



ANNUAL REPORT 2022

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DEAR MEMBERS,

Year 2022 was one of the most challenging years in the recent memory. Russia's unprovoked and brutal war on Ukraine has left many scars and negatively impacted the overall geopolitical stability. While working to detach themselves from Russia, Baltic businesses have also been affected by high energy prices, soaring inflation, etc.

Many companies have faced these challenges in an admirable way. They remain robust, adaptable and have become visible as strong supporters of Ukraine. It can even be argued that Baltic companies and societies have finally become grown-ups, not only taking good care of themselves but being able to help others.

I believe that it was made at least a little bit easier by the work of the Baltic Institute of Corporate Governance (BICG) during the last decade in inspiring Lithuanian, Latvian, Estonian businesses as well as policy-makers to embrace best corporate governance practices, which are a corner stone in improving business resilience.

While everyone is a good captain in calm seas, we need to improve constantly for managing the rough ones; and last year a remarkable milestone of one thousand graduates was reached in good governance education offered by the BICG for Board members, shareholders and top managers, which continues to receive stellar evaluations and make a very practical impact by helping Baltic companies to grow into trustworthy businesses.

I thank BICG management for bringing topmost educational standards to our part of the world; and, more generally, for our continuously strong position among Lithuanian businesses, improved visibility and impactful policy advocacy in Latvia as well as promising growth in Estonia.

We are also proud of our members that often not only strive to improve governance of their own companies but also serve as role models for others and provide an important boost for continuous development of Baltic economies. It is no secret that a major reason behind the widely renowned success of Scandinavian companies and economies are advanced corporate governance practices. And we strive to learn from their knowledge and experience in the Baltics.

We will of course not stop at what is already achieved, working to grow good governance footprint and impact further, through excellent education, policy advocacy and strong member community.

And we express a special gratitude to our members, partners and friends that have been active in supporting Ukraine and the Ukrainian people.

Kārlis Danēvičs
Chair of the Board



DEAR MEMBERS AND PARTNERS,

While the past year saw Baltic countries and businesses facing many challenges, I want to thank you for remaining active ambassadors of good corporate governance as well as for making our work possible with your continued support.

An especially meaningful milestone was reached last year, when the number of our graduates arrived at one thousand, with participants from Lithuania, Latvia, Estonia as well as Sweden, Finland, Ukraine and elsewhere having graduated the Board member education program since it was first held in 2009.

Aiming to bring the same high education standard and a good level of corporate governance understanding to all audiences, we have also expanded our biannual program for corporate secretaries and continued free-of-charge education for civil servants, which remains unique across Europe.

Another initiative unique beyond the Baltics was the development of guidelines for Boards outlining good practices for effectively engaging with increasingly challenging environmental, social and governance (ESG) factors, created together with the professional services company EY and positively received among the Baltic and other European Board professionals.

As a member of the European Confederation of Directors' Associations (ecoDa), BICG also had an opportunity to contribute the Baltic voice in providing comments for the upcoming update of the of G20/OECD Principles of Corporate Governance, considered to be an international standard for good corporate governance, last updated in 2015.

And among the highlights of our active policy advocacy last year were several sets of proposals for improving corporate governance in state-owned companies (SOEs), which are currently moving through the legislative process and include improvements in Board member nomination processes at SOEs in Latvia, after bad practices were noted by us in one of the largest Latvian SOEs.

Thank you for being a part of our community.

Rytis Ambrazevičius
President



KEY DEVELOPMENTS & ACHIEVEMENTS

PROJECTS

1

First ever guidelines for Baltic Boards outlining good practices for effectively engaging with environmental, social and governance (ESG) factors in business were created by the BICG and professional services company EY. The new guidance was unveiled online in September, when the introductory event was attended by over 200 participants from across Europe.

2

Three more assessments of company governance practices using the Corporate Governance Assessment Tool developed by the BICG were carried out throughout the year, with one private, one state- and one municipality-owned company chosen for participation. Such evaluations identify company strengths, weaknesses and allow to develop actionable plans for improvement, at the same time providing insight into corporate governance state of play in Baltic businesses.

3

Latvian Corporate Governance Awards were held for the second time in 2022, led by the Latvian Corporate Governance Advisory Board under the Ministry of Justice, where BICG is a member, with risk governance, Board diversity and stakeholder management chosen among categories for competition. By highlighting the companies applying the best practices, the awards aim to encourage others to learn from their example.

