



BALTIC INSTITUTE
OF CORPORATE
GOVERNANCE

CEOs in Lithuanian State-Owned Enterprises

May 2013

Disclaimer

All information contained in this report is for general information purposes only and does not constitute any investment or legal advice. Nothing contained in the report constitutes a recommendation for the purchase or sale of any security. Although the statements of fact in this report are obtained from sources considered reliable, there is no guarantee regarding their accuracy and any such information may be incomplete or condensed. Also, views expressed in this report are subject to change on the basis of additional or new research, new facts or developments.

Copyright notice

This work is licensed under a Creative Commons Attribution-Non Commercial-Share Alike 3.0 Unported License.

Acknowledgments

The Baltic Institute of Corporate Governance has worked intensively for reform of state-owned enterprises (SOEs) since early 2010. BICG has published numerous high-level policy documents within this area, and engaged governments and SOEs in a dialogue on the subject.

This new report focuses on how CEOs are selected in SOEs. It was produced with the help and support of many BICG members, stakeholders and the BICG Board and Corporate Governance Council. Additional insight came from current and former CEOs in Lithuanian SOEs, ministers and vice ministers of all parties, and government officials.

The report could not have been created without the leadership, advice and active involvement of BICG external consultant W. Richard Frederick. Research assistance was provided to the project by Danielius Palepšaitis, Goda Žvybaitė, Giedrė Šakalytė and Ignas Aničas from ISM and Vilnius University.

We appreciate all who have unselfishly contributed their knowledge, insights and time in the hope that we can build better SOEs through better governance structures, and thereby improve conditions for all Lithuanians. We thank you for your support and dedication to our common cause.



Kristian Kaas Mortensen
President

Table of Contents

1. INTRODUCTION	5
2. EXECUTIVE SUMMARY	6
3. BENCHMARKING LITHUANIA TO INTERNATIONAL STANDARDS	7
4. THE KEY ISSUES	9
4.1. Hiring competent CEOs	9
4.2. Political affiliations	12
4.3. Education and experience	13
4.4. Turnover	15
4.5. Corruption and integrity	18
5. APPENDICES	20
5.1. Comparison of Lithuania to the OECD benchmark	20
5.1.1. Operational autonomy of boards and executives	20
5.1.2. The role of the board in monitoring executives	20
5.1.3. Separating the monitoring function from the executive function	21
5.1.4. Responsibility for hiring and firing the CEO	21
5.1.5. Transparent rules and procedures for hiring and firing the CEO	22
5.1.6. Evaluating CEO performance and succession plans	22
5.1.7. Tying CEO remuneration to performance	23
5.1.8. CEO certification of financial statements	23
5.1.9. Disclosure of conflicts of interest and related party transactions	24
5.1.10. Disclosure of remuneration policy and remuneration	24
5.2. Company and CEO profiles	25
5.2.1. Air navigation	25
5.2.2. Automagistrale	27
5.2.3. Centre of registers	28
5.2.4. Directorate general of state forests	29
5.2.5. Kaunas regional roads	30
5.2.6. Klaipeda state seaport authority	31
5.2.7. Klaipedos nafta	35
5.2.8. Lesto	38
5.2.9. Litgrid	39
5.2.10. Lithuanian energy	40
5.2.11. Lithuanian monuments	44
5.2.12. Lithuanian post	45
5.2.13. Lithuanian radio and television centre	47
5.2.14. Lithuanian railways	48
5.2.15. Lithuanian shipping company	50
5.2.16. Regitra	52
5.2.17. State enterprise lithuanian oil products agency	54
5.2.18. Siauliai regional roads	56
5.2.19. Vilnius international airport	57
5.2.20. Vilnius regional roads	58
5.2.21. Visaginas energy	60
5.3. Responsibilities and Duties Of A Chief Executive	61
5.4. Checklist to Assess Managerial Competencies of the CEO	63
5.5. Methodology	64
5.6. Fit and Proper	64

1. INTRODUCTION

This report is about CEOs and SOEs.

A Chief Executive Officer (CEO) is the highest-ranking executive in charge of the total management of an organization. A CEO typically reports to a board of directors. In British English, synonyms for CEO are managing director (MD) and chief executive (CE). In Lithuania the position is usually referred to as *Generalinis direktorius* or general director (GD). Whatever the position is called, everyone agrees that the role of the CEO is important in the daily life of the enterprise.

A state-owned enterprise (SOE) is a legal entity created by a government to undertake commercial activities on behalf of the state. Its legal status varies from being a part of government to a stock company with the state as a shareholder. SOEs typically pursue commercial goals while at the same time pursuing some public policy objectives. SOEs in Lithuania are common in: energy; transport; forestry; strategic goods and services; politically sensitive businesses; broadcasting and others.

Given the importance of the CEO in the life of the corporation, the question arises how CEOs impact SOE performance. This question is important since Lithuania has 137 SOEs with assets of almost 9 billion Euros that touch all aspects of the economy. Of these, 28* are loss making and contribute to the strain on the state budget.

Do the CEOs that are chosen have anything to do with the performance of Lithuanian SOEs? This report begins to shed some light on the question of whether Lithuanian CEOs have the *right stuff*.¹

Governments invariably respond that CEOs are indeed made of the right stuff. Unfortunately, public perceptions do not coincide with this view. According to a 2012 survey of 135 Lithuanians, only 17% felt that high level executives were competent to manage SOEs. Only 9% felt that SOEs operate effectively and efficiently, and only about 7% agreed with the proposition that boards, executives and staff are appointed for their competence. On the other hand, approximately 68% of respondents felt that SOE boards, executives and staff use the SOE for their own personal benefit, and only 9% of respondents felt that the government was capable of detecting irregularities.

These findings should be cause for concern. If public perceptions are correct, then the governance and management of Lithuanian SOEs can stand to improve. If public perceptions are wrong, then Lithuanian SOEs preside over a public relations failure. Neither explanation is satisfying.

This report seeks to shed some light on this issue and pose some additional questions that need to be answered:

- How well do CEO nomination practices stack up against international norms?
- Are CEOs selected for competence or political affiliation?
- Is the process by which CEOs are chosen effective in finding the best talent?
- Do CEOs have the right experience, skills and education?
- Is CEO tenure and turnover a problem?
- Are executive powers sometimes abused?

The report also makes observations regarding the quality of governance related disclosure. Much of the currently available information on CEOs is included in the appendices. The reader is invited to review the information and decide for themselves if it is sufficient to form an educated opinion.

* For financial year 2011

¹ The Right Stuff is a reference to the book written by Tom Wolfe, later adapted into a movie, about the search for individuals with the preparedness, skills and mental characteristics to be part of the US space program.








2. EXECUTIVE SUMMARY

- 1) **Lithuanian SOEs do not compare well with international benchmarks on CEO hiring, firing and monitoring practices.** Local practices deviate considerably from OECD benchmarks. The achievement of international benchmarks should become an explicit objective of the state. Benchmark comparisons clearly identify where improvement is needed.
- 2) **The laws that regulate CEO selection appear to be broadly in line with international practices.** Yet, the spirit of the law is subverted in practice. Though well intentioned, existing laws and practices do not appear to be effective in getting the best CEO talent or in getting the most out of CEOs once they have taken up their posts.
- 3) **Disclosure of CEO backgrounds is weak.** There is insufficient publicly available information to assess the quality of CEOs. Political affiliations of CEOs are not generally disclosed. Disclosure of potential conflicts of interest is weak, and disclosure of education and experience also needs to be enhanced. Attention needs to be paid to the enforcement of disclosure requirements.
- 4) **There is insufficient information for the public to assess the CEO selection process.** In addition to being able to assess the competence of CEO candidates, the public should be able to assess the process whereby CEOs are selected. Such processes are set down in law. However, in practice, the process of CEO selection lacks transparency.
- 5) **The backgrounds of CEOs are heavily skewed towards public administration.** Current selection processes result in an overly strong representation of public sector backgrounds and political affiliations. More private sector experience is needed to run SOEs, in particular those that have commercial objectives. Individuals without strong political affiliation may be best able to implement the operational objectives of SOEs in an objective and independent manner.
- 6) **CEO turnover in some SOEs is high, while other CEOs show signs of entrenchment.** Both CEO churn and entrenchment have costs for SOEs and society. The government should examine the practices of ministries and SOEs that exhibit such practices.
- 7) **Problems in CEO selection are an indicator of larger governance issues.** CEO selection is only one part of the governance of the SOE. Lack of good practice in CEO selection is usually linked to a poor definition of the different roles of the state as a shareholder, versus boards of directors, versus executives. Other governance issues need to be addressed in order to implement good practice with respect to CEO nominations. These should ideally be set down in a written state ownership policy for SOEs that defines the objectives and methods of state ownership.
- 8) **Perceptions of corruption in SOEs are high.** Irrespective of the degree to which perceptions are founded or not, concerted efforts need to be made to tighten anti-corruption practices to reduce the potential for malfeasance and enhance the image of the country.

3. BENCHMARKING LITHUANIA TO INTERNATIONAL STANDARDS

This report examines how well Lithuanian practices stack up against international norms. Lithuania can be benchmarked against two international standards of practice: 1) the *OECD Guidelines on the Corporate Governance of State-owned Enterprises*; and 2) the *OECD Principles of Corporate Governance*.^{2, 3} The degree to which Lithuania implements the parts of the OECD benchmarks that deal with CEOs is described in the summary table below ⁴.








Compliance with the OECD benchmark

Benchmark indicator	Compliance	Explanation
1) Operational autonomy of boards and executives		Operational autonomy is at times either insufficient or excessive depending upon the SOE. No standardized approach is used to define authorities and each ministry is left to choose how to exercise oversight.
2) The role of the board in monitoring executives		Boards are often legal formalities, a conduit for ministerial directives to CEOs or rubber stamps for ministerial decisions. They do not guide or monitor as professional best practice boards.
3) Separating the monitoring function of the state from the executive function		The state has a directing function and is effectively managing SOEs through explicit and direct instructions to CEOs. Oversight and operational responsibilities are confused.
4) Responsibility for hiring and firing the CEO		In many cases boards have no real input into selecting CEOs leaving SOEs vulnerable to politicization and patronage.
5) Transparent rules and procedures for hiring and firing the CEO	 	Rules exist and are transparent but easily skirted. The real decisions are taken out of sight behind closed doors.
6) Evaluating CEO performance and succession plans		CEOs are not evaluated according to any standard or formal methodology. Hiring and firing is most often not based on performance. Succession planning is not done, or even possible in most SOEs.

² No international code or guidance exists that specifically outlines the role of CEOs in the governance structure of SOEs. This benchmark was constructed from indicators found in the OECD Guidelines and the OECD Principles.

³ The OECD is an international forum of policy makers from the most advanced economies in the world. It is a recognized leader on issues of SOE governance. Its guidance is recognized and accepted throughout the world. The *OECD Principles* and the *SOE Guidelines* and further relevant information can be found at: <http://www.oecd.org/daf/ca/>

⁴ The original text of the OECD benchmark plus further explanatory text are found in Appendix 5.1 *Comparison of Lithuania to the OECD benchmark*.

Benchmark indicator	Compliance	Explanation
7) Tying CEO remuneration to performance		CEO remuneration is limited by public sector rules with few incentives for performance. The gap in compensation to private companies of similar size and complexity is large. Low compensation levels may create incentives for corruption.
8) CEO certification of financial statements	 	One of the areas where compliance is much better. Even so, the quality of financial statements can be improved. Some SOEs consistently receive qualified opinions from auditors. Some statutory SOEs continue to use local accounting standards and have audits done by small firms with limited human and technical capacity.
9) Disclosure of conflicts of interest and related party transactions	 	Partial disclosure exists. Boards do not have the full ability or incentives to track conflicts of interest. Information is usually incomplete.
10) Disclosure of remuneration policy and remuneration	 	Aggregate remuneration disclosure is made. Neither remuneration policy, nor individual remuneration figures are disclosed.

The analysis shows that much needs to be done to bring Lithuanian practices up to OECD standards. The area that stands out for good performance is the certification of financial statements by the CEO where Lithuania compares favorably with international best practice. But, even here, the intent of best practice rules—to provide assurances regarding the veracity of financial statements—is undermined by problems with the accounting practices of Lithuanian SOEs⁵.

Some significant advances were made in recent years to bring governance practices closer to international norms. One was the introduction of independent board members into SOE boards, particularly those of energy sector companies. The result helped to professionalize and depoliticize boards and increase independent and pragmatic decision making including in the areas of CEO selection and evaluation.

⁵ For a fuller discussion of issues in accounting and audit see BICG (2012), The Governance of State-owned Enterprises in the Baltic States, <http://corporategovernance.lt/uploads/docs/Governance%20of%20State-owned%20Enterprises%20in%20the%20Baltic%20States.pdf>

4. THE KEY ISSUES

4.1. Hiring competent CEOs

In 2010, BICG conducted an in-depth analysis of corporate governance practices of SOEs in the Baltic region. The resulting *Baltic Guidance on the Governance of Government-owned Enterprises*⁶ was a roadmap for the Baltic countries to achieve compliance with the *OECD Guidelines on the Governance of State-owned Enterprises*, the internationally recognized benchmark for SOE governance.⁷ The *Baltic Guidance* assessed the local context, identified gaps with best practice and suggested how to close them. Among other things, the *Baltic Guidance* recommended:

“The government should not be involved in the selection of the management of the SOE. The responsibility for hiring and firing the CEO belongs to the supervisory board. The CEO, in turn, is responsible for selecting the management.”

The fundamental premise of the *Baltic Guidance* was that *“Management should be selected based exclusively on their competence.”* Of course, governments need to be able to work and feel comfortable with the selected CEO. However, CEOs are not intended to be changed, promoted or demoted principally based upon political exigencies. CEOs need to be hired and fired based upon their ability to deliver results.

What the law says

Law in Lithuania supports the principle of hiring and firing based upon merit. For SOEs that have the legal form of joint-stock companies, the general provisions on the appointment of CEOs are found in the Law on Companies.⁸ For such companies, the responsibility for hiring, firing and monitoring the CEO resides with the board of directors, in much the same way as any other private listed company.

