



BALTIC INSTITUTE
OF CORPORATE
GOVERNANCE

GOVERNANCE OF STATE-OWNED ENTERPRISES IN THE BALTIC STATES:

- Public perceptions
- Regional & national rankings of SOEs
- Board structures and composition
- The legal and institutional framework for SOE governance

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Acknowledgments

This report represents a unique effort. It is both broad in its scope and rich in detail. To our awareness, no equivalent exists either in the Baltic region or elsewhere. Its completion would not have been possible without the contributions of a number of individuals and organizations.

First, we would like to thank Richard Frederick, an independent consultant on issues of corporate governance, who made BICG's vision a reality by designing and guiding the project to completion.

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Finally, we would like to thank the members of the public who contributed their opinions. Those opinions need to be heard since SOEs exist, ultimately, for the public good.

May, 2012



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I. Introduction

SOEs are fundamentally important to the Baltic economy. They provide crucial services to industry and the public. When things go well, they can provide a solid base for economic and social development, contribute significantly to state budgets, and be an important tool to achieve government policies. When things go wrong, they can become a crushing financial and political burden. The public interest in the performance of SOE is thus often acute.

From the state's perspective, maximizing SOE performance is a goal of overriding importance. One of the most important factors driving SOE performance is the quality of their governance. Studies on SOE performance show that good governance translates into better results, while weak governance is often at the root of many of the performance problems typically associated with state ownership. Good governance is thus a key to the solution.

But, what is SOE governance? For one, corporate governance is not to be confused with the tasks of management. Corporate governance refers to the way that the state sets high level strategic goals, and how it implements them through corporate structures such as boards. In practice this means defining desired outcomes, nominating the best most skilled and talented people to guide the SOE and monitor management and operations, incentivizing hard work and good performance, and ensuring accountability for results.

Good governance requires having effective corporate structures. The principal tool of good governance is a professional board of directors. It is important to note at the outset that there are different forms of oversight structures and boards in the Baltic region. The "board of directors" in this report refers to the body that provides oversight over executives. It does not refer to "management boards" or "executive boards" that are composed 100% of executives. Such "management boards", cannot reasonably be expected to provide proper oversight over themselves.

Good governance also relies fundamentally on systems of reporting, audit and control that minimize risks, the potential for corruption, and conflicts of interest. Seen from the opposite perspective, politicized and uneconomic decision making, nepotism, opacity, corruption, and lack of controls and accountability are all antithetical to good governance.

This report represents one of the most ambitious attempts to look at SOE governance the Baltic region. It is unique in its focus, its level of detail and also in the breadth of its analysis. It is composed of five components:

- 1) **Public perceptions** covers the public's perceptions of the state's performance in governing SOEs, and the public's perceptions of SOEs themselves.
- 2) **Governance rankings** identify those SOEs in the Baltic region that have the best and worst governance practices, and highlight both strengths and areas that require attention and improvement.
- 3) **Board structure and composition** illustrates the board structures found, shows the individuals who govern SOEs on the state's behalf, and reveals inter-locking boards, potential conflicts of interest and board capacity problems.
- 4) **The legal framework analysis** looks at the legal framework in the individual Baltic States, identifies where there are gaps with best practice, and gaps in implementing the legal framework.
- 5) **The Appendices** include a significant amount of valuable additional data. In particular, they include public perceptions of the governance of individual SOEs, information on the backgrounds of board members, and a detailed analysis of the legal framework for SOE governance in each of the Baltic countries.

The first four components provide a comprehensive snapshot of SOE governance in the region. The fifth component adds considerable supporting detail. Together they represent one of the most far-reaching and thorough attempts to describe and analyze SOE governance in the Baltic region. It is hoped that this report will provide food for thought and fuel for debate. SOE governance merits our continued attention because it is so important to the future of our economies and, indeed our countries. BICG hopes that this report will keep the issue of SOE governance in the spotlight.

II. Public Perceptions

Public perceptions are an important place to start an analysis of SOE governance. It is often said that the public is the ultimate owner of the SOE. It is also widely stated that SOEs are intended to operate for the public's benefit, and that it is to the public to whom both the state and the SOE should be accountable. This part of the report examines the extent to which the public, the SOE's principal stakeholder, believes that the assets that are held in trust on its behalf are being properly taken care of.

In order to do this, a web-based survey was conducted in early 2012 that examined: 1) public perceptions of how well the state governs SOEs; and 2) public perceptions of governance practices within SOEs themselves. Respondents were also encouraged to provide qualitative feedback. Over 160 responses were received¹. They can be summarized as follows:

- **There is considerable public dissatisfaction with the performance of the state in governing SOEs and with the governance practices of SOEs themselves.** Regardless of whether public perceptions correspond to reality, there is a clear message that governments and SOEs need to do more to communicate what they are doing to improve governance and performance. For the moment, there is a perception that neither the state nor SOEs are accountable.
- **In each of the countries, there is greater confidence in SOE executives than in politicians, bureaucrats and the state.** These differences are most pronounced in Estonia where the gap between confidence in the state versus confidence in executives is largest. In Lithuania the gap is insignificant with Latvia falling in-between. Viewed another way, confidence in executives is highest in Estonia, while views of the political class and technocrats are low everywhere.
- **Perceptions of boards of directors are poor.** In each of the countries, boards are viewed as politicized, having conflicts of interest, lacking talent, and as conduits for personal or political influence. The nominations process for board members is generally viewed as opaque. There are expectations that boards, where they exist, need to become professional, that politicians as well as those with direct fealty to political parties need to be removed, and that merit, competence and character must become the overriding criteria for board membership.
- **The process by which board members are appointed is opaque.** In all countries, the nominations process suffers from opacity, lack of formal procedures, and the perception that decisions are made based upon hidden interests. The state needs to do more to make the process of appointments more rationale, more effective in identifying talented people, and more transparent to the public.
- **Some differences can be seen between countries.** In Estonia respondents were much more likely to support the views that: 1) executives are competent; 2) financial systems and audits and controls are reliable; and 3) the SOE provides the public with good services at a reasonable price. Estonians are also more likely to perceive that SOEs are performing well and making contributions to the state's coffers. Another difference is in perceptions of the state's public accountability. Respondents in both Latvia and Lithuania are more likely to agree with the statement that "the national government is accountable to the public for its own performance in overseeing SOEs" than in Estonia. This may be the result of recent efforts in both countries to introduce consolidated reporting and increase public transparency on SOEs.

¹ The survey focused on locally-based individuals who have some experience with SOEs, their services and governance. Most respondents have some connection to BICG, have some familiarity with BICG and its goals, and could thus be understood to be better informed regarding corporate governance issues than the average citizen.

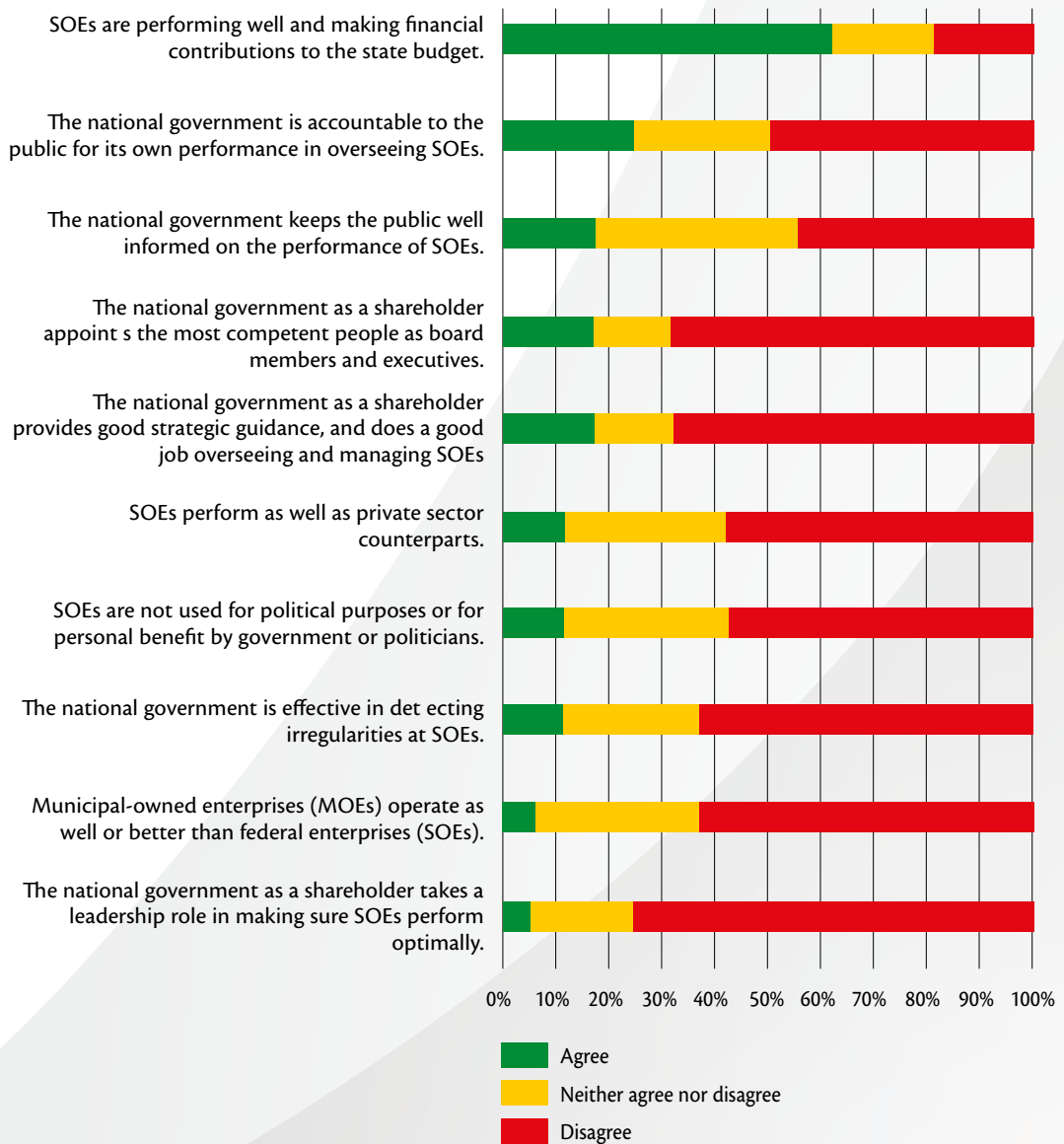
- **Part of the public is aware of efforts to improve governance practices, but there is a large gap between what the state is doing and public expectations.** In Latvia and Lithuania there appears to be an appreciation of recent efforts to improve SOE governance and transparency. Nevertheless, the public is skeptical and seems to expect more. Expectations include clearer justifications for continued state ownership, partial privatizations, and better and more accountable oversight structures.

In summary, there is considerable dissatisfaction with SOE governance and SOE performance throughout the region. The issue could, thus, have the potential to become politically inflammatory if a scandal or financial duress among SOEs should emerge. In addition, even if the public may not be informed on matters of detail, it is aware of key issues in SOE corporate governance. It recognizes bad governance when it sees it. Detailed findings by country are found below. The appendices contain more information on the survey methodology, as well as a listing of what SOEs are considered by the public to be well governed or poorly governed.

A. Estonia: Public Perceptions

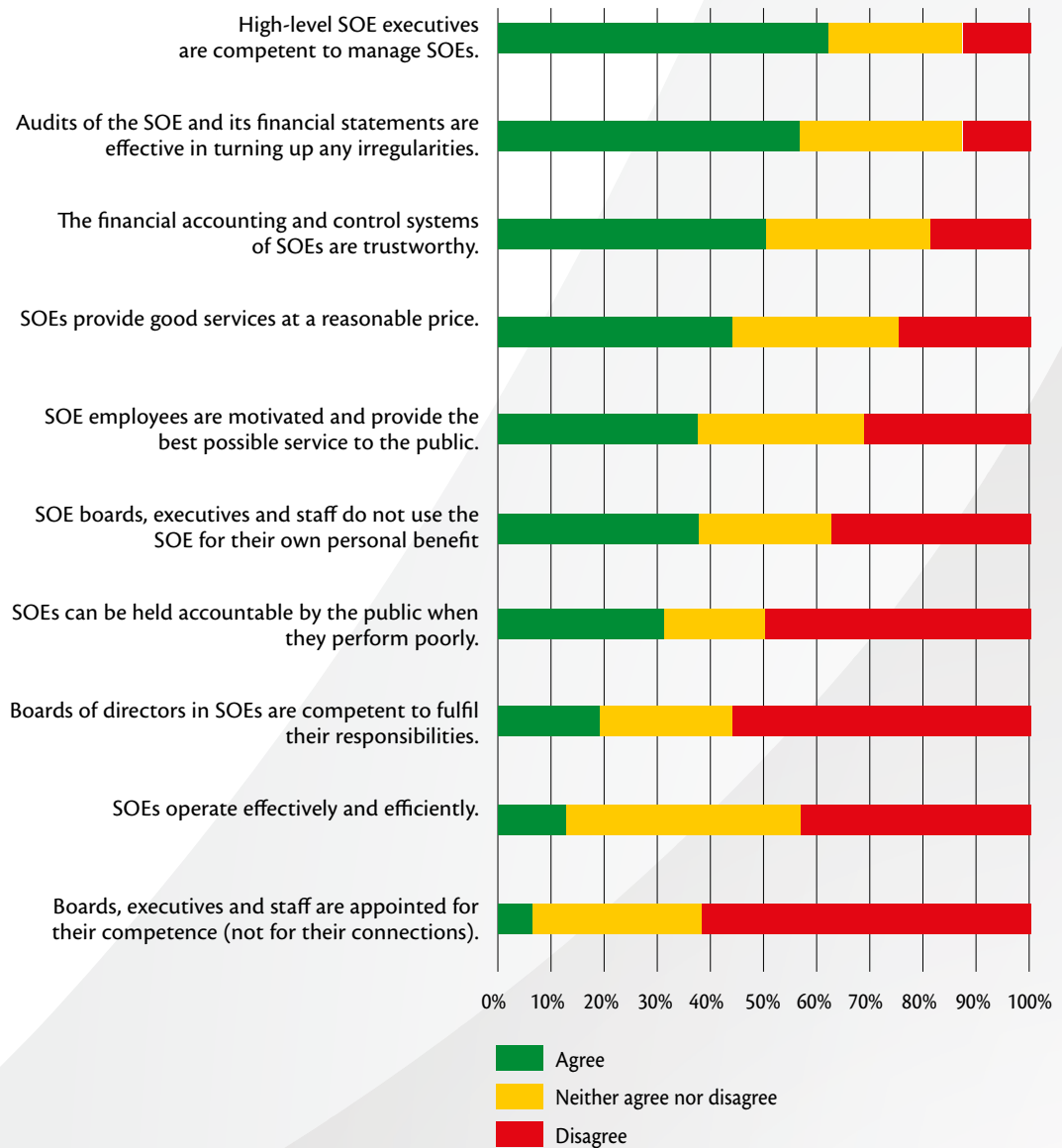
The chart below shows public perceptions regarding how well the state fulfills its governance functions. The statement that received the strongest support was that “SOEs are performing well and making financial contributions to the state budget” (more than 60% of Estonian respondents agreed). On the other hand, Estonians voiced considerable skepticism regarding other governance practices. Fewer than 30% felt that “that the government is accountable to the public” and less than 20% agreed with any of the other propositions. The vast majority of respondents felt that the national government does not take a leadership role in making sure SOEs perform optimally; that the government is effective in detecting irregularities; that SOEs are used for political purposes and so on.

Estonia: Public Perceptions of the State



The next chart illustrates public perceptions of the governance of SOEs themselves. Overall, perceptions are more positive towards SOE practices than the state. More than 60% of Estonian respondents agree that “high-level SOE executives are competent to manage SOEs”. More than 50% believe that “audits of SOE and its financial statements are effective in turning up any irregularities” and half of Estonian respondents agree that “the financial accounting and control systems of SOEs are trustworthy”. On the negative side, more than 60% of respondents feel that “boards, executives and staff are not appointed for their competence but for their connections”. Similarly more than 50% do not agree that “boards of directors in SOEs are competent to fulfill their responsibilities”.

Estonia: Public Perceptions of SOEs

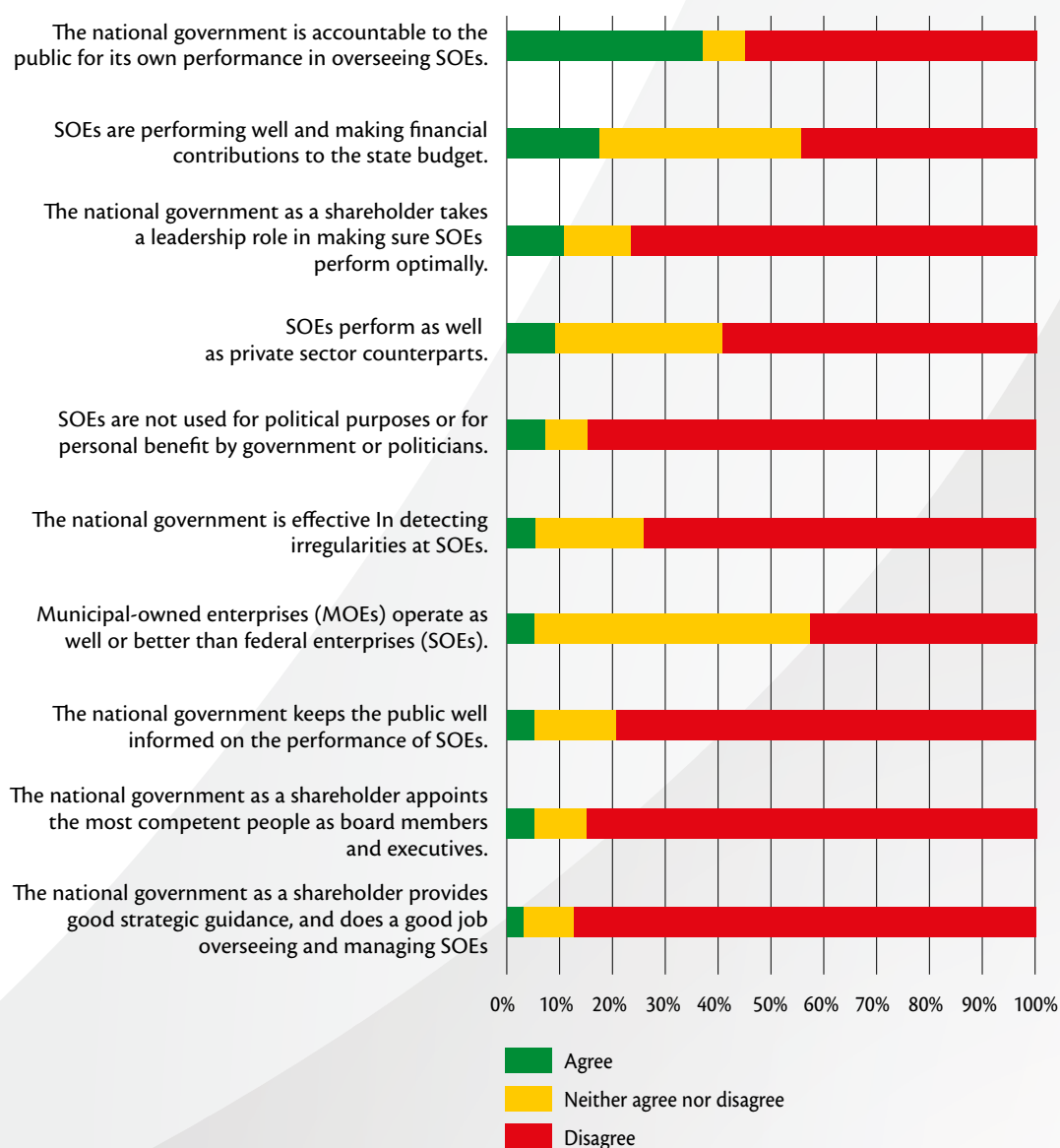


With respect to the open commentary of the survey, 40% of respondents felt that the state was doing well in disclosing information on SOEs in financial reports. 30% mentioned positively that the state was introducing independent members to SOE boards. In terms of potential areas for improvement, 50% of respondents suggested that party loyalty should be decreased, 20% that minority holdings of some SOEs should be listed or private capital added in some other form, and that the mission and vision of SOEs should become more transparent.

B. Latvia: Public Perceptions

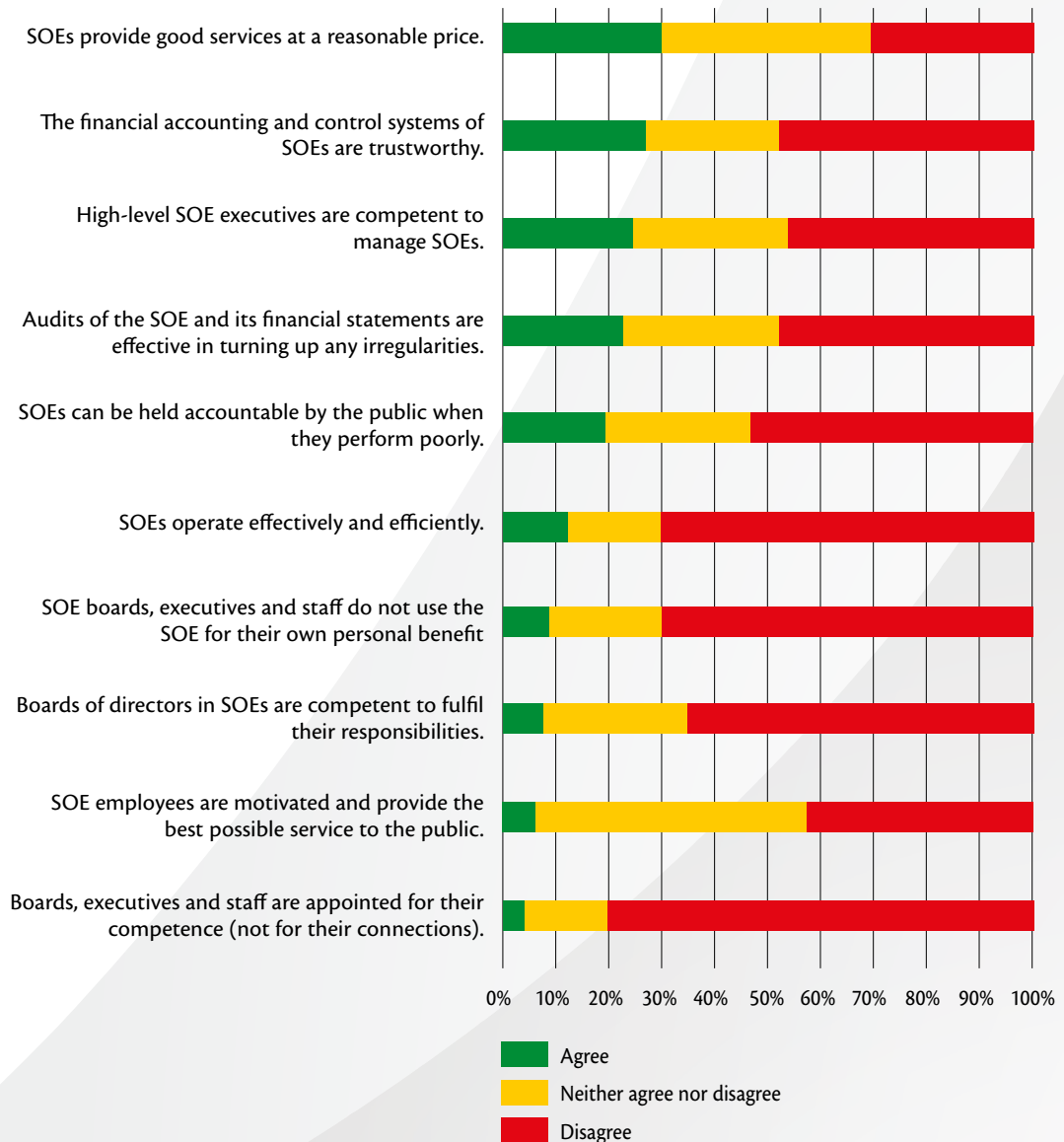
Latvian respondents do not think the state is governing its SOEs well. More than 80% of Latvian respondents do not agree with the statements that “the national government provides good strategic guidance and does a good job overseeing and managing SOEs, appoints the most competent people as board members and executives, keeps the public well informed on the performance of SOEs and that SOEs are not used for political purposes or for personal benefit by government or politicians.” Somewhat more positive is the finding that more than 30% of respondents agree that “the national government is accountable to the public for its own performance in overseeing SOEs.” This positive finding seems likely to be the outcome of recent efforts by the Latvian government to produce and disclose consolidated reports on SOEs.

Latvia: Public Perceptions of the State



In the following chart, Latvian respondents expressed their negative perceptions about governance at the SOE level. 80% believe that “boards, executives and staff are appointed for their connections not for their competence”. In addition, 70% of Latvian respondents do not agree with the statements that “SOEs operate effectively and efficiently” and that “SOEs boards, executives and staff do not use SOEs for their own personal benefits.” Perceptions were more positive about prices, and accounting and control systems. Almost 30% of respondents felt “SOEs provide good and services at a reasonable price,” and that “the financial accounting and control systems are trustworthy.” This being said, the negative views on these factors far outweigh the positive.

Latvia: Public Perceptions of SOEs

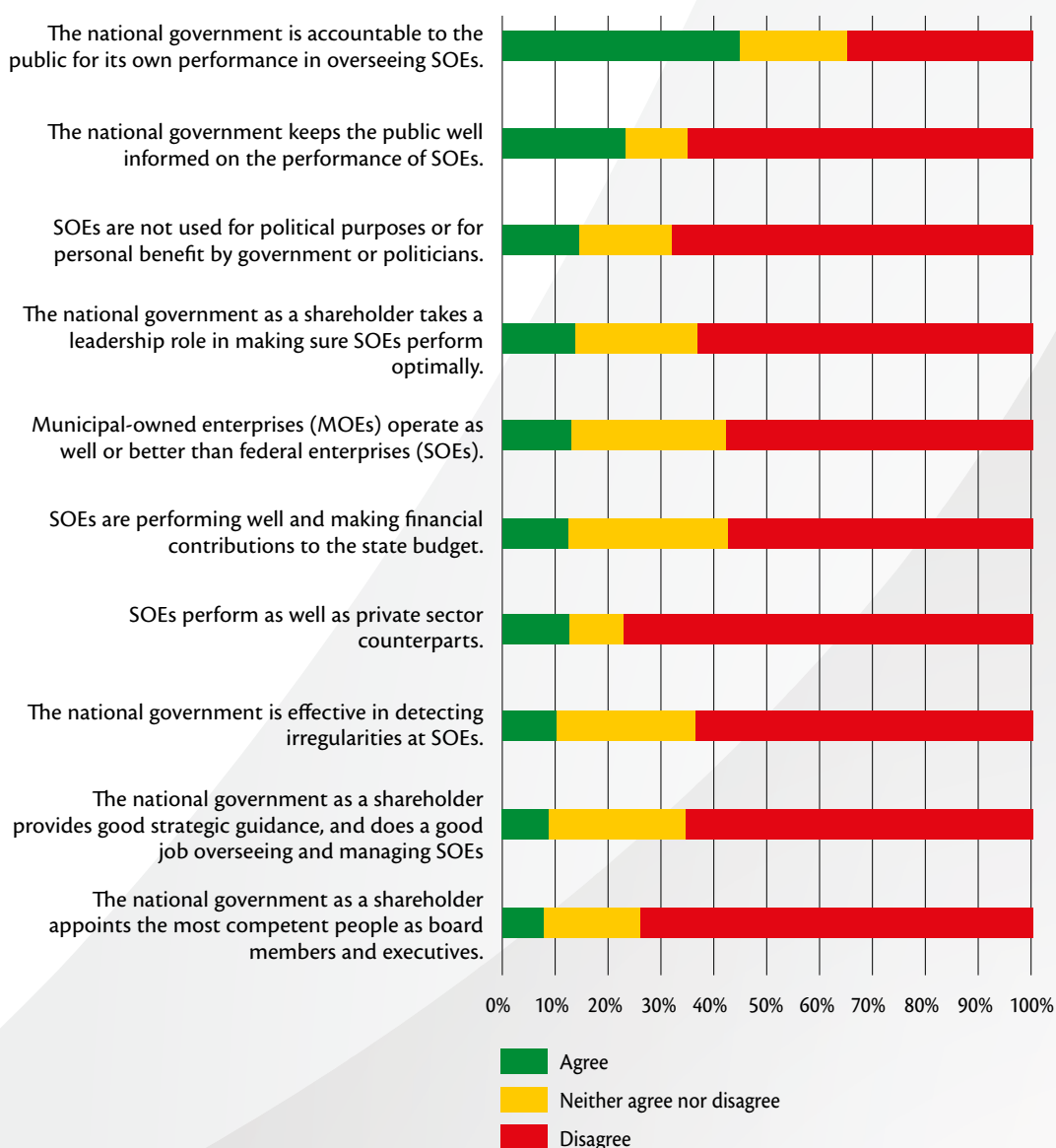


When asked where they feel the state has done a good job in overseeing and governing SOEs, 20% of respondents answered that some SOEs were being restructured and that the government is constantly looking to improve. 12% felt that the performance of SOEs has increased especially in natural monopolies. In terms of areas for further improvement, 16% of respondents suggested full or partial privatization, and better principles of board member selection.