POLICY

4

Feedback regarding the initiative by the Latvian Prime Minister to reorganize the Cross-Sectoral Coordination Centre, which is ensuring co-ordination of governance in Latvian SOEs, by incorporating it into State Chancellery were provided by the BICG to the Prime Minister's office in March, expressing concerns about good governance agenda potentially losing priority and the risk of decline in progress achieved in state-owned company (SOEs) governance since joining the Organisation for Economic Co-operation and Development (OECD). However, the reorganization went ahead and the Centre was incorporated into the Chancellery in 2023.

5

A set of suggestions for further improvements of corporate governance in Latvian SOEs, including the introduction of shareholder expectations letter, were submitted by the BICG to the Cross-sectoral Coordination Centre, which was preparing the outline for potential further reforms, in April. Latvian Government approved the outline in September, giving the start for drafting the respective legislation, with the process continuing in 2023..

6

Comments to the OECD on governance development in Lithuanian SOEs were provided in August, during the biannual assessment of Lithuanian progress after 4 years since the accession, noting such issues as the selection process for state representatives working on SOEs Boards remaining different from the one applicable to independent members; gaps in Board service when companies operate without their Boards for months, etc. Meetings with independent Board members of SOEs were arranged as well, to offer direct insight into practices at various companies.

7

Ownership guidelines for companies owned by Riga city, drafted with the guidance of the Advisory Council, chaired by the BICG, in 2020, were newly updated in September. Further strengthening of Board responsibilities and lesser involvement of the shareholder in such matters as strategy, budget, etc. were added, based on the suggestions by the Advisory Council, to improve governance of Riga city MOEs.

8

A set of proposals for improving transparency and other aspects of nomination processes at SOEs in Latvia, including the possibility for independent nomination committee members to have collective veto rights and the right to publicly comment on the selection process, was prepared by the BICG in September and later discussed in the **meeting with the Latvian Prime Minister**, aiming to kickstart the process of drafting the respective legislation in 2023.

9

Comments opposing the proposal by the Government for finance and other ministers to be involved in approving donations by Latvian SOEs were submitted to the Parliament in October, arguing against undue political intervention. Discussions in the Parliament are set to continue in 2023.

10

Planned update of G20/OECD Principles of Corporate Governance, Corporate Sustainable Due Diligence Directive, Corporate Social Responsibility Directive, EU Sustainability Reporting Standards and other items were among the European policy issues discussed with the involvement of the BICG in the framework of the European Confederation of Directors' Associations (ecoDa) in 2022.

EDUCATION

11

Three sessions of Board member education were held during the year, with **1000th graduate of the Board member education program** completing the course since it was first held in 2009.

12

Good corporate governance program for civil servants, who are directly involved in creating SOEs governance policies as well as those delegated to the Boards of SOEs, was organized in September in Lithuania, in co-operation with the Ministry of Economy and Innovation as well as the Governance Coordination Centre under the same ministry. Four-day, free-of-charge course, which was first introduced in 2019 and remains a unique initiative across Europe, was attended by 28 participants from 5 different ministries and 1 state company.

13

Program for Corporate Secretaries, first introduced in 2020 and organised every two years, was held in October in Riga and attended by over 40 participants from Latvia, Lithuania and Estonia. Program aims to emphasise the role of a corporate secretary not only as an assistant but also advisor to the Board and advocate for good corporate governance in the company, which often remains unrealised in most organisations in the Baltics yet.

14

Program for European Director Diploma organized by ecoDa was extensively updated and expanded with the participation of the BICG, as a member of ecoDa Education Committee.

EVENTS

15

Member meetings in Estonia were held throughout the year, to discuss priorities of the BICG operations in Estonia, including the need to initiate a renewal of the current Estonian corporate governance recommendations, which have not been updated since 2005.

16

Non-formal independent Board members club for independent Board members working in Lithuanian SOEs and MOEs as well as **non-formal Board members club** in Latvia continued their quarterly meetings, focusing on such topics as onboarding, strategic approach to diversity, Board member liability, etc.

17

Two experience-sharing seminars about preparing sustainability and corporate governance reports in line with the new Latvian corporate governance code and recent legislation, which was adopted earlier based on the proposal by the BICG and the Ministry of Justice, were organized in March for representatives of the largest Latvian SOEs and MOEs, together with the Ministry of Justice and Cross-Sectoral Coordination Centre, attracting over 200 participants.