The legal requirements for hiring the CEOs of: 1) state and municipal enterprises; 2) institutions that are funded by the state; 3) municipal or state social insurance funds; 4) and public establishments whose owner is the state or a municipality (unless otherwise specified in law) are set down in a 2007 resolution of the Lithuanian Government.⁹ The requirements under both laws are tabulated below.

The resolution and the Law on Companies vary considerably in their level of detail. Resolution 301 is more detailed regarding the process of CEO selection. It is designed to find and select CEO candidates based upon their competence. It provides detailed instructions for a systematized selection process. The Law on Companies is much more general. Yet, it clearly places the responsibility for hiring, firing and monitoring on the shoulders of the board of directors. The guiding principle in each is to establish structures that ensure the competence and integrity of the CEO.

⁶ BICG (2010), *Baltic Guidance on the Governance of Government-owned Enterprises*, <http://corporategovernance.lt/uploads/docs/BICG%20Guidance.pdf>

⁷ Ibid, page 20.

⁸ For the Lithuanian Law on Companies, see: http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=302415

⁹ For the Resolution of the Government of Lithuania no.301 see: http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=400447
The document is available only in Lithuanian.

Legal form of the SOE	Examples	Applicable law	Applicable statements in the law
Joint stock company	Litgrid Lesto Lithuanian Energy	Law on Companies	<ul style="list-style-type: none"> • Every candidate for the office of company manager [CEO] shall inform the electing organ where and what position he holds, how his other activities are connected to the company and to other legal persons related to the company.¹⁰ • The Board shall elect and remove from office the manager of the company [CEO], fix his salary and set other terms of the employment contract, approve his job description, provide incentives for him and impose penalties.¹¹ • A person may not be the manager of the company [CEO] if under the legal acts he is not entitled to hold the position.¹²
Statutory state enterprise	Regitra Air Navigation	Resolution of the Government of Lithuania no.301 and the Law on State and Municipal Enterprises.	<ul style="list-style-type: none"> • Public notice to be made of a vacant position with an invitation to tender. • Candidates provide background information including qualifications, skills and experience. • A variety of written and oral tests are administered. • A commission is created to evaluate candidate submissions. • The commission is constituted of a minimum of 3 individuals. • One of the members of the commission is appointed by the trade union or works council if one exists in the SOE. • Results are scored and tabulated with the winner being determined by the score.

¹⁰ Article #19, section 9: http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=3024157

¹¹ Article #34, section 2: http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=302415

¹² Article #37, section 2: http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=302415

What happens in practice

Unfortunately, even if the letter of the law may be followed, often the spirit is subverted. The main problem is that governments, irrespective of political leaning, are keen on placing their supporters in key positions. This is not in itself illegal, nor is this a problem that is exclusive to Lithuania. Political patronage is a reality in most countries. However, most countries with advanced SOE governance have strong systems in place to ensure that political interests—though acknowledged—are properly channeled and that the potential for politics to negatively impact SOE performance is contained. In short, systems ensure that the best managerial talent is chosen to head SOEs.

While a structured and rigorous process appears to drive decisions in Lithuania, CEOs are appointed directly or indirectly by politicians in an unsystematic and opaque manner. With respect to the Law on Companies, its provisions are so general that excessive leeway is provided in choosing executives. On the other hand, highly detailed laws do not necessarily alleviate the problem.

Resolution 301 is a case in point. It is very detailed, but a number of problems persist: 1) the selection commissions are not composed of independent minded individuals; 2) there is no rigorous testing of the integrity of candidates (commonly referred to as “fit and proper” testing);¹³ 3) the board of directors appoints the CEO only formally (the decision is based on instructions from ministries); and 4) those who are best suited to judge managerial competence (executives with high level business experience) are not part of the selection process.

This does not mean that all CEOs chosen through this process are unqualified. Many Lithuanian CEOs are clearly quite competent. Nor does it mean that the politicians responsible for writing the law, or the officials tasked with implementing it do so with bad intent, as this is certainly not the case. A significant cause of the problem, rather, lies with a political class that has not come to terms with the need for professional and competent management, and that has not committed to the principle that merit and performance need to override all political concerns.

How to fix it

The problem needs to be fixed. International best practice provides clear examples for how to do so. Remedies include: 1) constituting and empowering professional boards (not the pro forma boards currently in place) to help identify and select the best candidates; 2) establishing clear and transparent CEO nominations procedures for all SOEs; 3) giving the responsibility for state oversight of the CEO and board member selection to an independent state agency tasked with SOE governance;¹⁴ 4) the use of independent search firms;¹⁵ and 5) the introduction of independent background checks and fit and proper testing.

The key part of the solution is an empowered board of directors. CEOs should be appointed by professional and independent-minded boards of directors. A best practice board oversees management, hires and (if need be) fires the CEO and makes these decisions exclusively in the interest of the SOE. Board leadership in executive hiring decisions is desirable because the board should be most familiar with the needs of the SOE and because it can insulate decisions from undue political influence. However, a prerequisite for board leadership of the CEO selection process is the existence of a best practice board with the capacity for independent and objective judgment. In Lithuania few if any SOEs have such a board.¹⁶

Government response

Government is often aware of what needs to be done. For instance, in 2010 the Ministry of Economy presented a statement *Reform of Lithuanian State-owned Enterprises*¹⁷ that said:

“The Government plans to reform the system for appointing the CEOs and collective management and supervision bodies. The reform is aimed at attracting more independent, competent professionals to the board, supervisory board and top management positions of SOEs.”

This is a laudable goal, and one that would serve to enhance the quality of CEOs and SOEs. But best practice in Lithuanian SOEs has been slow to take root.

13 The UK FSA Fit and Proper Test assessment criteria are reproduced in the appendices. An original copy can be found at: <http://www.fsa.gov.uk/pubs/hb-releases/rel27/rel27fit.pdf>

14 The unit is operational. It was established under the agency Invest in Lithuania and moved to the State Property Fund where it currently resides under the name of *Valdymo Koordinavimo Centras*.

15 Often independent search firms are used to: 1) bring in human resource and search expertise; 2) expand the scope of the search; and 3) give legitimacy to the process.

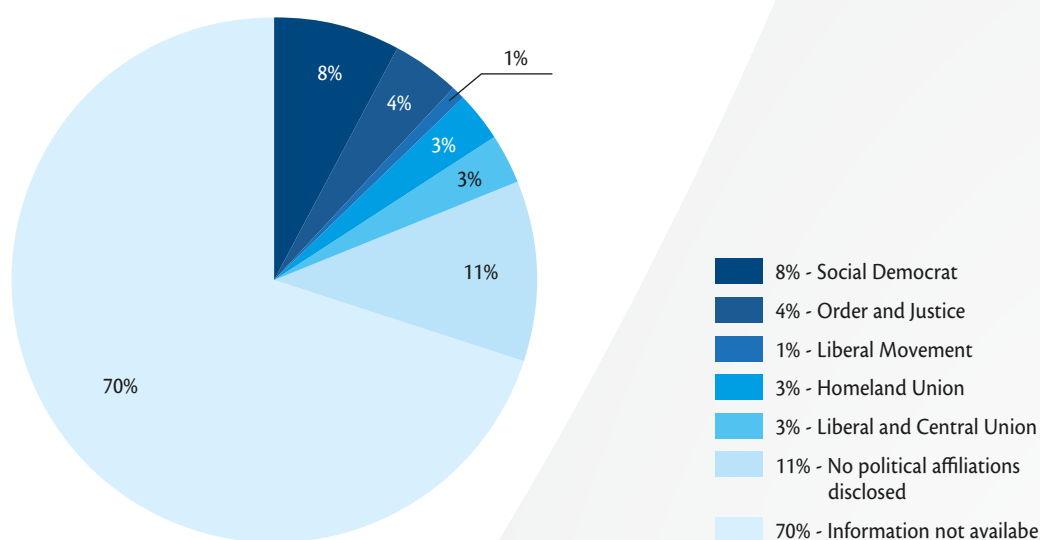
16 BICG (2012).

17 Reform of State Owned Enterprises. Ministry of Economy of Lithuania website: <http://vkc.vtf.lt/reform-principles>

4.2. Political affiliations

One of the questions that the report examines is the extent to which CEOs have explicit political affiliations. Data was collected from public sources to show political affiliations over a 20-year period.¹⁸ 73 individual CEO profiles were examined.¹⁹ The chart below shows that approximately 20% of CEOs had explicit affiliations with political parties.

Political Affiliation of CEOs 1992 - 2012



Note: A former member of the Lithuanian Democratic Labor Party (which merged with the Social Democrats in 2001) and a member of the National Resurrection Party (which merged with the Liberal and Central Union in 2011) were considered as members of currently existing parties.

Only 11% of CEOs asserted that they had no political affiliation whatsoever. An important finding was that in the remaining 70% of cases information on the political affiliations of CEOs was simply not available.

This is clearly an area where disclosure needs to be enhanced. The absence of disclosure makes it impossible to assess whether CEO appointments are politically motivated and whether CEOs have any potential conflicts of interest. The data also shows that there was no improvement in disclosure practices over the 10 years from 1992-2002 compared to 2002-2012.

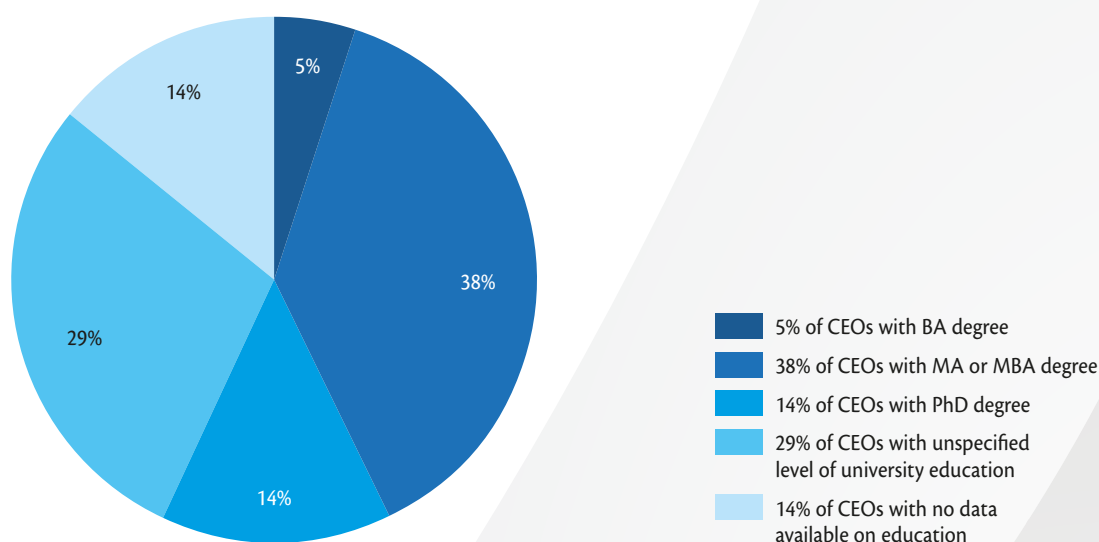
¹⁸ See Appendix 5.5 for the methodology.

¹⁹ Individual profiles of CEOs can be found in the appendices.

4.3. Education and experience

Another question that the report seeks to answer is the extent to which selection processes find the most competent individuals. Competence is difficult to determine from a *curriculum vitae*. However, two proxies were used. The first was the maximum education level attained by the CEO and the second private sector experience. Disclosure practices are better for educational background than for political affiliation. Data was disclosed in 86% of cases.

Educational Level of Current CEOs



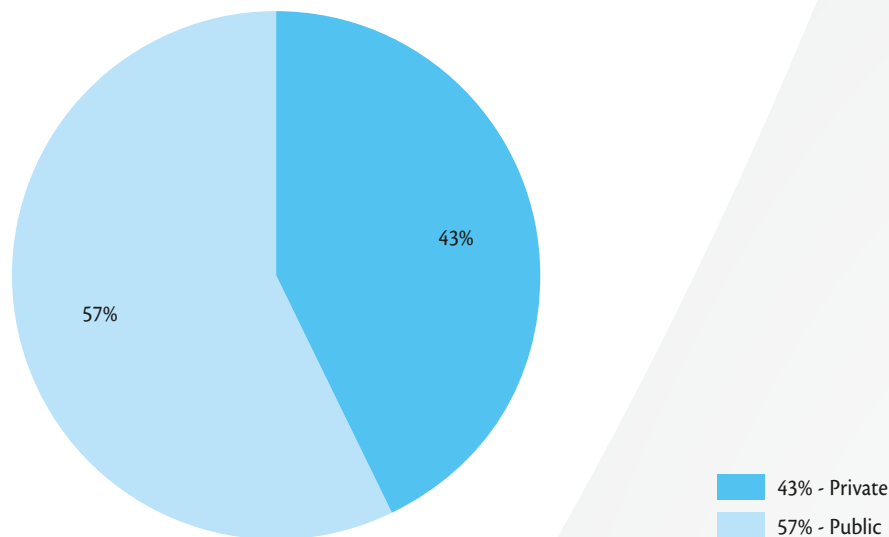
But, the level of detail in disclosure is uneven. 29% of CEOs disclosed that they had university level education but did not specify the field of study or the level of diploma acquired. The information that is made public should be enhanced to help assess the relevance of the education by requiring standardized minimum disclosure.