C. Lithuania: Public Perceptions

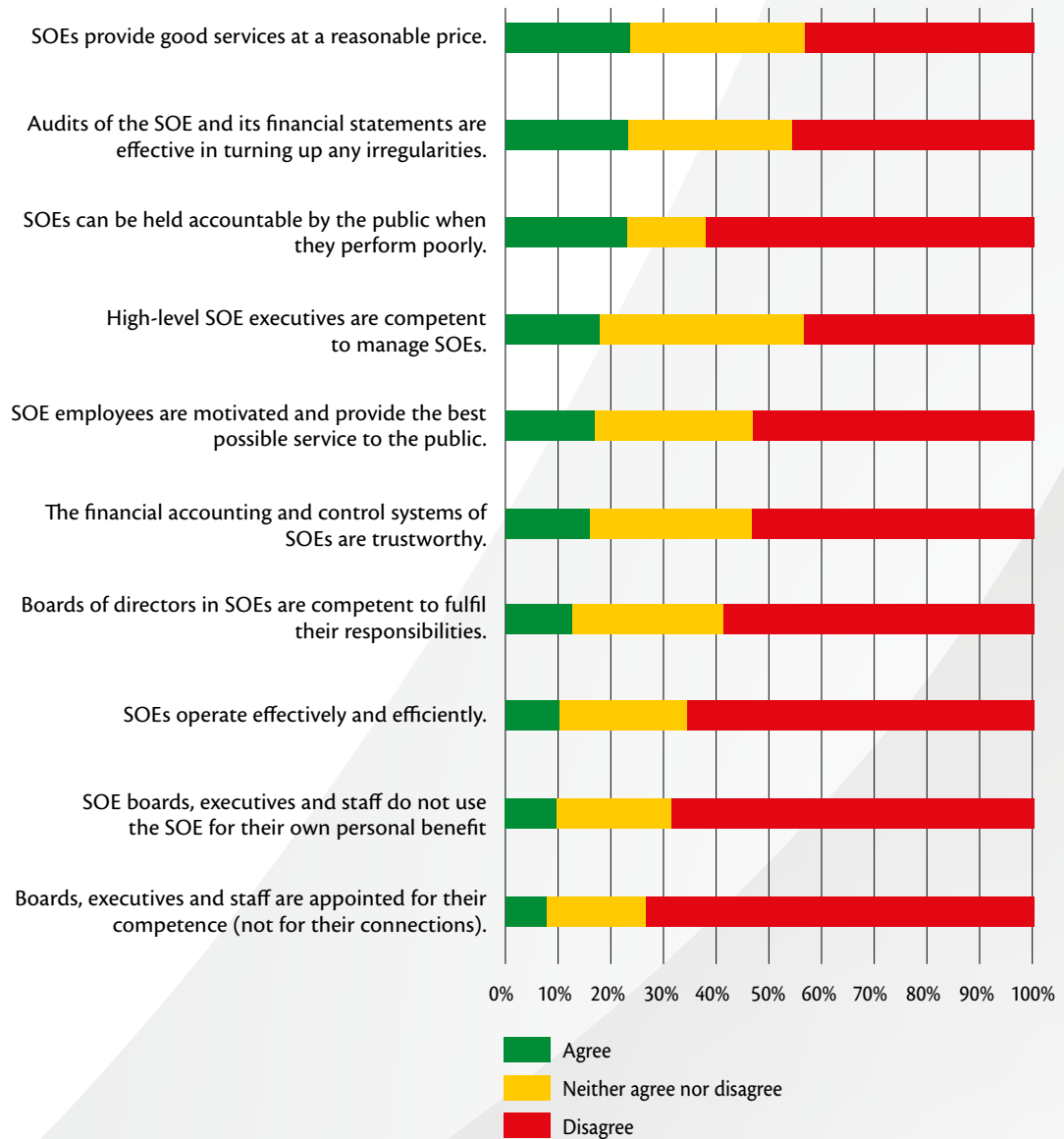
More than 40% of all Lithuanian respondents believe that “the national government is accountable to the public for its own performance in overseeing SOEs.” This positive assessment stands out from the rest. As in Latvia, it is most likely linked to recent efforts by the government to become more transparent and produce consolidated reports on SOEs. However, other statements were not supported as strongly. More than 70% of Lithuanian respondents do not believe that “SOEs perform as well as private sector counterparts” or that “the national government appoints the most competent people as board members and executives.” Almost 70% of the respondents agree with the statement that SOEs are used for political purposes or for personal benefit by government or politicians.

Lithuania: Public Perceptions of the State



Regarding the governance within SOEs, respondents disagreed with all of the propositions made in the survey. People clearly do not think SOEs are governed properly in Lithuania. More than 70% of respondents disagree with the notion that “boards, executives and staff are appointed for their competence.” More than 60% do not believe that “SOEs operate effectively and efficiently” or that “SOEs can be held accountable by the public when they perform poorly.”

Lithuania: Public Perceptions of SOEs



The qualitative responses to open-ended questions showed that respondents felt that some positive things are being done. 37% of respondents answered that transparency had increased because of public financial reports, and 15% could see an improvement in the governance of the transport sector. In terms of areas for potential improvement, 48% of respondents think that political influence should be decreased and 37% suggested that more professional board members need to be appointed.

III. Governance Ranking of SOEs

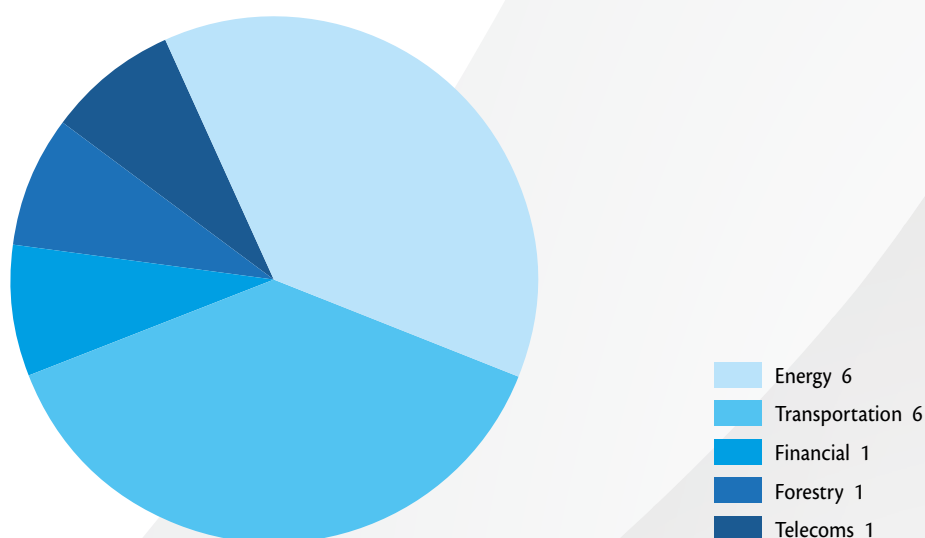
The quality of the governance of SOEs has a direct impact on SOE risk and performance. This chapter of the report provides an analysis of the governance practices of the 5 largest² SOEs in each of the Baltic countries. Taken as a whole, these SOEs represent the preponderance of SOE assets within their countries and, combined, within the region. These SOEs provide infrastructure that is vital to the performance of the economy and have a major impact on both public finances and employment. The SOEs that were selected for the analysis are as follows:

The 5 Largest SOEs (in alphabetical order)

Estonia	Latvia	Lithuania
Eesti Energia	Citadele Bank	Klaipeda State Seaport Authority
Elering	Lattelecom	LESTO
Estonian Railways	Latvenergo	Lietuvos Energija
Port of Tallinn	Latvian Railways	Lithuanian Railways
Tallinn Airport	Latvian State Forestry	Litgrid

The study group is concentrated in the energy and transportation sectors as illustrated below.

Industrial Sectors Represented in Study Group



The SOEs from the energy sector are principally electricity producers, transmission system operators, and retail electricity distributors. The transportation sector is composed of railways and ports (both air and sea). The remaining individual SOEs come from the financial, forestry and telecoms sectors. All can be considered to be of strategic interest to the state.

In order to generate a ranking, the SOEs were analyzed using a set of corporate governance indicators. These indicators were selected from: 1) factors shown in studies to correlate with performance; 2) best practice standards for SOE governance; and 3) practical experience with factors known to produce or attenuate governance risks. In total, 78 indicators were used, that were grouped into categories and weighted according to the degree to which they correlate to financial performance and risk. A more detailed description of the survey methodology is provided in the appendices.

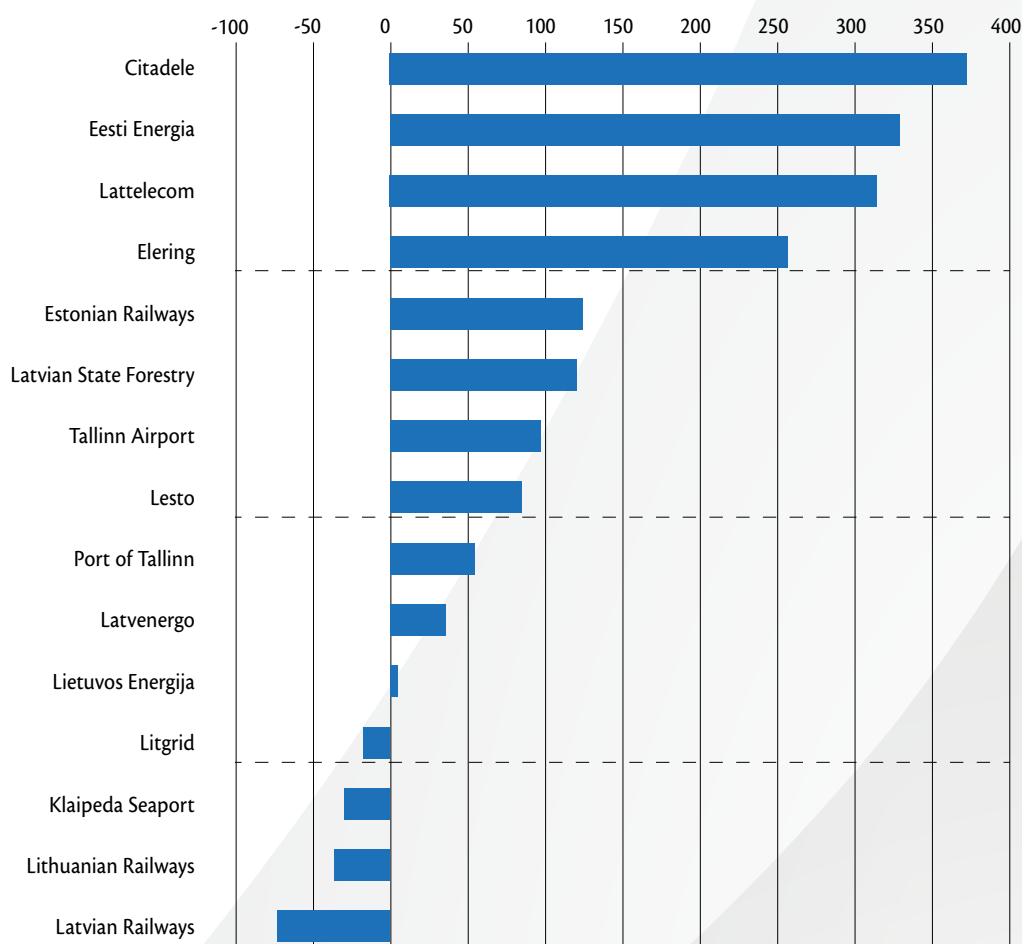
The findings on the following pages are grouped into: A) a Regional Ranking of SOEs; B); National Rankings of SOEs C); Individual Rankings and Evaluations of SOEs; and D) Summary Observations.

² Largest as measured by total assets.

A. Regional Ranking

The following ranking allows us to categorize SOEs into four groups: 1) the governance leaders; 2) those that occupy the middle of the road; 3) those that are experiencing teething problems; and 4) the stragglers, SOEs that have not demonstrated any commitment to or leadership in raising their governance up to best practice. Each broad category corresponds to a level of governance risk, with the governance leaders posing the least, and the stragglers the most.

Regional Ranking of 15 Largest SOEs Based on Corporate Governance



- **The governance leaders:** The best ranked SOEs are Citadele Bank, Eesti Energia and Latt telecom. The governance practices of these three SOEs stand out compared to the other SOEs in the region. Perhaps surprising is the strong performance of Citadele, the bank that resulted from the restructuring of failed Parex Bank in Latvia. Parex Bank was infamous for its bad governance and for almost dragging the Latvian economy into bankruptcy in 2008. Its restructuring resulted in the creation of two banks, Parex (now Reverta) which retained the poor assets of the original bank and Citadele which retained the healthy assets.

The restructuring contributed to getting proper governance practices in place and starting the new bank off on the right foot. The combination of an informed and committed outside owner in the form of the EBRD, a significant presence of independent board members with experience in distressed banks, operating within a competitive market, and a progressive state owner represented by the Latvian Privatization Agency all have a positive impact. The fact that Citadele is one of only two SOEs in Latvia with an active and functioning supervisory board is also a point in its favor. The other is Latt telecom, whose governance practices have benefitted greatly from the influence of its foreign owner Telia Sonera.

Eesti Energia stands out for its disclosure practices, which have no equal in the region. The 4th placed Elering is also a strong finisher. However, the gap between it and the top three, as well as the gap between it and its followers make it fall into a group of its own.

- **The middle-of-the-road:** The next group of SOEs includes Estonian Railways, Latvian State Forestry, Tallinn Airport and LESTO. These SOEs have comparatively good governance practices. However, their overall performance tends to be spotty, with areas of strength balanced by areas of significant weakness. Most would benefit by taking a comprehensive look at their governance compared to best practices and developing a corporate governance improvement plan. These SOEs could benefit significantly by focusing on the weakness highlighted in the individual SOE analysis in Section C Individual Rankings and Evaluations of SOEs below.
- **Teething problems:** The following group includes the Port of Tallinn, Latvenergo, Lietuvos Energija and Litgrid. Each of these SOEs has made efforts to improve their governance in recent years. However, these efforts have not resulted in the governance changes that are required to bring them up to desired levels of practice.

The scores of Lietuvos Energija and Litgrid are both brought down by a long-standing inability to resolve financial reporting problems that result in repeated qualified statements by the auditors. This problem, which is common to all three of the Lithuanian energy firms, manifests itself through the accounting treatment of impaired assets. A proper application of IFRS would significantly impact financial performance which would, in turn, have an impact on energy pricing. The current practice of undervaluing assets runs the risk that assets will not be properly depreciated and replaced. This is a classic governance problem in the electricity sector and other capital intensive SOEs. Over the longer term it leads to a degradation of services and eventually failure. But, the accounting problem is merely the tip of the iceberg; it is clear evidence of an intractable conflict between political and economic pressures.

- **The stragglers:** Finally, there are SOEs whose overall score is significantly negative. These SOEs are the Latvian and Lithuanian railways and Klaipeda State Seaport Authority. These SOEs may have positive performance in some governance areas, but these are substantially outweighed by weakness in others. Typically board practices are weak, decision making does not benefit from structures that are designed to properly channel government influence, the reporting practices are antiquated and so on. These SOEs will not likely benefit from any quick fix. The message to these SOEs is that their mode of governance needs a profound reworking. In all likelihood, the governance problems will not be resolvable by looking only at the level of the SOE. In order for any reforms to be effective, they must also consider the structures that the state has in place and the role that the state has in shaping the governance of the SOE.

No formal comparison was made between these SOEs and an international peer group, however, surveys of SOE governance practices³ in best practice countries such as Finland, Norway, Sweden, New Zealand, and the UK provide a clear indication that even the best SOEs in Estonia, Latvia and Lithuania can stand to improve their governance practices quite considerably.

This overall assessment might seem uncharitable given the enormous efforts and improvements that have occurred over recent years. It is true that the governance of most—if not all—SOEs in the region is getting better. However, the inescapable conclusion is that much remains to be done and that it is not time to rest. On a positive note, the fact that three SOEs are rapidly closing the gap on international best practice is evidence to governance skeptics that world class standards can be achieved within a reasonably short period of time.

³ W. Richard Frederick (2011), "Enhancing the Role of the Boards of Directors of State-Owned Enterprises", OECD Corporate Governance Working Papers, No.2, www.oecd.org/daf/corporateaffairs/wp

B. National Rankings

In addition to the regional ranking above, the following three tables provide a national ranking within each of the individual countries. This ranking is designed to identify national leaders and stragglers.

Estonia: National Ranking of 5 Largest SOEs

1	Eesti Energia
2	Elering
3	Estonian Railways
4	Tallinn Airport
5	Port of Tallinn

Overall, Estonia has the SOEs which are most uniform in their governance. One of the reasons for the relatively homogeneous performance may be associated with the fact that they are all under the Ministry of Economic and Communications. Thus, the performance of the largest five may not be representative of SOEs under other ministries. In addition, Estonia has many years of experience compiling and publishing overviews of SOEs and their performance. Plans are being made to develop common approaches to the governance of all SOEs. Centralized structures in line with international best practice are being considered to promote a consistent application of governance principles.

Latvia: National Ranking of 5 Largest SOEs

1	Citadele Bank
2	Lattelecom
3	Latvian State Forestry
4	Latvenergo
5	Latvian Railways

Latvia's SOEs divide neatly into two categories. Latvia is notable for having two of its SOEs in the top three of the study. Between these and the rest there is a chasm. One of the main factors that differentiate the top from the bottom is foreign ownership. Without question, foreign ownership has brought better governance practices. Another factor is that both Citadele and Lattelecom operate in competitive markets. The other SOEs are held back significantly by the absence of professional supervisory boards, and in the case of Latvian Rail, the reporting and control environment. The latter group also suffers from insufficient state oversight caused by a chronic lack of capacity.

Lithuania: National Ranking of 5 Largest SOEs

1	LESTO
2	Lietuvos Energija
3	Litgrid
4	Klaipeda State Seaport Authority
5	Lithuanian Railways

Lithuania has no star performer that could serve as a corporate governance model. The Lithuanian SOEs included in this survey come principally from the electricity sector, whose challenges are complex and whose governance is problematic. The Ministry of Energy has been committed and progressive in its efforts to improve governance evidenced by its recent introduction of independent members to SOE boards with plans to include more. These efforts are to be recognized and lauded. However, the relative scorings also show that these changes are too recent to show effect. The other two SOEs are both under the Ministry of Transportation and Communications which has not shown a similar commitment to improved governance. Highly noteworthy is that all of the SOEs have problems with their financial reporting. Four out of the 5 SOEs received qualified opinions from their external auditors. Concerns regarding the quality of the financial statements were expressed with respect to the other.

C. SOE Rankings and Evaluations

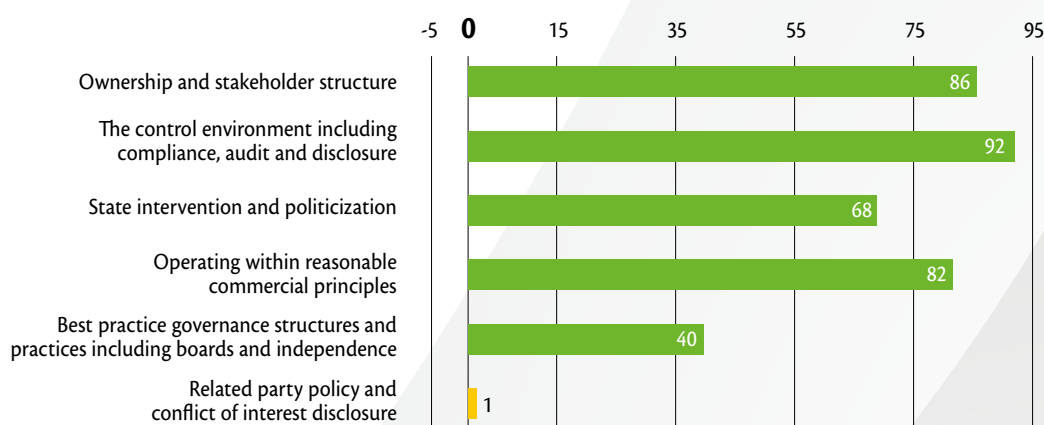
This section provides a one-page summary of the governance practices for each individual SOE. The SOEs are ranked from 1 to 15 and are color coded. The overall ranking breaks down the SOE's governance performance into six areas that give a more specific visual indication of where the SOE's practices are strong or weak. This is followed by a section on strengths and weaknesses whose purpose is to indicate where potential improvement efforts could concentrate. The back of each page includes information on financial reporting practices and board members. Additional information that is useful in assessing the independence and competence of board members can be found in Chapter IV. Board Structure and Composition and the sections of the appendices (E through G) dedicated to board member backgrounds. Information on the methodology of the ranking is found in Section C of the appendices.

CITADELE

Citadele is a full-service financial group for both private individuals and companies offering a complete portfolio of banking, financial and private capital management services in its home market Latvia and through its international presence.

- Answers to **Ministry of Economics, Ministry of Finance and LPA**
- **€22.8** billion total assets
- **€2.7** million net profit for 2011
- **1,762** employees
- **75%** owned by the state, 25% EBRD
- Board structure: **Two-tier**

Overall rating



STRENGTHS	AREAS FOR IMPROVEMENT
EBRD is a professional owner and a partner committed to best practice governance	Strengthening of board skills in the area of risk and risk management
Benign state oversight marked by minimal interference	Introduction of annual self-evaluation of bank governance
Board committed to improvement	Development of a corporate governance improvement plan
Excellent independent board members with capacity for objective judgment	Disclosure of a detailed governance report
Board members with banking, distressed banking and international experience	Systematic disclosure of more and better information on board members and their backgrounds
Board is effective and size is correct	Disclosure of policy on related parties and conflicts of interest
Board member link to government is useful in period of restructuring	Board size may deserve consideration

Financial Reporting:

Auditor
PricewaterhouseCoopers
Accounting Standard
International Financial Reporting Standards
Audit Standard
International Standards of Audit
Qualified or unqualified opinion
Unqualified

Supervisory Council Members:

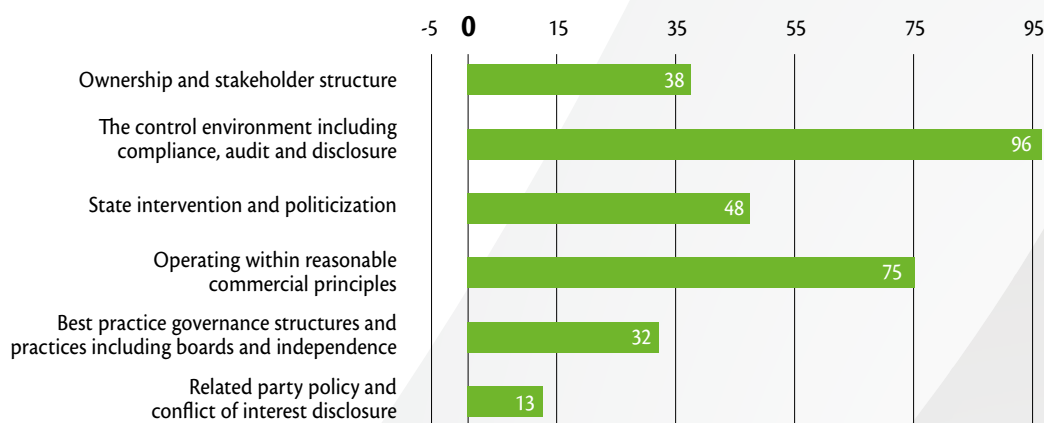
Klavs Vasks
Chairman of Supervisory Council
Laurence Phillip Adams
Member of Supervisory Council Siblu Holdings Ltd., Director
Geoffrey Dunn
Member of Supervisory Council ConsultDunn, Managing Director
Girts Freibergs
Member of Supervisory Council
Juris Vaskans
Member of Supervisory Council

EESTI ENERGIA

Eesti Energia is an international energy company offering integrated energy solutions, from production of electricity, heat and fuels to sales, customer care and additional energy-related services.

- Answers to **Ministry of Economy and Communication**
- **€1.8** billion of total assets
- **€117** million net profit in 2010
- **7,400** employees
- **100%** owned by the state
- Board structure: **Two-tier**

Overall rating



STRENGTHS

Commitment to good corporate governance practices among shareholder and executives

Eesti Energia benchmarks itself against world-class codes of corporate governance (UK Code)

Financial and corporate governance disclosure is the best among all SOEs surveyed

Excellent disclosure on internal audit, relationship with auditor, related parties, insider trading and more

Strong control environment

Current CEO selected via public recruitment procedure

AREAS FOR IMPROVEMENT

Conduct self-evaluation of supervisory board to improve composition and start search for needed skills

Introduce more independent board members or, at least independent-minded board members

Reduce the number of supervisory board members with political backgrounds to an absolute minimum

Remove parliamentarian board members

Greater transparency in the nominations process of board members

Financial Reporting:

Auditor

PricewaterhouseCoopers

Accounting Standard

International Financial Reporting Standards

Audit Standard

International Standards of Audit

Qualified or unqualified opinion

Unqualified

Management Board Members:

Jüri Kõo

Chairman of Supervisory Board

NG Investments

Meelis Atonen

Member of Supervisory Board

AS Tavid

Rein Kilk

Member of Supervisory Board

Pärnu Port, Owner (and other companies)

Toomas Luman

Member of Supervisory Board

Estonian Chamber of Commerce and Industry, President

Kalle Palling

Member of Supervisory Board

Member of Estonian Parliament

Andres Saame

Member of Supervisory Board

Owner of Rannamoise Arenduse, Jarvakandi Puidutehas, and Cross Holdings

Toomas Tauts

Member of Supervisory Board

Omec Consulting, Partner

Märt Vooglaid

Member of Supervisory Board

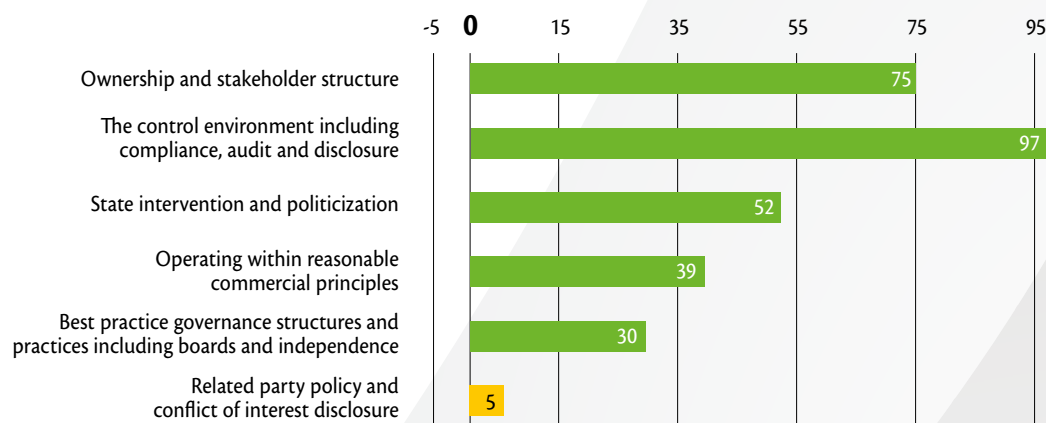
Manutent OÜ

LATTELECOM

Lattelecom is the leading provider of electronic communications services in Latvia. The company offers electronic communication solutions for home, small and medium size businesses, state and municipal institutions, as well as for corporate clients.