18

Annual General Meeting (AGM) & Governance Conference 2022

were held in April in Vilnius, welcoming all members and guests back after a two-year pandemic break when both events were held remotely. In light of many recent disruptive events, the conference focused on 'Black Swans in the Boardroom' and on how to adapt to the new realities with foresight and agility.

19

Discussions 'How can Boards make qualitative decisions for company growth' and 'Is it enough to take care of the environment for sustainability?'

were organized online by the Latvian Corporate Governance Advisory Board under the Ministry of Justice, where BICG is a member, in April and November. BICG shared insight into how a balanced and diverse Board can contribute to improved results of a company and joined the panel on how to promote socially responsible company behavior.

20

Masterclass in strategy for high-performing Board members

by Katarina Bonde, professional Board member working in Sweden and USA, was held in Riga in June, as a highly-practical, one-day course to explore advanced aspects of an effective Board membership and as the next step for those who have already completed the BICG Board member education program.

21

Third annual forum dedicated to corporate governance of MOEs controlled by Riga city

was held in August, with BICG as one of the organizers. Aiming to provide a place for discussion to the Board members and management of MOEs, the forum focused on sustainability, with BICG introducing eight steps for embedding ESG aspects in a company business model and strategy.

22

Breakfast of Latvian members to discuss ongoing and future activities of the BICG, including a review of the overall corporate governance developments in Latvia, was held in August and joined by over 40 participants.

23

Webinar about Board expectations for internal auditors was organised together with the Institute of Internal Auditors Lithuania in October and joined by over 100 participants.

24

Conference for the 20th anniversary of the Latvian Commercial Law

was organized in October in Riga, together with the Ministry of Justice, Latvian University, Supreme Court and Latvian Corporate Governance Board, including a discussion about proposal by the BICG to strengthen the role of Supervisory Boards.

25

European Corporate Governance Conference 2022 in Prague; **Novatore Impact Summit focused on women's leadership in business** in Riga, **annual conference for small and medium businesses Gazelė** in Vilnius and **discussion about the potential for Latvian and Estonian co-operation** in Tallinn were among the events we have joined as moderators and speakers, to discuss the upcoming update of G20/OECD Principles of Corporate Governance, importance of Board diversity, steps for creating an effective Board, etc.

26

Webinars on corporate reporting, innovation, etc. were held in the framework of ecoDa, with members of BICG invited both as attendees and speakers.