Of course, educational level is inadequate as an indicator for the competence of a CEO. Book learning and diplomas are poor predictors of managerial performance and there is no empirical evidence that suggests that a PhD will perform better than an MA. Academic achievement does, however, measure whether the CEO has achieved a minimum baseline of knowledge. Nothing suggests that this minimum standard is not being achieved in Lithuania. More research into what education levels are optimal for CEO performance may provide useful indicators.²⁰

²⁰ For research on effective CEO profiles, see Harvard Business Review, *100 Best-Performing CEOs in the World* at: <http://hbr.org/2013/01/the-best-performing-ceos-in-the-world/ar/5>. Additional discussion of the impact of CEO education on performance can be found in: The Conference Board (2011), *Does Education Matter?*, Director Notes, No. DN-V3N, May 2011: <https://www.conference-board.org/retrievefile.cfm?filename=TCB%20DN-V3N9-11.pdf&type=subsite>

Beyond education, experience is a potential indicator of CEO competence. CEOs from the top 20 SOEs in Lithuania have mainly public sector backgrounds with little or no experience in running large commercial companies.

Private Versus Public Background of the CEO



This finding does not suggest that CEOs with private sector backgrounds always have the skills necessary to successfully manage a commercial SOE. Nor does it suggest that CEOs with public sector background always lack such skills. It does, however, show that selection processes favor those with public sector backgrounds and that the CEO of the average Lithuanian SOE is probably lacking relevant commercial experience.

4.4. Turnover

The report examines CEO tenure. The tenure of Lithuanian CEOs in the 21 SOEs in the table below is 6.9 years on average. This is comparable to the average tenure of a CEO in the FTSE 350 which is 6.4 years.²¹

State-owned Enterprise	Total # of CEOs	Years in existence	Average Tenure
LITRGID	2	2.1	1.1
Lithuanian Energy	12	21.8	1.8
LESTO	1	2.0	2.0
Klaipėdos Nafta	7	18.3	2.6
Klaipėda State Seaport Authority	8	21.4	2.7
Lithuanian Shipping Company	4	11.5	2.9
State Enterprise Lithuanian Oil Products Agency	3	11.0	3.7
Lithuanian Post	5	20.9	4.2
Lithuanian Railways	5	21.0	4.2
Lithuanian Monuments	4	21.8	5.4
Vilnius Regional Roads	4	22.1	5.5
Air Navigation	3	17.6	5.9
Regitra	2	13.0	6.5
Lithuanian Radio & Television	3	21.8	7.3
Visaginas Energy	1	10.2	10.2
Vilnius International Airport	2	21.3	10.6
Kaunas Regional Roads	2	22.1	11.0
Siauliai Regional Roads	2	22.1	11.1
Dir. Gen. of State Forests	1	11.5	11.5
Centre of Registers	1	15.4	15.4
Automagistrale	1	19.2	19.2
Average:	3	16.6	6.9

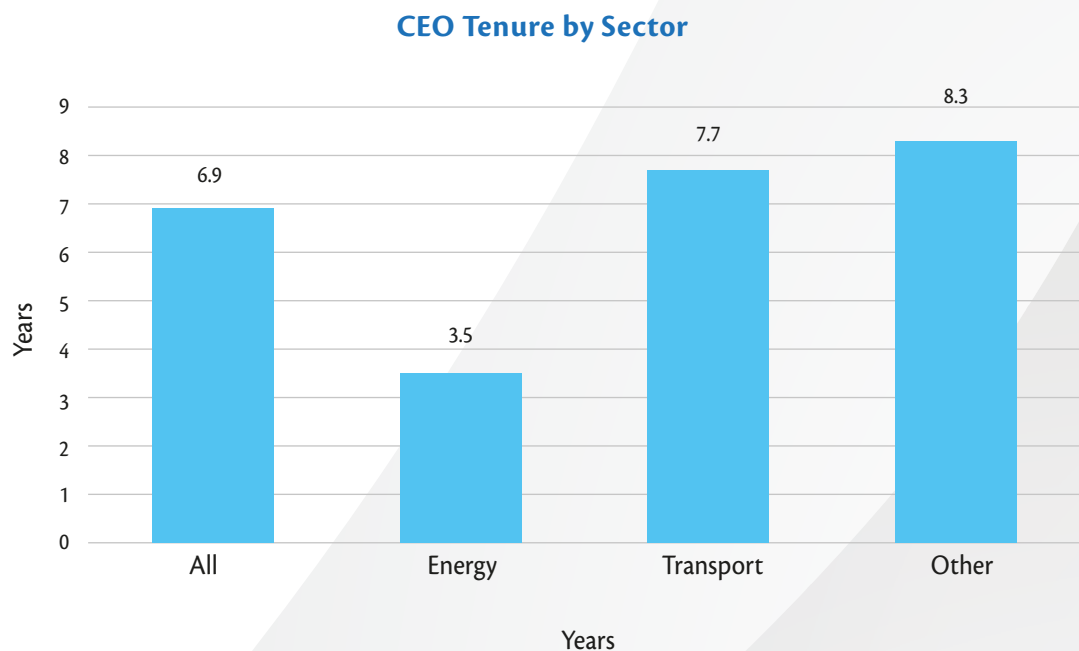
Note: Years in existence refers to years that the SOE has been in existence and for which information was available. Tenure is the number of years that the CEO stays in position.

²¹ Thorburn McAlister and the University of Southampton (2012). For summary findings see: http://www.thorburnmc-alister.com/FTSE_350_Executive_Summary.pdf

While the average is reassuring, the table shows a great variability in tenure ranging from 1.1 years to a maximum of 19.2 years for a CEO who is currently still in place. In reality, these numbers mask further extremes since some CEOs are deposed in a matter of weeks or even days from appointment. These extremes require further examination.

On one end of the spectrum, frequent turnover is a sign of a poor CEO selection process. High turnover rates are an indication of: 1) the inability to identify the correct leadership; and/or 2) the highly political nature of the position. Noteworthy is Lithuanian Energy which has had 12 CEOs over 22 years. Average turnover at Litgrid is similar with 2 CEOs in its short 2 years of existence. Firing an incompetent CEO is justified. However, high levels of turnover indicate that CEOs are: poorly chosen; or not given the opportunity to understand the enterprise; and not given sufficient opportunity to effectuate plans, much less be evaluated based upon their results.

On the other end of the spectrum, very low CEO turnover is an indication of stagnation. Automagistrale, for example, has had only 1 CEO since its founding. Such low turnover may indicate managerial entrenchment and a lack of dynamism. Long tenures are often characteristic of positions in government administrations. In either case, the turnover among CEOs in the chart above is clearly linked to the nature of the SOE and its sector of activity.



It is no coincidence that CEOs with the highest turnover rate head SOEs that are: 1) considered of strategic importance; and 2) have significant cash flows associated with investment. These types of SOEs typically attract intense political interest. The CEOs with the lowest turnover head organizations that are more similar to public administrations. No empirical studies describe what an optimal turnover rate is. However, turnover that deviates significantly from an average may be cause for concern.

Parliamentary activism

The report sought to associate CEO turnover with different parliamentary periods to come up with an indicator of parliamentary activism. The period under examination starts with 5th Lithuanian parliament.

Parliament ²²	CEOs changed	Companies tracked
10 th (2012)	?	21
9 th (2008)	19	23
8 th (2004)	8	20
7 th (2000)	7	21
6 th (1996)	15	15
5 th (1992)	9	13

Note: number of companies is different under different governments as not all of 20 SOEs selected existed or were owned by the state.

The 6th and 9th parliaments were the most active in hiring and firing CEOs. The 7th and 8th were the most stable. The data does not shed any light on the motivations or effects of either parliamentary stability or activism. Significant changes can be interpreted as an attempt to rid SOEs of dead wood and install more competent leadership. Or, it can be an energetic attempt to reward party loyalists. A deeper qualitative analysis is needed to understand why certain parliaments are more active than others and the impacts of stability versus activism.

²² The year in brackets shows when the parliament started.

4.5. Corruption and integrity

Public perceptions of corruption in Lithuania are high. According to the 2013 *Index of Economic Freedom*, by the Heritage Foundation,²³ corruption has increased despite implementation of critical reforms. Lithuania's scores on corruption indicators are notably worse than on other indicators.²⁴ According to the index, corruption is still widespread in the civil service, and the public has a low opinion of government efficiency and political parties.

These findings are broadly corroborated by Transparency International²⁵ which ranks the country 54/100 on a corruption perceptions index and at the 66th percentile on control of corruption in 2010.²⁶ The profound skepticism of the Lithuanian public is striking. 78% of people felt that government's efforts to fight corruption were ineffective and 68% felt that the level of corruption had actually increased between 2007 and 2010.²⁷ The institutions perceived to be most affected by corruption were: 1) political parties; and 2) parliament and legislature. The institutions perceived as least affected were the military and NGOs.²⁸

None of these surveys track corruption in SOEs specifically. But they do provide context. The only data available specifically on SOEs was collected by BICG in a 2012 survey of SOE governance practices in the Baltics.²⁹ The survey confirmed that public perceptions are that corruption pervades the SOE sector. Approximately 68% of respondents felt that SOE boards, executives and staff use the SOE for their own personal benefit, and only 9% of respondents felt that the government was capable of detecting irregularities at SOEs.

Information on corrupt practices among CEOs does not exist. A survey of the press suggests that the number of cases prosecuted in Lithuania is low. Nevertheless, anecdotal evidence suggests that there have been cases of executives extracting benefits from SOEs for their own personal gain.

Some of the ways of doing so are:

- **Guided public tenders:** Tender criteria may be leaked to bidders to help them develop a winning offer.
- **Exclusivity agreements:** There may be favoritism when selecting providers of goods and services to SOEs. High priced arrangements may be tolerated in exchange for a kickback.
- **Related party transactions:** Companies belonging to friends and family may be given preference in related party transactions. An additional form of abuse is employing relatives, friends, and important contact in SOEs in exchange for personal benefits/courtesies.
- **Use of intermediaries:** SOEs may use intermediary companies to buy products and services rather than directly from the importer/producer. This adds a layer of pricing to be divided by the interested parties. The same can be done in reverse, meaning that the SOE uses intermediary companies to sell products and services rather than selling directly to the customer.
- **Instructions to buy:** SOEs may receive instructions to buy certain products or services. These may be overpriced, of insufficient quality or may never be delivered.
- **Sponsorships:** SOEs receives orders to provide sponsorships that may have no relevance to the company.

23 The Heritage Foundation 2013 *Index of Economic Freedom* for Lithuania can be found at: <http://www.heritage.org/index/country/lithuania>

24 For graphic data on Lithuania's corruption score see: <http://www.heritage.org/index/visualize?countries=lithuania&type=9>

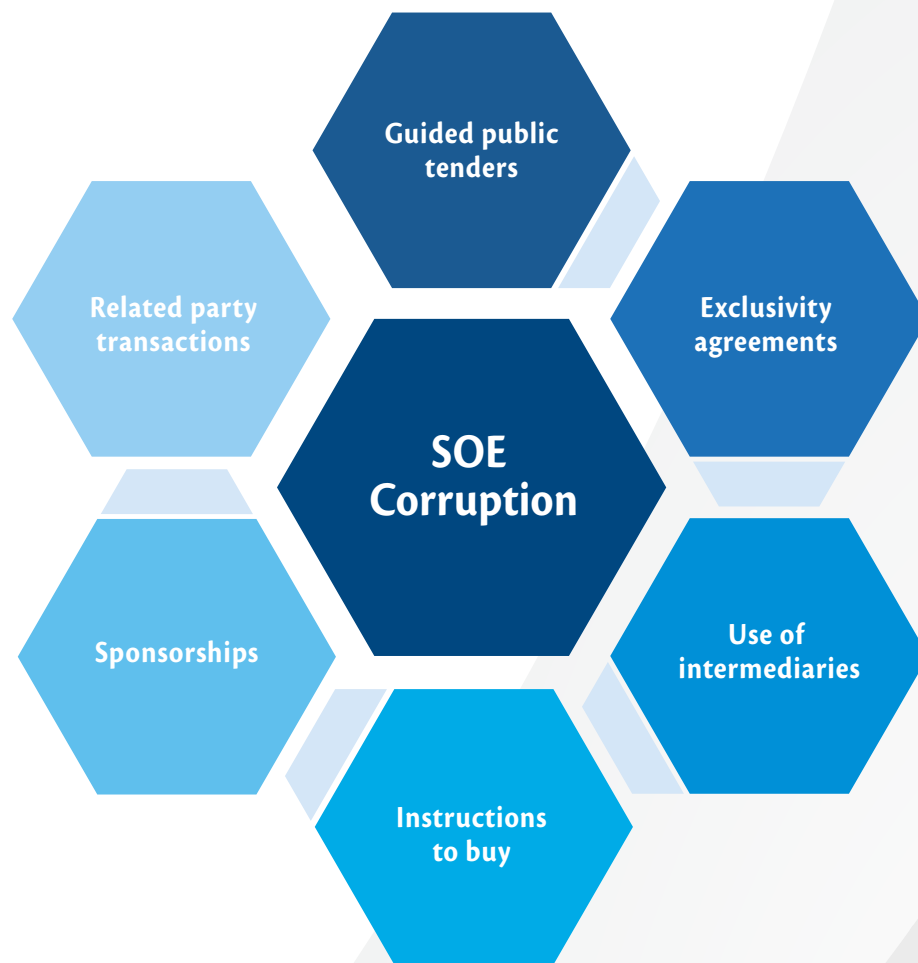
25 Transparency International is an international NGO dedicated to combatting corruption. See: <http://www.transparency.org/>

26 For research data see: http://www.transparency.org/country#LTU_DataResearch

27 For public opinion figures see: http://www.transparency.org/country#LTU_PublicOpinion

28 Ibid.

29 BICG (2012), The Governance of State-owned Enterprises in the Baltic States, <http://corporategovernance.lt/uploads/docs/Governance%20of%20State-owned%20Enterprises%20in%20the%20Baltic%20States.pdf>



In order for corruption to occur, three conditions must exist: 1) *opportunity*; 2) *desire*; and 3) *low risk of discovery*. These three conditions appear to be fulfilled in Lithuania: 1) opportunity is manifold; 2) the desire may be heightened due to low salaries and limited advancement and pay opportunities; and 3) the very few cases of corruption that come to light suggest that the risk of discovery is low.