- Answers to **Ministry of Transport, LPA**
- **€182** million total assets
- **€46** million net profit in 2010
- **2,394** employees
- **51%** by state, **49%** TILTS (TeliaSonera)
- Board structure: **Two-tier**

Overall rating



STRENGTHS	AREAS FOR IMPROVEMENT
External shareholder (Telia Sonera) brings experience in good governance practices	Conduct self-evaluation of governance practices and develop an action plan
Privatization agency owner committed to good governance	Improve board composition looking especially at needed skills and qualifications
Benign state oversight marked by minimal interference	Introduce more independent board members or, at least independent-minded board members
Supervisory board with significant commercial experience and technical skills	Development and disclosure of a detailed annual corporate governance report
	Disclosure of policy on related parties and conflicts of interest

Financial Reporting:

Auditor

PricewaterhouseCoopers

Accounting Standard

International Financial Reporting Standards

Audit Standard

International Standards of Audit

Qualified or unqualified opinion

Unqualified

Supervisory Council Members:

Gatis Kokins

Chairman of Supervisory Council

Ove Alm

Member of Supervisory Council

Skanova, CEO; TeliaSonera AB, Head of Product and Production

Yvonne Djerf

Member of Supervisory Council

TelliaSonera AB

Uldis Grava

Member of Supervisory Council

Janis Grevins

Member of Supervisory Council

Riga Business School

Karlis Kreslins

Member of Supervisory Council

Stockholm School of Economics in Riga, Associate professor and EMBA Program Director

Martins Roze

Member of Supervisory Council

Joakim Sundström

Member of Supervisory Council

TeliaSonera AB, Vice President, Business Control at Business Area Broadband

Raitis Tukans

Member of Supervisory Council

Tiia Tuovinen

Member of Supervisory Council

TelliaSonera AB, General Counsel for Integrated Enterprise Services Business Area

Juha-Pekka Weckstrom

Member of Supervisory Council

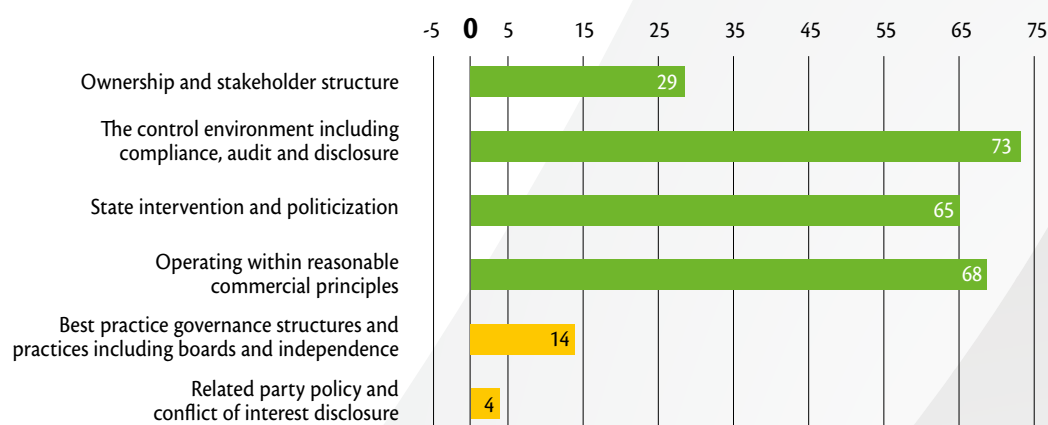
TelliaSonera AB, Head of Strategy and Business Development, SVP

ELERING

Elering is Estonia's electricity Transmission System Operator (TSO). Elering is responsible for the whole of the Estonian electricity system, and for ensuring that there is a proper supply of electricity to customers at all times.

- Answers to **Ministry of Economic Affairs and Communications**
- **€419** million of total assets
- **€14** million net profit in 2010
- **139** employees
- **100%** owned by the state
- Board structure: **Two-tier**

Overall rating



STRENGTHS	AREAS FOR IMPROVEMENT
Some corporate governance disclosure	Executive appointments should be depoliticized and more transparent
Benign state oversight marked by minimal interference and/or politicization	Supervisory board with better profiles and skill sets
Audit committee with proper mandate	Financial expertise and private sector skills are needed on supervisory board
	There is clear potential for improving the level of independence on the supervisory board
	Improve both financial reporting and corporate governance disclosure practices in line with Eesti Energia
	Elering would benefit from a self-evaluation of its governance practices and subsequent development of a governance action plan

Financial Reporting:

Auditor

PricewaterhouseCoopers

Accounting Standard

International Financial Reporting Standards

Audit Standard

International Standards of Audit

Qualified or unqualified opinion

Unqualified

Board Members:

Ando Leppiman

Chairman of Supervisory Board

Director of Energy Department in Ministry of Economic Affairs and Communications

Thomas Auväärt

Member of Supervisory Board

Head of the Financial Markets Department, Ministry of Finance

Jüri Raatma

Member of Supervisory Board

Counselor to the Minister of Economic Affairs and Communications

Aivar Söerd

Member of Supervisory Board

Member of Parliament of the Republic of Estonia

Heiki Tammoja

Member of Supervisory Board

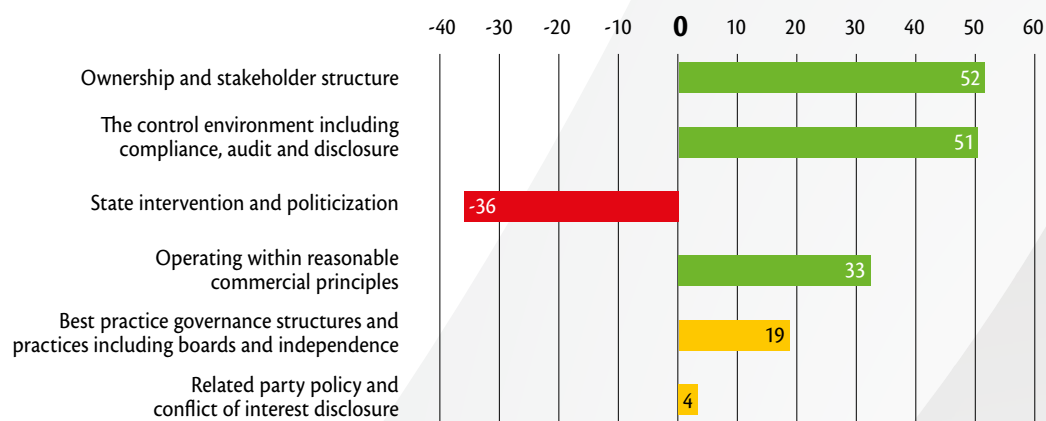
Tallinn University of Technology

ESTONIAN RAILWAYS

Estonian Railways is the national railway company of Estonia. It owns a network of 691 kms of broad gauge railway throughout the country, including the 132 kms used by the Elektriraudtee commuter trains around Tallinn. Estonian Railways operates freight trains domestically and to Russia and Latvia.

- Answers to **Ministry of Economic Affairs and Communications**
- **€282** million Euros of total assets
- **€21** million net profit in 2010
- **1,830** employees
- **100%** owned by the State
- Board structure: **Two-tier**

Overall rating



STRENGTHS

Initial steps by board to improve governance practices

Functioning audit committee with appropriate focus and staffing

AREAS FOR IMPROVEMENT

Greater commitment from supervisory board and state to principles of good governance

Improve composition of supervisory board by reducing party influence on the supervisory board in favor of qualified professional board members

Enhance the independence of the supervisory board

Reduce potential for conflicts of interest in board and among executives

Conduct a self-evaluation of governance practices and develop a governance improvement plan

Enhance corporate governance disclosure

Financial Reporting:

Auditor
KPMG
Accounting Standard
International Financial Reporting Standards
Audit Standard
International Standards of Audit
Qualified or unqualified opinion
Unqualified

Board Members:

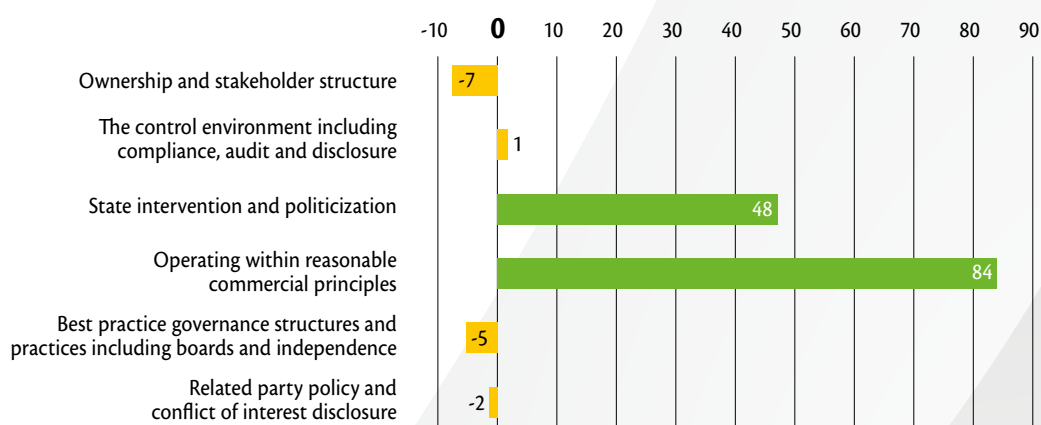
Viljar Arakas
Chairman of Supervisory Board EfTen Capital, CEO
Peep Aru
Member of Supervisory Board Member of Parliament of the Republic of Estonia
Andrus Kuusmann
Member of Supervisory Board
Taavi Madiberk
Member of Supervisory Board OU Venture 22, Owner; Skeleton Technologies Ltd., CEO
Janno Rokk
Member of Supervisory Board Palmgrupp, Owner
Urmas Sõõrumaa
Member of Supervisory Board US Invest, Founder
Nikolai Stelmach
Member of Supervisory Board
Viljo Vetik
Member of Supervisory Board Port Artur Group, Owner

LATVIAN STATE FORESTRY

LVM manages commercially usable state-owned forests. Alongside forest management, LVM offers hunting and recreation facilities and obtains seeds and planting stock to ensure forest regeneration.

- Answers to **Ministry of Agriculture**
- **€363** million Euros of total assets
- **€112** million net profit in 2010
- **100%** owned by the State
- Board structure: **Management board**

Overall rating



STRENGTHS

Commitment at the level of management to improved governance practices

Operates based upon reasonable commercial principles

Excellent planning and clear performance goals

AREAS FOR IMPROVEMENT

Establishment of a supervisory board or other structure able to exercise oversight over the executive

Introduce independence into oversight structures

Report according to IFRS accounting standards

Improve public disclosure of financial performance and governance practices

Make current signed auditor's reports available on web

Develop a related party transaction and conflict of interest policy, enforce such policy, and disclose policy on the web

Financial Reporting:

Auditor
Ernst & Young
Accounting Standard
Latvian Annual Reporting Act
Audit Standard
International Standards of Audit
Qualified or unqualified opinion
Unqualified

No Supervisory Board

Management Board Members:

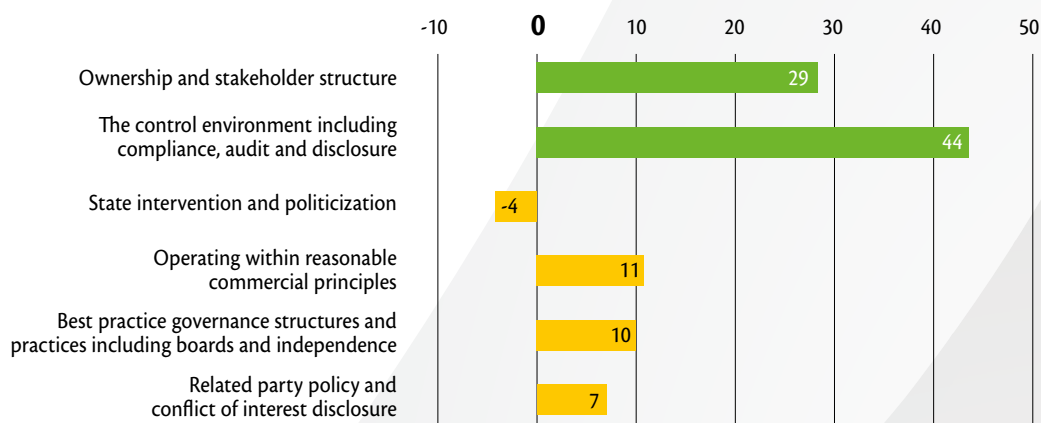
Roberts Stripnieks
Chairman of Management Board
Gints Bumbieris
Member of Management Board
Arnis Melnis
Member of Management Board
Edvins Zakovics
Member of Management Board

TALLINN AIRPORT

Tallinn Airport Ltd develops and operates airports belonging to the company in order to ensure the provision of services to airlines, passengers and goods on the ground. The company manages airports that are located in Estonia, which besides Tallinn Airport include the airports of Tartu, Pärnu, Kuressaare, Kärđla, Kihnu and Ruhnu.

- Answers to **Ministry of Economic Affairs and Communications**
- **€141.5** million total assets
- **€2** million net profit in 2010
- **488** employees
- **100%** owned by the state
- Board structure: **Two-tier**

Overall rating



STRENGTHS	AREAS FOR IMPROVEMENT
Managerial autonomy in decision making	Greater commitment from board and state to principles of good governance
Stable and professional management	Improve composition of board by reducing party influence on the supervisory board in favor of professional board members
Professional financial reporting	Enhance the independence of the supervisory board
	Reduce potential political influence on selection and/or removal of key executives
	Conduct a self-evaluation of governance practices and develop a governance improvement plan
	Enhance corporate governance disclosure

Financial Reporting:

Auditor
PricewaterhouseCoopers
Accounting Standard
International Financial Reporting Standards
Audit Standard
International Standards of Audit
Qualified or unqualified opinion
Unqualified

Management Board Members:

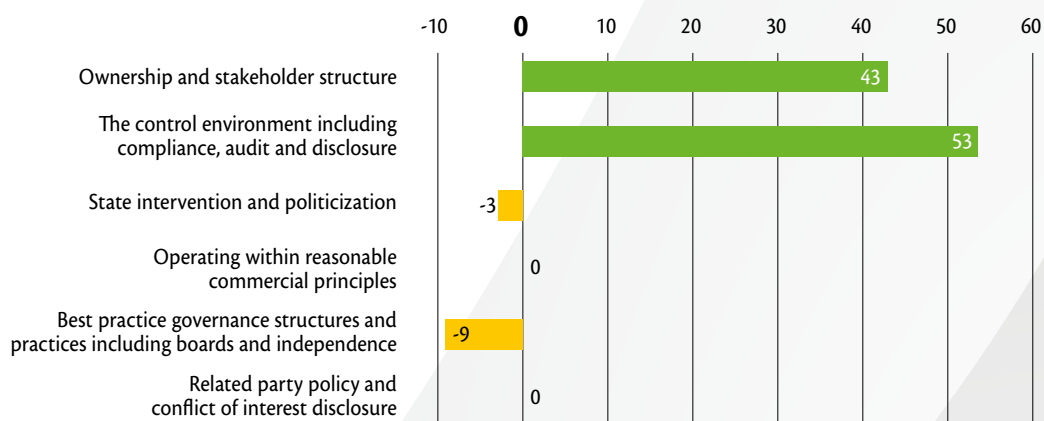
Toivo Jurgenson
Chairman of Supervisory Board Pro Patria and Res Publica Union
Arto Aas
Member of Supervisory Board Parliament of the Republic of Estonia, Chairman of the Economic Affairs Committee
Väino Linde
Member of Supervisory Board Member of Parliament of the Republic of Estonia
Kalle Palling
Member of Supervisory Board Member of Parliament of the Republic of Estonia
Tiit Riisalo
Member of Supervisory Board Edelaraudtee, Development Director
Cinzia Siig
Member of Supervisory Board OÜ Aurinko, Managing Director Enterprise Estonia, Chairman of the Board

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 low and medium voltage lines and equipment.

- Answers to **Ministry of Energy**
- **€1.5** billion of total assets
- **-€19** million net loss for 2011
- **-2.93%** net profit margin
- **2,890** employees
- **83%** state, **12%** E.ON Ruhrgas, **5%** various
- Board structure: **Unitary**

Overall rating



STRENGTHS	AREAS FOR IMPROVEMENT
Ministry of Energy has demonstrated commitment to improving governance	Inability to resolve differences with auditors regarding impairment of assets that result in qualified financial statements
Recent introduction of independent board member with more planned	Board is missing some key skills in particular in the financial area
NASDAQ listing and presence of external owners	Despite improvements, board has limited independence
Less political than other energy companies	Pricing issues with regulators, and independence of regulator are a concern
Internal controls in accordance with professional standards, law and ethics codes	
Board size is correct	
Timeliness of financial reporting is good	

Financial Reporting:

Auditor

PricewaterhouseCoopers

Accounting Standard

International Financial Reporting Standards

Audit Standard

International Standards of Audit

Qualified or unqualified opinion

Qualified

Board Members:

Kestutis Zilenas

Chairman of the Management Board

Vice Minister in Ministry of Energy

Darius Maikstenas

Member of the Management Board

TelliaSonera, Vice President of Marketing and Services in Omnitel

Arvydas Tarasevicius

Member of the Management Board

CEO of LESTO

Rimantas Vaitkus

Member of the Management Board

CEO of Visaginas Nuclear Power Plant

Aloyzas Vitkauskas

Member of the Management Board

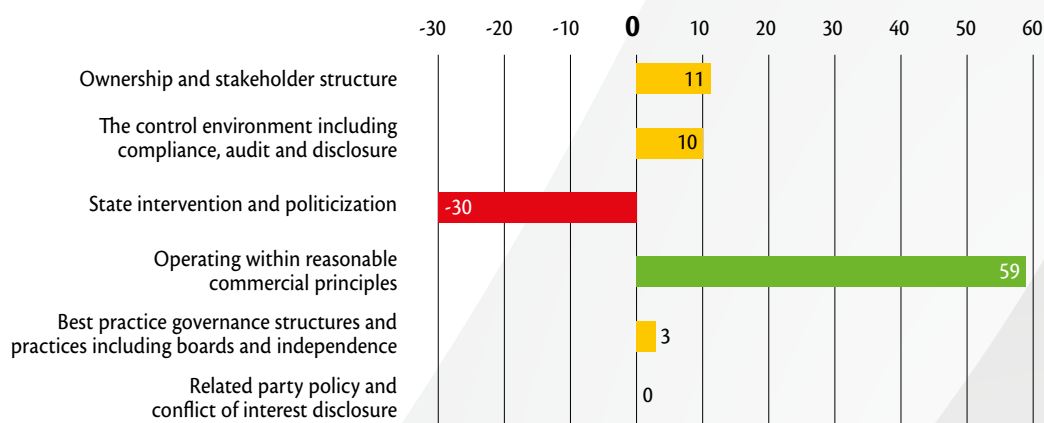
Vice Minister in Ministry of Finance

PORT OF TALLINN

Port of Tallinn is the biggest port authority in Estonia and the biggest port on the Baltic Sea in terms of cargo and passenger traffic.

- Answers to **Ministry of Economic Affairs and Communications**
- **€510** million Euros of total assets
- **€42** million net profit in 2010
- **357** employees
- **100%** owned by the state
- Board structure: **Two-tier**

Overall rating



STRENGTHS	AREAS FOR IMPROVEMENT
The port is fully commercial and operates under reasonable commercial principles	Address accounting issues raised in the auditor's qualified opinion
The port has liberty to make investments it deems necessary as per commercial exigencies	Reduce party influence on the supervisory board in favor of professional board members
Increasingly, dividend payments are made taking into consideration the port's development needs	Enhance the independence of the supervisory board
	Reduce potential political influence on selection and/or removal of key executives
	Conduct of a self-evaluation of governance practices and development of a governance improvement plan
	Enhance corporate governance disclosure

Financial Reporting:

Auditor

Ernst & Young

Accounting Standard

International Financial Reporting Standards

Audit Standard

International Standards of Audit

Qualified or unqualified opinion

Qualified

Board Members:

Neinar Seli

Chairman of Supervisory Board

Estiko AS, owner

Member of Estonian Reform Party and Chairman of Tartu region

Remo Holsmer

Member of Supervisory Board

Member of Parliament of the Republic of Estonia, Deputy Chairman of the Reform Party Faction

Kalev Lillo

Member of Supervisory Board

Member of Parliament of the Republic of Estonia

Andres Lume

Member of Supervisory Board

Priit Paiste

Member of Supervisory Board

AS Eraküte, General Manager

Tiit Riisalo

Member of Supervisory Board

Edelaraudtee, Development Director

Hillar Teder

Member of Supervisory Board

O'Key Group, Co-founder and owner

Veiko Tishler

Member of Supervisory Board

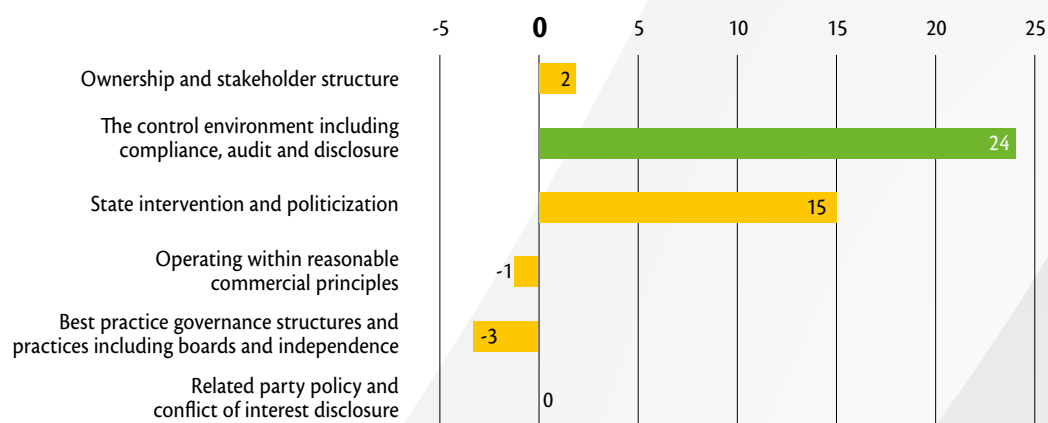
Haapsalu Kuurort, Owner

LATVENERGO

Latvenergo is an energy power supply enterprise engaged in the generation and sale of electricity and thermal energy, electricity trade, as well as provision of IT and telecommunications services.

- Answers to **Ministry of Economy**
- **€3.3** billion of total assets
- **€63.5** million net profit in 2010
- **8%** net profit margin
- **4,517** employees
- **100%** owned by the state
- Board structure: **Management board**

Overall rating



STRENGTHS

Committed executive staff well-informed of good governance practices

External audit

Financial reporting according to IFRS

External audit conducted according to ISA

AREAS FOR IMPROVEMENT

Establishment of a supervisory board or other structure able to exercise oversight over the executive

Introduce independence into oversight structures

Review of dividend policy in order to ensure sufficient funding for needed capital investment of all business segments of SOE

Reporting of internal auditor to an independent oversight structure

Reporting of external auditor to an independent oversight structure

Financial Reporting:

Auditor
PricewaterhouseCoopers
Accounting Standard
International Financial Reporting Standards
Audit Standard
International Standards of Audit
Qualified or unqualified opinion
Unqualified

No Supervisory Board

Management Board Members:

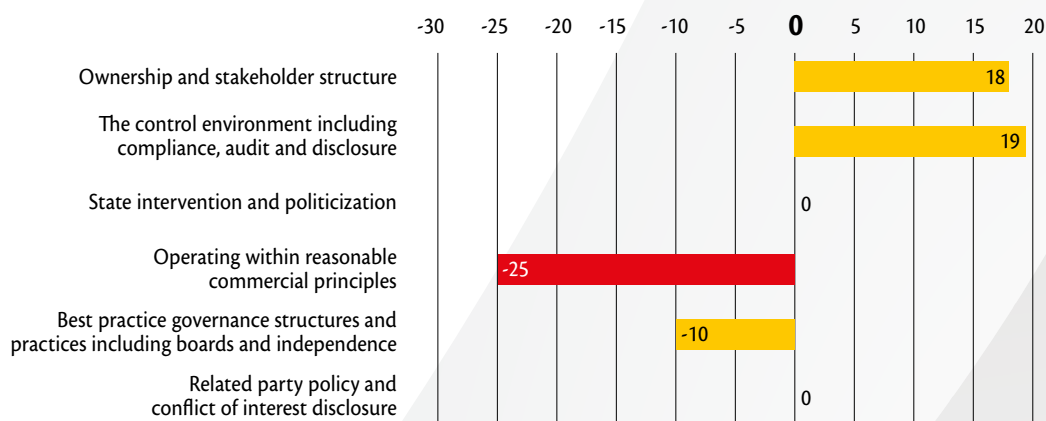
Aris Zigurs
Chairman of Management Board Latvenergo, CEO
Uldis Bariss
Member of Management Board
Zane Kotane
Member of Management Board
Maris Kunickis
Member of Management Board
Arnis Kurgs
Member of Management Board

LIETUVOS ENERGIJA

Lietuvos Energija 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.

- Answers to **Ministry of Energy**
- **€1 billion** of total assets
- **€26.5 million** net profit in 2010
- **7.24%** net profit margin
- **1,179** employees
- **97.5%** state, 2.5% various
- Board structure: **Unitary board**

Overall rating



STRENGTHS

Strong CEO who contributes to governance, planning and operations

Ministries of Economy and Energy committed to improving governance and getting management to focus on financial objectives

New independent board member program initiated by the Ministry of Energy

Production of annual reports on a timely basis and at a high standard including section on corporate governance

NASDAQ listing

AREAS FOR IMPROVEMENT

Overriding strategic goals put profitability and commercial management in second place

Significant involvement of state because of strategic goals make for potential for politicization

Auditor's qualified opinions related to accounting treatment of impaired assets

No independent oversight on board of either financial reporting or internal audit

Board is missing some key skills in particular in the financial area

Conduct a self-evaluation of governance practices and develop a governance improvement plan

Financial Reporting:

Auditor

PricewaterhouseCoopers

Accounting Standard

International Financial Reporting Standards

Audit Standard

International Standards of Audit

Qualified or unqualified opinion

Qualified

Board Members:

Kestutis Zilenas

Chairman of the Board

Vice Minister in Ministry of Energy

Sonata Matuleviciene

Member of the Board

Baxter, Business Unit Manager in Baltic Countries

Dalius Misiunas

Member of the Board

Lietuvos Energija, CEO

Rimantas Vaitkus

Member of the Board

Visaginas Nuclear Power Plant, CEO

Aloyzas Vitkauskas

Member of the Board

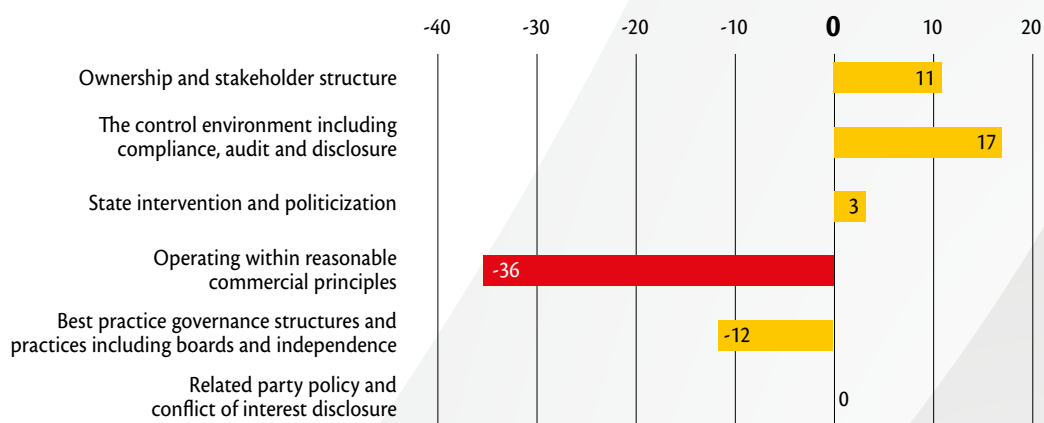
Vice Minister in Ministry of Finance

LITGRID

Litgrid is the Lithuanian electricity Transmission System Operator managing electricity flows in Lithuania and maintaining stable operation of the national electricity system.