COMMUNITY

27

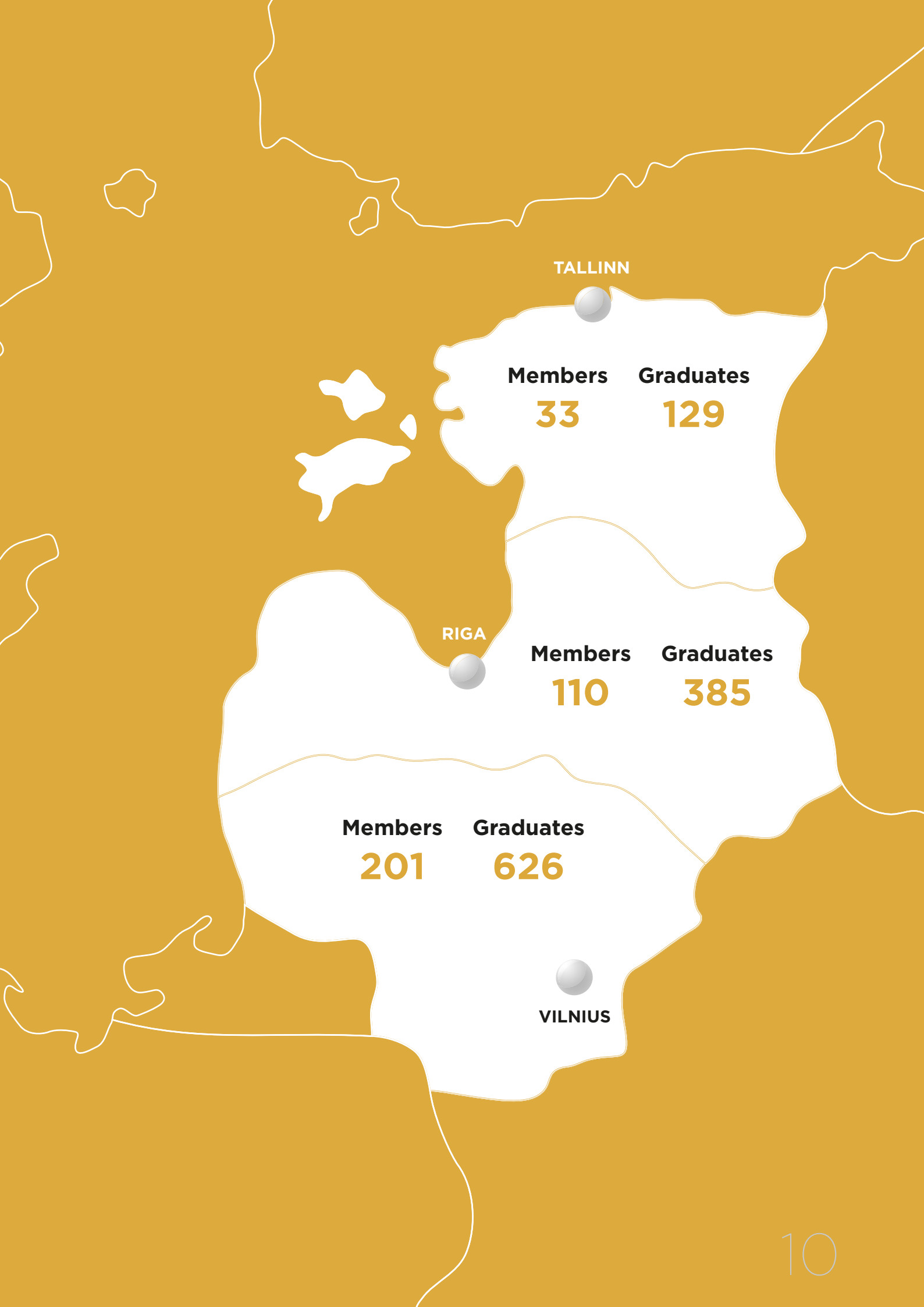
A call on all Baltic and other European Board members to question their mandates in Russian and Belarusian companies was published by the BICG in March, together with ecoDa, in light of the ongoing war in Ukraine.

28

New Chair was elected by the Board of the BICG in December, with Kārlis Danēvičs, a Management Board member of SEB in Latvia, taking over from Lina Kapčinskienė, Managing Director and Chair of the Management Board at Baltic Agro Machinery.

29

BICG community continued to grow and become increasingly diverse, as we welcomed new individual and corporate members, with the total numbers growing from 256 to 278 and from 57 to 66, respectively.



TALLINN

Members

33

Graduates

129

RIGA

Members

110

Graduates

385

Members

201

Graduates

626


VILNIUS

MISSION, VISION AND VALUES



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.