Addressing this triple failure would mean a three-pronged approach that would: 1) reduce opportunity by building better controls, and checks and balance; 2) the desire may be heightened due to low salaries, limited advancement and pay opportunities and sometimes a sense of urgency due to short CEO tenures; and 3) heightening investigative capacity and imposing serious consequences in the event of discovery. Logic dictates that if political parties and parliament are indeed a source of corruption then their influence over SOEs must be properly channeled, transparency needs to be increased, and proper checks and balances introduced.

5. APPENDICES

5.1. Comparison of Lithuania to the OECD benchmark

5.1.1. Operational autonomy of boards and executives

The OECD says:

“The government should not be involved in the day-to-day management of SOEs and allow them full operational autonomy to achieve their defined objectives.”

OECD Guidelines II.B.

The Guidelines suggest that SOE management should be the responsibility of professional managers. The rationale is that evidence shows conclusively that government officials do not usually have what it takes to successfully operate a SOE. In addition, direct intervention into SOE operations by the state results in political exigencies taking precedence over business. Over the long term, the result is stagnation and even decay.

Evaluation:



In Lithuania SOEs are legally operated by the CEO. However, in many SOEs the state is deeply involved in the management of SOEs. Practices vary considerably. In some SOEs decision making powers go all the way up to the minister or their representative. The CEO's role is thus the execution of ministerial directives.

This approach has the benefit of allowing the state to directly implement its will. Governments often value direct control and find it efficient. The negative aspect is that ministers and the state effectively fulfill executive functions. The role of the oversight function of a board is then no longer fulfilled.

5.1.2. The role of the board in monitoring executives

The OECD says:

“The state should let SOE boards exercise their responsibilities and respect their independence.”

OECD Guidelines II.C. In addition OECD Principles VI.E.1.

The principal role of a board of directors is to oversee executives. In order for the board to oversee the executive function, it must, of course, be independent of the executive. With other words, the board should not be involved in operational decision making. Its proper role is to exercise oversight over the CEO as the head of the management team.

Evaluation:



In Lithuania, board responsibilities are interpreted quite differently than envisioned by the OECD Guidelines. Boards are much more operational. In effect they take over the CEOs decision making powers and responsibilities. In Lithuania state officials and SOEs often work jointly. Collaboration is, of course, laudatory but only when proper checks and balance are in place. Since the board and minister make executive decisions no other structure is there to exercise oversight and hold the executive decision makers accountable.

The capacity for objective and independent decision making is considered a key feature among boards globally. It is also best practice with SOEs. The problem with independence is that it implies occasional dissent.

5.1.3. Separating the monitoring function from the executive function

The OECD says:

“Separation of the Chair from the CEO helps in ‘achieving an appropriate balance of power, increasing accountability and improving the board’s capacity for decision making independent of management’”.

OECD G VI.C Annotations

When a CEO is simultaneously the Chairman of the Board, it becomes impossible for the board to oversee the CEO. The balance of power is skewed in favor of the CEO/Chairman. Best practice is to either separate the two roles, or to install a lead independent director and invest them with real oversight powers. The issue at hand is fundamentally one of separating the oversight function from the executive function.

Evaluation:



While it is unusual for Lithuanian SOEs to have CEOs who are simultaneously chairmen, the basic principle of separation of executive functions from oversight functions is violated. In many SOEs, the state is able to instruct the supervisory board and/or the management board on what it should do. In practice, the interaction is generally one of dialogue and give-and-take, however, it is clear that the state and ministers are the ultimate decision makers. An additional drawback to this approach is that no institution exercises oversight of the state for its operational decisions whereas, under best practice, an independent and professional board exercises oversight over the executive function. Existing practice reduces accountability.

5.1.4. Responsibility for hiring and firing the CEO

The OECD says:

“One key function of SOE boards should be the appointment and dismissal of CEOs. Without this authority it is difficult for SOE boards to fully exercise their monitoring function and feel responsible for SOEs’ performance.”

OECD Guidelines VI.B. Annotation. In addition OECD Principles VI.D.3.

The key element of the recommendation is that the board has the authority to hire and fire the CEO. In cases where the state is the only shareholder or where the SOE is of critical importance, the state can appoint the CEO directly. Nevertheless, best practice suggests that the board fulfill a vetting function and that the CEO be nominated exclusively based upon professional criteria. Another key role of the board is the assessment of CEO performance.

Evaluation:



Lithuanian SOE boards have this authority under the law. They do, in fact, appoint and dismiss CEOs. However, the OECD Guidelines did not envision the power as being perfunctory or only on paper. The Guidelines see the role of hiring and firing as a complex task that requires monitoring and evaluation of CEO performance.

With few exceptions the chosen candidate for a CEO position is known or decided on by ministers well before any public tender is published. In some cases the future CEO is parachuted into the SOE a few months prior to appointment in order to give him the inside advantage. In other cases the CEO is immediately hired as temporary CEO, and then awarded the job following a tender procedure.

5.1.5. Transparent rules and procedures for hiring and firing the CEO

The OECD says:

“Rules and procedures for nominating and appointing the CEO should be transparent and respect the line of accountability between the CEO, the board and the ownership entity. Any shareholder agreements with respect to CEO nomination should be disclosed.”

OECD Guidelines VI.B. Annotation

In order for the state to be held accountable for the respect of proper procedure, these procedures need to be set down and secondly available to the public. The OECD recommendation lays out the proper lines of accountability when nominating the CEO with the CEO answering to the board, which, in turn, answers to the owner. Further support is given to the goal of transparency as any agreements made between any parties with respect to CEO nominations must be disclosed.

Evaluation:



The rules and procedures for nominating and appointing CEOs are set down in law. Under the Law on Companies, these rules are general and the actual procedures are not thoroughly documented or disclosed. For state enterprises the rules are highly specific, but are not necessarily followed in spirit.

The basic legal framework is present; however the application of the framework leaves a lot to be desired. The application of the framework leaves the door open for ad hoc political intervention. Qualified outside candidates do not generally have a chance against pre-determined candidates.

5.1.6. Evaluating CEO performance and succession plans

The OECD says:

“Boards should actively ... assess and follow management performance...and develop effective succession plans for key executives.”

OECD Guidelines VI.B. Annotation. In addition OECD Principles VI.D.3

Evaluating management performance requires a structured process that is based on qualitative and quantitative performance indicators. It is the role of the board to establish these indicators and to regularly assess the CEO against them. Boards must be prepared to recognize CEOs for achievement or replace CEOs for reasons of performance failure, retirement, or other factors. Such succession planning should be based on the performance evaluation of potential internal replacements for the CEO and look towards outside talent when needed.

Evaluation:



Boards are with a few exceptions not qualified to properly evaluate the performance of the CEO, nor do they have the actual independence to do so. CEO's appear to be judged on their willingness to implement political directives, and their capacity to work with ministries. This leaves little room for real performance, or real performance evaluation. Succession planning is usually not done because succession is understood to be a political prerogative.

5.1.7. Tying CEO remuneration to performance

The OECD says:

“They should ensure that the CEO’s remuneration is tied to performance and duly disclosed.”

OECD Guidelines VI.B. Annotation. In addition, OECD Principles VI. D.4

Remuneration levels should be sufficient to ensure that the executive is properly motivated. Incentive compensation needs to be linked to business plans and management by objectives (MBOs). Incentive compensation should be tied to the extent possible to measurable objectives but should not omit qualitative goals and indicators.

Evaluation:



The gap between high earners and low earners in Lithuania is significant. Most if not all CEOs of SOEs earn around 10 to 20 times the minimum wage. Higher salaries are difficult to justify to the public. Nevertheless, excessively low salaries make it impossible to attract, motivate and hold accountable the most talented senior executives. Low salaries may also create incentives for corruption, especially since CEOs exercise significant power over large contracts and other assets.

5.1.8. CEO certification of financial statements

The OECD says:

“CEOs and CFOs certify that... reports in all material respects appropriately and fairly present the operations and financial condition of the SOE.”

OECD Guidelines V.D. Annotation

CEO and CFO signature on financial statements show that the final responsibility for the veracity of the financial statements resides with executives. A signature puts an executive’s reputation at stake and may even carry potential legal liabilities if the statements are intentionally misleading. Signed statements are intended to enhance the accountability of executives to shareholders.

Evaluation:



Lithuanian CEO and CFOs certify annual reports and are, indeed, legally responsible for their content. Nevertheless, their capacity to challenge certain accounting practices that are imposed by the state may be limited. Indeed, there have been examples of differences between the state and auditors on proper accounting policies that have led auditors to issue repeated qualified statements. In addition, boards often do not have the qualifications to understand technical accounting issues or the stature to challenge executives or ministries. Finally, some SOEs use local accounting standard and local audit firms. Thus, a considerable number of factors may limit the utility of CEO/CFO certification of statements.

5.1.9. Disclosure of conflicts of interest and related party transactions

The OECD says:

...key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation.

OECD Principles III.C.

Abuse can occur through inappropriate related party transactions, biased business decisions or changes in the capital structure favoring controlling shareholders. While an outright prohibition of related party transactions is not viewed as constructive, the disclosure of potential conflicts of interest is considered an important step in dissuading potentially abusive behavior and in sensitizing boards, shareholders, executives and the public to the issue of conflict of interest.

Evaluation:



There has been considerable concern regarding the use of related party transactions to extract personal gains from Lithuanian SOEs. Some related party transactions have been entirely legitimate. Unfortunately, others have been abusive. This is clearly an area in need of improvement. The fundamental problem is that such transactions often escape detection from the SOE's systems of internal control and are subject to weak policies and low levels of disclosure. The SOE sector would benefit from greater formalization of the rules and systems designed to prevent abusive related party transactions.

5.1.10. Disclosure of remuneration policy and remuneration

The OECD says:

"Disclosure should include... material information on [the]...remuneration policy for... key executives...."

OECD Principles V.A.4.

Public disclosure is required in order to ensure that pay levels are commensurate to executive responsibility and performance. While disclosure of individual remuneration is not the norm, the disclosure of aggregate remuneration for top executives is considered standard. More important than individual remuneration levels is the disclosure of the SOEs remuneration policies with an explanation regarding their purpose, function and basic premises. This disclosure should be made by a remuneration committee of the board staffed by independent board members.

Evaluation:



Remuneration policies of SOEs are rarely if ever disclosed. Few if any SOEs have independent remuneration committees. Aggregate disclosure of remuneration is made for top executives, albeit not for individuals.

5.2. Company and CEO profiles

The following figures reflecting the sales revenue, total assets, net profit, etc. for SOEs are abstracted from the official website of the Lithuanian Ministry of Economy.³⁰ All data is unaudited from fiscal year 2012. Currency has been converted according to the official fixed LTL to Euro exchange rate of 3.4528 to 1. Personal profiles were collected from publicly available information.

5.2.1. Air navigation

The state enterprise Air Navigation fulfils Lithuania's international commitments by providing specialised services in the country's airspace.

- Answers to Ministry of Transport and Communications
- €24.42 million of sales revenue
- €49.11 million of total assets
- €0.53 million net profit
- 2.17 % net profit margin
- 311 employees
- 100% state interest
- Board structure: Unitary Board

Algimantas Raščius	CEO (2000 03 27 – present)
Educational background	<p>Aviation College (1999)</p> <p>EUROCONTROL, Institute of Air Navigation Services, (Degree in Air traffic Control Automation)(1994)</p> <p>Academy of Air Traffic Services, (Degree in Air Traffic Control Management)(1993) Leningrad Civil Aviation Academy, (Degree in Engineering) (1987)</p> <p>Kirovograd Aviation School, (Degree in Air Control Management) (1979)</p>
Professional experience	<ul style="list-style-type: none"> • Air Navigation, CEO (2000 - present) • Directorate of Civil Aviation of the Republic of Lithuania, Acting General Director (2000-2001) • Directorate of Civil Aviation of the Republic of Lithuania, Director of the Air Navigation Services Department (1999 - 2000) • Vilnius Gediminas Technical University (VGTU), Director Deputy of Antanas Gustaitis Aviation Institute (1996 – 1999) • Directorate of Civil Aviation of the Republic of Lithuania, Head of Vilnius Area Control Centre (1994 – 1999) • State Air Traffic Control Service of the Republic of Lithuania, Vilnius Area Control Centre, Chief Supervisor (1991 – 1994) • The Civil Aviation Board, Vilnius Area Control Centre, Chief Supervisor (1984 – 1991) • The Civil Aviation Board, Air Traffic Controller (1976 – 1984)
Political or party affiliations	No political affiliations disclosed

30 For full data, see: <http://vkc.vtf.lt/companies?reset=1>

Kęstutis Auryla	CEO (1998 11 10 - 2000 03 27)
Educational background	Kaunas University of Technology, Degree in Engineering (1993) Sasovas Aviation Aircraft School (1970 - 1972)
Professional experience	<ul style="list-style-type: none"> • Civil Aviation Authority, Director (since 2002), Deputy Director (dates unknown) • Air Navigation, CEO (1998 - 2000) • Lithuanian Airlines, CEO (dates unknown) • Aviakompanija Lietuva (dates unknown) • Kaunas Joint Aviation squad (dates unknown) • Varėna Tree Processing Plant, Presser (dates unknown)
Political or party affiliations	No information available

Algirdas Šileika	CEO (1997 04 08 – 1998 11 10)*
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • Air Navigation, Head of Šiauliai Flight Control Center (dates unknown), CEO (1997 – 1998) • Air Navigation, Directorate of Civil Aviation, CEO (1995 – 1997)
Political or party affiliations	No information available

5.2.2. Automagistrale

Its main purpose is development, design, maintenance, repair and reconstruction works as well as special tests on motor roads, bridges, overbridges, road structures and traffic signs.

- Answers to Ministry of Transport and Communications
- €8.63 million of sales revenue
- €0.32 billion of total assets
- €0.11 million net profit
- 1.32% net profit margin
- 308 employees
- 100% owned by the state
- Board structure: Unitary board

Vladislovas Molis	CEO (1993 10 19 – present)
Educational background	No information available
Professional experience	Automagistrale, CEO (1993 – present)
Political or party affiliations	No information available

5.2.3. Centre of registers

The state enterprise keeps the Real Estate Cadaster and Register, the Address Register and the Register of Legal Entities; it also designs, installs and develops information systems related to these and other registers, and also maintains register archives.