- Answers to **Ministry of Energy**
- **€684** million total assets
- **€2.1** million loss in net profit for 2010
- **-15.01%** net profit margin
- **210** employees
- **97.5%** of shares belongs to Visaginas Nuclear Power Plant Group
- Board structure: **Unitary board**

Overall rating



STRENGTHS

Ministry of Energy and CEO committed to better governance practices

IFRS financial statements audited according to ISA

Environmental efforts appear strong

Timely reporting

NASDAQ listing

AREAS FOR IMPROVEMENT

Greater independence needed for, among other things, better oversight of financial reporting and internal audit

Board is missing key skills in particular in the financial area

Auditor's qualified opinions related to accounting treatment of impaired assets

Conduct a self-evaluation of governance practices and develop a governance improvement plan

Financial Reporting:

Auditor

PricewaterhouseCoopers

Accounting Standard

International Financial Reporting Standards

Audit Standard

International Standards of Audit

Qualified or unqualified opinion

Qualified

Board Members:

Arvydas Darulis

Chairman of the Board

Vice Minister in Ministry of Energy

Violeta Greiciuviene

Member of the Board

Ministry of Energy, Deputy Head of Strategic Projects Division

Valentinas Pranas Milaknis

Member of the Board

Government of Lithuania, Office of the Prime Minister, Public Consultant

Virgilijus Poderys

Member of the Board

Litgrid, CEO

Viktorija Sankauskaite

Member of the Board

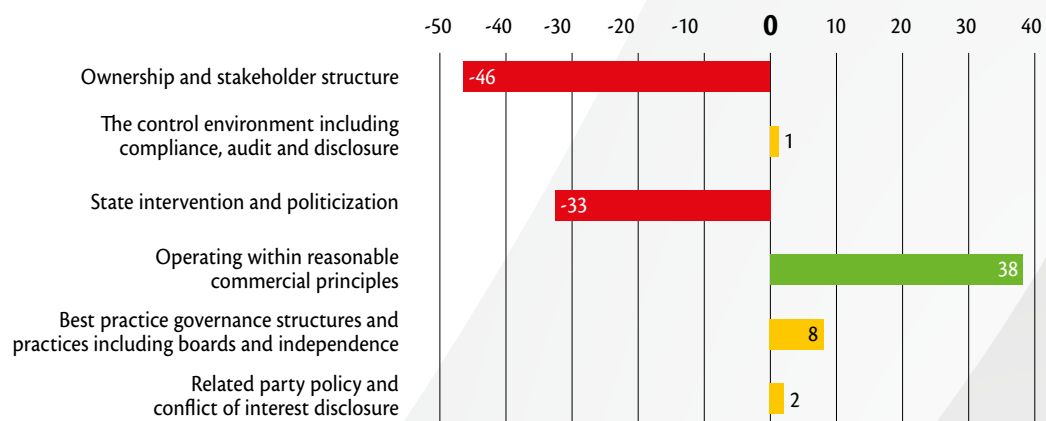
Ministry of Energy, Head of the Renewable Energy Sources and Energy Efficiency

KLAIPEDA STATE SEAPORT AUTHORITY

Klaipeda 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**
- **€344.5** million of total assets
- **€15.7** million net profit in 2010
- **36.71%** net profit margin
- **265** employees
- **100%** owned by the state
- Board structure: **Unitary board**

Overall rating



STRENGTHS

Operates within reasonable commercial principles

Enjoys financial and investment autonomy

Board size and meeting frequency are appropriate

Timely reporting

Reasonable financial controls

Good financial performance

AREAS FOR IMPROVEMENT

Greater independence needed on board for, among other things, better oversight of financial reporting and internal audit

Improve composition of board in favor of qualified professional board members

Improve transparency and disclosure

Move to IFRS accounting standards

Conduct a self-evaluation of governance practices and develop a governance improvement plan

Financial Reporting:

Auditor
UAB Auditas
Accounting Standard
Lithuanian Business Accounting Standards
Audit Standard
International Standards of Audit
Qualified or unqualified statements
Unqualified

Board Members:

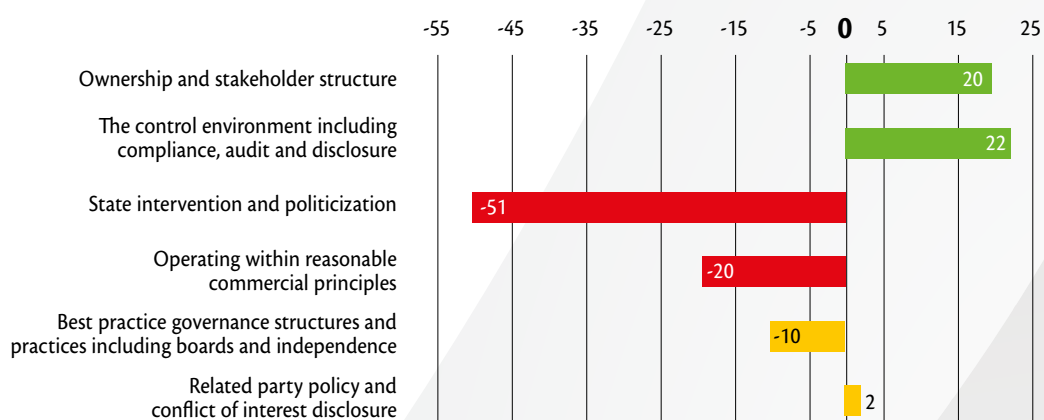
Arūnas Štaras
Chairman of the Board Vice Minister in Ministry of Transport and Communications
Juozas Darulis
Member of the Board Ministry of Transport and Communications, Head of Water and Railway Transport Department
Eugenijus Gentvilas
Member of the Board Klaipeda State Seaport, CEO
Paulius Jankauskas
Member of the Board Advisor to the Minister of Transport and Communications
Tomas Karpavicius
Member of the Board Chancellor of Ministry of Transport and Communications

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**
- **€1.3** billion of total assets
- **€20** million net profit in 2010
- **4.91%** net profit margin
- **12,158** employees
- **100%** owned by the State
- Board structure: **Unitary board**

Overall rating



STRENGTHS

Increased awareness of costs of social services and the recognition of need to pursue investment to ensure sustainability

High-level government commitment for improved governance

AREAS FOR IMPROVEMENT

Complete transition to IFRS accounting standards

Comply with disclosure requirements as per auditor's opinion in 2011 auditor's report
Improve composition of board, improve understanding of duties, reduce party influence in favor of qualified professional board members

Introduce independent oversight for both financial reporting and internal audit

Greater transparency and disclosure of costs of social services

Improve incentive and remuneration structures

Conduct a self-evaluation of governance practices and develop a governance improvement plan

Financial Reporting:

Auditor

Ernst & Young

Accounting Standard

Lithuanian Business Accounting Standards

Audit Standard

International Standards of Audit.

Qualified or unqualified opinion

Unqualified with mention of material uncertainties

Board Members:

Arūnas Štaras

Chairman of the Board

Vice minister in Ministry of Transport and Communications

Rolandas Brazinskas

Member of the Board

Advisor to the Minister of Transport and Communications Ministry

Stasys Dailydka

Member of the Board

Lithuanian Railway, CEO

Paulius Jankauskas

Member of the Board

Advisor to the Minister of Transport and Communications Ministry

Tomas Karpavičius

Member of the Board

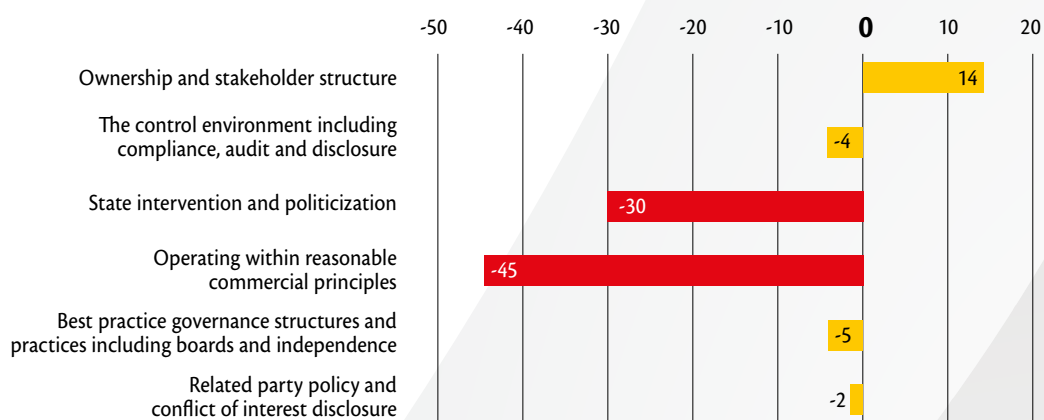
Chancellor of Transport and Communications Ministry

LATVIAN RAILWAYS

Latvian Railways is the national, state-owned railway company of Latvia. It is the biggest payer of social and resident income taxes to the state budget.

- Answers to **Ministry of Economics and Ministry of Transport**
- **€520** million Euros of total assets
- **€1.4** million net profit for 2011
- **11,958** employees
- **100%** owned by the state
- Board structure: **Management board**

Overall rating



STRENGTHS

External audit conducted according to ISA

AREAS FOR IMPROVEMENT

Lack of commitment of executives to better corporate governance

Establish supervisory board or other structure able to exercise oversight over the executive

Enhance independence of oversight

Improve transparency and disclosure

Move to IFRS accounting standards

Create a truly independent internal audit function

Provide for reporting of external auditor to an independent oversight structure

Financial Reporting:

Auditor
PricewaterhouseCoopers
Accounting Standard
Latvian National Accounting Standards
Audit Standard
International Standards of Audit
Qualified or unqualified opinion
Unqualified

No Supervisory Board

Management Board Members:

Ugis Magonis
Chairman of Management Board Latvian Railways, CEO
Edvins Berzins
Member of Management Board
Aivars Straksas
Member of Management Board
Eriks Smuksts
Member of Management Board

D. Summary Observations

Overall, governance practices have improved dramatically in each of the countries over recent years. Financial reporting and audit stand out as areas where local practices are beginning to approach international best practice. Despite significant improvements, a large number of areas remain in which governance practices need to improve significantly. A number of general observations follow:

- **Some SOEs have boards that are beginning to approach good practice. These are, however, comparatively rare. Board composition is generally weak, and board structures and practices are, with few exceptions, underdeveloped.**

Latvia simultaneously has both some of the best and worst boards in the region. In 2008, Latvia abolished supervisory boards in its SOEs. These boards were perceived as ineffective sinecures. While the move to abolish supervisory boards may have been a sincere response motivated by real problems, Latvia ultimately threw the baby out with the bathwater. The result has been to leave its SOEs and SOE executives without effective oversight structures.

While the Latvian state appears to pursue its goals of SOE monitoring with some diligence, the officials tasked with SOE oversight are clearly stretched beyond the limits of their technical and physical capacity. The absence of properly established professional supervisory boards, or structures better able to monitor management could, arguably, have contributed to recent scandals at Latvenergo and AirBaltic, and could be leaving Latvian SOEs vulnerable to further governance failures in the future.

At the same time, 2 of the highest ranked SOEs in the region are Latvian. The principal reason why Citadele and Lattelecom stand above the others is that they have reasonably composed supervisory boards that have board members with some level of independence. Both have improved their governance practices under the influence of external shareholders who have introduced better governance practices. Citadele and Lattelecom have not yet become global leaders, yet both are regional models.

In Lithuania, boards contain a mix of executives and outsiders. Unlike Latvia or Estonia, Lithuanian boards resemble unitary boards typically found in countries such as the US and UK. In Lithuania, as in all countries with unitary board structures, the balance between executives and non-executives is a key concern. In Lithuania board composition is heavily skewed either towards executive insiders, which is mainly the case of SOEs under the Ministry of Energy or ministerial outsiders, which is mainly the case under the Ministry of Transport⁴.

In either case, what should be clear lines of accountability between the state and the SOE are often blurred. Outsider dominated boards effectively make the SOE an extension of the ministry. Insider dominated boards make oversight over executives more difficult. In both cases, monitoring should be strengthened by greater financial skills and independence, in particular in monitoring financial reporting, controls and the internal and external audit.

In Estonia all SOEs have functioning supervisory boards. This is a point in their favor. Estonian boards could be greatly strengthened by improving their composition. Board members with better business experience, financial skills and independence are needed. Conflicts of interest, the politicization of boards, links to political parties, and the presence of parliamentarians and civil servants on boards are all a concern.

⁴ Company law is unusual in Lithuania. Changes may be required to make it adhere more closely to international practice. Boards (valdyba) and/or supervisory councils (stebėtojų taryba) can be formed discretionally. As regards SOEs, a supervisory council is required (with exceptions) in SOEs where the state holds at least 2/3rds of votes. The board can be constituted from both executives and outsiders, but is not legally a substitute for a supervisory council. Company law states that the functions of a supervisory council are not attributable to other governance bodies. The situation is different for SOEs that are incorporated as state enterprise (valstybės įmonė) and municipal enterprises. Under the law it is only possible to set up a collegial management body, i.e. a board that must be composed exclusively of employees of the institution exercising ownership rights and the CEO. The strategy of the state enterprise is set by the institution exercising ownership rights but not the board.

- **Nominations processes are not designed to find the best people or the skills that SOEs need. Processes are not generally formalized. They are not transparent to the public and are subject to political influence.**

The quality of a board is ultimately determined by the quality of its members. Virtually none of the SOEs in the region undergo a formal best practice process whereby they identify the skills and backgrounds needed on the SOE board, and then launch a process to find the talent that corresponds to these needs. The process by which board members are selected is not transparent.

To date, no country has made public announcements for board appointments, nor have professional search consultants been used to find the right talent. In practice, board members are usually selected by ministers generally in informal consultations with other government stakeholders. The nominations process tends to be informal, and the decision making occurs behind closed doors. In some cases, even civil servants who are charged with SOE oversight are left in the dark and choices are not publicly justified. The impact can be seen in the backgrounds of board members. While board members are often adequate, they are rarely the best.

- **Boards do not generally have sufficient independence of mind. There are few independent members on SOE boards.**

Independence of mind among board members is a key contributor to the quality of the board's work. Independence of mind is the best way to encourage balanced debate, create checks and balances for both managers and state officials, and provide effective oversight in situations where there is potential for conflict of interest. For this reason, independence is a goal of best practice SOEs.

In Lithuania, independence is increasingly recognized as an important goal. Independent board members were recently introduced into the boards of LESTO, Litgrid and Lietuvos Energija in 2011 with positive results. More are expected in future. Though both Citadele and Lattelecom in Latvia have independent board members, independence is not an explicit goal of the state. In Estonia some board members appear to qualify as independent, though several are at the same time large financial supporters of political parties. No explicit goals have been made by the state to enhance the level of independence on boards.

- **In some cases financial reporting is comparable to world class practice. However, in most SOEs the control environment is compromised by the absence of a direct reporting relationship between the internal auditor and independent board members or an independent audit committee. Audit committees are either missing, are constituted only to comply with formal requirements, or diverge significantly from best practice.**

Most SOEs in the region use International Financial Reporting Standards as applied in the European Union. The Estonian SOEs surveyed all prepare their accounts according to IFRS/EU. The exceptions are the seaport and the railway in Lithuania, and LVM and Latvian Railways in Latvia. All SOEs surveyed had their statements audited according to International Standards of Audit (ISA). The prevalence of IFRS reporting standards and ISA audit standards is an important achievement that should be recognized.

With one exception, accounts are audited by internationally recognized audit firms thus giving certain credibility to the audit process. PWC dominates the SOE audit market with 10 of the 15 SOEs surveyed. Ernst & Young audits 3 SOEs, and KPMG 1 SOE. Klaipeda State Seaport is audited by the local Lithuanian firm Auditas.

At the same time, there are some potential causes for concern: 1) there is significant concentration in the SOE audit market; 2) audit firms may become overly dependent on SOEs and on government audit business in general, especially in a period of economic downturn; 3) auditors may not be adding value where they might be expected to.

With respect to the last item, auditors are perfectly aware of best practices with respect to corporate governance, and the governance of the external and internal audit. But, there are indications that auditors do not appear to be alerting either managers or shareholders when these practices fall short or advising on how to strengthen such practices. Specifically, a problem that is common throughout the region is that both the internal audit function and the external auditor should report to independent board members or an audit committee that is independent. Such reporting relationships greatly enhance the quality of assurance services. Auditors have also been criticized for not calling the attention of boards to improvements needed in risk management.

In short, auditors may need to reconsider and recast their relationship with the SOE and move away from being principally accountable to management for reviewing the financial statements to being more accountable to the state as the shareholder. This means doing more for the state by encouraging better governance of the entire control environment.

- **Related party disclosure is unclear, the related party transaction policies of SOEs are rarely disclosed, and disclosure is insufficient to identify potential conflicts of interest.**

SOEs are subject to the requirements of financial reporting standards when it comes to disclosing related party transactions. When these accounting standards are IFRS/EU, related party transactions must be disclosed. However, the disclosures that are found in financial statements are typically aggregated and do not allow for the identification of individuals or bodies involved in specific transactions. Thus, the purpose of related party disclosures, which is to reveal potential conflicts of interest, is subverted.

In addition to accounting standards, SOEs are subject to laws which require filing information on potential conflicts of interest with the state. These filings are made in each of the Baltic countries. However, filing is not the same as disclosure, and the information is not generally readily accessible to the public.

Even where such information is collected in public registers, accessing it can require skill, time and expense. In Latvia, for example, getting information requires a visit to the register and the making of physical copies of documents. In Estonia, on the other hand, better use is made of modern information technologies. During the course of the research, public registers were consulted confirming that information on potential conflicts of interest, even if technically available, is difficult to find.

Better disclosure on the potential conflicts of interest of board members and top management is needed. Oversight bodies need to develop formal policies on conflicts of interest, how to handle them, and how to handle related party transactions. Typically this is the function of independent members of a board. Regardless of where policy is developed, the enforcement of such policies should be supervised by the board and to the extent possible by its independent members. In best practice countries, this task often falls to an independent audit committee. This policy itself should be subject to disclosure.

- **Direct involvement of the state in SOE operations is not generally visible. This is positive. On the other hand, some countries have blurred the lines of responsibility and accountability between the state, the board and management.**

Direct involvement of the state in operational decisions is bad practice. It is not generally visible in any of the Baltic countries. In almost all cases, operational decisions are left to management while major decisions are, appropriately, subject to approval by supervisory boards or representatives of the state. This being said, there are occasional examples of the state overriding management and supervisory boards. A recent example is a decision by the Estonian Ministry of Economy to override Eesti Energia's management and supervisory board in order to invest in alternative energy sources.

More problematic is the proper distribution of responsibilities between the state, boards and management. These responsibilities should, in principal, be distributed in such a way that their proper roles are respected and that the skills of each party be brought to bear to the maximum extent. In Lithuania and Latvia more than in Estonia, the responsibilities for oversight and monitoring versus strategic decision making of managers are blurred. Part of this is due to the absence of boards or skewed board composition as discussed above.

For the state to develop and enforce strategy does not necessarily mean that it exercises good oversight or good governance. When the state plays an excessively prominent role it often results in managers shifting decision making powers to the state, and implicitly relegating responsibility for performance to those who should be overseeing management and driving management performance. This seems to be the case at Latvenergo where the management board, for fear of making incorrect decisions in wake of the recent corruption scandal, seeks to push decision making responsibility up to the state. When the state becomes overly involved in decision making, it is unable to focus on its proper role of monitoring.

A better delineation of duties required such that the state defines the desired outcomes, provides rigorous oversight over the development of strategic goals by management, and then monitors performance.

- **Partial listings and the introduction of strategic shareholders in the ownership base are typically associated with better governance. International bond offerings can have a substantially similar effect. However, where partial listings have occurred, the hoped for positive effect appears to be weak.**

SOEs that have stakeholders in addition to the state typically have better governance. In the Baltics this is particularly clear in the cases of Citadele and Lattelecom. Both benefited from the thinking and practices of committed investors who encouraged the application of international governance practices.

However, private ownership is not a sine qua non for good governance. For example, Eesti Energia has some of the strongest governance practices in the region while being wholly state-owned. In its case part of the reason can be attributed to the governance reforms made in preparation for a later aborted IPO. Another reason is that Eesti Energia has bonds that are traded on international markets which force it to comply with issuing requirements, conduct regular disclosure, and submit to credit ratings.

Nor is opening the shareholder base a panacea. While the minority listings of Litgrid (2.5%), and Lithuanian Energy (2.5%), seem to have had a salutary effect, they have not resulted in the profound changes visible in Citadele or Lattelecom after the introduction of strategic investors. In the case of LESTO, approximately 12% of shares are held by E.ON Ruhrgas with an additional 5% in the hands of minority investors. This ownership structure seems propitious, however, E.ON Ruhrgas is largely a passive investor and there appears to be little pressure from minority shareholders for improved governance.

Broadening the stakeholder base is a good step that can have a profound impact on governance. But, it appears to have fallen short of the desired outcome in Lithuania. This may be the result of the modest size of the listings, or insufficient toughness of the governance standards imposed by securities market regulators and/or the NASDAQ OMX exchange. SOEs listed on the NASDAQ OMX are required to file reports on compliance with the NASDAQ OMX Corporate Governance Code but, in practice, these reports tend to be shallow and not to the point. The Lithuanian cases suggest that there may be a minimum level of free float for there to be a positive influence on corporate governance, and that securities law and listing rules require strengthening. Some consideration may be required regarding the effectiveness of voluntary codes in encouraging better governance practices.

Those factors listed above are selected from a far greater number of areas that were considered for the ranking. These include factors such as the control environment, dividend policies, the independence of industry regulators, board size, the frequency of board meetings, the relationship between supervisory and management boards, and so on.

IV. Board Structure and Composition

This chapter of the report focuses on board structure and composition. There are many factors that determine how well an SOE is governed such as the quality of its financial reporting, its capacity to operate under reasonable commercial principles and so on. However, a professional board of directors is the principal tool of good governance in all best practice SOEs. It is hard to conceive of achieving a reasonable standard of governance in the absence of a professional board.

Both internationally and within the Baltic region, SOE boards have very different structures. In some countries unitary or single-tier boards are common. Unitary boards combine both executives (sometimes referred to as insiders) and non-executive board members (or outsiders) into one body. Typically unitary boards have more non-executive board members than executives in order to ensure a balance of power and objective arm's-length oversight of the executive. While there is considerable flexibility under the law, some SOEs in Lithuania combine both executives and outsiders on their boards.

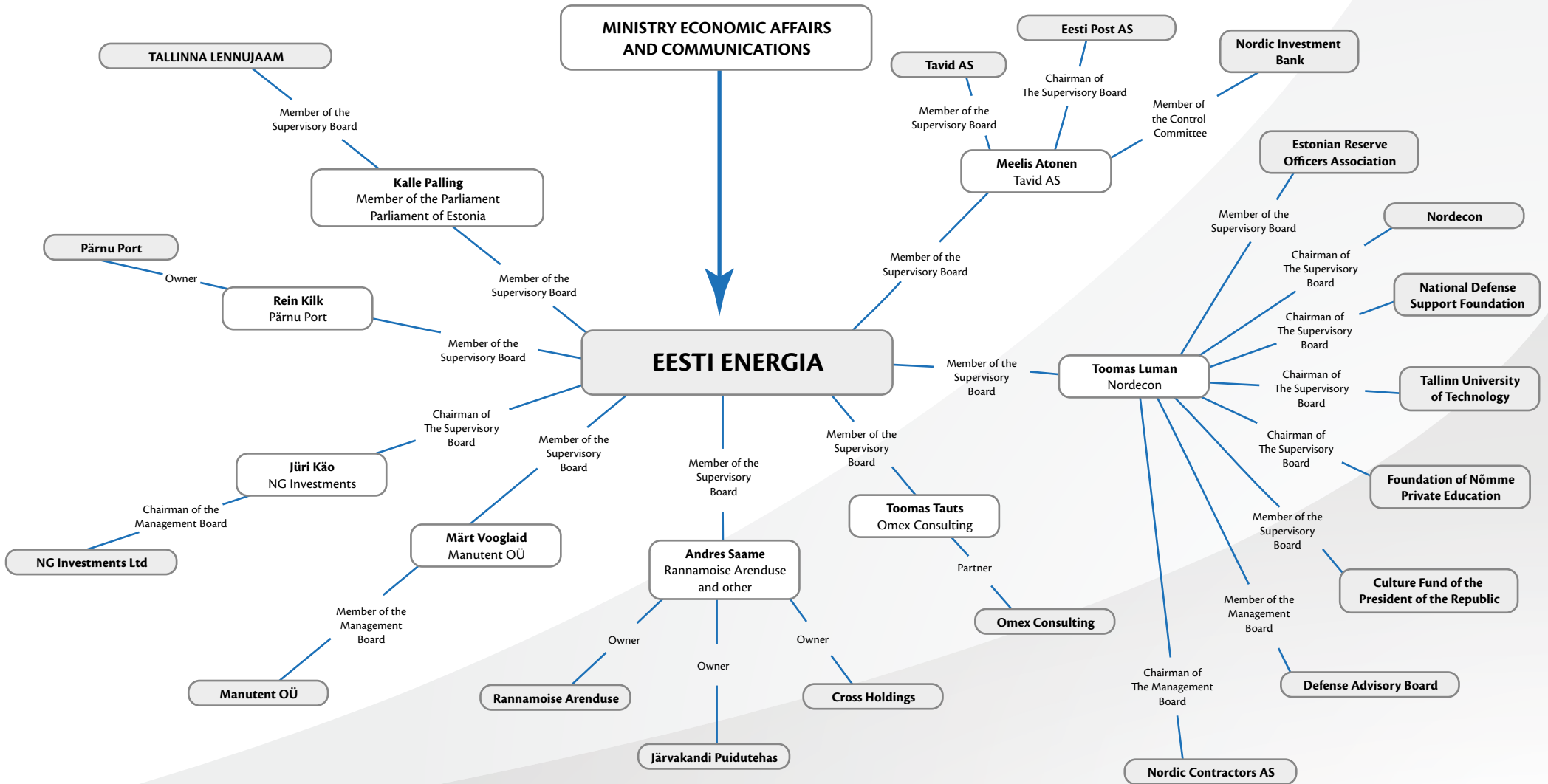
Two-tier boards comprise a supervisory board (or supervisory council) composed entirely of non-executives that oversee a separate executive (or management) board that is composed entirely of executives. Two-tier boards are the norm in Estonia as they were in Latvia before being abolished for perceived inefficiencies. At present only two SOEs have supervisory boards in Latvia.

