95

GRADUATES

344

MEMBERS

197

GRADUATES

584

# Best advice is knowledge



Graduates of the Board member and Chair education programs held last year had the very last chance to learn from the insight and experience of Raoul Hasselgren, who has retired from lecturing in education programs of the BICG.

One of the most experienced experts of good corporate governance in Scandinavia and elsewhere, he shared his knowledge and practical advice with nearly a thousand of business leaders in Lithuania, Latvia and Estonia.

Raoul lectured in the Board member education program since its start in 2009 and Chair education program since it was first organised in 2011, inspiring by his own personal example and encouraging change towards best practices across the Baltics.

As a note of farewell, he has shared a few thoughts about his experience and corporate governance in Lithuania, Latvia and Estonia.

- The most memorable in teaching is the great enthusiasm by the participants. And of course, also the competence and the willingness to learn more from my and other speakers' experience.
- In the Baltics I have noticed big changes in understanding of good corporate governance. As I have said many times, corporate governance is not "hocus pocus", but sound common sense, managing the business in a professional way. The understanding of best practise among the Baltic business leaders and Board directors has changed dramatically during these twelve years, much to the better.
- If there are any areas for improvements in the Baltics, it should be the understanding of Corporate Social Responsibility (CSR). Even if our first responsibility is adding value to the company, we must also remember that stakeholders, such as customers, consumers, employees, suppliers, and the community must be concerned and not only the shareowners.
- The best advice for how to ensure good corporate governance in a company is **KNOWLEDGE**. From my education of some 5 000 graduates in corporate governance in Scandinavia I have got conclusions and recommendations that Board directors should constantly learn more through experience, discussions, and practice. Gaining knowledge from other Board directors, articles, books, social media, and education in courses. BICG has made a fantastic effort with great achievement.