- Answers to Ministry of Justice
- €26.92 million of sales revenue
- €20.40 million of total assets
- €0.06 million net profit
- 0.24% net profit margin
- 1,561 employees
- 100% owned by the state
- Board structure: Unitary

Kęstutis Sabaliauskas	CEO (1997 07 22 – present)
Educational background	Kaunas University of Technology (Degree in Engineering and Mathematics) (1974 -1979)
Professional experience	<ul style="list-style-type: none">• Centre of Registers, CEO (1997 – present)• Suskystintos Dujos, Head of Department (1994 – 1997)• Kaunas Academic Clinic, Head of Computing Department (1991 -1993)• Crop Production Fertilization Institute, Head of Information Systems Department(1985 – 1991)• Kaunas Radio Factory, Senior Engineer (1984 – 1985)• Public Agronomy Computing Center, Senior Engineer-programmer (1980 – 1984), Engineer (1979 -1980)
Political or party affiliations	No information available

5.2.4. Directorate general of state forests

The Directorate General of State Forests under the Ministry of Environment conducts the economic management of state-owned forests attributed to state forest enterprises, organizes and co-ordinates restoration, maintenance, protection and utilization of forests and forest resources. There are 42 forest enterprises operating in Lithuania. They maintain forests, carry out logging and sell round timber. The total area of forests managed by forest enterprises is about 1 million hectares, or almost one half of all forests in Lithuania.

- Answers to Ministry of Environment
- €42.84 million of sales revenue
- €0.72 billion total assets
- €0.88 million profit of net profit
- 2.05% net profit margin
- 4179 employees
- 100% owed by the state
- Board structure: Unitary

Benjaminas Sakalauskas CEO (2001 06 15 – present)	
Educational background	Irkutsk Technical School of Forestry (1974), Academy of Agriculture (1988)
Professional experience	<ul style="list-style-type: none">• Directorate General of State Forests, CEO (2001 – present)• Zarasai City, Mayor (1995 – 1997)• Zarasai City Municipality Council, Member (1995 – 1997) and (2002 – 2003)• Lithuanian Union of Political Prisoners and Deportees, Member (1994)• Dusetai district, Ranger (1982 – 1995)• Rokiškis district, Ranger (1981 – 1997)• Goloustno (Irkutsk district), Forester (1974 – 1975)
Political or party affiliations	No information available

5.2.5. Kaunas regional roads

It is responsible for the maintenance, use and repair of roads of national significance and related structures located in Kaunas County as well as keeping records of the roads. The enterprise also designs and builds roads, streets and grounds, produces and sells sand, gravel and asphalt concrete, and leases road building machinery and special-purpose vehicles.

- Answers to Ministry of Transport and Communications
- €9.04 million of sales revenue
- €0.26 billion of total assets
- €0.6 thousand net profit
- 0.01% net profit margin
- 334 employees
- 100 % state interest

Vidmantas Lissauskas	CEO (1995 11 10 – present)*
Educational background	Vilnius Civil Engineering Institute, Degree in Engineering (1970 – 1975)
Professional experience	<ul style="list-style-type: none">• Kaunas Regional Roads, CEO (1995 - present)• Šilutė highway Board, CEO (1982 – 1995)• Tauragė highway Board, Senior Engineer (1980 – 1982)• Ukmergė highway Board, Foreman (1975 – 1980)
Political or party affiliations	No information available

Juozas Lapačinskas	CEO (1990 11 29 - 1995 11 10)*
Educational background	No information available
Professional experience	Kaunas Regional Roads, CEO (1990 - 1995)
Political or party affiliations	No information available

5.2.6. Klaipėda state seaport authority

Klaipėda Seaport is a multipurpose, universal, deep-water port. 17 stevedoring companies, and ship repair and ship building yards operate within the port as well as all types of marine business and cargo handling services.

- Answers to Ministry of Transport and Communications
- €48.37 million of sales revenue
- €0.47 billion of total assets
- €25.29 million net profit
- 52.29% net profit margin
- 243 employees
- 100% owned by the state
- Board structure: Unitary

Arvydas Vaitkus	CEO (2013 02 05 – present)
Educational background	Ukraine National University of Internal Affairs (Police Investigator) (1987 – 1988) Kaunas University of technology (Degree in Mechanical Engineering)
Professional experience	<ul style="list-style-type: none"> • Klaipėda State Seaport Authority, CEO (2013 – present) • JSC Lyrava, Consultant (2011 – 2012) • JSC concern Achema Group, Director of Logistics (2009 – 2011) • Achemarida, Executive Director (dates unknown) • Klasco, Member of Unitary Board (dates unknown) • Ministry of Transport and Communications of the Republic of Lithuania, Secretary (2002 – 2009), Council (2002) • Laivyno inžinerijos centras, Director (2000 – 2002)
Political or party affiliations	Member of Social-Democratic Party of Lithuania

Roma Mušėckienė	CEO (2012 11 16 -2013 02 04)
Educational background	No information available
Professional experience	Klaipėda State Seaport Authority, Director of Infrastructure (2011 - present), CEO (2012 - 2013)
Political or party affiliations	No information available

Eugenijus Gentvilas	CEO (2009 06 16 – 2012 11 15)
Educational background	Vilnius University (PhD of Science)(1993), (Degree in Geography) (1978 – 1983)
Professional experience	<ul style="list-style-type: none"> • Klaipėda State Seaport Authority, CEO (2009 – 2012) • Klaipėda City Council, Member (2009 – present) and (1995 – 2004) • European Parliament, Member (2004 – 2009) • Government of Lithuania, Prime Minister appointed by Decree of the President (2001 June – Jul) • Ministry of Economy of the Republic of Lithuania, Minister (2001) • Liberal Reforms, NGO, Chairman (2001 – 2011) • Mayor of Klaipėda (1997 – 2001) • Klaipėda development Group, Director (1995 – 1997) • Klaipėda University, various positions (1993 – 1996) • Head of the Supreme Council of the Republic of Lithuania (1991 – 1992) • Member of the Supreme Council - Reconstituent Seimas of the Republic of Lithuania (1990 – 1992) • Academy of Sciences in Klaipėda, various positions (1987 – 1990) • Academy of Sciences in Vilnius, various positions (1983 – 1987)
Political or party affiliations	Member of the party Liberal Movement

Algirdas Kamarauskas	CEO (2009 03 26 – 2009 06 16)
Educational background	No information available
Professional experience	Klaipėda State Seaport Authority, CEO (2009), Director of Infrastructure (2009)
Political or party affiliations	No information available

Sigitas Dobilinskas	CEO (2002 03 01 – 2009 03 25)
Educational background	Vilnius Gediminas Technical University (Degree in Engineering) (1981)
Professional experience	<ul style="list-style-type: none"> • Lithuanian Railways, department of investment, Deputy Director (2013 – present) • Road Repairs Group, CEO (2010 – present), Director of Development (2009 – 2010) • Klaipėda City Municipal Council, Member (2003 – 2007) and (2007 – 2011) • Klaipėda State Seaport Authority, CEO (2002 – 2009) • Klaipėda Terminal, CEO (1997 – 2002) • Various Kaunas private equity companies, CEO, deputy CEO, Manager (1990 – 1997) • Kupiškis Building Materials Factory, CEO (1988 – 1990) • Worked in Komsomol organizations in Vilnius and Kupiškis (1982 - 1988) • 6th Vilnius roads and maintenance station, Chief (1881 - 1882)
Political or party affiliations	Member of Social Democratic Party of Lithuania (1999 – present)

Kęstutis Bartkevičius	CEO (1999 09 22 – 2002 07 25)*
Educational background	Vilnius University (Degree in Economics) (1985)
Professional experience	<ul style="list-style-type: none"> • Mažeikiai City, Deputy Mayor (2002 – 2007) • Mažeikiai City Municipal Council, Member (1997 – 2000), (2003 – 2007), (2007 – 2011) and (2011 – date unknown) • Klaipėda State Seaport Authority, CEO (1999 – 2002) • Varduva, CEO (1993 – 1999) and (2002 – date unknown) • Mažeikiai Construction Trust, Deputy Director of Production Technology Department (1985 – 1986), Director of the same department (1986 – 1989)
Political or party affiliations	Homeland Union (1993), Liberal Union (1999), Party of Liberal Democrats (2002), Order and Justice (2006)

Valentinas Greičiūnas	CEO (1992 02 03 – 1999 09 22)*
Educational background	Kaunas University of Technology, Klaipėda department (Engineering) (1965)
Professional experience	<ul style="list-style-type: none"> • Klaipėda City Council, Member of the Board (2007 – 2011) • KLASCO, CEO (2005 – 2009) • Member of Seimas (2000 – 2004) • Association of Lithuanian Stevedoring Companies, Director, Vicepresident (2000) • Šventoji seaport, Deputy CEO (1999 – 2000) • Klaipėda State Seaport Authority, CEO (1992 – 1999) • Klaipėda City, Deputy Mayor (1990 – 1992) • Lithuanian Communist Party Committee, First Secretary (1989 – 1990) • Klaipėda Municipality Committee, Deputy Chairman (1967 – 1989) • Klaipėda Meat Factory Construction, Director (1961 – 1967) • Klaipėda Construction Trust, Engineer (1960)
Political or party affiliations	Lithuanian Social-Democrats Party, Ex member of the Lithuanian Communist Party

Eugenijus Eimutis Špėlys	CEO (1991 08 06 – 1993 04 21)*
Educational background	No information available
Professional experience	Klaipėda State Seaport Authority, CEO (1991 – 1993)
Political or party affiliations	No information available

5.2.7. Klaipėdos nafta

The main business activities of the company include the export and import of crude oil petroleum products as well as related services. Crude oil and its products are reloaded in the company's facilities. The company is listed on NASDAQ OMX Vilnius stock exchange.

- Answers to Ministry of Energy
- €40.22 million of sales revenue
- €0,16 billion of total assets
- €11.88 million net profit
- 29.54% net profit margin
- 360 employees
- 72.32% state
- Board structure: Two-tier

Rokas Masiulis	CEO (2010 05 06 – present)
Educational background	Vilnius University, (Master in International Relations and Political Science) (1992 – 1994), (BA in Economics) (1989 -1994)
Professional experience	<ul style="list-style-type: none"> • Klaipėdos Nafta, CEO (2010 – present) • LEO LT, Business Development Director, Director of Administration, Director of Finance (2009 – 2010) • IS partners, CEO (2007 – 2009) • Ernst & Young, Arthur Andersen, various Lithuanian Government and Municipalities projects; Senior Auditor, Audit Manager, Expert, Consultant (1994 – 2007) • LEO LT, Member of The Management Board (dates unknown)
Political or party affiliations	No political affiliations disclosed

Jurgis Aušra	CEO (2002 02 11 – 2010 05 05)
Educational background	Kaunas University of Technology (Degree in Engineering)
Professional experience	<ul style="list-style-type: none"> • Klaipėdos Nafta, CEO (2002 – 2010) • Euroga, CEO (1999 – 2002) • Industrial Bank, Manager of Klaipėda Department (1997 – 1999) • Governor of Klaipėda County (1995 – 1997) • Klaipėda City, Mayor (1994 – 1995) • Furniture manufacturing association "Klaipėda", CEO (1984 – 1994)
Political or party affiliations	Ex Member of Lithuanian Democratic Labour Party (LDDP)

Donatas Kaubrys	CEO (2001 03 07 – 2001 12 17)
Educational background	Kaunas University of Technology (Degree in Industry and Civil Engineering) (1967 – 1972)
Professional experience	<ul style="list-style-type: none"> • DOVIRMA, CEO (2002 – present) • Klaipėdos nafta, CEO (2001) • DOVIRMA, CEO (1996 – 2000) • Notija, CEO (1992 – 1996) • Industrial Commercial Enterprise, CEO (1990 – 1992) • Telšiai Special Trust (former Territorial Building Trust), Manager (1979 – 1990) • Telšiai Territorial Building Trust, Chief Engineer (1977 – 1979) • Telšiai SKMK, Chief (1976 – 1977) • Telšiai SKMK, Chief Engineer (1974 – 1976) • Telšiai SKMK, Chief of Production and Planning Department (1973 – 1974) • Telšiai KMK, Foreman (1972 – 1973) • European Union Regional Committee alternate Member (dates unknown) • Member of Telšiai Regional Development Council (dates unknown) • Telšiai District Municipal Council, Member (dates unknown) • Telšiai City, Deputy Mayor on social basis (dates unknown) • Telšiai Department of Political Party Order and Justice, Chairman (dates unknown)
Political or party affiliations	Party Order and Justice

Petras Pareigis	CEO (2000 04 11 – 2001 03 06)*
Educational background	University education
Professional experience	<ul style="list-style-type: none"> • Vakarų Namas, CEO (2010) • Mesta, CEO (1990 – 2006) • Klaipėdos Nafta, CEO (2000 – 2001) • Klaipėda City Municipal Council, Member (dates unknown)
Political or party affiliations	Homeland Union – Lithuanian Christian Democrats, Republican Party

Martinas Gusiatis	CEO (1994 09 27 – 1995 11 10)*, (1996 11 25 – 2000 03 29)
Educational background	Kaunas University of Technology, Faculty of Mechanical Engineering (1959 – 1966)
Professional experience	<ul style="list-style-type: none"> • Klaipėda City Municipal Council, Member of the Board (2003 – 2007) • Klaipėdos Nafta, CEO (1996 -2000), (1994 -1995) • Klaipėda University, Member of the Board (dates unknown) • Klaipėdos Smeltė, CEO (1999) • Oil Terminal, CEO (1987 – 1999) • Klaipėda Executive Committee, Deputy Chairman (1975 – 1987) • Underground Construction Works Trust No. 193, Senior Constructor (1972 – 1975) • Wood Processing Factory, Senior Engineer (1970 – 1972) • Baltija Boat Yard, Engineer (1966 – 1970)
Political or party affiliations	Democratic Labour Party of Lithuania (1990 – date unknown), Lithuanian Social-Democratic Party (2001 – present)

Gediminas Vitkauskas	CEO (1996 09 23 – 1997 03 27)*
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • Klaipėdos Nafta, Production Director (present) • Klaipėdos Nafta, CEO (1996 - 1997)
Political or party affiliations	No information available

Pranas Šidiškis	CEO (1995 11 10 – 1996 09 23)*
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • Hidrostatyba, CEO (present) • Klaipėdos Nafta, CEO (1995 – 1996)
Political or party affiliations	No information available

5.2.8. Lesto

LESTO distributes and transmits electrical power throughout the entire territory of Lithuania and is a distribution network operator. The grid is made up of a low and medium voltage line and equipment. The company is listed on NASDAQ OMX Vilnius stock exchange.