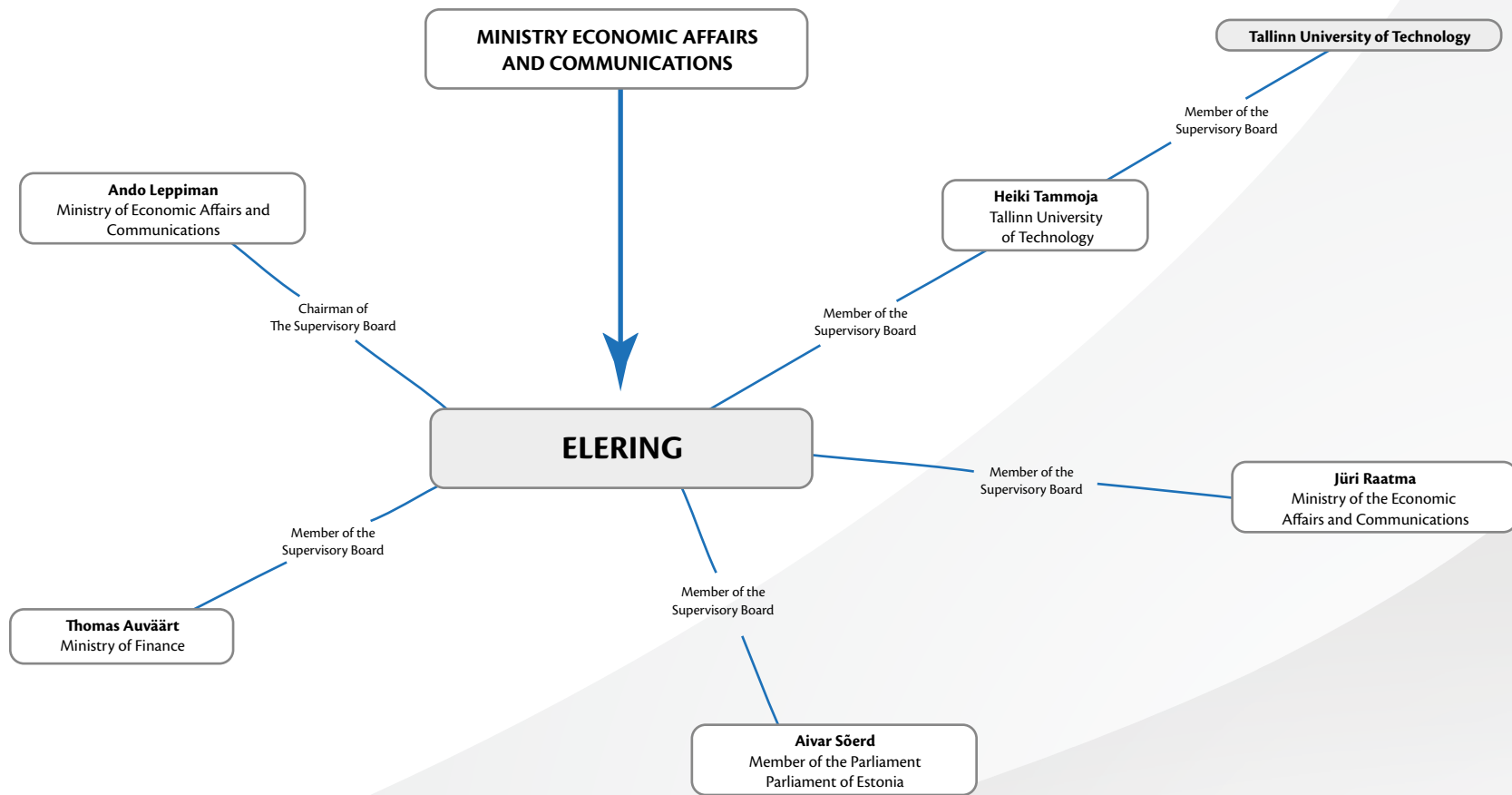
As noted in the introduction, any reference to “board” or “board of directors” in this report means the body that provides oversight over executives. This could be either a unitary board or the supervisory council of a two-tier board. It does not refer to an executive board such those of Latvenergo, Latvian State Forestry or Latvian Railways. This report takes the view that executive boards have an insurmountable conflict of interest in carrying out the oversight functions expected of a professional board (such as evaluating executive performance, preventing self-dealing, monitoring transactions with related parties, or overseeing the SOE's control environment).

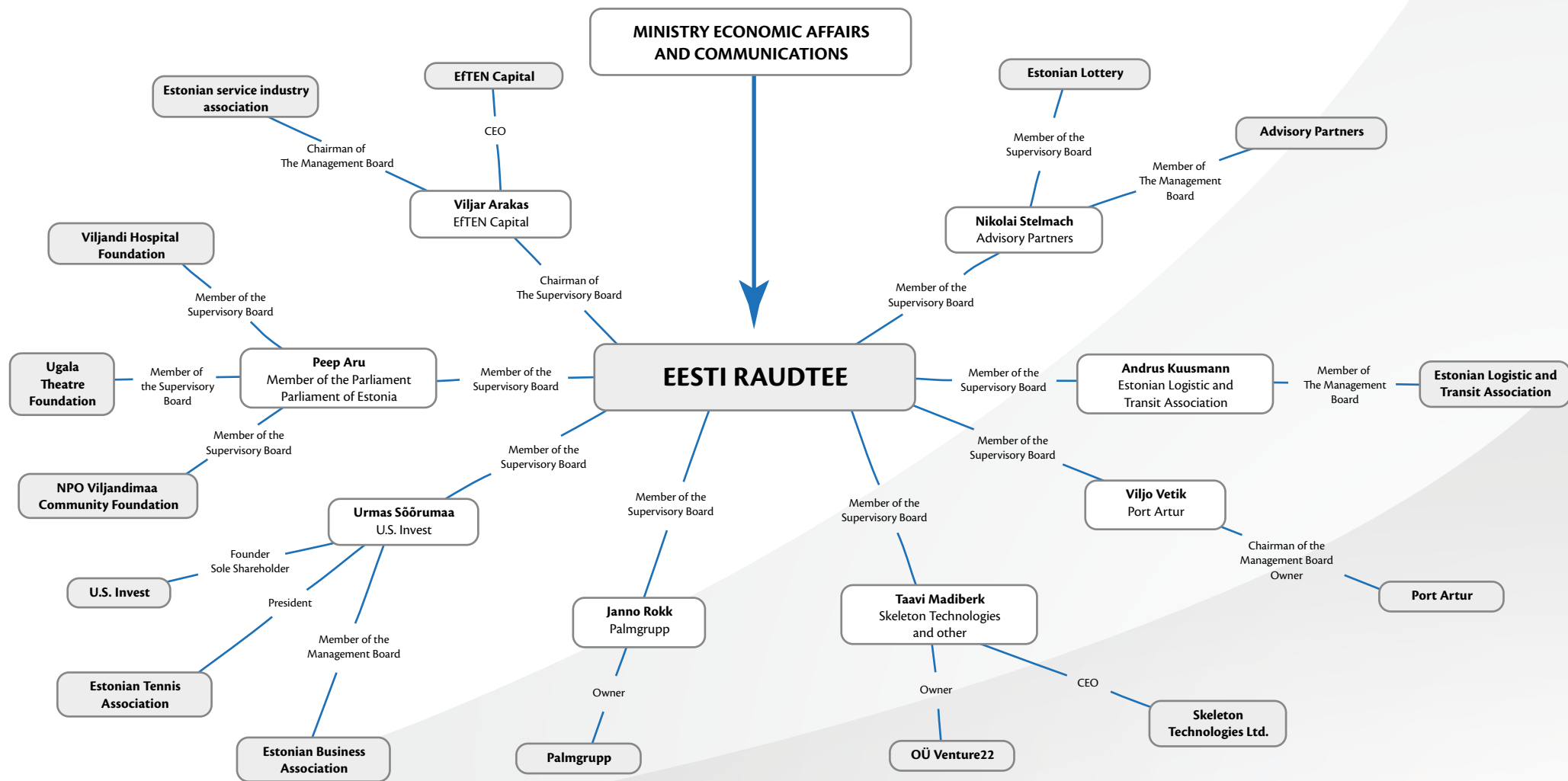
Management boards in Latvia are, of course, accountable to ministries. However, in most cases ministries suffer serious capacity constraints. Ministries usually have limited staff—sometimes only one individual—to oversee an entire portfolio of SOEs. These individuals typically have backgrounds in public administration, and lack deep commercial knowledge and experience. It is clear that ministries cannot do the same work as a professional board, which is an entire team of trained, talented and experienced individuals constituted with the express purpose of monitoring and guiding an individual SOE.

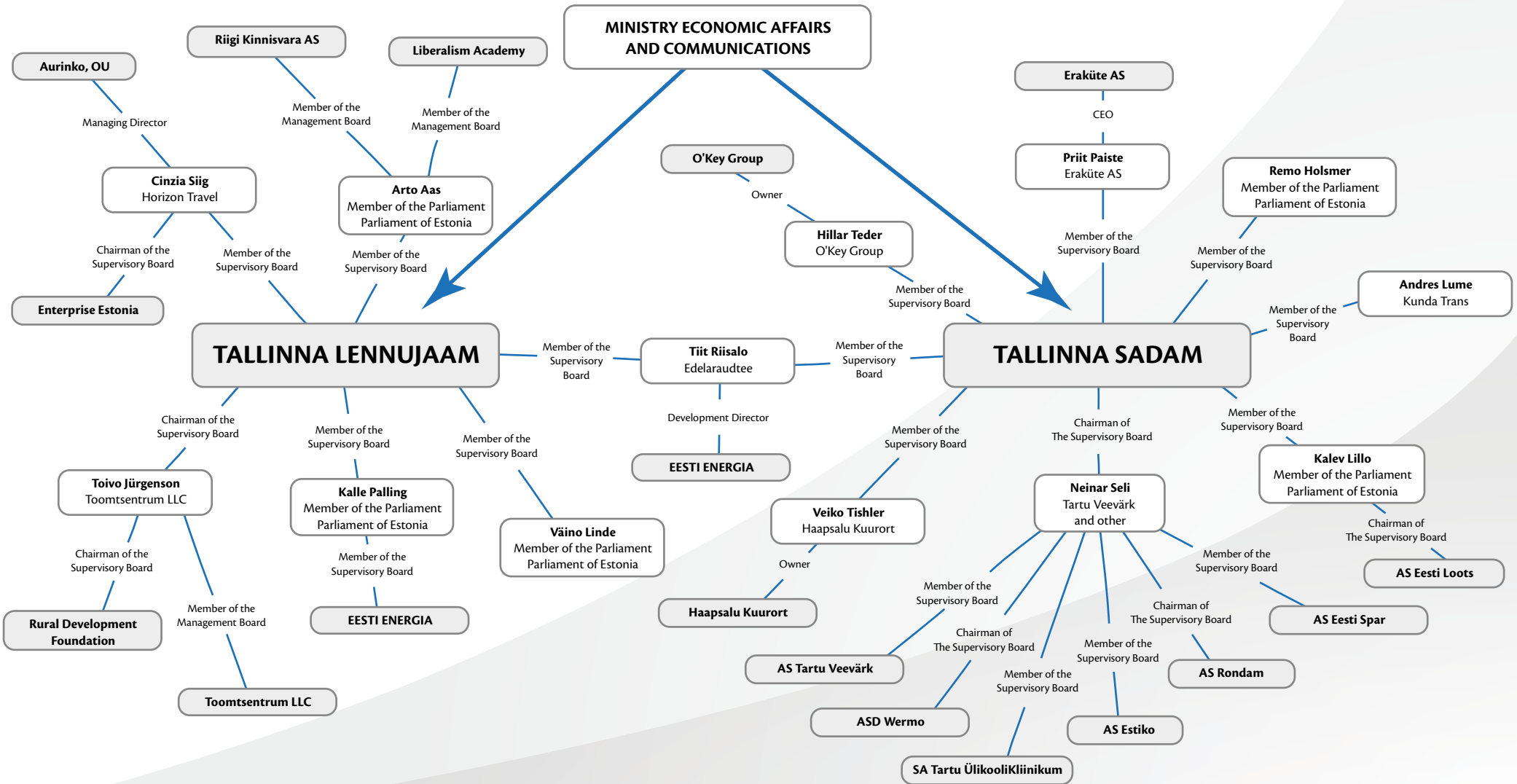
The following pages provide schematic representations of the board structures of the SOEs in the study group, followed by summary observations. Additional information on board members is provided in the appendices entitled Board Member Backgrounds that are designed to help assess their professionalism, their capacity for independent thought and objective judgment, and the extent to which there are any potential conflicts of interest.

A. Estonia: Board Structures and Composition

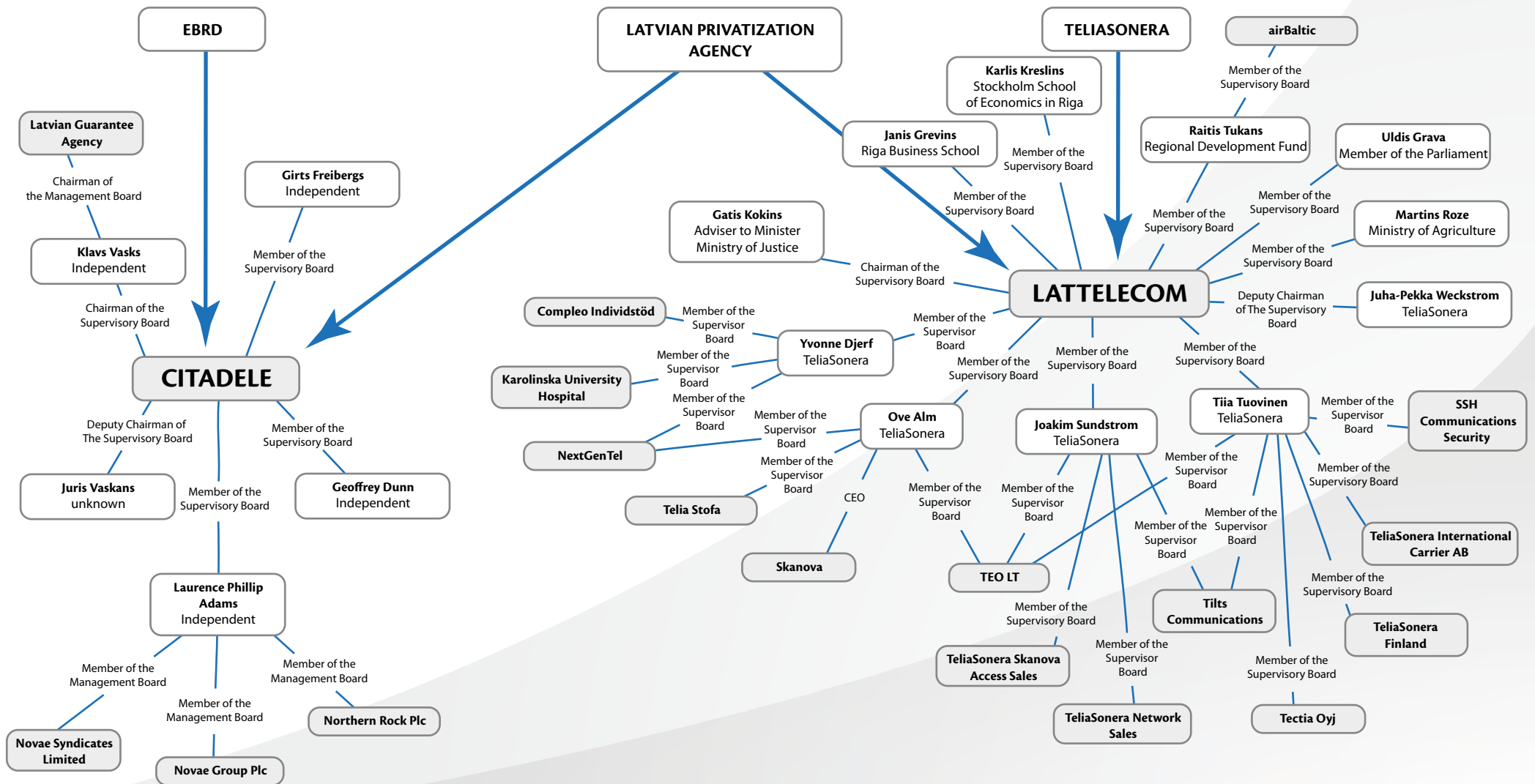


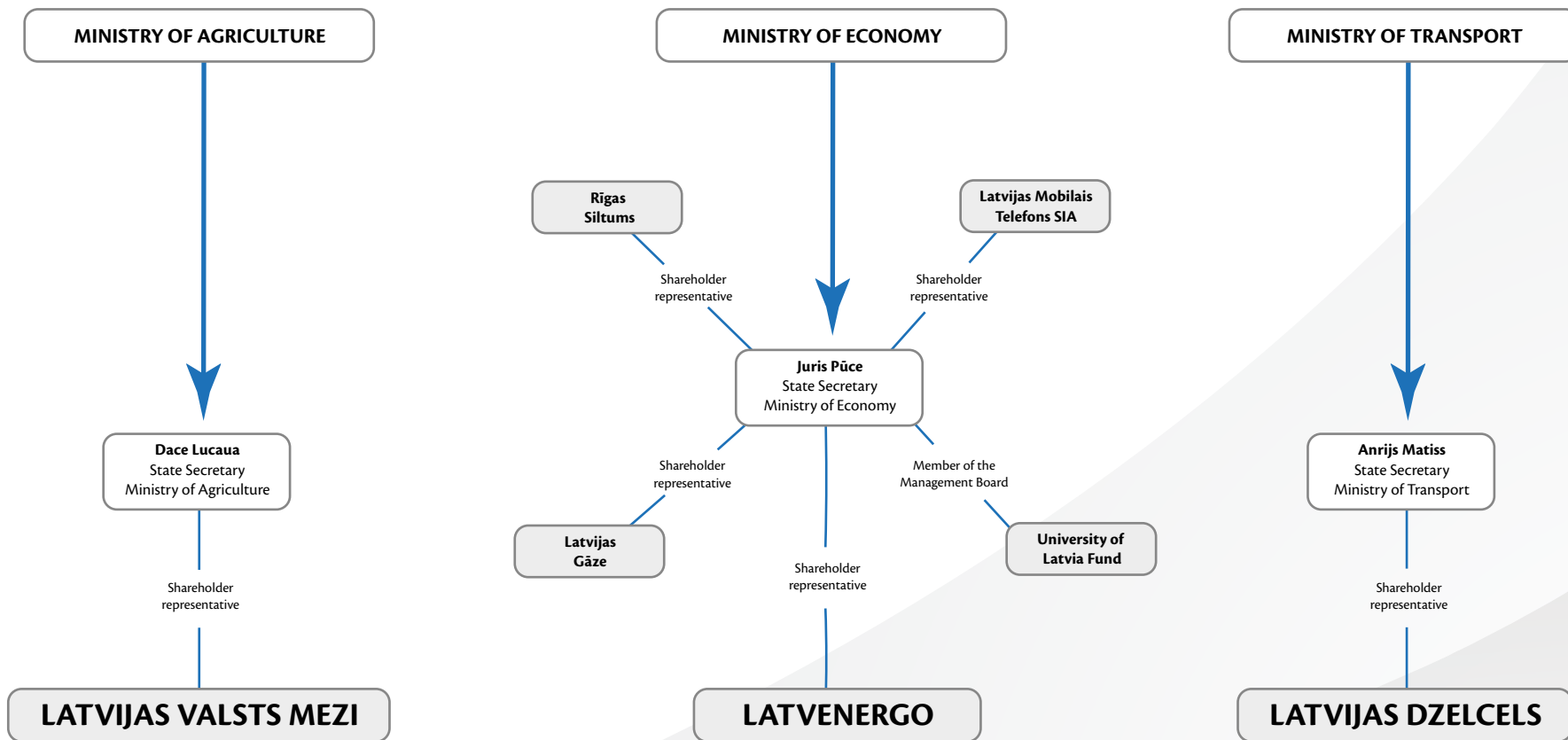




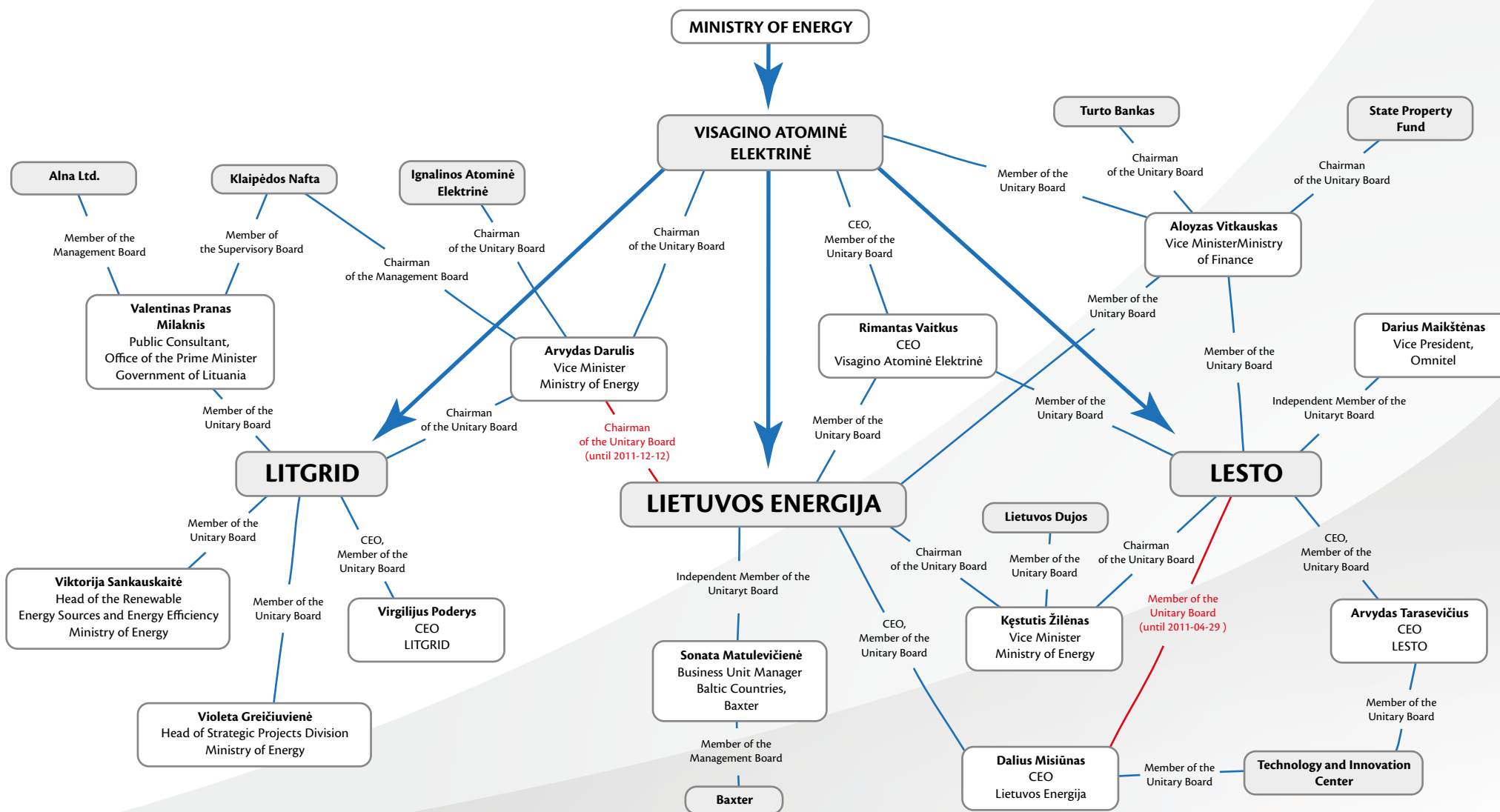


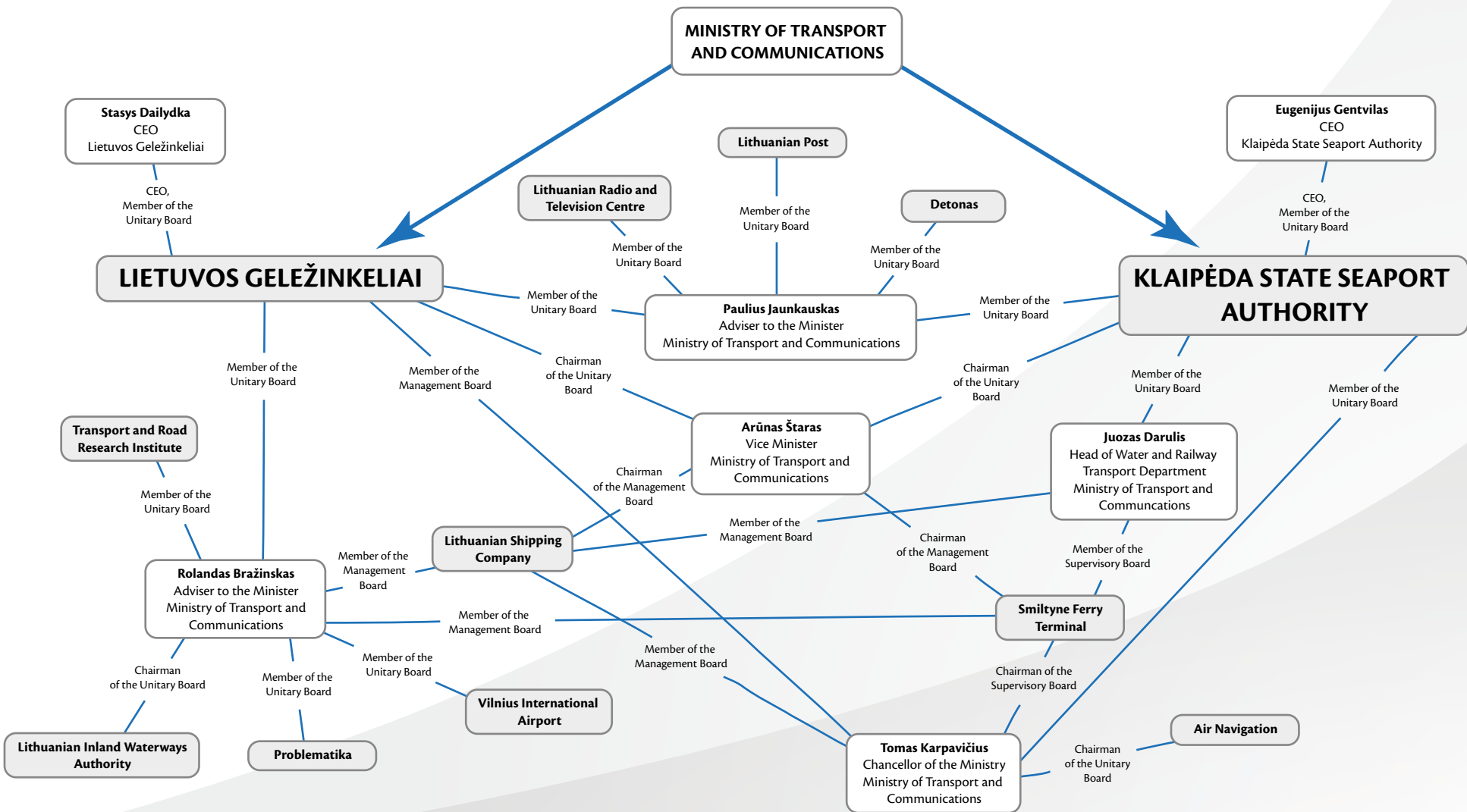
B. Latvia: Board Structures and Composition





C. Lithuania: Board Structures and Composition





D. Summary Observations

What follows are summary observations regarding board structures and board composition in the SOEs under review:

- **The mix of insiders versus outsiders is correct in Estonia, often skewed in Lithuania, and non-existent in Latvia (with notable exceptions).**

In Lithuania some boards are heavily skewed towards insiders. This is the case among the SOEs under the Ministry of Energy that usually have one outsider board member who is a civil servant. Such structures would appear to give considerable authority to executives. Conscious of the need to balance executive authority and introduce a greater outsider perspective, the Ministry of Energy introduced independent board members into each of the electricity SOEs in 2011 with more independent board members planned in future.