VISION

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

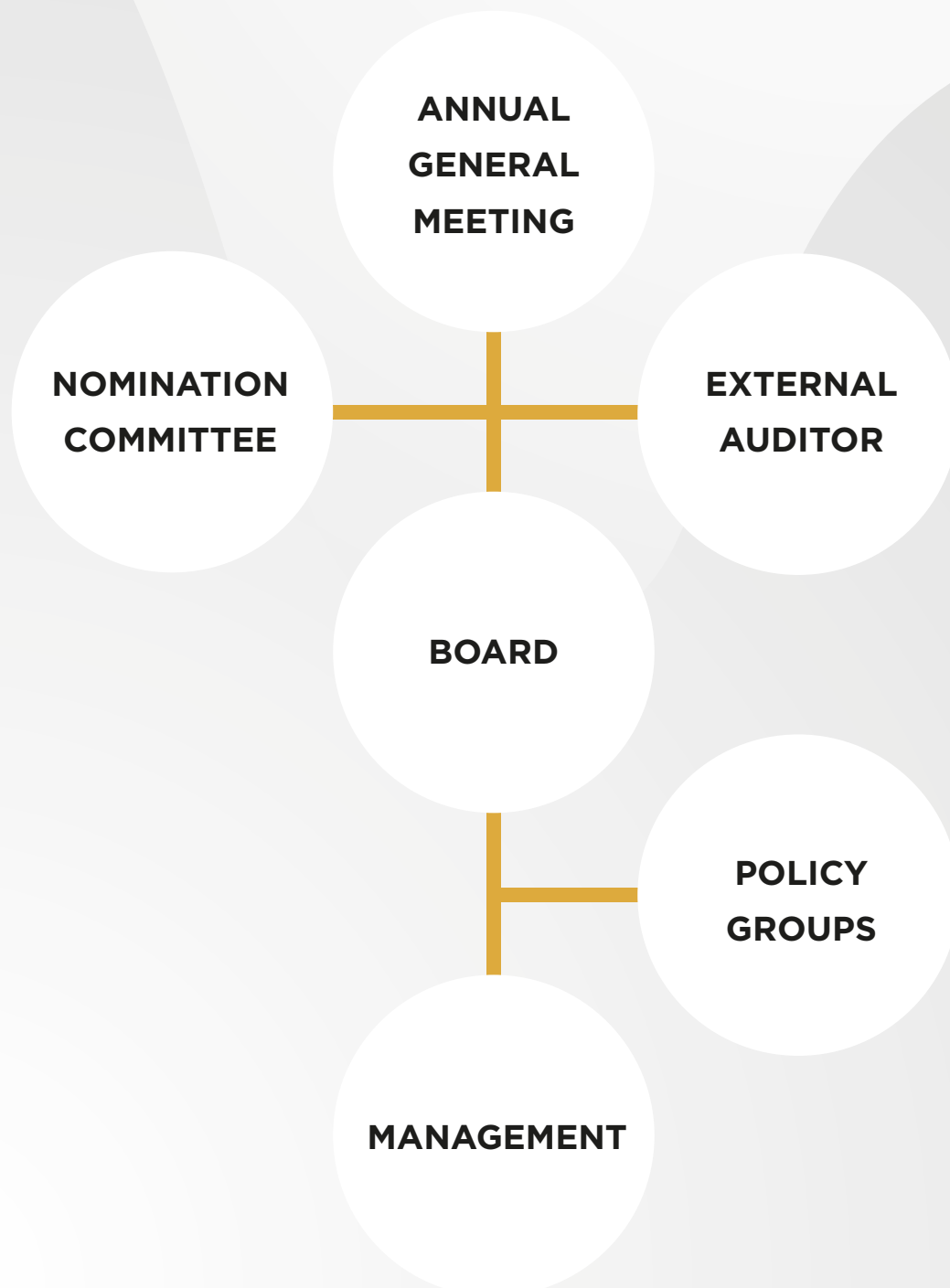
Leadership

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 1st 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. Since 2023, tenure of a member of the Nomination Committee is 3 years. Chair of the Nomination Committee is elected by its members.

BOARD



Kārlis Danēvičs
Chair of the Board
Member of the Management Board, SEB Latvia



Daiga Auziņa-Melalksne
Member of the Board
Chair of the Management Board, Nasdaq Riga



Vita Balode-Andrews
Member of the Board
Member of the Management Board, Latvian Railway



Kristjan Endrikson
Member of the Board
Head of Legal, Bondora Group



Lina Kapčinskienė
Member of the Board
Managing Director, Baltic Agro Machinery



Kati Kusmin
Member of the Board
CEO, Riigi Kinnisvara



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
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
Director of Legal and Corporate
Governance,
EPSO-G



Simona Grinevičienė
Member of the Policy Group
Head of Legal and Prevention
Division Baltic,
Gjensidige



Agnė Jonaitytė
Member of the Policy Group
Partner,
Primus



Gediminas Varnas
Member of the Policy Group
Member of the Management
Board,
Nasdaq Vilnius



Povilas Žukauskas
Member of the Policy Group
Partner,
Walless

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 2022.

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 31st of December, 2022, and of its financial performance for the year then ended.