- Answers to Ministry of Energy
- €0.66 billion of sales revenues
- €1.50 billion of total assets
- €13.21 million net loss
- -2.00% net profit margin
- 2555 employees
- 82.63% state
- Board structure: Unitary

Arvydas Tarasevičius	CEO (2009 04 30 – present)
Educational background	Vilnius University (PhD in Social Sciences) (1983) Vilnius University (Master in Economic Cybernetics) (1973)
Professional experience	<ul style="list-style-type: none"> • LESTO, CEO (2009 – present) • Western Distribution Networks, Member of the Unitary Board (2009 – 2010), Chairman (2010) • Eastern Distribution Networks, CEO and Chairman of the Unitary Board (2009) • Invalda Construction Management, CEO (2005 – 2008) • NORD/LB Lithuania, Director of Vilnius business center (1998 – 2005) • Lithuanian Savings Bank, Member of the Board, Department Director (1992 – 1998) • Lithuanian Government, Privatization Consultant (1991 – 1992) • Ministry of Industry, Deputy Director of Information Center (1990 – 1991) • Lithuanian Academy of Science, Economics Institute scientist (1990) • State Planning Committee of the Planning and Economics Institute, Economist and Division Director (1973 - 1989) • State Planning Committee of the Planning and Economics Institute, Senior Specialist (1973 – 1973)
Political or party affiliations	No political affiliations disclosed

5.2.9. Litgrid

Litgrid is the Lithuanian electricity transmission system operator managing electricity flows in Lithuania and maintaining stable operation of the national electricity system. The company is listed on NASDAQ OMX Vilnius stock exchange.

- Answers to Ministry of Energy
- €0.15 billion of sales revenue
- €0.72 billion total assets
- €7.56 million net profit
- 5.14% net profit margin
- 701 employees
- 97.50% of owned by the state
- Board structure: Unitary

Virgilijus Poderys	CEO (2010 12 08 – present)
Educational background	<p>Baltic Management Institute (dates unknown)</p> <p>Vilnius University, Faculty of Law (1996 – date unknown), Faculty of Physics (1979 – 1984)</p> <p>Vytautas Magnus University, Master in Business Administration (1979 - 1984)</p>
Professional experience	<ul style="list-style-type: none"> • Litgrid, CEO (2010 – present) • Visaginas Nuclear Plant, Project Director of Economics (2009) • National Control Commission for Prices and Energy, Chairman (2007 – 2009) • Financial Adviser to Prime Minister (2006 – 2007) • National Securities Commission, Chairman of the Board (1997 – 2006), Deputy Chairman(1994), Head of Regulation department (1993), Specialist at Regulation department (1992) • Lietuvos Dujos, Chairman of the Board (2000 – date unknown) • Institute of Audit and Accounting, Board member(1995 – 1997) • Ministry of Finance, Specialist (1992) • Institute of Chemistry, Researcher (1984)
Political or party affiliations	No political affiliations disclosed

Vidmantas Grušas	CEO (2010 11 05 – 2010 12 08)
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • LITGRID, Head of Transmission Grid Department (present) • LITGRID, CEO (2010) • Lithuanian Energy, Member of the Board (dates unknown)
Political or party affiliations	No information available

5.2.10. Lithuanian Energy

Lithuanian Energy is Lithuania's largest electricity generation company which combines all electricity generation capacities controlled by the state. The company is also engaged in electricity trading as well as import and export activities. The company is listed on NASDAQ OMX Vilnius stock exchange.

- Answers to Ministry of Energy
- €0.42 billion of sales revenue
- €1.12 billion of total assets
- €10.42 million net profit
- 2.48% net profit margin
- 1175 employees
- 96.13% state
- Board structure: Unitary

Dalius Misiūnas	CEO (2011 07 04 – present)
Educational background	Kaunas University of Technology (BA in Electrical Engineering) (1996 – 2000) Lunds Tekniska Hogskola (PhD in Industrial Automatization) (2000 – 2005)
Professional experience	<ul style="list-style-type: none"> • Lithuanian Energy, CEO, Member of the Board (2011 – present) • Kauno energetikos remontas, Chairman of the board (2011 – present) • Energijos tiekimas, Chairman of the board (2011 – present) • Technology and innovation centre, Member of the Board (2011 – present) • LESTO, Director of Strategy and Development Department, Member of the Board (2010 - 2011) • Western Distribution Networks, Director of Regional Units (2010 – 2011) • Vilnius Gediminas Technical University, Lecturer (2007 – 2011) • Ernst & Young Baltic, Manager, Senior Manager (2008 – 2010) • SWECO BGK, Project Manager (2006 – 2008) • LSPI, Deputy Director of Planning (2007)
Political or party affiliations	No information available

Aloyzas Koryzna	CEO (2009 06 23 – 2011 02 11)
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • Buveinis, CEO (currently) • Elbentas, CEO (currently) • Enwipower, CEO (currently) • Lithuanian Energy, Member of the Board (2009 - 2011) • Lithuanian Energy, CEO (2009 – 2011)
Political or party affiliations	No information available

Darius Masionis	CEO (2008 07 14-2009 06 23)
Educational background	<p>Baltic Institute of Corporate Governance (2010 – 2011)</p> <p>Scandinavian International Management Institute (2008 – 2009)</p> <p>Scandinavian International Management Institute (MBA in Economics & Business Administration) (1999 – 2001)</p> <p>The University of Sheffield (Degree in Financial Management) (1994 – 1995)</p> <p>Vilnius University (Degree in Economics) (1990 – 1995)</p>
Professional experience	<ul style="list-style-type: none"> • Litexpo, Member of the Board (2013 – present) • Junior Achievement Lithuania, Member of the Board (2001 – present) • Cili Holdings, Managing Director (2012 – 2013) • M.Gruskiene Business Clubs and Education Centre, Facilitator (2004 – 2012) • Kauno Grudai, Advisor of the CEO (2009 – 2011) • Lithuanian Energy, CEO, Chairman of the Board (2008 – 2009) • Balterma, CEO (2006 – 2008) • Lithuanian Insurance, CFO (2005 – 2006) • Bite Lithuania, CEO (2001 – 2004) • Bite Lithuania, CFO (1996 – 2001) • Commercial Bank Vakaru Bankas, Treasury manager (1994 – 1996)
Political or party affiliations	No information available

Rimantas Šukys	CEO (2008 05 21 – 2008 07 14)
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • Radio and television Commission of Lithuania, member of the Commission (dates unknown) • Lithuanian Periodical Press Publishers Association, Director (dates unknown) • Lithuanian Energy, CFO (dates unknown) • Lithuanian Energy, CEO, Member of the Board (2008)
Political or party affiliations	No information available

Rymantas Juozaitis	CEO (2002 02 11 – 2008 05 21)
Educational background	Kaunas Polytechnical Institute (dates unknown)
Professional experience	<ul style="list-style-type: none"> • Lithuanian Energy, CEO, Member of the Board (2002 – 2008) • Kaunas Energy, LEO LT, World Energy Council, Lithuanian Committee (dates unknown)
Political or party affiliations	No information available

Dangiras Mikalajūnas	CEO (2001 01 23 – 2002 02 21)*
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • Lithuanian Energy, CEO (2001 – 2002) • Inter Rao Lietuva, Member of the Board (dates unknown) • Inter Rao JES Belgium, CEO (dates unknown)
Political or party affiliations	No information available

Arūnas Keserauskas	CEO (2000 02 14 – 2001 01 31)*
Educational background	Kaunas University of Technology (Degree in Economics) (1982)
Professional experience	<ul style="list-style-type: none"> • Kaunas Municipality Administration, Chief (2006) and (2007) • Western Distribution Networks, CEO (2001 – 2004) • Lithuanian Energy, CEO (2000 – 2001) • Kaunas Waters, Chairman of the Board (1998) • Kaunas City Municipal Council, Member (1997 – 2000) • Budgetary Institution Terra Optima, CEO (1995)
Political or party affiliations	Homeland Union (1993)

Bronius Cicėnas	CEO (1999 07 22 – 2000 02 14)
Educational background	Kaunas Polytechnic Institute (Degree in Engineering) (1971)
Professional experience	<ul style="list-style-type: none"> • Vilnius City Municipal Council, Member (2011 – present) • Lithuanian Energy, CEO (1999 – 2000) • Vilnius Heat Networks, CEO (dates unknown) • Vilnius Power Plant, Engineer (dates unknown), CEO (2000 – 2002) and (1997 – 1999)
Political or party affiliations	Party Order and Justice

Virmantas Jurgaitis	CEO (1999 02 25 – 1999 11 12)*
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • Lithuanian Energy, CEO (1999) • Energy Adviser to Achema Group (dates unknown)
Political or party affiliations	No information available

Anzelmas Bačauskas	CEO (1998 05 25 - 1999 02 25)*
Educational background	Kaunas University of Technology (PhD) (1971), (Degree in Electrical Engineering)(1958 – 1963)
Professional experience	<ul style="list-style-type: none"> • Kaunas University of Technology, Associate Professor (2008 - present) • Lithuanian Energy, Head of Strategy (2002 – 2008), Senior Specialist (1999 – 2002), CEO (1998 – 1999) • National Control Commission for Prices and Energy, Member (1997 – 1998) • Kaunas University of Technology, Associate Professor (since 1994), Head of Department (1984 – 1994), Associate Professor (1974 – 1984), Senior Lecturer (1971 – 1974), Department Assistant (1968 -1971), Aspirant (1965 – 1968), Senior Engineer (1964 -1965), Department Assistant (1963 -1964)
Political or party affiliations	No information available

Rimvydas Rukšėnas	CEO (1996 02 12 – 1998 04 01)
Educational background	Bauman Moscow Highest Technical School (dates unknown)
Professional experience	<ul style="list-style-type: none"> • Lithuanian Electricity Association, Founder and President (1998 – 2007) • Lithuanian Energy, CEO, Chairman of the Unitary Board (1996 – 1998) • Vilnius 3rd Combined Heat and Power Plant, CEO (dates unknown) • Lithuanian Power Plant, Various positions(1965 – date unknown)
Political or party affiliations	No information available

Vladas Sirutis	CEO (1995 09 12 – 1995 12 20)
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • Lithuanian Energy, CEO (1995) • Mažeikiai Power Plant, CEO (dates unknown)
Political or party affiliations	No information available

5.2.11. Lithuanian Monuments

State enterprise Lithuanian Monuments is mainly involved in the maintenance of cultural heritage objects and sites, the organization of construction works, special territory planning, provision of public services, etc.

- Answers to Ministry of Culture
- €9.57 million of sales revenue
- €0.79 million of total assets
- €0.005 million net profit
- 0.05% net profit margin
- 75 employees
- 100% owned by the state
- Board structure: Two-tier board

Vydmantas Drumsta	CEO (2000 12 08 – present)
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • Lithuanian Monuments, CEO (2000 – present) • Lithuanian Monuments, Member of the Board (2008 04 22 – present)
Political or party affiliations	No information available

Algimantas Kavaliauskas	CEO (1999 08 30 – 2003 04 07)*
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • Lithuanian Monuments, CEO (1999 – 2003)
Political or party affiliations	No information available

K. Pališkis	CEO (1997 04 08 – 1999 08 30)*
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • Lithuanian Monuments, CEO (1997 – 1999)
Political or party affiliations	No information available

Alfonsas Jocys	CEO (1991 03 14 - 1997 04 08)*
Educational background	Kaunas University of Technology (dates unknown)
Professional experience	<ul style="list-style-type: none"> • Lithuanian Monuments, CEO (1991 - 1997)
Political or party affiliations	No information available

5.2.12. LITHUANIAN POST

Lithuanian Post, a public limited company, is the largest provider of postal services in Lithuania.