In contrast, SOEs under the Ministry of Transport have boards that consist principally of ministry officials plus the CEO. This implies a much more direct involvement of the state in the SOEs decision making. Either approach (strongly insider dominated versus strongly outsider dominated) could represent a poor balance of powers.

In Latvia, SOE boards, with the exceptions of Citadele and Lattelecom, are all management boards staffed fully by insiders. Latvian boards do not function as structures for monitoring and holding the SOE and SOE executives to account. The structure that holds the SOE to account is the oversight ministry itself. As described below, the capacity of ministries to exercise professional oversight is generally severely constrained.

Since all Estonian SOEs have supervisory boards, management is by definition held accountable to outsiders. The presence of fully-staffed supervisory and management boards generally appears to provide a correct division of roles and appropriate checks and balance.

- **Many boards are fiefdoms of ministries or political parties.**

This is true in Estonia where board members frequently have close links to political parties. Many have backgrounds in politics and have held positions in city and state administrations in addition to having their own private business interests. Many have been significant donors to political parties.

Political backgrounds and connections can, of course, be a positive asset for the SOE. In some cases, political experience can provide contacts and knowledge of the intricacies of the state sector. Sometimes ministers simply favor people who they feel they can trust. However, an excessive number of board members with political backgrounds usually comes at the expense of other needed skills. In Estonia, the large number of political board members, the extent of their political links, and the complex web of personal and political interests all suggest that there is considerable potential for traffic of influence.

Another problem that has emerged in Estonia is with respect to parliamentarians who sit on SOE boards. Clear conflicts arise between the duty of loyalty of parliamentarians to their country and their duty of loyalty to the SOE. For example, in Estonia, Kalle Palling, a parliamentarian and member of the supervisory board of Eesti Energia voted in favor of a law that was against the interest of the SOE. Such conflicts pose an irresolvable dilemma that supports the elimination of parliamentarian board members.

Political links are also visible in Lithuania, most obviously among board members of the SOEs under the Ministry of Transport and Communications. Political backgrounds are less pronounced among board members under the Ministry of Energy. These board members appear to be principally technocrats.

Even though SOE boards were abolished in Latvia to curtail political influence, such influence can persist. It is thought, for example, that political parties continue to be influential in ministries and management in nominations of SOE executives.

Irrespective of the country, political appointments can give the impression that board members and executives are selected based upon patronage and contacts and not professional skills. The proportion of political representatives needs to be reduced in favor of independent outsiders.

- **Civil servant board members are stretched beyond what can be reasonably expected of them. They cannot substitute for a duly constituted board.**

Civil servants are on the boards of SOEs in both Estonia and Lithuania. Civil servants board members are not a problem as such. However, when the only outsider on a board is a civil servant, or when all outside board members are civil servants, the practice is problematic. In some cases, such civil servants can have significant powers that lead to excessive control over decision making. This can lead to the SOE becoming an extension of a ministry and make the state effectively responsible for operating the SOE. In other cases, it is possible for the balance of power to strongly favor management. In this case SOEs operate with insufficient oversight. In reality, both excessive and insufficient control can exist simultaneously.

Capacity is the major concern. Civil servant board members typically have many oversight responsibilities and it is difficult for them to properly fulfill the function of a modern and professional board. For example, in Lithuania civil servants are typically responsible for chairing boards and overseeing a large number of enterprises. These responsibilities are always in addition to regular ministerial duties. Thus, the burdens that usually fall upon the shoulders of a full board in a best practice country are carried by one person. Even though civil servants are not board members in Latvia, the capacity problem is similar.

- **In some cases, boards could potentially be used to control groups of SOEs that should operate as independent entities.**

EU directives require the unbundling of certain industries and services such as electricity production, transmission and retail distribution of electricity. This is intended to favor competition and benefit consumers. Unbundling results in separate legal entities and should, in principle, be accompanied by an unbundling of electricity company boards. In each of the countries, board appointments allow the same board members to sit on related SOE boards, thus potentially undermining the purpose of such unbundling.

The situation is best illustrated in Lithuania where the electricity production, transmission and retail distribution SOEs are all owned by Visagino Atomine Elektrine (VAE) a special project company established to build a nuclear power plant. Rimantas Vaitkus is the CEO of VAE and simultaneously a member of the boards of Lietuvos Energija and LESTO. In addition, Arvydas Daruolis, Vice Minister of Energy is simultaneously the chairman of four boards in related SOEs. Aloyzas Vitkauskas is Vice Minister of Finance and member of the board of VAE, LESTO and Lietuvos Energija, as well as chairman of the management board of Turto Bankas, and the State Property Fund. The close links between VAE and the other electricity companies is also underscored by the fact that all three share the same audit committee.

- **Key board skills are missing. In each country, board composition requires thoughtful examination and reform in order to achieve best practice.**

Each of the countries has boards that appear to be missing certain key skills. SOE boards have different requirements depending upon the industry and their current needs. On a general level, the skills that appear to be most lacking on Baltic boards are in the area of finance and accounting, and risk management. In addition, given that governance reform should be a priority, individuals with deeper knowledge of governance practices and experience in companies that pursue best practice would also be helpful. In countries where the boards are composed principally of technocrats, additional commercial skills, possibly from sectors other than the one that the SOE is involved in, can be useful.

- **There are insufficient independent board members and insufficient independent oversight.**

Independent board members fulfill a special function in SOEs. The purpose of an independent board is to make sure that board members and executives are not influenced by personal interests. They are there specifically to help the SOE run honestly and efficiently. They are also considered of fundamental importance in overseeing financial reporting and controls and other areas where management could have significant conflicts of interest. Increasing board independence is arguably the single most visible goal of governance reforms in developed markets over the past decades.

The SOEs that have independent board members are: Eesti Energia, Elering and Port of Tallinn in Estonia, Citadele and Lattelecom in Latvia, and the three energy SOEs in Lithuania. Citadelle's supervisory board stands out for being composed entirely of independent board members. In Lithuania the first independent board members were introduced last year into the energy companies with positive results. But, throughout the region, the number of independent board members remains limited. Introducing a larger number is expected to produce a profound effect on SOE governance.

Insufficient information is available to assess the independence of board members. The vast majority of SOEs do not clearly disclose what board members they consider to be independent, nor do they disclose the criteria upon which they base their assessment.

- **Oversight of the control environment needs to be strengthened, in particular, the independence of oversight.**

One of the key responsibilities of boards is to oversee the control environment. The control environment provides a variety of assurances to the state, such as the reliability of information, compliance with law, compliance with governance systems, prevention of excessive managerial discretion or fraud, and so on. A best-practice board typically relies on an internal auditor to provide assurances regarding the internal controls and governance processes, and on the external auditor with regards to financial reporting. This oversight function cannot be delegated to executives since they would in effect be exercising oversight over themselves. Ideally, oversight should be under the auspices of an audit committee composed of independent members of the board.

Such independent audit committees are rare. In the SOEs reviewed, the oversight of the control environment is, with few exceptions, delegated to management. Where audit committees do exist, they are not independent or are missing necessary skills or are improperly constituted. An illustration comes from Lithuania, where all three of the energy companies share the same audit committee constituted under the board of the parent VAE. Such structures are far from best practice. Eesti Energia, on the other hand, implements international best practice, with both its internal and external audit functions reporting to a duly constituted audit committee composed wholly of outsiders.

- **Disclosure of information on board members is insufficient to judge their qualifications, or to form a view on potential for conflicts of interest. In general, boards have no formal policies on conflicts of interest or related party transaction policies. Nor do they have structures to oversee real or potential conflicts of interest.**

In each of the countries surveyed, there is an obligation for board members to submit personal information to company registers and/or the state. However, such information is difficult to find and when it is available, it is often insufficient to form a view on qualifications or conflicts of interest. As mentioned above, there are some exceptions. Some SOEs have consciously pursued world-class disclosure. But the great preponderance of SOEs throughout the region does not.

Even where information on board members and executives is available, SOE policies on related party transactions and conflicts of interest are either not formalized or weakly enforced. An example relates to Märt Vooglaid (currently a member of the supervisory board of Eesti Energia). Concerns were raised regarding potential conflicts of interest in 2011 when Tallinn Port (where he was a member of the supervisory board) was supposed to buy a piece of land that belonged to Mr. Vooglaid. It appears that board policies and structures that should normally regulate such conflicts were not in place, thus requiring ministerial intervention.

Such conflicts of interest among board members are not uncommon. They require focused attention in order to root out self-dealing and the danger of major political scandals. At a minimum, SOEs in each of the countries must disclose up-to-date information on their websites that include full CVs, and political and party affiliations of all board members and top executives. Such disclosure must be accompanied by the disclosure of the SOE's ethics/governance codes, its policy on related parties and conflicts of interest, and descriptions of the structures that are used to enforce such policies.

- **Board sizes are generally correct in all of the countries.**

Empirical evidence on international companies is inconclusive about optimal board sizes. However, an appropriate range from between 5 and up to 12 individuals can be taken as a thumb rule. The proper size appears to be dependent upon the industry and the stage of development of the enterprise.

Among the SOEs surveyed, board sizes ranged from 4 to 11 with the average board size being 6. Estonian boards tend to be slightly larger and Lithuanian boards slightly smaller. Ultimately, the question of proper board size must balance the need for sufficient human resources and skills to do the work of a professional board against having a group size that is wieldy and allows for efficient dialogue and decision making. In almost all cases boards are sufficiently small to allow for the addition of new members to provide the skills and independence that are identified as lacking above.

- **No self-evaluations by boards have been done in the Baltic region.**

The first step to improving board quality is to compare board practices against international best practice. The second is to develop a plan to close the gaps. Such assessments are also used to identifying the skills and experience needed on the board before beginning a targeted search process. None of the SOEs surveyed reported a formal process of self-evaluation against best practice. Citadele was discussing the matter at the time of writing.

V. The Legal and Institutional Framework for SOE Governance

This chapter of the report compares each country's legal and institutional framework for SOE governance to a key international benchmark. The benchmark that is used is the OECD Guidelines for the Governance of State-owned Enterprises, which represents the current international consensus on what constitutes good SOE governance⁵. This benchmark is divided into 6 principles that are the foundational pillars of good SOE governance. They are:

- I. Ensuring an Effective Legal and Regulatory Framework for SOEs
- II. The State Acting as an Owner
- III. Equitable Treatment of Shareholders
- IV. Relations with Stakeholders
- V. Transparency and Disclosure
- VI. The Responsibilities of the Boards of State-Owned Enterprises

The importance of the legal and institutional framework arises from that fact that the quality of SOE governance is directly related to the quality of the framework. Countries that have strong and well-enforced SOE governance frameworks tend to have better governed SOEs. This also suggests that any assessment of individual SOE governance needs to take into account the quality of the framework. Thus, the rankings in the prior chapter should be viewed in the light of the following framework rating.

At the same time, the completeness of the framework is insufficient as an indicator. The degree to which the framework is implemented in practice is arguably more important. Gaps between the framework and practice can be an indicator of weakness in the legal system. They may also be indicative of a different legal culture and different attitudes toward law. So, in addition to the comparison of the local frameworks to a benchmark, this chapter illustrates the degree to which the existing framework is implemented in practice. A lack of implementation of the legal framework for SOE governance can be considered an additional governance risk.

The remainder of this chapter provides: 1) a Summary Comparison of Countries; 2) a Country Ranking; 3) an Item by Item Comparison of Countries to the OECD Benchmark; and 4) a description of Current National Reform Efforts. Attention is called to a detailed comparison of the governance framework for SOEs to the OECD Guidelines that appears in a separate publication on the BICG web site⁶.

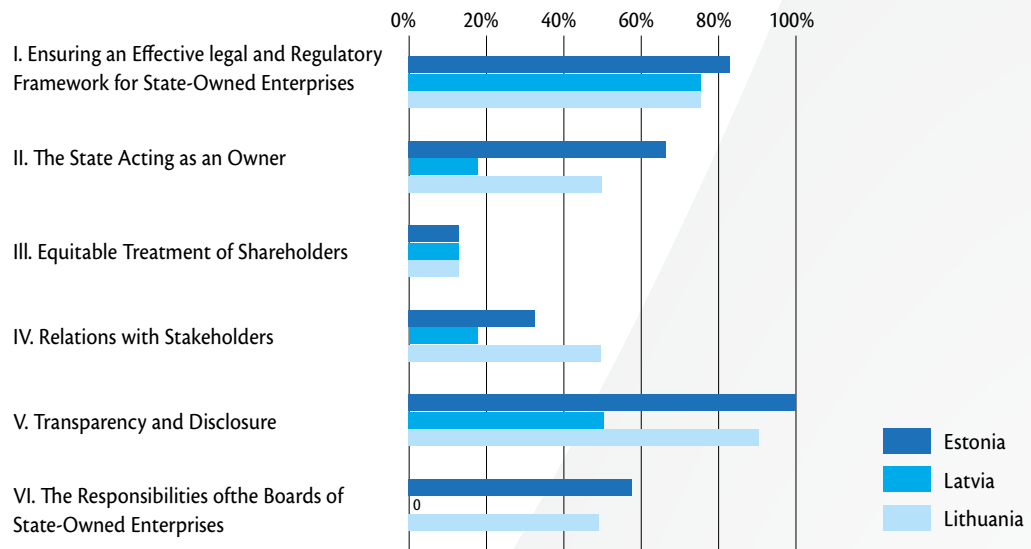
⁵ See http://www.oecd.org/document/33/0,3746,en_2649_34847_34046561_1_1_1_1,00.html

⁶ This highly detailed comparison was the basis of the analysis in this report. It can be found on the BICG website at: <http://www.corporategovernance.lt/en/2-about-us.html>. It follows a similar structure to the World Bank's Reports on Observance of Standards and Codes (ROSC) and is principally of interest to those who are assessing and reforming SOE governance frameworks.

A. Comparison of Countries

The chart below summarizes the degree to which best practice as described in the OECD Guidelines is reflected in the local legal and institutional framework. It allows for comparison between countries.

Degree to which the Local Framework Reflects the OECD Benchmark



The following observations can be made:

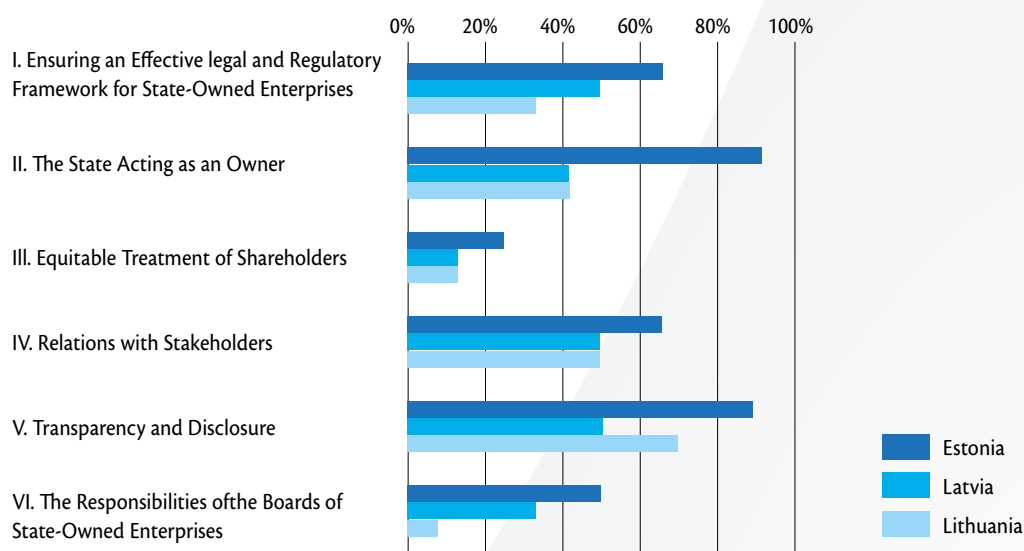
- The principles related to Transparency and Disclosure as well as Ensuring an Effective Legal and Regulatory Framework are the strongest in all three countries.** Differences between the countries are not significant, with the exception of lower levels in Transparency and Disclosure in Latvia. The reason for this relatively good performance may be a common history of efforts to develop legal and regulatory regimes that adhere to EU practice. In the area of Transparency and Disclosure, the widespread use of IFRS for financial reporting and ISA for audit may be having a harmonizing and positive influence on transparency requirements. The biggest gap with best practice is in the area of internal audit. In Latvia and Lithuania the internal audit function generally suffers from the lack of a direct reporting relationship to independent members of the board or to an independent audit committee.
- There are significant differences between countries with respect to the state's ownership practices, i.e. the State Acting as an Owner.** The OECD benchmark is best reflected in Estonia, then in Lithuania and followed at a distance by Latvia. In all cases the state's ownership practices are below 70% of the benchmark and could stand to improve. One of the principal gaps in each of the countries is the absence of a unified ownership policy for SOEs that defines the overall objectives of state ownership, the role of the state in governance and the manner in which the state will implement its ownership policy.

An explanation for the gaps with the benchmark may be a result of the difficulty in defining a clear SOE governance model for the Baltic countries to emulate; internationally, no single model has been identified as best. This being said, certain characteristics such as the separation of shareholder oversight from policy oversight, and the shielding of SOEs from political interference are considered key features of professional ownership. Such features are not strongly present in the ownership practices in the region.

- In the remaining areas there are large gaps with the benchmark.** The principle of Equitable Treatment of Shareholders may be underdeveloped because mixed ownership of SOEs is comparatively rare in the region. Relations with Stakeholders are not a priority in the region and are thus poorly reflected in the framework. The area of the Responsibilities of the Boards of SOEs is underdeveloped as confirmed in prior parts of this report. This is a major concern given that boards are widely considered to be the key tool of SOE governance.

The above section examines the legal and regulatory framework. Even where the framework corresponds well with the OECD benchmark, it is not necessarily implemented in a uniform manner. The chart below illustrates the degree to which the extant framework is put into practice. An inability to turn the framework into reality sheds doubt upon the effectiveness of the law and on the country's legal institutions.

Degree of Implementation of the Local Framework



The following observations can be made:

- **The implementation of extant law is stronger in Estonia than in either Latvia or Lithuania in all the categories that were considered.** Estonia appears to have significantly stronger implementation of its governance framework in all areas. This may have resulted from improvements made to the framework during preparation for accession to the OECD. In a comparison of Latvia with Lithuania, the implementation of items under the State Acting as an Owner, Relations with Stakeholders and Equitable treatment of Shareholders are roughly equivalent.

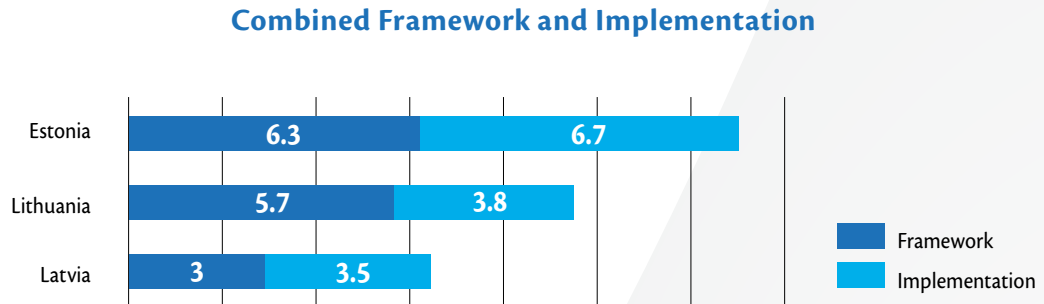
The implementation of Transparency and Disclosure is also comparatively strong. It is stronger in Lithuania than in Latvia. This may be a result of recent government attention in Lithuania to the issue of SOE transparency and SOE governance in general. Greater commitment to improved SOE governance is emerging in Latvia as well, but it appears to be at earlier stages.

- **The weakest area of implementation was in the Equitable Treatment of Shareholders.** Anecdotal evidence suggests that shareholder rights have been challenged or even mishandled in each of the countries. Since outside shareholders and mixed ownership are precisely one of the best means of improving SOE governance, this finding suggests that a key focus of legal reforms might be to strengthen the treatment of outside shareholders. The issue will become more important if governments decide to broaden the shareholder base of SOEs.

An apparent anomaly is that Latvia appears stronger than Lithuania in the implementation of the framework in the area of Responsibilities of the Boards of SOEs. The explanation is that while the Latvian framework is in clear need of improvement to make it correspond to the benchmark, the existing framework does appear to be implemented. The framework for boards in Lithuania appears closer to the benchmark, but suffers in its implementation in practice.

B. Country Ranking: Combined Framework and Implementation

The following chart summarizes the information presented above. It shows the degree to which the OECD benchmark is reflected in the local framework in addition to the degree to which it is implemented in order to arrive at a single indicator and ranking.



The chart thus provides broad-brush indications regarding where governments could focus their reform efforts. Based upon this combined rating, Estonia would appear to provide a legal and institutional environment that corresponds more closely to best practice. On an aggregate basis, Lithuania's framework is not that different, however, the implementation of extant law may yield significant returns. In Latvia, practice may actually exceed the demands of the local framework. This may suggest that the framework requires attention. Each of the countries could benefit from a tightening of their frameworks and greater implementation.

C. Item by Item Comparison of Countries to the OECD Benchmark

This section presents compliance with the same six principles discussed above in greater detail. Each of the principles is broken into its sub-components as found in the OECD benchmark. Each country is then evaluated compared to the sub-component. As above, the symbols in the following table indicate: 1) the extent to which the OECD benchmark is reflected in the local framework; and 2) the extent to which the local framework is implemented in practice. Thus the symbol ●/● means that the OECD benchmark is fully reflected in the local framework and that the local framework is only partially implemented in practice. Further, ●/● would mean that the OECD benchmark is not reflected in the local framework and that the local framework is partially implemented in practice.

I. Ensuring an Effective Legal and Regulatory Framework for State-Owned Enterprises			
OECD Benchmark	EE	LV	LT
A. There should be a clear separation between the state's ownership function and other state functions that may influence the conditions for state-owned enterprises, particularly with regard to market regulation.	●/●	●/●	●/●
B. Governments should strive to simplify and streamline the operational practices and the legal form under which SOEs operate. Their legal form should allow creditors to press their claims and to initiate insolvency procedures.	●/●	●/●	●/●
C. Any obligations and responsibilities that an SOE is required to undertake in terms of public services beyond the generally accepted norm should be clearly mandated by laws or regulations. Such obligations and responsibilities should also be disclosed to the general public and related costs should be covered in a transparent manner.	●/●	●/●	●/●
D. SOEs should not be exempt from the application of general laws and regulations. Stakeholders, including competitors, should have access to efficient redress and an even-handed ruling when they consider that their rights have been violated.	●/●	●/●	●/●
E. The legal and regulatory framework should allow sufficient flexibility for adjustments in the capital structure of SOEs when this is necessary for achieving company objectives.	●/●	●/●	●/●
F. SOEs should face competitive conditions regarding access to finance. Their relations with state-owned banks, state-owned financial institutions and other state-owned companies should be based on purely commercial grounds.	●/●	●/●	●/●

II. The State Acting as an Owner			
OECD Benchmark	EE	LV	LT
A. The government should develop and issue an ownership policy that defines the overall objectives of state ownership, the state's role in the corporate governance of SOEs, and how it will implement its ownership policy.	●/●	●/●	●/●
B. 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.	●/●	●/●	●/●
C. The state should let SOE boards exercise their responsibilities and respect their independence.	●/●	NA	●/●
D. The exercise of ownership rights should be clearly identified within the state administration. This may be facilitated by setting up a co-coordinating entity or, more appropriately, by the centralization of the ownership function.	●/●	●/●	●/●
E. The co-coordinating or ownership entity should be held accountable to representative bodies such as the Parliament and have clearly defined relationships with relevant public bodies, including the state supreme audit institutions.	●/●	●/●	●/●
F. The state as an active owner should exercise its ownership rights according to the legal structure of each company.	●/●	●/●	●/●

III. Equitable Treatment of Shareholders			
OECD Benchmark	EE	LV	LT
A. The co-coordinating or ownership entity and SOEs should ensure that all shareholders are treated equitably.	●/●	●/●	●/●
B. SOEs should observe a high degree of transparency towards all shareholders.	●/●	●/●	●/●
C. SOEs should develop an active policy of communication and consultation with all shareholders.	●/●	●/●	●/●
D. The participation of minority shareholders in shareholder meetings should be facilitated in order to allow them to take part in fundamental corporate decisions such as board election.	●/●	●/●	●/●

IV. Relations with Stakeholders			
OECD Benchmark	EE	LV	LT
A. Governments, the co-coordinating or ownership entity and SOEs themselves should recognize and respect stakeholders' rights established by law or through mutual agreements, and refer to the OECD Principles of Corporate Governance in this regard.	●/●	●/●	●/●
B. Listed or large SOEs, as well as SOEs pursuing important public policy objectives, should report on stakeholder relations.	●/●	●/●	●/●
C. The board of SOEs should be required to develop, implement and communicate compliance programs for internal codes of ethics. These codes of ethics should be based on country norms, in conformity with international commitments and apply to the company and its subsidiaries.	●/●	●/●	●/●

V. Transparency and Disclosure			
OECD Benchmark	EE	LV	LT
A. The co-coordinating or ownership entity should develop consistent and aggregate reporting on state-owned enterprises and publish annually an aggregate report on SOEs.	●/●	●/●	●/●
B. SOEs should develop efficient internal audit procedures and establish an internal audit function that is monitored by and reports directly to the board and to the audit committee or the equivalent company organ.	●/●	●/●	●/●
C. SOEs, especially large ones, should be subject to an annual independent external audit based on international standards. The existence of specific state control procedures does not substitute for an independent external audit.	●/●	●/●	●/●
D. SOEs should be subject to the same high quality accounting and auditing standards as listed companies. Large or listed SOEs should disclose financial and non-financial information according to high quality internationally recognized standards.	●/●	●/●	●/●
E. SOEs should disclose material information on all matters described in the OECD Principles of Corporate Governance and in addition focus on areas of significant concern for the state as an owner and the general public.	●/●	●/●	●/●

VI. The Responsibilities of the Boards of State-Owned Enterprises

OECD Benchmark	EE	LV	LT
A. The boards of SOEs should be assigned a clear mandate and ultimate responsibility for the company's performance. The board should be fully accountable to the owners, act in the best interest of the company and treat all shareholders equitably.	●/●	●/●	●/●
B. SOE boards should carry out their functions of monitoring of management and strategic guidance, subject to the objectives set by the government and the ownership entity. They should have the power to appoint and remove the CEO.	●/●	●/●	●/●
C. The boards of SOEs should be composed so that they can exercise objective and independent judgment. Good practice calls for the Chair to be separate from the CEO.	●/●	●/●	●/●
D. If employee representation on the board is mandated, mechanisms should be developed to guarantee that this representation is exercised effectively and contributes to the enhancement of the board skills, information and independence.	NA	NA	NA
E. When necessary, SOE boards should set up specialized committees to support the full board in performing its functions, particularly in respect to audit, risk management and remuneration.	●/●	●/●	●/●
F. SOE boards should carry out an annual evaluation to appraise their performance.	●/●	●/●	●/●

The above tables are useful in highlighting specific areas in which countries could focus their framework reform efforts. While the circumstances are different in each country, the following general observations apply to all:

- **In the area of The State Acting as an Owner** attention needs to be paid to the development of an ownership policy that defines the overall objectives of state ownership, the state's role in the governance of SOEs, and how the state intends to implement its ownership policy. Better coordination of SOE policy should be a goal, possibly in the form of the establishment of a centralized ownership entity that provides SOE oversight from a shareholder and a good governance perspective. A transparent, formal and effective nominations process aimed at getting the most professional board members should be an explicit goal throughout the region.
- **In the area of Relations with Stakeholders**, a clear gap in the framework in all countries is with respect to the development, enforcement and communication of internal codes of ethics. These codes of ethics should be based on country norms, in conformity with international commitments and apply to the SOE and its subsidiaries.
- **In the area of Transparency and Disclosure**, the framework should require efficient internal audit procedures and an internal audit function. Both should be monitored by and report directly to independent members of the board and to the audit committee. It bears underscoring that such reporting relationships cannot be exclusively to SOE management or to an SOE management board.
- **Finally, considerable efforts are required in the area of Responsibilities of the Boards of State-Owned Enterprises.** Work needs to be done to better define the mandate of boards, proper board structures, and the independence of boards. Board structures, in particular audit committees, need to be considered. An independently staffed audit committee needs to have a direct reporting relationship with both internal and external auditors. Finally, there are major gaps with respect to the conduct of board evaluations. Without such evaluations, there is no possibility of identifying weaknesses in board practices or developing considered board improvement plans.