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

March 24, 2023

Management of the BICG

Rytis Ambrazevičius

President

Board of the BICG

Kārlis Danēvičs

Chair of the Board

Daiga Auziņa-Melalksne

Member of the Board

Vita Balode-Andrews

Member of the Board

Kristjan Endrikson

Member of the Board

Kati Kusmin

Member of the Board

Irmantas Norkus

Member of the Board

Kaarel Ots

Member of the Board

Daiva Rakauskaitė

Member of the Board



2022 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 Company"). The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022,
- the performance statement for the year then ended, and
- 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 2022, 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 Lithuanian Financial Reporting Standards, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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
15 March 2023

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2022
(EUR)

		Notes	2022	2021 (corrected)
ASSETS				
A.	NON-CURRENT ASSETS			
I.	INTANGIBLE ASSETS		-	-
II.	PROPERTY, PLANT AND EQUIPMENT		2.276	2.317
III.	FINANCIAL ASSETS		-	-
IV.	OTHER NON-CURRENT ASSETS		-	-
			2.276	2.317
B.	CURRENT ASSETS			
I.	INVENTORIES	1.	2.706	1.946
II.	ACCOUNTS RECEIVABLE WITHIN ONE YEAR	2.	20.851	14.598
III.	OTHER CURRENT ASSETS		-	-
IV.	CASH AND CASH EQUIVALENTS		481.346	282.170
			504.903	298.714
	TOTAL ASSETS		507.179	301.031
EQUITY, FINANCING AND LIABILITIES				
C.	EQUITY			
I.	SHAREHOLDERS CAPITAL		-	-
II.	RESERVES		-	-
III.	INVOLABLE CAPITAL		-	-
IV.	ACCRUED ACTIVITY RESULT		-	-
			-	-
D.	FINANCING AMOUNTS	3.	256.147	217.301
			256.147	217.301
E.	ACCOUNTS PAYABLE AND LIABILITIES			
I.	NON-CURRENT ACCOUNTS LIABILITIES		-	-
II.	CURRENT ACCOUNTS LIABILITIES	4.	251.032	83.730
			251.032	83.730
	TOTAL EQUITY, FINANCING AND LIABILITIES		507.179	301.031

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

These financial statements were approved on 15 March 2023 and signed by:

Rytis Ambrazevičius
President

Laura Bulonienė
Accountant,
Scandinavian Accounting and Consulting UAB

PERFORMANCE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022
(EUR)

		Notes	2022	2021
I.	REVENUE		568.116	526.077
I.1	SALES REVENUE	5.	492.937	499.432
I.2	FINANCING REVENUE		75.179	26.623
I.3	OTHER REVENUE		-	22
II.	COSTS		568.116	526.077
	COST OF GOODS, SERVICES RENDERED AND OTHER			
II.1	SALES COSTS	6.	309.197	277.916
II.2	OPERATING COSTS	7.	258.919	248.161
II.3	OTHER COSTS		-	-
III.	OPERATING RESULT BEFORE TAX		-	-
IV.	INCOME TAX		-	-
V.	NET OPERATING RESULT		-	-

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

These financial statements were approved on 15 March 2023 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.

As at 31 December 2022, the Association had 4 employees. As at 31 December 2021, the Association had 4 employees.

Association “BALTIC INSTITUTE OF CORPORATE GOVERNANCE” had not participated in the projects in the year 2022.

Association “BALTIC INSTITUTE OF CORPORATE GOVERNANCE” 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 legislation governing the financial accounting of the Republic Lithuania and 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.

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 life 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. VAT invoices are issued according to the contract with the customer. Revenue is recognised when events occur.

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.

Income tax

The Association does not calculate income tax as it did not receive any income as a result of commercial activity in 2022 and 2021 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:

	2022	2021
Prepayments for suppliers	971	558
Deferred charges	1.735	1.388
Total	2.706	1.946

2. Amounts receivable within 1 year

For the year ended 31 December, amounts receivable within one year were as follows:

	2022	2021 (corrected)
Trade receivables	12.858	2.627
Receivables – membership fee	875	525
Other receivables	7.118	11.446
Total	20.851	14.598

Other receivables consist of:

VAT receivables from LT STI	EUR 1.537
Accrued income	EUR 4.500
Social security contributions from SSIF	EUR 1.081

Correction is presented in Note 11.

3. Financing

At December 31 membership fees and contributions were as follows:

	2022			
	Membership fee	Contributions	Other financing	Total
Balance at 1 st of January	217.301	-	-	217.301
Receipts	114.025	-	-	114.025
Usage	(75.179)	-	-	(75.179)
Closing balance at 31st of December	256.147	-	-	256.147

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

4. Current accounts payable and liabilities

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

	2022			
	During the financial year	After one year	After five years	Total
Trade amounts payable	2.037	-	-	2.037
Prepayments received	10.777	-	-	10.777
Accrued income	186.000	-	-	186.000
Payable VAT, EE country	7.394	-	-	7.394
Payable VAT, LV country	6.290	-	-	6.290
Liabilities to employees	919	-	-	919
Vacation accruals	34.271	-	-	34.271
Accrued expenses	3.344	-	-	3.344
Closing balance at 31st of December	251.032	-	-	251.032

Other accrued charges consist of: Audit costs (EUR 2.940); communication costs (EUR 34); bank services (EUR 20), and accounting services (EUR 350). Future periods revenue will be recognised as revenue when events occur.