- Answers to Ministry of Transport and Communications
- €55.45 million of sales revenue
- €68.09 million of total assets
- €0.005 million net profit
- 0.01% net profit margin
- 6,213 employees
- 100% owned by the state
- Board structure: Unitary

Lina Minderienė CEO (2010 08 03 - present)	
Educational background	Vilnius University (Degree in Economics)
Professional experience	<ul style="list-style-type: none"> • Lithuanian Post, Director of Finance (2009 – date unknown) • Western Distribution Networks, Member of the Unitary Board (2007 - 2009) • Western Distribution Networks, Chief Financial Officer (2005 - 2007) • Hansaban, Consultant on Taxes (2003 – 2005) • Ernst & Young Baltics, Tax Manager (2002 – 2003) • Ministry of Finance, Head of Department of Direct Taxes (1996 - 2002) • J.Kabasinskas ir partneriai, Consultant on Taxes (1995 – 1996) • The State tax Inspection, Tax inspector (1993 – 1995)
Political or party affiliations	No political affiliations disclosed

Aidas Ignatavičius CEO (2010 04 01 – 2010 08 02)	
Educational background	Vilnius University (BA & MBA in Management) (1992 – 1998)
Professional experience	<ul style="list-style-type: none"> • Western Distribution Networks, CEO (2007 – 2009), Member of the Board (2007 - 2008), Chairman of the Board (2008 – present) • UAB KMT, CEO (currently) • Danske Bank, Chief of Business Services department (2011 – date unknown) • Lithuanian Post, CEO (2010)
Political or party affiliations	No information available

Andrius Urbonas	CEO (2009 10 12 – 2010 03 31)
Educational background	Vilnius Gediminas Technical University (1993 – 1997)
Professional experience	<ul style="list-style-type: none"> • Lithuanian Post, CEO (2009 – 2010) • Hansa leasing (2008) • Hansa bank, Vice Chairman of the Board, Head of Corporate Banking Division (2008) • Hansa leasing, Managing Director (2004 – 2008)
Political or party affiliations	No information available

Ernestas Vaidelys	CEO (2007 02 06 – 2009 10 12)
Educational background	Kaunas University of Technology (MBA in Finance) (1996)
Professional experience	<ul style="list-style-type: none"> • Lithuanian Post, CEO (2007 – 2009), Director of Finance and Economics Department (2003)
Political or party affiliations	No information available

Jonas Šalavėjus	CEO (1994 09 30 - 2007 02 05)
Educational background	Moscow Technical University of Communications and IT (1980)
Professional experience	<ul style="list-style-type: none"> • Lithuanian Post, CEO (1994 - 2007) • Vilnius Region Main Post Office, CEO (1992) • Postal Services Department under the Ministry of Communications, Chief Engineer (dates unknown) • Vilnius Main Sorting Post, Managing Engineer (dates unknown) • Vilnius Main Sorting Post, Engineer (dates unknown)
Political or party affiliations	No information available

5.2.13. Lithuanian Radio and Television Centre

LRTC provides television and radio programme transmission, data transmission and wireless broadband Internet services, and installs the equipment of telecommunication system operators in the company's objects.

- Answers to Ministry of Transport and Communications
- €21.35 million of sales revenue
- €39.49 million of total assets
- €0.24 million net profit
- 1.12% net profit margin
- 377 employees
- 100% owned by the state
- Board structure: Unitary

Gediminas Stirbys	CEO (2009 – present)
Educational background	University Education, Degree in Mathematics (dates unknown)
Professional experience	<ul style="list-style-type: none"> • Lithuanian Radio and Television Centre, CEO (2009 – present) • Omnitel, Project Manager (dates unknown) • SisNeta (dates unknown) • Baltic Amadeus (dates unknown)
Political or party affiliations	No information available

Algirdas Vydmontas	CEO (1997 12 23 - 2009 12 10)
Educational background	Kaunas University of Technology, Degree in Engineering (1970)
Professional experience	<ul style="list-style-type: none"> • Lithuanian Radio and Television Centre, CEO (1997 – 2009) • State Radio and Television Centre, Director of Kaunas department (1991 – 1997) • Kaunas Radio Station Radiophony workshop, Head of Production Laboratory (dates unknown) • Kaunas Radio Station Radiophony workshop, Engineer (since 1970)
Political or party affiliations	No information available

Egidijus Žilius	CEO (1997 06 26 - date unknown)
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • Lithuanian Radio and Television Centre, CEO (1997 – date unknown)
Political or party affiliations	No information available

5.2.14. Lithuanian Railways

Lithuanian Railways is the national state-owned railway company of Lithuania. It operates all railway lines in the country.

- Answers to Ministry of Transport and Communications
- €0.50 billion of sales revenue
- €1.57 billion of total assets
- €37.39 million net profit
- 7.43% in profit margin
- 12,329 employees
- 100% owned by the State
- Board structure: Unitary board

Stasys Dailydka	CEO (2006 04 04 – present)
Educational background	<p>Vilnius Institute of Engineering and Construction (PhD in Technology) (2011),</p> <p>Lithuanian Management Academy (Degree in Technology Management) (1991),</p> <p>Vilnius Institute of Engineering and Construction, (Degree in Engineering) (1975)</p>
Professional experience	<ul style="list-style-type: none"> • Vilnius Institute of Engineering and Construction, Railway Transport Department, Associate Professor (2011 – present) • Lithuanian Railways, CEO, Member of the Unitary Board (2006 – Present) • Lithuanian Railways, Head of Passenger Transportation (2002 – 2006) • Lindra, Consultant, Lindra Life Insurance, President (1997 – 2001) • Lithuanian Airlines, CEO and Chairman of the Board (1992 – 1997) • Lithuanian Industrialist Confederation, Vice President (1991 – 1995) • Lithuanian Road Carriers Association Linava, President (1991 – 1995) • Ministry of Transport and Communications, Vice Minister (1987 – 1992) • Vievis Transport Enterprise, Director (1980 – 1987) • Pakruojis Transport Enterprise, Director (1976 – 1980) • Švenčionys Transport Enterprise, Engineer of Traffic Safety, Temporary Senior Engineer (1975 – 1976)
Political or party affiliations	No information available

Jonas Biržiškis	CEO (2000 12 08 – 2006 03 29)
Educational background	Irkutsk Institute of Mining and Metallurgy (1958)
Professional experience	<ul style="list-style-type: none"> • Lithuanian Railways, CEO (2000 – 2006) • Lithuanian Roads Association, President (1997 – 2000) • Minister of Transport (1990 – 1996)
Political or party affiliations	No information available

Kęstutis Dirgėla	CEO (2000 04 11 - 2000 12 08)
Educational background	Kaunas University of Technology (Degree in Radioelectronics) (1983)
Professional experience	<ul style="list-style-type: none"> • Lithuanian Railways, CEO (2000) • Economic Adviser to Prime Minister (1997) • Member of Seimas (1992 – 1996) • Elmar, Engineer-Consultant (1987 – 1992) • Nuklon, Energy-Technologist (1987 – 1992)
Political or party affiliations	No information available

Romualdas Kozyrovičius	CEO (2000 03 09 - 2000 06 06)*
Educational background	Vilnius Institute of Engineering and Construction (1979)
Professional experience	<ul style="list-style-type: none"> • Ambassador to Kazakhstan (2007 – 2010) • Ambassador to Tajikistan (2009 – present) • Ambassador to Czech Republic and Hungary (2001 – 2006) • Ministry of Foreign Affairs, Secretary (2000 – 2001) • Lithuanian Railways, CEO (1992 – 1993) • Ambassador at large (1990 – 2000) (2006 – 2007) • Ambassador to Russia (1993 – 1998) • Hermis Bank, Chairman of the Board (1992 – 1993)
Political or party affiliations	No information available

Stasys Labutis	CEO (1995 07 18 – 2000 03 09)*
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • GELPA, CEO (present) • Lithuanian Railways, CEO (1995 – 2000) • Ministry of Transport, Head of Railway Department (1990)
Political or party affiliations	No information available

5.2.15. Lithuanian Shipping Company

LJL provides sea cargo shipping services. The company owns a fleet of 11 bulk carriers. The shares of the company are listed on the NASDAQ OMX Vilnius Stock Exchange.

- Answers to Ministry of Transport and Communications
- €24.47 million of sales revenue
- €59.21 million of total assets
- €4.88 million net loss
- -19.93% net profit margin
- 341 employees
- 56.66% owned by the state
- Board structure: Two-tier board

Audronis Lubys		CEO (2012 08 01 – present)
Educational background	No information available	
Professional experience	<ul style="list-style-type: none"> • Lithuanian Shipping Company, CEO (2012 – present), Navigator and Captain (1982 – 1993) • Limarko Shipping Company, Vice President (dates unknown) • Limarko Shipping Company, Ship Operator, Ship Management Director (dates unknown) • Limarko, Ship Operating and Management Director (2000 – 2003) • Arijus, Manager of Shipping Lines (1996 – 2000) 	
Political or party affiliations	No information available	

Aleksandrs Lisickis		CEO (2012 05 18 - 2012 08 01)
Educational background	No information available	
Professional experience	<ul style="list-style-type: none"> • Lithuanian Shipping Company, CEO (2012), Manager (dates unknown) 	
Political or party affiliations	No information available	

Arvydas Bogočionkas	CEO (2010 05 24 – 2012 05 18)
Educational background	Odessa National Maritime Academy (MBA in Navigation and Engineering) (1981 – 1987)
Professional experience	<ul style="list-style-type: none"> • Gridin's Group, Executive Director (2012 – present) • Lithuanian Shipping Company, CEO (2010 – 2012) • Marine Surveys & Services, CEO, Surveyor (2009 – 2010) • UNIMARS, Fleet Manager (2007 – 2009) • LIMARKO, Technical Director (1997 – 2000) • Lithuanian Shipping Company, Navigation Officer (1987 – 1997)
Political or party affiliations	No information available

Vytautas Petras Vismantas	CEO (2001 06 27 - 2010 04 01)
Educational background	Kaunas University of Technology, Faculty of Marine Engineering, Degree in Marine Engineering (dates unknown)
Professional experience	<ul style="list-style-type: none"> • Lithuanian Shipping Company (1983 – date unknown)
Political or party affiliations	No information available

5.2.16. Regitra

LJL provides sea cargo shipping services. The company owns a fleet of 11 bulk carriers. The shares of the company Company's main activities are maintaining the Register of Motor Vehicles of the Republic of Lithuania and the Register of Motor Vehicle Drivers of the Republic of Lithuania, registration of motor vehicles and trailers, issuance and replacement of driving licenses. The company also provides insurance mediation services. Regitra also serves as a contact center in Lithuania for exchanging motor vehicle registration data between EU Member States.

- Answers to Ministry of Interior
- €22.46 million of sales revenue
- €17.03 million of total assets
- €2.39 million net profit
- 10.63% net profit margin
- 504 employees
- 100% owned by the state
- Board structure: Unitary

Dalius Prevelis	CEO (2011 03 10 – present)
Educational background	Vilnius University (MA in Applied mathematics) (1985)
Professional experience	<ul style="list-style-type: none"> • Regitra, CEO (2011 – present) • Lautra Motors, CEO (2003 – 2011) • State Social Insurance Fund, Board of Directors (2002) • Preventa, Personal Insurance Department, Deputy CEO (2000 – 2001) • Lithuanian Agricultural Bank Insurance, Branch Director of Insurance (2000 – date unknown) • Draudimo Spektras, Director (1997 – 2000) • Lindra, Director (1996 – 1997) • Nevda, Director (1993 – 1996) • State Social Insurance, Board Vice Engineer (1992 – 1993) • Eksma, Engineer Programmer (1990 – 1992) • Sigma, Senior Programmer (1985 – 1990)
Political or party affiliations	Liberal and Centre Union

Ramutis Oleka	CEO (2000 01 07 – 2011 03 22)*
Educational background	Kaunas Polytechnic Institute, (BA in Engineering) (1965)
Professional experience	<ul style="list-style-type: none"> • Lithuanian Section of the International Police Association, Member of the Board (dates unknown) • Regitra, CEO (2000 – 2011) • Lithuanian Road Administration, Head of the Traffic Safety Division (dates unknown) • Civil Aviation Administration, Head of the Aviation Security Division (1995 – 1997) • Ministry of Interior, Traffic Police Board, Senior Commissioner (1991 – 1995) • Ministry of Interior, Traffic Police Board, Director (1987 – 1991)
Political or party affiliations	Liberal and Centre Union

5.2.17. State Enterprise Lithuanian Oil Products Agency

The state enterprise Lithuanian Petroleum Products Agency was established in 2001, following the merger of the state enterprise Vilnius Fuel Oil Storage Facility and the state enterprise Subacius Fuel Facility. Its main objective is to store and manage petroleum product (jet fuel, diesel fuel, liquid fuel (fuel oil)) inventories.

- Answers to Ministry of Energy
- €22.94 million of sales revenue
- €0.11 billion of total assets
- €11.51 million net profit
- 50.29% net profit margin
- 10 employees
- 100% owned by the state

Vytautas Kazimieras Aranauskas	CEO (2011 01 04 – present)
Educational background	Vilnius Gediminas Technical University (Degree in Radio Engineering) (1972)
Professional experience	<ul style="list-style-type: none"> • State enterprise Lithuanian Oil Products Agency, CEO (2011 - present) • Western Distribution Networks, Member of the Board (2009 – 2011) • Vilnius County Civil Safety and Mobilization department, Chief of Warnings and Communications department (2008 – date unknown) • Lithuanian Nuclear Power Safety Inspection, Chief Inspector and several other positions (1995 – 2006) • Lithuanian Business Association, Vice President (1992 – 1995) • Chancellor of Seimas (1990 – 1992) • Venta, several Non-Executive and Executive positions (1966 – 1990) • Vingis, several Non-Executive positions (1961 – 1966)
Political or party affiliations	National Resurrection Party

Evaldas Bivilis	CEO (2004 11 18 – 2011 01 10)
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • State enterprise Lithuanian Oil Products Agency, CEO (2004 – 2011) • Ministry of Economy, Adviser to Minister (dates unknown) • Lithuanian Energy, Member of the Board (2002 – 2005) • Klaipėdos Nafta, Chairman of the Board (2003 02 12 – 2004 11 15)
Political or party affiliations	No information available

Jonas Jagminas	CEO (2001 12 31 – 2004 11 10)*
Educational background	Lithuanian Academy of Agriculture (degree in agronomy) (1979)
Professional experience	<ul style="list-style-type: none"> • Agroves Group, CEO (2012 – date unknown) • Member of Seimas (2004 – 2008) • State enterprise Lithuanian oil products agency (1999 – 2004) • Jondara, CEO (1998 – 1999) • Vilmeta, CEO (1994 – 1998) • Baltijos Agrobirža, Vice President (1992 – 1994) • Kietaviškiai greenhouse complex, CEO (1990 – 1992) • Council of Ministers, Deputy Chairman (1989 – 1990) • Supreme Council of Deputies, Member (1988 – 1990) • Šilalė Committee, First Secretary (1987 – 1989) • Rietavas State Farm Technical School, Director (1980 – 1987) • Kėdainiai Council of People, Member (1973 – 1980) • Kėdainiai Farm Varpa, Chairman of the Board (1976 – 1980) • Kėdainiai Farm Soviet Morning, Chairman of the Board (1975 – 1976) • Lithuanian Hydraulic and Reclamation Research Institute of Experimental Agriculture Keleriškių (Kėdainiai district) Department (1973 – 1975) • Raseiniai State Farm Lenin's Road, Senior Engineer (1972 – 1973) • Tytuvėnai State Farm Supply Department, Specialist, Safety Engineer (1969 – 1972)
Political or party affiliations	Lithuanian Social-Democratic Party

5.2.18. Šiauliai Regional Roads

The company maintains the roads in the northern part of the centre of Lithuania and that part borders Latvia. Its main activities include maintenance and repair of state roads, bridges, viaducts, and other road structures.