D. Current National Reform Efforts

The prior sections of this chapter take a historical perspective on the SOE governance framework in each of the countries. It describes the past and the present. This last section of the chapter is forward looking. It provides brief summaries of the states' plans for future reform that are based upon feedback of state bodies at the time of writing.

Estonia

In 2011, the state owned shares in 43 enterprises with total equity exceeding €2.2 billion. The oversight of SOEs in Estonia is dispersed. SOEs are under the guidance of a number of line ministries (Justice, Defense, Environment, Culture, Agriculture, Finance and Economic Affairs and Communications) with each ministry being responsible for exercising the ownership functions over its own portfolio.

As of January 1, 2012, the preponderance of SOEs (21) was under the control of the Ministry of Economic Affairs and Communications. Both line ministries and the Ministry of Finance designate representatives to SOE supervisory councils. The Ministry of Finance is also responsible for drawing up a consolidated summary report for the entire SOE portfolio and collecting the main financial indicators on a quarterly basis.

Estonia has not yet formulated an ownership policy for SOEs on the national level. Targets and long-term strategic goals for SOEs are not centrally coordinated and are set unevenly. Nor is there a centralized ownership entity,

In response, the Ministry of Economic Affairs and Communications is in the process of planning significant structural changes in the governance of SOEs. In order to improve the governance and performance of SOEs, the Ministry is considering establishing an ownership unit (the Estonian Investment Corporation) as one option to support ministries. No detailed plans or time schedule for this reform have been set.

Key goals are to enhance strategic planning and improve cost management. The founding of the ownership unit should also contribute to better SOE performance through better governance. The ownership unit's specific functions would be: 1) support the state in the development of an SOE ownership policy; 2) initiate activities to improve the efficiency of SOEs; 3) support the state in the strategic development of SOEs; and 4) initiate new projects that have a major economic impact.

The reform should result in a clearer separation between companies working under commercial objectives and companies working to achieve policy objectives. It would include the creation of separate portfolios to make SOEs more competitive and define the generation of shareholder value as the main objective. The overall goal is to make key industrial sectors more competitive and make the economy more competitive as a whole.

Latvia

In Latvia the governance of SOEs is also decentralized. In accordance with legal acts, the governance of SOEs is under the responsibility of 11 line ministries and other institutions. Latvia plans to emulate best practices in OECD countries by moving to a more centralized approach to SOE governance. Various other aspects of best practice are the subject of an ongoing political debate regarding: the dual model of SOE governance (line ministry plus a central ministry typically a ministry of finance); better implementation of corporate governance principles; the balance between policy and commercial objectives; and improved systems to measure SOE performance.

In early 2012, a research report was published concerning the need to engage "public persons" or outsiders on boards of SOEs. The main findings were incorporated in a concept paper developed by the Ministry of Economics on the principles for engaging public persons in SOE governance. These concepts were to be reviewed by the Cabinet of Ministers in April and May of 2012.

The main steps envisioned for the future are to: 1) establish a centralized governance body (ownership entity) in early 2013 to ensure the general supervision of SOEs and improve transparency regarding the use of state capital and governance practices; 2) reorganize SOEs that are performing purely administrative functions into state agencies; 3) introduce systems for measuring SOE performance (such systems are presently decentralized though a pilot project for centralized reporting is ongoing); 4) enhance transparency on state capital; 5) revise dividend and remuneration policies; and 6) re-establish supervisory boards.

Lithuania

Recent reform efforts were started with the approval of a framework document on the enhancement of the efficiency of SOEs approved by the government in December 2010. The document had four major goals to help make SOE more efficient: 1) increase transparency of the SOE sector; 2) separate commercial and non-commercial activities; 3) set clear objectives; and 4) change the corporate governance of SOEs. Actions under each of these goals were as follows:

In order to encourage greater transparency, the government approved transparency guidelines by which all SOEs are required to comply with the transparency standards that apply to listed companies. All SOEs are to prepare and disclose annual and quarterly reports. The Ministry of Economy prepares aggregated annual and quarterly reports and discloses these publicly as well as via a website dedicated to SOE issues.

Better planning and goal setting were encouraged by the Ministry of Economy which prepared guidelines for strategic planning and asked all SOEs to prepare strategic plans according to these guidelines. The quality of strategic plans was evaluated by a special unit at the Ministry of Economy. At the time of writing, the exercise was drawing towards completion with the quality of strategic plans significantly improved.

Separating SOEs with commercial activities from non-commercial activities with policy objectives was also a major goal. The Ministry of Economy has estimated the amount of non-commercial activities. Now SOEs are able to separate their commercial and non-commercial results. The Ministry is still working on a management system for non-commercial activities. The goal of this system is to create a framework for control and disclosure of non-commercial activities.

Corporate governance of SOEs was enhanced by preparing ownership guidelines which are to be approved at approximately the time of publication of this report by government decree. The key items in the guidelines are: 1) the establishment of a centralized SOE governance coordination unit that will be responsible for improving SOE governance through coordination and through the implementation of good corporate governance standards; 2) changing board member nomination procedures in the biggest SOEs. Currently board members are nominated by a line minister. The guidelines provide for a nominations committee that consists of the ministers of economy, and finance and a line minister; 3) changing board composition, with some SOEs being required to have at least 1/3rd independent board members.

The main challenge to implementing these changes is generating consensus and commitment, and convincing decision makers of the need for SOE governance reform. Educating and convincing key decision makers has proven time consuming and difficult.

VI. Appendices

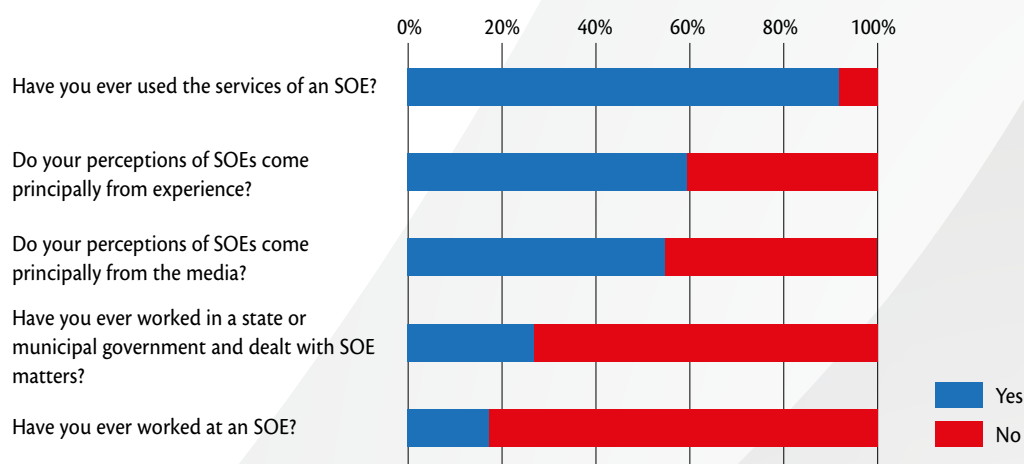
A. Methodology for the Public Perceptions Survey

A questionnaire was designed to elicit perceptions on the performance of the state in governing SOEs and the governance practices of SOEs themselves. The main part of the survey was composed of 20 statements. The first 10 were about the state's governance practices regarding SOEs and another 10 about governance practices within SOEs. There were also 2 open questions for each section. Respondents had to rate statements on a scale from 1 to 5, equivalent to a Likert scale (1 – strongly agree to 5 – strongly disagree). When analyzing the results, ratings of 1-2 (strongly agree and agree) and 4-5 (disagree and strongly disagree) were combined. The questionnaire was conducted in early 2012 on the Internet using Pollmill⁷.

The focus group of the survey was locally-based individuals who have some experience with SOEs, their services and governance. There is a clear sampling bias built into the survey. Most respondents have some connection to BICG, have some familiarity with BICG and its goals, and could thus be understood to be better informed regarding corporate governance issues than the average population. The extent to which their perceptions reflect those of the population as a whole is uncertain.

The chart below shows basic information on respondents' backgrounds. More than 90% have used the services of an SOE and almost 60% provided responses based upon personal experience. 28% of respondents have actually worked in a state or municipal government dealing with SOEs, and 18% have worked directly in an SOE.

Background of the respondents



A total of 160 responses were received. The calculated margin of error for the three countries was: Estonia 24%, Latvia 15%, and Lithuania 11%. The statistical margin of error was calculated based upon the full adult population of each individual country.

B. Public Perceptions of Individual SOEs

Estonia	Times mentioned in public perceptions survey as well-governed	Times mentioned in public perceptions survey as poorly governed
Eesti Energia	8	0
Port of Tallinn	1	0
Elering	1	0
Estonian Lottery	1	0
Estonian Post	0	1

⁷ <http://pollmill.com/>

Latvia	Times mentioned in public perceptions survey as well-governed	Times mentioned in public perceptions survey as poorly governed
Lattelecom	11	0
LVM	10	2
Latvenergo	8	5
LMT	4	1
LDz	4	4
CSDD	2	2
Citadele	1	0
Hipoteku & Zemes Banka	0	2
Riga Airport	0	2
Latvian Post	0	3
Rigas Satiksme	0	4
AirBaltic	1	9

Lithuania	Times mentioned in public perceptions survey as well-governed	Times mentioned in public perceptions survey as poorly governed
Klaipėdos nafta	11	0
Klaipėda State Seaport Authority	10	0
Lithuanian post	10	4
Lithuanian airports	8	0
LESTO	8	3
Lietuvos dujos	4	1
Vilniaus autobusai	3	1
Centre of registers	2	0
Visaginas nuclear powerplant group	2	1
Regitra	2	1
Litgrid	2	2
Lietuvos jūrų laivininkystė	0	1
LRTC	0	2
LSTA	0	2
Vilniaus vandenys	0	4
Lietuvos energija	1	5
Ignalina nuclear powerplant	1	5
State forestry enterprises	0	8
Lithuanian Railways	9	11

C. Methodology for the SOE Ranking

The five largest SOEs in terms of total assets were selected from each country. This yielded a group of SOEs that is concentrated in the electricity and transport sectors. Some SOEs are more “commercial” in their operations and others less so. For example, Citadele bank competes both nationally and internationally in a competitive (albeit highly regulated) sector. On the other hand, Litgrid and Elering are electricity transmission system operators which are traditionally considered natural monopolies. Despite these differences, the basic governance structures can be compared and analyzed based on a set of common indicators.

A total of 78 indicators were used to analyze the SOEs. To the extent possible, indicators were used that have a link to risk and performance as demonstrated in empirical studies. These were supplemented with others that are broadly accepted to impact risk and performance. Finally, the OECD Guidelines for the Governance of State-owned Enterprises provided the theoretical underpinnings of the ranking. The 78 indicators that were ultimately chosen are expected to provide a good correlation with risk and performance.

Though this report provides a numerical rating of SOEs, it focuses on ranking. Ratings can give a false impression of accuracy. In reality, ratings vary considerably due to measurement problems and subjectivity. As a result preference was given to ranking of SOEs and the subsequent grouping of SOEs into broad categories. Identifying broad categories of performance, in this case, governance leaders, the middle of the road and the governance risks is more reflective of the statistical relevance of the data and also translates more easily into responses or reform strategies. Even though there is subjectivity in all ratings and rankings, the use of a ranking allows the general categorization of SOEs with an acceptable degree of certainty.

Data were collected from a number of different sources, including: 1) publicly available information such as annual reports, press releases, and the media; 2) questionnaires that were sent directly to the SOE; 3) public sector officials; 4) SOE executives and board members; and 5) outside experts and so on. Every attempt was made to achieve a balanced and objective view on the SOE. All individuals who provided feedback were promised complete and absolute confidentiality and anonymity.

While the willingness to contribute to the project was generally excellent, the feedback was not as complete as desired in all cases. Some SOEs and individuals refused to provide any information. This reflected negatively on the SOE's evaluation in two ways. First, the absence of feedback made it impossible for the SOE to win any positive points towards its ranking. Second, stonewalling or an unwillingness to provide information was deemed to show a lack of commitment to transparency, a lack of interest in governance issues, and an absence of a culture of public accountability. Penalizing SOEs for not providing information is rational from an investor's perspective since the absence of information presents “information risk”. Even if the underlying governance practices are good in reality, the fact that they cannot be demonstrated to be good creates risk.

D. Methodology for the Board Analysis

The information gathered for this report was based principally on publicly available information. In most cases, it came from annual reports. This was supplemented by information on the Internet and from company registers. Despite a concerted effort to be as complete and accurate as possible, some gaps in the data exist and it is likely that portions of the information are out of date.

One of the conclusions that can be drawn from the data collection exercise is that access to quality information on board members needs to improve. No public data bases on board members are maintained, and only limited information is available. Nor is information provided in a structured manner that would, for example, allow an assessment of the independence of board members. Better and more complete information is needed in order to assess the quality and independence of board members.

Whether or not a board member can be classified as independent can be a matter of judgment. In the following pages and educated guess was made regarding independence. There is, at times, margin for interpretation, and some board members fall into a gray zone. Overall, a narrow definition of independence was applied with respect to parliamentarians, members of political parties, political donors and individuals with strong links to the state or the government. Such board members may possess some independence of mind in fact; however, the basic assumption is that strong political and government links pose a significant potential conflict among board members of SOEs. At the very least, such individuals are not considered the optimal choice when seeking to enhance SOE board independence.

E. Estonia: Board Member Backgrounds

EESTI ENERGIA

Jüri Kää	Chairman Supervisory Board
Educational background	Leningrad Institute of Transportation (1983 – 1988) (degree not specified).
Professional experience	<ul style="list-style-type: none"> • Eesti Raudtee, Member of the Council (2001 – 2007). • NG Investments Ltd., Chairman of the Board (1997 – present). • Eesti Energia, Chairman of the Board (1997 – 2002). • Norma, Director of Development, Director and Chairman of the Board (1988 - 1999). • NG Capital, Chairman of the Board (dates unknown). • Tallinna Kaubamaja AS, Chairman of the Board (dates unknown). • A-Selver AS, Chairman of the Board (dates unknown). • ABC King AS, Chairman of the Board (dates unknown). • KIA Auto AS, Chairman of the Board (dates unknown). • Kitman AS C, Chairman of the Board (dates unknown). • Liviko AS, member of the Council (dates unknown). • Balbiino AS, member of the Council (dates unknown). • Ülemiste Autokeskus OÜ, member of the Council (dates unknown). • Roseni Majad OÜ, member of the Board (dates unknown). • Roseni Kinnisvara OÜ, member of the Board (dates unknown). • Estonian Employers' Confederation, Vice-Chairman of the Board (dates unknown). • Estonian Chamber of Commerce, Vice-Chairman of the Board (dates unknown). • Estonian Business Association, Board Member (dates unknown).
Political or party affiliations	Information not available.
Independent	No.

Meelis Atonen	Member Supervisory Board
Educational background	Estonian Institute of Humanities (1991 – 1992) (degree not specified), Tallinn Pedagogical University (1989 – 1992) (degree not specified), University of Tartu (1985 – 1988) (degree not specified). Does not have higher education.
Professional experience	<ul style="list-style-type: none"> • Tavid AS, Member of Supervisory Board (2007 – present). • Minister of Economic Affairs and Communications (2003 – 2004). • Parliament of the Republic of Estonia, Member of the Parliament (1999 – 2008). • Valga City Council, Member of the Council (1996 – 2003). • Mayor of Valga (1994 – 1996). • Eesti Post AS, Chairman of the Council (dates unknown). • Nordic Investment Bank, Member of Control Committee (dates unknown). • Valga Hospital AS, Chairman of the Council (dates unknown). • Viljandi Metsakombinaadi, (position not specified) (1988 – 1992). • Dominuses AS, (position not specified) (dates unknown).
Political or party affiliations	Was a member of the Reform Party. Mayor of Valga, Member of the Estonian Parliament and Minister of Economic Affairs and Communications.
Independent	No.

Rein Kilk	Member Supervisory Board
Educational background	Information not available.
Professional experience	<ul style="list-style-type: none"> • Pärnu Port, owner (dates unknown).
Political or party affiliations	Information not available.
Independent	Yes.

Toomas Luman	Member Supervisory Board
Educational background	Tallinn University of Technology (1977 – 1982).
Professional experience	<ul style="list-style-type: none"> • Defense Advisory Board, Member of the Board (2008 – present). • Estonian Reserve Officers Association, Member of the Council (2007 – present). • Honorary Consul of New Zealand (2005 – present). • National Defense Support Foundation, Chairman of the Council (2004 – present). • Tallinn University of Technology, Chairman of The Advisory Board (2004 – present). • Nordecon, Chairman of the Council (2002 – present) • Foundation of Nõmme Private Education, Chairman of the Council (2001 – present). • Culture Fund of the President of the Republic, Member of the Council (2000 – present). • Eesti Põlevkivi, Member of the Council (Chairman since 2005) (1999 – unknown). • Head of the Delegation of the EU Accession Negotiations (1999 – 2003). • Estonian Privatization Agency, Member of the Board (1999 – 2001). • Nordecon, Chairman of the Board (1996 – 2006). • Tallinn Stock Exchange, Member of the Listing Committee (1997 – 2002). • Tallinna Kaubamaja, Chairman of the Council (1997 – 2000). • Energy Council, Member (1997 – 2000). • Nordic Contractors AS, Chairman of the Board (1996 - present). • Estonian Chamber of Commerce and Industry, Vice President (President since 1995) (1994 – present). • Tallinna Kaubamaja, Chairman of the Board (1994 – 1997). • Estonian Association of International Companies, Chairman of the Board (1992 – 1995). • Estonian Association of Construction Entrepreneurs, Member of the Board (dates unknown). • Eesti Ehitus, Managing Director (1989 – 1996). • EKE MRK, Managing Director (1986 – 1989). • Eesti Taara, Vice Managing Director (1983 – 1986).
Political or party affiliations	Major donor to the Reform Party.
Independent	No.

Kalle Palling		Member Supervisory Board
Educational background	Türi College, University of Tartu (2003 – 2009) (degree not specified).	
Professional experience	<ul style="list-style-type: none"> • Eesti Energia, Member of the Supervisory Board (2009 – present). • Parliament of the Republic of Estonia, Member of Parliament (2007 – present). • Tallinna Lennujaam, Member of the Supervisory Board (unknown - present). • Estonian Reform Party Youth, Secretary General (2006 – 2007). • Piperon, Sales representative (2004 – 2005). • Tallinna Lennujaam, Member of the Supervisory Board (dates unknown). 	
Political or party affiliations	Member of the Reform Party	
Independent	No.	

Andres Saame		Member Supervisory Board
Educational background	Information not available.	
Professional experience	<ul style="list-style-type: none"> • LHV Ventures, Member of the Advisory Board (dates unknown). • Hansabank, founder (1991). • Rocca al Mare school, one of the owners (dates unknown). • Rannamoise Arenduse, owner (dates unknown). • Järvakandi Puidutehas, owner (dates unknown). • Cross Holdings, owner (dates unknown). 	
Political or party affiliations	Information not available.	
Independent	Yes.	

Toomas Tauts		Member Supervisory Board
Educational background	Information not available.	
Professional experience	<ul style="list-style-type: none"> • Omex Consulting, Partner (dates unknown). • Tallinn City Council (dates unknown). 	
Political or party affiliations	Was a member of the Res Publica party and a member of Tallinn City Council.	
Independent	No.	

Märt Vooglaid		Member Supervisory Board
Educational background	Information not available.	
Professional experience	<ul style="list-style-type: none"> • Tallinna Sadam, Member of the Supervisory Board (unknown - 2008). • Manutent OÜ, Member of Management Board (dates unknown). • Kalev (position not specified) (dates unknown). • Rakvere Lihakombinaat (position not specified) (dates unknown). 	
Political or party affiliations	Chairman of Viimsi region of Estonian Reform Party	
Independent	No.	

ESTONIAN RAILWAYS

Viljar Arakas	Chairman Supervisory Board
Educational background	Estonian Business School (2004 – 2008) (MSc Business Administration), Estonian Business School (1999 – 2003) (IntBBA).
Professional experience	<ul style="list-style-type: none"> • Estonian service industry association, Chairman of the Board (2011 – present). • EFTEN Capital, CEO (2008 – present) • Tallinna Lennujaam AS, Member of the Board (2007 – 2011). • Arco Vara AS, CEO (2002 – 2008). • Haagisekeskus OÜ, Founder, Member of the Board (2000 – 2002). • Arco Transport AS, CEO (1999 – 2002). • Arco Transport AS, sales manage (1997 – 1999).
Political or party affiliations	Reformierakond (Reform Party).
Independent	No.

Peep Aru	Member Supervisory Board
Educational background	Estonian Agricultural Academy (dates unknown) (degree in economics).
Professional experience	<ul style="list-style-type: none"> • Parliament of the Republic of Estonia, Member of Parliament (2003 – 2005; 2007 – present). • Mayor of Viljandi (1999 – 2003; 2005 – 2007). • Eesti Post AS, South-West Regional Manager (2005). • Estonian Ministry of Interior, Minister of Regional Affairs (1997 – 1999). • Tallinna Pank, Head of Viljandi Branch Office (1996 – 1997). • Viljandi Deputy Mayor (1993 – 1996). • Viljandimaa Assistant County Governor (1989 – 1993). • Viljandi Agro-Industrial Association, Deputy Chairman (1985 – 1989). • Viljandi District Committee of the Estonian Communist Party (position not specified) (1980 – 1985). • Kalju Collective Farm, Economist (1978 – 1980). • Viljandi Hospital Foundation, Member of Supervisory Board (dates unknown). • Ugala Theatre Foundation, Member of Supervisory Board (dates unknown). • NPO Viljandi Rotary Club, Member of Board (dates unknown). • NPO Viljandimaa Community Foundation, Member of Supervisory Board (dates unknown).
Political or party affiliations	Estonian Reform Party (2002 – present); Estonian Coalition Party (1995–2001).
Independent	No.

Andrus Kuusmann	Member Supervisory Board
Educational background	Lomonosov Moscow State University (1991). (degree not specified).
Professional experience	<ul style="list-style-type: none"> Estonian Logistic and Transit Association, Board Member (2001 – present).
Political or party affiliations	Information not available.
Independent	No.

Taavi Madiberk	Member Supervisory Board
Educational background	Tartu Ülikool (university of Tartu) (2005 – 2010). (B.A, Law).
Professional experience	<ul style="list-style-type: none"> OÜ Venture22, Owner (2010-present). Skeleton Technologies Ltd., CEO and Member of the Board (2009-present). MTÜ Eesti Omanike Keskliit (NGO Estonian Property Owners Central Union), Secretary General (2008-present).
Political or party affiliations	Information not available.
Independent	No.

Janno Rökk	Member Supervisory Board
Educational background	Information not available.
Professional experience	<ul style="list-style-type: none"> Palmgrupp (real estate), Owner (dates unknown).
Political or party affiliations	Information not available.
Independent	No.

Urmas Sõõrumaa	Member Supervisory Board
Educational background	Tallinna Ehitus- Mehhaanikatehnikumi (1980). (car repair services).
Professional experience	<ul style="list-style-type: none"> Julgustusteenistuse AS ESS (security services), Founder (1991). ENSV Ministry of Internal Affairs, Leading Inspector (1983 – 1991). Falck Estonia, Manager (dates unknown). ESS, Manager (dates unknown). U. S. Invest, Founder, Sole Shareholder (dates unknown). Estonian Tennis Association, President (dates unknown). Estonian Business Association, Member of the Board (dates unknown).
Political or party affiliations	Information not available.
Independent	No.

Nikolai Stelmach	
	Member Supervisory Board
Educational background	Estonian Public Service Academy (2002) (degree in administrative management).
Professional experience	<ul style="list-style-type: none"> • Advisory Partners, Member of the Management Board (2007 – present). • Estonian Lottery, Member of the Council (dates unknown). • City council of Tallinn, member of the council (dates unknown).
Political or party affiliations	Member of Pro Patria and Res Publica Union (untill 2011).
Independent	No.

Viljo Vetik	
	Member Supervisory Board
Educational background	Information not available.
Professional experience	<ul style="list-style-type: none"> • Port Artur Group, owner, Chairman of Management Board (dates unknown).
Political or party affiliations	Member of Pro Patria and Res Publica Union.
Independent	No.

ELERING

Ando Leppiman	Chairman Supervisory Board
Educational background	Tallinn University of Technology (1997 – 2007) (MSc in Thermal Engineering).
Professional experience	<ul style="list-style-type: none">• Ministry of Economic Affairs and Communications, Director of Energy Department (2011 – present).• Eesti Energia AS, Director of Renewable Energy Business Unit (2007 – 2011).• Ministry of Economic Affairs and Communications for Estonia, Head of Fuel and Energy Market division (2001 – 2007).
Political or party affiliations	Information not available.
Independent	No.

Thomas Auväart	Member Supervisory Board
Educational background	Information not available.
Professional experience	<ul style="list-style-type: none">• Ministry of Finance, Head of the Financial Markets Department (dates unknown).
Political or party affiliations	Information not available.
Independent	No.

Jüri Raatma	Member Supervisory Board
Educational background	Information not available.
Professional experience	<ul style="list-style-type: none">• Ministry of the Economic Affairs and Communications, Counselor to the Minister (currently holds) (dates unknown).• Eesti Telekom, Member of the Supervisory Council (dates unknown).
Political or party affiliations	Member of Pro Patria and Res Publica Union (IRL). Advisor to Minister of Economy.
Independent	No.

Aivar Sõerd		Member Supervisory Board	
Educational background	University of Tartu (1990) (degree in finance and credit)		
Professional experience	<ul style="list-style-type: none"> • Parliament of the Republic of Estonia, Member of Parliament (2011 – present). • TLG Hotell OÜ, Member of Board (2007 – 2011). • Ministry of Finance of the Republic of Estonia, Minister of Finance (2005 – 2007). • Vaba Maa AS, Chairman of Board (2004 – 2005). • Tax Board, Deputy Director General (Director General from 1999) (1996 – 2003). • Viimsi Rural Municipality Council, Member (dates unknown). 		
Political or party affiliations	Estonian Reform Party (2010 – present), Estonian People's Union (2005–2010).		
Independent	No.		

Heiki Tammoja		Member Supervisory Board	
Educational background	Novosibirsk Institute of Electrical Engineering (dates unknown) (PhD in Technical sciences), Tallinn University of Technology (1965 – 1970) (degree in engineering).		
Professional experience	<ul style="list-style-type: none"> • Tallinn University of Technology, Member of the Council (2008 – present). • Elering (Pohivork), Member of the Board (2007 – present). • Tallinn University of Technology, Senior Lecturer, Associate Professor, Professor (since 2005) (1985 – present). • Tallinn University of Technology, assistant (1976 – 1985). • Tallinn University of Technology, Head of Laboratory (1970 – 1972). 		
Political or party affiliations	Information not available.		
Independent	Yes.		