## Raoul Hasselgren

Chairman of Boards  
MBA, PhD

# 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.

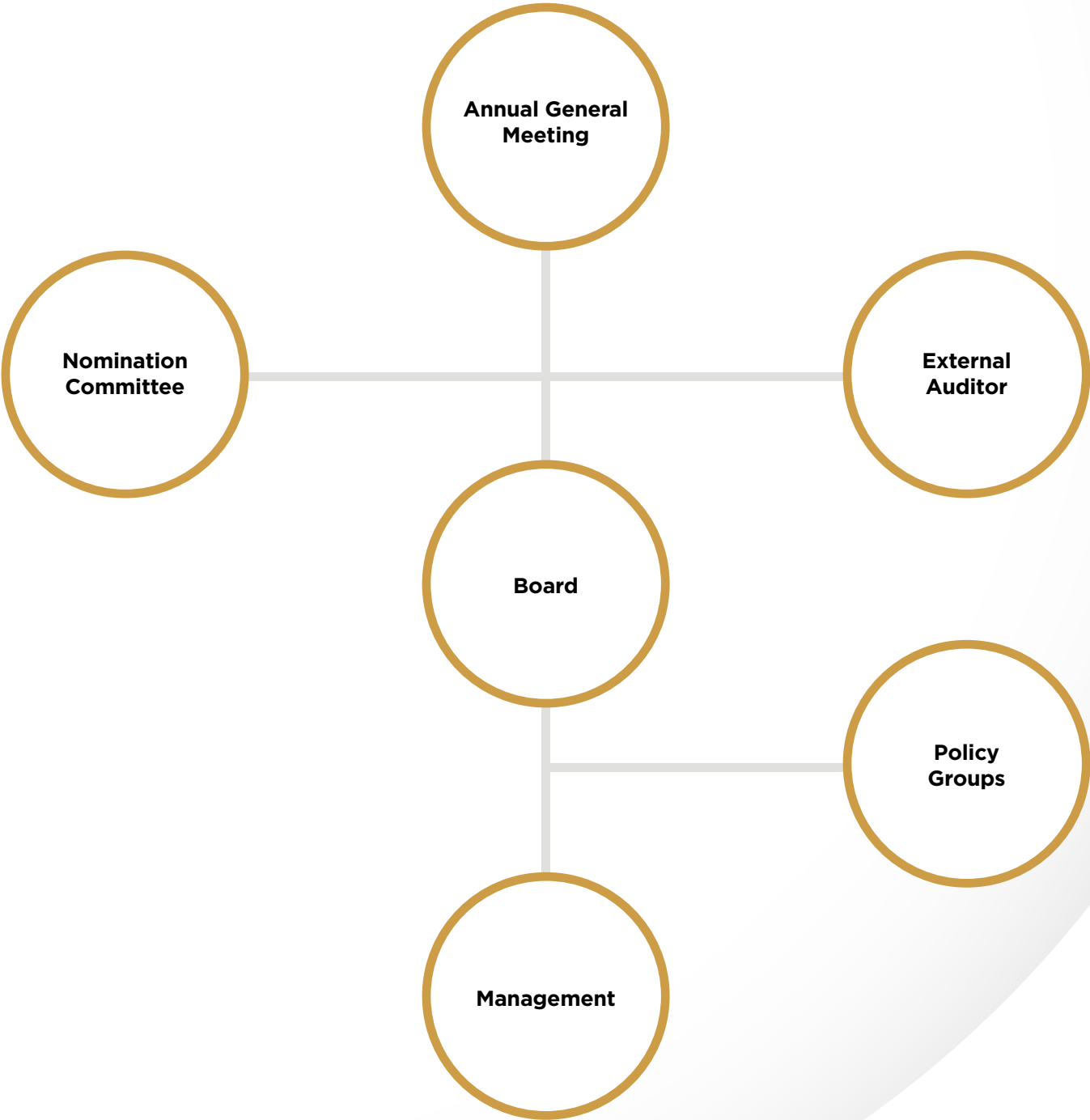
### **Transparency**

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

Senior Legal Counsel,  
Bolt

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



**Kristjan Endrikson**

Member of the Board

General Counsel,  
Eesti Energia



**Riina Kāi**

Member of the Board

Chief Financial Officer,  
Elering



**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 Bīķis**

Chair of the Policy Group

Chair of the Supervisory Board,  
Latvijas Finieris



**Gundars Bērziņš**

Member of the Policy Group

Dean,  
University of Latvia, Faculty of Business,  
Management and Economics



**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

CEO,  
Exante



**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,  
Repharm

# 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

Head of Legal Division Baltics,  
Gjensidige



**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 2021.

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, 2021 as well as of the results of the operations of the BICG for the financial year 2021.

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

March 24, 2022

## **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

**Kristjan Endrikson**

Member of the Board

**Riina Käi**

Member of the Board

**Irmantas Norkus**

Member of the Board

**Kaarel Ots**

Member of the Board

**Daiva Rakauskaitė**

Member of the Board

# 2021 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 2021,
- 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 2021, 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, 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

7 March 2022

PERFORMANCE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021  
(EUR, unless otherwise stated)

		Notes	2021	2020
<b>ASSETS</b>				
<b>A.</b>	<b>NON-CURRENT ASSETS</b>			
I.	INTANGIBLE ASSETS		-	-
II.	PROPERTY, PLANT AND EQUIPMENT		2.317	1.087
III.	FINANCIAL ASSETS		-	-
IV.	OTHER NON-CURRENT ASSETS		-	-
			<b>2.317</b>	<b>1.087</b>
<b>B.</b>	<b>CURRENT ASSETS</b>			
I.	INVENTORIES	1.	1.946	2.073
II.	ACCOUNTS RECEIVABLE WITHIN ONE YEAR	2.	32.198	11.415
III.	OTHER CURRENT ASSETS		-	-
IV.	CASH AND CASH EQUIVALENTS		282.170	181.744
			<b>316.314</b>	<b>195.232</b>
	<b>TOTAL ASSETS</b>		<b>318.631</b>	<b>196.319</b>
<b>EQUITY, FINANCING AND LIABILITIES</b>				
<b>C.</b>	<b>EQUITY</b>			
I.	SHAREHOLDERS CAPITAL		-	-
II.	RESERVES		-	-
III.	INVOLABLE CAPITAL		-	-
IV.	ACCRUED ACTIVITY RESULT		-	-
			<b>-</b>	<b>-</b>
<b>D.</b>	<b>FINANCING AMOUNTS</b>	3.	<b>217.301</b>	<b>140.050</b>
			<b>217.301</b>	<b>140.050</b>
<b>E.</b>	<b>ACCOUNTS PAYABLE AND LIABILITIES</b>			
I.	NON-CURRENT ACCOUNTS LIABILITIES		-	-
II.	CURRENT ACCOUNTS LIABILITIES	4.	101.330	56.269
			<b>101.330</b>	<b>56.269</b>
	<b>TOTAL EQUITY, FINANCING AND LIABILITIES</b>		<b>318.631</b>	<b>196.319</b>

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

These financial statements were approved on 04 March 2022 and signed by:

**Rytis Ambrazevičius**  
President

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

PERFORMANCE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021  
(EUR, unless otherwise stated)

		Notes	2021	2020
<b>I.</b>	<b>REVENUE</b>		<b>526.077</b>	<b>405.995</b>
I.1	SALES REVENUE	5.	499.432	264.435
I.2	FINANCING REVENUE		26.623	141.499
I.3	OTHER REVENUE		22	61
<b>II.</b>	<b>COSTS</b>		<b>526.077</b>	<b>405.995</b>
II.1	COST OF GOODS, SERVICES RENDERED AND OTHER SALES COSTS	6.	277.916	224.570
II.2	OPERATING COSTS	7.	248.161	181.425
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.*

These financial statements were approved on 04 March 2022 and signed by:

**Rytis Ambrazevičius**  
President

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

## 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 2021 12 31 – 4 employees. 2020 12 31 - 4 employees.

Association “BALTIC INSTITUTE OF CORPORATE GOVERNANCE” had not participated in the projects in the year 2021.