- Answers to Ministry of Transport and Communications
- €10.39 million of sales revenue
- €0.28 billion of total assets
- €0.14 million net profit
- 1.36% net profit margin
- 327 employees
- 100% owned by the state
- Board structure: Unitary board

Piotras Bakanovas	CEO (1995 04 13 - present)
Educational background	Vilnius Gediminas Technical University (Master in Civil Engineering)(1999)
Professional experience	<ul style="list-style-type: none">• Šiauliai Regional Roads, CEO (1995 - present)
Political or party affiliations	No political affiliations disclosed

Vidas Strioga	CEO (1995 03 30 – 1995 08 17)*
Educational background	No information available
Professional experience	<ul style="list-style-type: none">• Šiauliai Regional Roads, Deputy CEO (date unknown – present)• Šiauliai Regional Roads, CEO (1995)
Political or party affiliations	No information available

5.2.19. Vilnius International Airport

The main activity of the state enterprise Vilnius International Airport is maintenance of the airport. The company provides aviation and non-aviation services (premise and parking lot lease, advertising, accommodation services).

- Answers to Ministry of Transport and Communications
- €14.84 million of sales revenues
- €94.83 million of total assets
- €0.18 million net profit
- 1.23% net profit margin
- 334 employees
- 100% state interest
- Board structure: Unitary

Tomas Vaišvila	CEO (2009 02 24 – 2013 01 31)
Educational background	BMI (Master's degree) (2012 – present), Harvard Business School (Executive Management)(2012) Klaipėda University (Master in Political Science and Government)(1999 – 2005), (Bachelor in Public Administration)(1999 – 2005)
Professional experience	<ul style="list-style-type: none"> • Vilnius International Airport, CEO(2009 – 2013) • Olympic Casino Group Baltic, Manager (2005 – 2008) • Western Constructions, Managing Director (2004 – 2005) • Elmelit, Managing Director (2002 – 2004)
Political or party affiliations	No information available

Mindaugas Ivanauskas	CEO (1991 12 02 – 2008 12 08)
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • Vilnius International Airport, CEO(1991 – 2008)
Political or party affiliations	No information available

5.2.20. Vilnius Regional Roads

Established in 1995, the state enterprise Vilnius Regional Roads is engaged in the maintenance of trunk roads, as well as national and regional roads within the territory of Vilnius County.

- Answers to Ministry of Transport and Communications
- €8.56 million of sales revenue
- €0.30 billion of total assets
- €0.01 million net profit
- 0.15% net profit margin
- 340 employees
- 100% owned by the state
- Board structure: Unitary board

Petras Džervus	CEO (2008 07 01 - present)
Educational background	Vilnius Gediminas Technical University, (Master in Civil Engineering)(1976 – 1981)
Professional experience	<ul style="list-style-type: none"> • Vilnius Regional Roads, CEO (2008 – present) • Alytus Regional Roads, Head of Road Service department (1998 – 2008) • Alytus Coca-Cola factory, Chief of Operation and Maintenance (1994 – 1998) • Dainora, Ltd., Technical Director (1992 – 1994) • Alytus Roads Board, Senior Engineer (1986 – 1992) • Republican Roads Production Board, Senior Engineer (1981 – 1986)
Political or party affiliations	No political affiliations disclosed

Petras Vaičiulis	CEO (2008 05 16 – 2008 07 01)
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • Svencionys municipality Construction Committee, Member (present) • Vilnius Regional Roads, Deputy CEO, Senior Engineer (2008 – present), CEO (2008)
Political or party affiliations	No information available

Sigitas Kalvaitis	CEO (1995 03 31 – 2008 06 26)*
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • Vilnius Regional Roads, Safety and Environmental Engineer (date unknown – present) • Vilnius Regional Roads, CEO (1995 – 2008)
Political or party affiliations	No information available

Antanas Pletas	CEO (1995 03 29 – 1995 03 31)*
Educational background	No information available
Professional experience	<ul style="list-style-type: none"> • Vilnius Regional Roads, CEO (1995)
Political or party affiliations	No information available

5.2.21. Visaginas Energy

The enterprise continues to perform the functions of the Heat Supply and Underground Communications Production Facility, the division of the non-core activities of the state enterprise Ignalina Nuclear Power Plant, i.e. supplies heat energy and cold water and provides wastewater management services.

- Answers to Ministry of Economy
- €21.84 million of sales revenue
- €61.57 million of total assets
- €0.012 million net profit
- 0.05% net profit margin
- 222 employees
- 100% state interest

Zigmantas Jurgutavičius CEO (2002 09 09 – present)	
Educational background	Kaunas University of Technology (Degree in Engineering)(1978)
Professional experience	<ul style="list-style-type: none">• Visaginas Energy, CEO (2002 09 09 – present)• Ignalina Nuclear Plant, Head of Heating and Underground Communications Department(2000 – 2002), Engineer at Heating and Underground Communications Department(1997 – 2000)• Gerove,Ltd., CEO (1990 – 1997)• Gidromontaz, Senior Engineer, Supervisor (1983 -1997)• Ignalina Construction Materials, Engineer (1978 -1983)
Political or party affiliations	No political affiliations disclosed

5.3. Responsibilities and Duties of a Chief Executive³¹

The Chief Executive is accountable and reports to the board and is responsible for running the group's business.

A. The Chief Executive is responsible for the following, within the authority limits delegated to them by the board:

1. Business Strategy and Management

- Developing group objectives and strategy having regard to the group's responsibilities to its shareholders, customers, employees and other stakeholders.
- The successful achievement of objectives and execution of strategy following presentation to, and approval by, the board.
- Recommending to the board an annual budget and [5 year] financial plan and ensuring their achievement following board approval.
- Optimizing as far as is reasonably possible the use and adequacy of the group's resources.

2. Investment and Financing

- Examining all trade investments and major capital expenditure proposed by subsidiary companies and the recommendation to the group board of those which, in a group context, are material either by nature or cost.
- Identifying and executing acquisitions and disposals, approving major proposals or bids.
- Leading geographic diversification initiatives.
- Identifying and executing new business opportunities outside the current core activities.

3. Risk Management and Controls

- Managing the group's risk profile, including the health and safety performance of the business, in line with the extent and categories of risk identified as acceptable by the board.
- Ensuring appropriate internal controls are in place.

4. Board Committees

- Making recommendations on remuneration policy, executive remuneration and terms of employment of the senior executive team, including the company secretary to the Remuneration Committee.
- Making recommendations to the Nomination Committee on the role and capabilities required in respect of the appointment of executive directors.

5. Communication

- Providing a means for timely and accurate disclosure of information, including an escalation route for issues.
- Ensuring effective communication with shareholders.

6. Other

- Setting group HR policies, including management development and succession planning
- for the senior executive team and approving the appointment and termination of employment of members of that team.

³¹ This model was adapted from the model terms of reference provided in Guidance Note 041001 September 2004 of the ICSA Chartered Secretaries

B. The duties which derive from these responsibilities include:

- Leading the executive directors and the senior executive team in the day to day running of the group's business, including chairing the Executive Committee and communicating its decisions/ recommendations to the board.
- Ensuring effective implementation of board decisions.
- Regularly reviewing the operational performance and strategic direction of the group's business.
- Regularly reviewing the group's organizational structure and recommending changes as appropriate.
- Formalizing the roles and responsibilities of the senior executive team, including clear delegation of authorities.
- Supervising the activities of subsidiary companies' most senior executives.
- Developing senior teams within subsidiaries and ensuring succession planning.
- Developing the following policies for board approval and then implementing them.
 - Codes of ethics and business practice
 - Share dealing code
 - Health and safety policy, risks and procedures (to be reviewed annually)
 - Communications policy (including procedures for the release of price sensitive information)
 - Investor relations policy
 - Corporate social responsibility policy (including environmental, employee communications and employee disability)
 - Charitable donations policy;
- Ensuring that all group policies and procedures are followed and conform to the highest standards.
- Together with the Chairman, providing coherent leadership of the company, including, representing the Group to customers, suppliers, government, shareholders, financial institutions, employees, the media, the community and the public.
- Keeping the Chairman informed on all important matters.

5.4. Checklist to Assess Managerial Competencies of the CEO

Strategic	<ul style="list-style-type: none"> • Develops and communicates strategies and organizational goals • Provides a compelling vision of the organization's future potential • Evaluates business options and keeps up-to-date with market dynamics, anticipating future trends • Demonstrates a broad-based, long-term view of issues, events and activities • Produces new ideas, approaches or insights • Works strategically to realize organizational plans
Commercial	<ul style="list-style-type: none"> • Thinks in terms of driving improved growth/profit performance, within the confines of public policy • Knows when and how to act to increase shareholder value and/or establish value implications of different policy options • Understands the commercial drivers of a business and is able to recognize operational shortcomings • Makes a significant contribution to the development of the organization • Consistently makes commercial judgments that are aligned with the business' objectives • Demonstrates financial awareness – including management of cash and the balance sheet, as well as the profit and loss statement
Leadership	<ul style="list-style-type: none"> • Takes responsibility for performance, is sufficiently involved and acts decisively • Manages to get the best out of senior management, non-executive directors and other key personnel • Builds team spirit, reconciles conflict and inspires loyalty • Coaches/mentors effectively, providing challenge and support as required • Is able to reach and implement difficult people decisions and change personnel when necessary
Working well with others	<ul style="list-style-type: none"> • Builds constructive and effective relationships with colleagues and key external influencers • Adapts to the team and fits in well • Shows respect for the views and contributions of others • Communicates promptly, proactively and persuasively • Consults and shares information and expertise to good effect • Is consistent in dealing with relationships and shows respect for diversity

5.5. Methodology

The report focuses on the 20 companies with the highest sales revenue among all Lithuanian SOEs in the financial year of 2012. The main source of information has been data from the Lithuanian Centre of Registers. Individual company reports from the Centre of Registers provide names of current and former CEOs, board members and members of the supervisory boards if any. Another major source of information and data was Ministry of Economy websites and official company websites.

Data was also collected from a questionnaire for current CEOs in the target companies. A questionnaire containing questions on age, education, political affiliations, previous work experience etc. was sent to the current CEOs of 20 Lithuanian SOEs with the highest sales revenue. In some cases the officially registered data conflicts with other sources. When this happened, data provided by the Centre of Registers was taken as the most reliable.

Research methods used in the production of this report include interviews with government officials and individuals possessing good situational knowledge of Lithuanian SOEs, comparisons of current situation with benchmarks and analysis of data obtained from public sources.

5.6. Fit and Proper

One of the better benchmarks are the the Fit and Proper test for Approved Persons issued by the United Kingdom FSA. The full FSA³² fit and proper document can be read on the internet, but some of the key areas it focus on is:

- whether the person has been convicted of any criminal offence; this must include, where relevant, any spent convictions excepted under the Rehabilitation of Offenders Act 1974 (Exceptions) Order 1975 (see Articles 3 and 4 of the order); particular consideration will be given to offences of dishonesty, fraud, financial crime or an offence whether or not in the United Kingdom or other offences under legislation relating to companies, building societies, industrial and provident societies, credit unions, friendly societies, banking and or other financial services, insolvency, consumer credit companies, insurance, and consumer protection, money laundering, market manipulation or insider dealing;
- whether the person has been the subject of any adverse finding or any settlement in civil proceedings, particularly in connection with investment or other financial business, misconduct, fraud or the formation or management of a body corporate;
- whether the person has been the subject of, or interviewed in the course of, any existing or previous investigation or disciplinary proceedings, by the FSA, by other regulatory authorities (including a previous regulator), clearing houses and exchanges, professional bodies, or government bodies or agencies;
- whether the person is or has been the subject of any proceedings of a disciplinary or criminal nature, or has been notified of any potential proceedings or of any investigation which might lead to those proceedings;
- whether the person has contravened any of the requirements and standards of the regulatory system or the equivalent standards or requirements of other regulatory authorities (including a previous regulator), clearing houses and exchanges, professional bodies, or government bodies or agencies;
- whether the person has been involved with a company, partnership or other organisation that has been refused registration, authorisation, membership or a licence to carry out a trade, business or profession, or has had that registration, authorisation, membership or licence revoked, withdrawn or terminated, or has been expelled by a regulatory or government body;

32 <http://www.fsa.gov.uk/pubs/hb-releases/rel27/rel27fit.pdf>

- whether, as a result of the removal of the relevant licence, registration or other authority, the person has been refused the right to carry on a trade, business or profession requiring a licence, registration or other authority;
- whether the person has been a director, partner, or concerned in the management, of a business that has gone into insolvency, liquidation or administration while the person has been connected with that organisation or within one year of that connection;
- whether the person, or any business with which the person has been involved, has been investigated, disciplined, censured or suspended or criticised by a regulatory or professional body, a court or Tribunal, whether publicly or privately;
- whether the person has been dismissed, or asked to resign and resigned, from employment or from a position of trust, fiduciary appointment or similar;
- whether the person has ever been disqualified from acting as a director or disqualified from acting in any managerial capacity;
- whether, in the past, the person has been candid and truthful in all his dealings with any regulatory body and whether the person demonstrates a readiness and willingness to comply with the requirements and standards of the regulatory system and with other legal, regulatory and professional requirements and standards.



BALTIC INSTITUTE
OF CORPORATE
GOVERNANCE

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

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

www.corporategovernance.lt
www.corporategovernance.lv
www.corporategovernance.ee