	2021			
	During the financial year (corrected)	After one year	After five years	Total (corrected)
Trade amounts payable	1.946	-	-	1.946
Prepayments received	5.489	-	-	5.489
Accrued income	35.200	-	-	35.200
Payable VAT, EE country	3.359	-	-	3.359
Liabilities to employees	832	-	-	832
Vacation accruals	34.231	-	-	34.231
Accrued expenses	2.673	-	-	2.673
Closing balance at 31st of December	83.730	-	-	83.730

Correction is presented in Note 11.

5. Sales revenue

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

	2022	2021
Revenue from education programs for managers	415.800	431.400
Revenue from other projects	77.137	68.032
Total	492.937	499.432

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

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

	2022	2021
Executive education programs costs	216.438	194.541
Other projects costs	92.759	83.375
Total	309.197	277.916

	2022	2021
Payroll expenses	128.502	125.236
Catering services	70.838	44.882
Lectors fee	33.996	30.784
Seminars material/Handout	34.867	36.577
External project cost	1.003	3.089
Hotel/ Education premises	14.849	12.458
Lectors travel and hotel expenses	7.114	6.082
Transportation costs	3.443	5.961
Travelling expenses	5.079	4.970
Video & Pictures + Hotel	3.975	1.554
Representation expenses	5.531	6.323
Total	309.197	277.916

7. Operating costs

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

	2022	2021
Salary and related expenses, attributed to administration	181.219	170.885
Accounting and audit services	28.433	25.787
Business trip expenses	6.048	3.639
Car rent and maintenance expenses	6.813	6.611
Rent of premises	6.430	6.430
Representation expenses	1.967	361
Communication expenses	1.909	1.922
Office expenses	497	571
Bank services	375	483
Depreciation	1.083	856
Changes in foreign currency exchange rate, net	9	453
Other operating expenses	24.136	30.163
Total	258.919	248.161

8. Remuneration to management

Remunerations to management for the years ended 31 December:

	2022	2021
Salary expenses not including contributions for social insurance	100.609	103.109
Average annual number of managers	1	1

There was no Remuneration or Gratuitous assets transferred for Board and Council members for the year 2022. The significant transactions between association, legal persons engaged in a non-profit-making activity, support providers and support recipients in the year 2022 had not taken place.

9. Contingencies and commitments

On 31 December 2022 and 31 December 2021, 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.

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 EUR 7.780 (including VAT).

11. Correction of error

During the preparation of the financial statements, an error was noticed in the reports as of 31 December 2021 due to pre-issued invoices for the educations (events) of the coming year, which were reflected as customer debts and income for future periods. Since the services were not provided and the money was not received, the customers' debts and the income of future periods were reduced by EUR 17.600. Error is not considered as essential as it does not have any impact to operating results.

	2021.12.31 Before correction	Correction	2021.12.31 After correction
Customers debts	20.227	(17.600)	2.627
Deferred income	52.800	(17.600)	35.200

12. Subsequent events

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

Rytis Ambrazevičius
President

Laura Bulonienė
Accountant,
Scandinavian Accounting and Consulting UAB

**ASSOCIATION
BALTIC INSTITUTE
OF CORPORATE
GOVERNANCE**

Vilnius office:

President Rytis Ambrazevičius
Phone: +370 698 17011
Email: rytis@bicg.eu
Jogailos st. 4, LT-01116 Vilnius
Lithuania

Riga office:

Vice President Latvia Andris Grafs
Phone: +371 297 84407
Email: andris@bicg.eu
Valņu st. 1, LV-1050 Riga
Latvia

Tallinn office:

Country Manager Estonia Erik Sakkov
Phone: +372 502 1638
Email: erik@bicg.eu
Maakri 19/1 (Maakri Kvartal, 16th floor),
10145 Tallinn
Estonia

www.bicg.eu