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 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.”

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:

<b>Group of tangible fixed asset</b>	<b>Useful lives</b>
<b>IT and telecommunication equipment</b>	<b>3 years</b>

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:

2021	2020
1 EUR = 10,2438 SEK	1 EUR = 10,0568 SEK

**Income tax**

The Association does not calculate income tax as it did not receive any income as a result of commercial activity in 2021 and 2020 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. Notes

#### 1. Inventories

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

	2021	2020
Prepayments for suppliers	558	1.086
Deferred charges	1.388	987
<b>Total</b>	<b>1.946</b>	<b>2.073</b>

#### 2. Other receivables within 1 year

At December 31 other receivables were as follows:

	2021	2020
Trade receivables	20.227	2.537
Receivables - membership fee	525	425
Other receivables	11.446	8.453
<b>Total</b>	<b>32.198</b>	<b>11.415</b>

#### Other receivables consists of:

VAT receivables from LT STI 3.590 Eur  
VAT receivables from LV STI 7.697 Eur  
Social security contributions from SSIF 159 Eur

#### 3. Financing

At December 31 membership fees and contributions were as follows:

	2021			
	Membership fee	Contributions	Other financing	Total
Balance at 1 <sup>st</sup> of January	140.050	-	-	<b>140.050</b>
Receipts	103.874	-	-	<b>103.874</b>
Usage	(26.623)	-	-	<b>(26.623)</b>
<b>Closing balance at 31<sup>st</sup> of December</b>	<b>217.301</b>	<b>-</b>	<b>-</b>	<b>217.301</b>

	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>

#### 4. Current accounts payable and liabilities

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

	2021			
	During the financial year	During the one year	During five years	Total
Trade accounts payable	1.946	-	-	<b>1.946</b>
Prepayments	5.489	-	-	<b>5.489</b>
Accrued income	52.800	-	-	<b>52.800</b>
Payable VAT EE countries	3.359	-	-	<b>3.359</b>
Liabilities for employee	832	-	-	<b>832</b>
Reserve for accrued holidays	34.231	-	-	<b>34.231</b>
Other accrued charges	2.673	-	-	<b>2.673</b>
<b>Closing balance at 31<sup>st</sup> of December</b>	<b>101.330</b>	<b>-</b>	<b>-</b>	<b>101.330</b>

Other accrued charges consists of: Audit costs 2580 Eur; communication costs 75 Eur; bank services 18 Eur.  
Deferred income consists of invoices issued for training of the Board members to be held in May 2022.

	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>Closing balance at 31<sup>st</sup> of December</b>	<b>56.269</b>	<b>-</b>	<b>-</b>	<b>56.269</b>

#### 5. Sales revenue

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

	2021	2020
Revenue from education programs for managers	431.400	229.230
Revenue from other projects	68.032	35.205
<b>Total</b>	<b>499.432</b>	<b>264.435</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:

	2021	2020
Executive education programs costs	194.541	96.565
Other projects costs	83.375	128.005
<b>Total</b>	<b>277.916</b>	<b>224.570</b>

	2021	2020
Payroll expenses	125.236	141.586
Catering services	44.882	14.602
Lectors fee	30.784	18.887
Seminars material/Handout	36.577	23.640
External project cost	3.089	896
Hotel/ Education premises	12.458	21.109
Lectors travel and hotel expenses	6.082	316
Transportation costs	5.961	127
Travelling expenses	4.970	-
Video&Pictures + Hotel	1.554	600
Representation expenses	6.323	2.807
<b>Total</b>	<b>277.916</b>	<b>224.570</b>

## 7. Operating costs

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

	2021	2020
Salary and related expenses, attributed to administration	170.885	112.633
Accounting and audit services	25.787	23.106
Business trip expenses	3.639	2.306
Car rent and maintenance expenses	6.611	6.141
Rent of premises	6.430	6.430
Representation expenses	361	412
Communication expenses	1.922	1.634
Office expenses	571	851
Bank services	483	389
Depreciation	856	550
Changes in foreign currency exchange rate, net	453	135
Other operating expenses	30.163	26.838
<b>Total</b>	<b>248.161</b>	<b>181.425</b>

## 8. Remuneration to management

Remunerations to management for the years ended 31 December:

	2021	2020
Salary expenses not including contributions for social insurance	103.109	78.518
Average annual number of managers	1	1

There was no Remuneration or Gratuitous assets transferred for Board and Council members for the year 2020. 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 2021 and 31 December 2020 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 to 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, 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 2022 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 abovementioned 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**

On 24 February 2022, the Russian military forces attacked the Ukrainian State. The military action that has begun will have an impact not only on Ukraine and Russia, but also on the economies of Europe and the world. In the opinion of the Association's management, the relations with these countries are not significant and therefore no direct impact on the Association's activities is expected.

There were no other significant events after the balance sheet date.

**Rytis Ambrazevičius**  
President

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

# ASSOCIATION BALTIC INSTITUTE OF CORPORATE GOVERNANCE

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