TALLINN AIRPORT

Toivo Jürgenson		Chairman Supervisory Board
Educational background	Tallinn Technical University (1975-1980). (degree in Engineering).	
Professional experience	<ul style="list-style-type: none"> • Rural Development Foundation, Chairman of the Board (2010-present). • Tallinna Lennujaam, Chairman of the Board (2007-present). • Toomtsentrum LLC, Board Member (2003-present). • Transport and Communications Minister (1999-2002). • Pro Patria and Res Publica Union, Various positions (1995-present). • Minister of Economic Affairs (1994-1995). • Parliament of the Republic of Estonia, Member (1992-2003). • Estonian-Finnish joint venture CASS LTD., Deputy Director (1989-1992). • Planning Committee, Head Deputy (1987-1989). • "Tehnoehitus" department, engineer (1982-1987). • The Executive Committee of Tallinn, the head of construction group (1980-1982). 	
Political or party affiliations	Member of Pro Patria and Res Publica Union (1995-present). National Conservative Party of "Fatherland", co-founder and Board member (1992-1994). Estonian Christian Democratic Party, founder and board member (1988-1992).	
Independent	No.	
Arto Aas		Member Supervisory Board
Educational background	Tallinn University of Technology (2003). (Public Administration). University of Tartu (2003-present). (Master's program of Public Relations).	
Professional experience	<ul style="list-style-type: none"> • Parliament of the Republic of Estonia, Member (2011- present). • Riigi Kinnisvara AS (The Real Estate Ltd.), member of the Council (2011-present). • Tallinna Lennujaam, Member of Supervisory Board (2009-present). • Estonian Reform Party, Member of the Board (2009-present). • Tallinn English College, Board of Trustees member (2009 – 2011). • AS Eesti Loto, Council Member (2007 – 2011). • Government Office, Head of Prime Minister's Office (2007–2011). • Liberalism Academy, member of the Board (2006-present). • Estonian Environmental Research Centre, member of the Council (2005-2007). • AS Termaki Autobaas, member of the Council (2003-2005). • Tallinna Vee-ettevõtjate Järevalve Sihtasutus, member of the Council (2003-2005). • Estonian Reform Party, Campaign Director (2002–2007). • Tallinn City Government, Adviser to Assistant Mayor (2001–2002). • Tallinn City Council, adviser-assistant of faction (1999–2001). • AS Marlekor, Joinery assistance (1996-1999). • OÜ Kiili Betoon (position unknown) (1996-1999). • AS ESS Tallinn, Keeper (1996-1999). • Tallinn Kesklinn Administrative Council, Member (dates unknown). 	
Political or party affiliations	Member of Estonian Reform Party (1998-present). Member of the Parliament (2011-present).	
Independent	No.	

Väino Linde Member Supervisory Board	
Educational background	University of Tartu (1983) (degree in law).
Professional experience	<ul style="list-style-type: none"> • Parliament of the Republic of Estonia, Member (1999 – present). • HETA Law Office, Sworn Advocate (1997–1999). • Pärnu City Council, various positions (1996–2005). • Mayor of Pärnu (1995-1996). • Pärnu City Government, City Secretary (1994–1995). • Ahti Kõo Law Office, Sworn Advocate (1993–1994). • Pärnu County Public Prosecutors' Office, Prosecutor (1989–1993). • Pärnu District Public Prosecutor's Office, Assistant Prosecutor (1985–1989). • Tallinn Public Prosecutor's Office, Assistant Prosecutor (1983–1985). • Pärnu KEK (collective construction bureau), construction worker (1977–1978).
Political or party affiliations	Estonian Reform Party (1998-present); Member of the Parliament (1999-present).
Independent	No.

Kalle Palling Member Supervisory Board	
Educational background	Türi College, University of Tartu (2003 – 2009) (degree not specified).
Professional experience	<ul style="list-style-type: none"> • Eesti Energia, Member of the Supervisory Board (2009 – present). • Parliament of the Republic of Estonia, Member of Parliament (2007 – present). • Tallinna Lennujaam, Member of the Supervisory Board (unknown - present). • Estonian Reform Party Youth, Secretary General (2006 – 2007). • Piperon, Sales representative (2004 – 2005). • Tallinna Lennujaam, Member of the Supervisory Board (dates unknown).
Political or party affiliations	Member of the Reform Party
Independent	No.

Tiit Riisalo Member Supervisory Board	
Educational background	University of Tartu (1987 – 2005). (Degree not specified).
Professional experience	<ul style="list-style-type: none"> • Edelaraudtee, development director (dates unknown). • Tallinna Lennujaam, Member Supervisory Board (dates unknown). • Tallinna Sadam, Member Supervisory Board (dates unknown).
Political or party affiliations	Was a managing director of Union of Pro Patria and Res Publica.
Independent	No.

Cinzia Siig Member Supervisory Board	
Educational background	Information not available.
Professional experience	<ul style="list-style-type: none"> • Enterprise Estonia, Chairman of the Supervisory Board (2012 -present). • OU Horizon Travel (Aurinko OU), Managing Director (dates unknown). • Tallinna Lennujaam, Member of Supervisory Board (dates unknown).
Political or party affiliations	Member of Pro Patria and Res Publica party (2002 – present).
Independent	No.

PORT OF TALLINN

Neinar Seli		Chairman Supervisory Board
Educational background	University of Tartu (1987-1990). (MSc in Biology).	
Professional experience	<ul style="list-style-type: none"> • AS Tallinna Sadam, Chairman of the Board (2005-present). • AS Tartu Veevärk, member of the Council (2000 – present). • SA Tartu Ülikooli Kliinikum, member of the Council (1999 – present). • Parliament of the Republic of Estonia, Member (1999-2003). • Tartu linnavolikogu (Tartu City Council), member (1996 – present). • AS Estiko, member of the Council (1995 – present). • AS Eesti Spar, member of the Council (1995 – present). • ASD Wermo, Chairman of the Council (1995 – present). • AS Rondam, Chairman of the Council (1994 – present). • University of Tartu, various positions (1981 - 1995). 	
Political or party affiliations	Member of the Estonian Reform Party and Chairman of its Tartu region; member of Tartu linnavolikogu (Tartu City Council) (1996 – present), was a member of the Parliament (1999-2003).	
Independent	No.	
Remo Holsmer		Member Supervisory Board
Educational background	University of Tartu (2002-...). (Master's in public administration); Tallinn University of Technology (2002). (Public Administration).	
Professional experience	<ul style="list-style-type: none"> • Parliament of the Republic of Estonia, Deputy Chairman of the Reform Party Faction (2011 — present). • Chancellery of the Parliament of the Republic of Estonia, Reform Party Faction, Adviser (2009–2011). • Tallinn City Council, Member (2005–2011). • BC Kalev/Cramo, Manager (2005–2009). • State Chancellery, Adviser to the Prime Minister (2005–2008). • Tallinn Kristiine District Elder (2004–2005). • Tallinn City Government, Adviser to Assistant Mayor (2003–2004). 	
Political or party affiliations	Member of Estonian Reform Party. Currently – member of the Parliament of Estonia.	
Independent	No.	

Kalev Lillo		Member Supervisory Board
Educational background	University Of Tartu (1992). (Teacher of physics).	
Professional experience	<ul style="list-style-type: none"> • Parliament of the Republic of Estonia, Member (2011–present). • Port of Tallinn, Member of Supervisory Board (2006-present). • Chancellery of the Parliament of the Republic of Estonia, Reform Party Faction, Adviser (2006–2011). • Saue City Council, Member (2005–2009). • Estonian Reformist Party, Head of Development Division (2003-2011). • AS Eesti Loots, Chairman of the Supervisory Board (2003-present). • AS Elektriraudtee, Chairman of the Supervisory Board (2003-2004). • Enterprise Estonia, Member of the Supervisory Board (2002-present). • State Chancellery, Advisor of Minister of Regional Affairs (2001-2003). • Kaardikeskus, Chairman of the Supervisory Board (2000-2003). • Estonian Institute of Meteorology and Hydrology, Adviser to Director-General, (1999–2000). • Mayor of Jõgeva (1996–1999). • Deputy Mayor of Valga (1995–1996). • AS Via Point, store manager (1993–1995). • AS Marras, wholesales manager (1992–1993). • Tallinn Secondary School, teacher (1990–1991). • Estonian Pilot, Chairman of the Board (dates unknown). 	
Political or party affiliations	Head of Development Division of Estonian Reform Party (2003-2011). Was Advisor of Minister of Regional Affairs (2001-2003). Member of Estonian Reform Party (1998–present).	
Independent	No.	

Andres Lume		Member Supervisory Board
Educational background	Information not available.	
Professional experience	<ul style="list-style-type: none"> • Kunda Trans AS, Board member (dates unknown). 	
Political or party affiliations	Member of the political party IRL (Pro Patria and Res Publica Union).	
Independent	No.	

Priit Paiste		Member Supervisory Board
Educational background	Tallinna Tehnikaülikooli (1993). (Bachelor in Accounting).	
Professional experience	<ul style="list-style-type: none"> • AS Eraküte, General Manager (2005-present). • AS Linnasoojus, General Manager (1998 - 2005). • ISS Eesti AS, Board Member (dates unknown). • ISS Haldus OÜ, Board Member (dates unknown). • Anthus Invest OÜ, Board Member (dates unknown). 	
Political or party affiliations	Information not available.	
Independent	Yes.	

Tiit Riisalo	Member Supervisory Board
Educational background	University of Tartu (1987 – 2005). (Degree not specified).
Professional experience	<ul style="list-style-type: none"> • Edelaraudtee, development director (dates unknown). • Tallinna Lennujaam, Member Supervisory Board (dates unknown). • Tallinna Sadam, Member Supervisory Board (dates unknown).
Political or party affiliations	Was a managing director of Union of Pro Patria and Res Publica.
Independent	No.

Hillar Teder	Member Supervisory Board
Educational background	Information not available.
Professional experience	<ul style="list-style-type: none"> • O'Key Group, co-founder and owner (dates unknown). • Develops retail businesses in Ukraine.
Political or party affiliations	Information not available.
Independent	Yes.

Veiko Tishler	Member Supervisory Board
Educational background	Information not available.
Professional experience	<ul style="list-style-type: none"> • Haapsalu Kuurort, owner (dates unknown).
Political or party affiliations	Member of the political party IRL (Pro Patria and Res Publica Union).
Independent	No.

F. Latvia: Board Member Backgrounds

CITADELE

Klavs Vasks	Chairman Supervisory Council
Educational background	Riga Business School (2002 – 2008). (Degree not specified).
Professional experience	<ul style="list-style-type: none"> • Parex Bank, Member Supervisory Council (2010). • Latvian Guarantee Agency (2009 – present). • SEB Bank, Vice-president and Head of Corporate Banking (1999 – 2009).
Political or party affiliations	Information not available.
Independent	Yes.

Laurence Phillip Adams	Member Supervisory Council
Educational background	Information not available.
Professional experience	<ul style="list-style-type: none"> • Parex Banka, Member Supervisory Council (2009 – 2010) (EBRD nominee). • Novae Syndicates Limited, Non-Executive Director (2008 – present). • Novae Group Plc, Independent Non-Executive Director (2008 – present). • Northern Rock Plc, Non-executive Director (2007 – present). • Siblu Holdings Ltd., Director (2004 – present). • ABN Amro, Managing Director and Global Head of Legal & Compliance (dates unknown). • Allan & Overy, solicitor (dates unknown).
Political or party affiliations	None.
Independent	Yes.

Geoffrey Dunn	Member Supervisory Council
Educational background	Manchester Business School (1974 -1975) (BA in Business); University of Manchester (1968 – 1973) (BSc in Engineering; MSc in Computing).
Professional experience	<ul style="list-style-type: none"> • Saffron Building Society, Non-Executive Director (2011) • Northern Rock Plc, Interim CFO (2009 – 2010). • Co-operative Financial Services, Interim Director (2008) • Bank of England, Interim Finance Director (2004 – 2005). • ConsultDunn Ltd., Managing Director (2003 – present). • Xansa, Group Finance Director (1999 – 2002). • Global One, CFO (1997 – 1998). • SWIFT, CFO (1994 – 1997).
Political or party affiliations	None.
Independent	Yes.

Girts Freibergs	Member Supervisory Council
Educational background	William E. Simon Graduate School of Business Administration (2000 - 2002) (MBA), University of Latvia (1990 – 1994) (BBA).
Professional experience	<ul style="list-style-type: none"> • Creditinfo Latvija, Country Manager (2009 – 2010). • MCB Finance Latvia, Country Manager (2007 – 2009). • GE Money, Head of Sales and Marketing Department (2005 – 2007). • Hansa Leasing, Head of Leasing Department (2004 – 2005). • Hansabanka, Pension Fund Project Manager (2002 – 2004). • Citibank, Summer Intern (2001). • Riga Insurance Company (1998 – 1999). • Banka Land, CEO (1995 – 1997).
Political or party affiliations	Information not available.
Independent	Yes.

Juris Vaskans	Member Supervisory Council
Educational background	Eastern Michigan University (1999). (Degree not specified).
Professional experience	<ul style="list-style-type: none"> • Parex Bank, Member Supervisory Council (2010).
Political or party affiliations	Member of Zaļo un zemnieku savienība (Union of Greens and Farmers).
Independent	No.

LATTELECOM

Gatis Kokins		Chairman Supervisory Council
Educational background	Rigas Ekonomikas Augstskola (Stockholm School of Economics in Riga) (2003 – 2004) (MBA), University of Latvia (1987 – 1993) (MSc in Physics).	
Professional experience	<ul style="list-style-type: none"> • Ministry of Justice of the Republic of Latvia, Adviser to Minister (2010 – 2011). • Parex Pension Fund, Member of the Supervisory Board (2009). • Mykoob SIA, Member of the Board (2009). • Parex Asset Management, Member of the Supervisory Board (2005 – 2008). • Parex Bankas, Chairman of the Supervisory Board (2004 – 2009). • d8 SIA, Member of the Board (2002 – 2009). • Parex Bank, VP Customer service and VP Corporate banking (1997 – 2009). • Swedbank, Head of Banking Technologies (1996 – 1997). • Deutsch-Lettische Bank, Vice-president of Customer service (1993 – 1996). • LU Optometrijas centrs SIA, Member of the Board (1992 – 2009). • University of Latvia, Researcher (1987 – 1993). 	
Political or party affiliations	Member of the political party Sabiedriba Citai Politikai (Society For Political Change) (2007 – 2011); adviser to the Minister in the Ministry of Justice (2010 – 2011).	
Independent	No.	

Ove Alm		Member Supervisory Council
Educational background	University of Uppsala (dates unknown) (MBA in International Business), Royal Institute of Technology (KTH) (dates unknown) (MSc in Engineering Physics).	
Professional experience	<ul style="list-style-type: none"> • Skanova, CEO (2010 – present). • TEO LT, Member of the Board (2007 – present). • TeliaSonera AB, Head of Product and Production, Broadband Services (2007 – present). • TeliaSonera AB, Head of Network and Production, Sweden (2003 – 2006). • TeliaSonera, Head of Business and Solutions, Skanova Networks (2001 – 2002). • Televerket/Telia AB, Different management positions in network development (1990 – 2001). • Televerket (1988 – 1990). • Institute of Microelectronics, Kista, Scientist in optics (1985 – 1988). • Telia Stofa A/S, Member of the Board (dates unknown). • NextGenTel Holding ASA, Member of the Board (dates unknown). 	
Political or party affiliations	None.	
Independent	No.	

Yvonne Djerf Member Supervisory Council	
Educational background	Information not available.
Professional experience	<ul style="list-style-type: none"> • Karolinska University Hospital, Member of the Board (2011 – present). • Compleo Individstöd AB, Member of the Board (2008 – present). • TeliaSonera Group, various positions (1986 – present). • NextGenTel, member of the Board (dates unknown).
Political or party affiliations	None.
Independent	No.

Uldis Grava Member Supervisory Council	
Educational background	Columbia University (1958) (BE).
Professional experience	<ul style="list-style-type: none"> • Parliament of Latvia, Member of the Parliament (dates unknown). • Liepaja City Council, Member (dates unknown). • Latvian Television, General Director (dates unknown). • Radio Free Europe, Marketing Development Director (dates unknown). • Newspapers Association of America, Vice-president and Marketing Director (dates unknown).
Political or party affiliations	Member of political party Vienotība.
Independent	No.

Janis Grevins Member Supervisory Council	
Educational background	State University of New York at Buffalo, School of Management (1995 – 2003). (Degree not specified), University of Latvia (1991 – 1994) (MSc in Economics).
Professional experience	<ul style="list-style-type: none"> • Riga Business School (2003 – present). • Lattelecom, Member of Board of Directors (2002 – 2004).
Political or party affiliations	None.
Independent	No. (Due to the length of the seated on the Board).

Karlis Kreslins Member Supervisory Council	
Educational background	Loughborough University (dates unknown) (PhD; MSc in Information Studies).
Professional experience	<ul style="list-style-type: none"> • Stockholm School of Economics in Riga, Associate professor and EMBA Programme Director (1997 – present). • National Library of Latvia, Deputy Director of Computerization (dates unknown).
Political or party affiliations	None.
Independent	Yes.

Martins Roze Member Supervisory Council	
Educational background	University of Latvia (dates unknown) (Master in Political Science), University of Latvia (dates unknown) (degree in Biology).
Professional experience	<ul style="list-style-type: none"> • Ministry of Agriculture of the Republic of Latvia, Minister of Agriculture (2002 -2009). • Ministry of Agriculture of the Republic of Latvia, various positions (1994 – 2002). • State Stende Plant - Breeding Station, Head of the Grain Technology Laboratory (1987 – 1994).
Political or party affiliations	Member of Zaļo un zemnieku savienība (Union of Greens and Farmers).
Independent	No.

Joakim Sundström Member Supervisory Council	
Educational background	University of Stockholm (dates unknown) (BBA), various management trainings.
Professional experience	<ul style="list-style-type: none"> • TeliaSonera AB, Vice President, Business Control at Business Area Broadband (2007 – present). • TEO LT, Member of the Board, Chairman of the Audit Committee (2007 – present). • TeliaSonera AB, Business Control Director (2003 – 2007). • Telia Mobile AB, Business Control Manager (2001 – 2002). • Speedy Tomato AB, Business Management Director (2000 – 2001). • Telia Overseas AB, Senior manager (1997 – 2000). • Autotank AB, Controller (1984 – 1985). • Ericsson Group, various positions (1983 – 1997). • TeliaSonera Network Sales AB, member of the Board (dates unknown). • TeliaSonera Skanova Access Sales AB, deputy member of the Board (dates unknown). • Tilts Communications A/S (Denmark), member of the Board (dates unknown).
Political or party affiliations	None.
Independent	No.

Raitis Tukans Member Supervisory Council	
Educational background	Auburn University (1999 – 2004) (BBA).
Professional experience	<ul style="list-style-type: none"> • AirBaltic, Member of the Supervisory Board (2011 – present) • Regional Development Fund, Executive Board Member (2009 – present). • Maximus Capital Management, (position not specified) (2008 – 2010). • Re&Solution / Newsec, Project Manager (2007 – 2008). • GE Money Bank, Quality Project Manager (2007). • Citadele Asset Management, Business Development Project Manager (2005 – 2007). • Morgan Stanley, Financial Advisor (2004 – 2005). • SunTrust Bank, Financial Service Advisor (2004).
Political or party affiliations	Information not available.
Independent	Yes.

Tiia Tuovinen		Member Supervisory Council
Educational background	University College London (1991 – 1992) (Master of Laws), University of Helsinki (1989 – 1996) (Master of Laws and Post-graduate studies for licentiate examination in the Competition Law and Telecom regulation).	
Professional experience	<ul style="list-style-type: none"> • SSH Communications Security Oyj, member of the Board (2010 – present). • TEO LT, Member of the Board (2009 – present). • TeliaSonera AB, General Counsel for TeliaSonera Broadband Business Area (2008 – present). • TeliaSonera AB, General Counsel for Integrated Enterprise Services Business Area (2007 – 2008). • TeliaSonera Finland Oyj, Vice President for Real Estates and Property Planning (2006 – present). • TeliaSonera Finland Oyj, General Counsel Legal and Regulatory Affairs (2003 – 2006). • Sonera Corporation, various positions in Legal Affairs (1997 – 2003). • Telecom Finland Ltd, lawyer (1993 – 1997). • Confederation of Finnish Industry and Employers, Trade Policy Counselor at the EC Unit (1988 – 1993). • TeliaSonera International Carrier AB, member of the Board (dates unknown). • Tilts Communications A/S (Denmark), member of the Board and managing director (dates unknown). • Tectia Oyj (Finland), member of the Board and chairman of the Audit Committee (dates unknown). 	
Political or party affiliations	None.	
Independent	No.	

Juha-Pekka Weckstrom		Member Supervisory Council
Educational background	Helsinki University of Technology (1990 – 1995) (MSc in Technical Physics, Industrial Economics), Stanford University Graduate School of Business (1998), Harvard Business School (2006).	
Professional experience	<ul style="list-style-type: none"> • TeliaSonera AB, Head of Strategy and Business Development, SVP (2012 – present). • TeliaSonera Finland Oyj, various positions (2002 – 2012). • Sonera Oyj, various positions (1996 – 2002). • Telecom Finland Oy, Business Controller; Market Analyst (1994 – 1996). • Credere Oy, Software Developer (1993 – 1994). • Eesti Telekom, Member of the Supervisory Council (dates unknown). • TeliaSonera Finland Oyj Pension Fund, Chairman of the Board (dates unknown). • PALTA, Member of the Board (dates unknown). • Porasto, Member of the Board (dates unknown). • ESY, Member of the Board (dates unknown). 	
Political or party affiliations	None.	
Independent	No.	

LATVENERGO

Management Board

Aris Žīgurs	Chairman Management Board, CEO
Educational background	MBA, PhD in Engineering in the energy sector (University and dates not specified)
Professional experience	<ul style="list-style-type: none">• Rigas Siltums, CEO and Chairman of the Management Board (1995-2010).
Political or party affiliations	None.
Independent	No.

Uldis Bariss	Member Management Board
Educational background	University of Latvia (dates unknown) (Master in Economics), Stockholm School of Economics in Riga (dates unknown) (MBA).
Professional experience	<ul style="list-style-type: none">• Latvenergo Kaubandus OU, Member of the Supervisory Board (2010 – present).• Latvenergo Prekyba UAB, Member of the Supervisory Board (2010 – present).• Lattelecom, various positions (dates unknown).
Political or party affiliations	None.
Independent	No.

Zane Kotāne	Member Management Board
Educational background	Stockholm School of Economics in Riga (dates unknown) (Bachelor in Economics and Business).
Professional experience	<ul style="list-style-type: none">• AirBaltic, Head of the Unit for Business Analysis and Reporting (2010-unknown).• Investment group of Holland, Britain, Switzerland and Norway (2005 – 2010).• Ernst&Young, Project manager at the Risk Management Department (2003 – 2005).
Political or party affiliations	None.
Independent	No.

Māris Kuņickis	Member Management Board
Educational background	University of Latvia (dates unknown) (MSc), Riga Technical University (Bachelor in Engineering).
Professional experience	<ul style="list-style-type: none"> • Latvian Association of Power Engineers and Energy Constructors, Member of the Board (2011 – present). • Riga Municipality Agency Rigas gaisma (dates unknown).
Political or party affiliations	Information not available.
Independent	No.

Arnis Kurgs	Member Management Board
Educational background	University of Latvia (dates unknown) (degree in law).
Professional experience	<ul style="list-style-type: none"> • Latvenergo Kaubandus OU, Member of the Supervisory Board (2010 – present). • Latvenergo Prekyba UAB, Member of the Supervisory Board (2010 – present). • Sadales tikls AS, Member of the Management Board (2006 – present) • Augstsprieguma tikls AS, Member of the Management Board (2003 – present).
Political or party affiliations	None.
Independent	No.

LATVIAN RAILWAYS

Management Board

Ugis Magonis	Chairman Management Board, CEO
Educational background	Leningrad Higher Marine College (dates unknown) (degree not specified).
Professional experience	<ul style="list-style-type: none">• SJS Latvijas dzelzceļš, Chairman of Supervisory Board (2003 – 2005).• AirBaltic, Member of the Supervisory Board (dates unknown).• JSC Latvijas Mobilais telefons, Chairman of the Supervisory Board (dates unknown).• Ministry of Transport of the Republic of Latvia, Adviser to the Minister (dates unknown).• Latvian Shipping Company Member of the Supervisory Board (dates unknown).• Riga Commercial Port Member of the Supervisory Board (dates unknown).• Latvian Privatization Agency Member of the Supervisory Board (dates unknown).• National Association of Shipbrokers and Agents of Latvia, Vice-President (dates unknown).• Railway Transport Council, Member of the Council (dates unknown).
Political or party affiliations	First Party of Latvia (LPP).
Independent	No.

Edvins Berziņš	Member Management Board
Educational background	Police Academy of Latvia (dates unknown) (Master in Laws), Riga Technical University (dates unknown) (MBA).
Professional experience	<ul style="list-style-type: none">• Police Academy of Latvia, Head of International Relations Department (dates unknown).• Latvian Shipping Company, Head of Legal Department and Member of the Board (dates unknown).
Political or party affiliations	Information not available.
Independent	No.

Aivars Strakšas	Member Management Board
Educational background	Latvian University of Agriculture (dates unknown) (Master's degree in Economics).
Professional experience	<ul style="list-style-type: none"> • Ministry of Agriculture of the Republic of Latvia, Adviser to the Minister (dates unknown). • JSC Hipotēku un zemes banka, Member of the Supervisory Board (dates unknown). • JSC Latvijas Pasts, Member of the Supervisory Board (dates unknown). • Lotteries and Gambling Supervision Inspection, Chairman of the Supervisory Board (dates unknown). • Ministry of Finance of the Republic of Latvia, Adviser to the Minister (dates unknown).
Political or party affiliations	The People's Party.
Independent	No.

Eriks Šmuksts	Member Management Board
Educational background	Daugavpils Railway Transport Technical School (dates unknown) (degree not specified), Leningrad Institute of Railway Transport Engineers (dates unknown) (degree not specified).
Professional experience	<ul style="list-style-type: none"> • LDz Cargo, Chairman of the Board (2007 - 2008). • Baltic Railway, various positions (dates unknown).
Political or party affiliations	Information not available.
Independent	No.

LATVIAN STATE FORESTRY

Management Board

Roberts Stripnieks	Chairman Management Board, CEO
Educational background	Information not available.
Professional experience	Information not available.
Political or party affiliations	Information not available.
Independent	No.

Gints Bumbieris	Member Management Board
Educational background	Information not available.
Professional experience	Information not available.
Political or party affiliations	Information not available.
Independent	No.

Arnis Melnis	Member Management Board
Educational background	Information not available.
Professional experience	Information not available.
Political or party affiliations	Information not available.
Independent	No.

Edvins Zakovics	Member Management Board
Educational background	Information not available.
Professional experience	Information not available.
Political or party affiliations	Information not available.
Independent	No.

G. Lithuania: Board Member Backgrounds

KLAIPEDA STATE SEAPORT AUTHORITY

Arūnas Štaras		Chairman Unitary Board
Educational background	Moscow M. Lomonosov University (1974 – 1977) (degree not specified), Vilnius University (1969 – 1974) (degree in Mathematics)	
Professional experience	<ul style="list-style-type: none"> Lietuvos geležinkeliai, Chairman of the Unitary Board (2010 – present). Klaipėda State Seaport Authority, Chairman of the Unitary Board (2009 – present). Ministry of Transport and Communications of the Republic of Lithuania, Vice-minister (2008 – present). Vilnius City Council, Member (2007 – 2011; 2000). Eika Ltd., Deputy of the General Manager (2002 – 2007). Government of the Republic of Lithuania, Deputy Chancellor (2000 – 2001). Tukana, Turto Bankas, Šiaulių Bankas (1993 – 2000). Mayor of Vilnius (1991 – 1993). Vilnius University, Lecturer (1977 – 2000). Lithuanian Shipping Company, Chairman of the Board (dates unknown). Smiltyne Ferry Terminal, Plc., Chairman of the Board (dates unknown). 	
Political or party affiliations	Member of the party Liberal Movement of the Republic of Lithuania, was a member of Union of Liberals and Center (2003 – 2005), Liberal Union (1999 – 2003).	
Independent	No.	
Juozas Darulis		Member Unitary Board
Educational background	Information not available.	
Professional experience	<ul style="list-style-type: none"> Ministry of Transport and Communications of the Republic of Lithuania, Head of Water and Railway Transport Department (dates unknown). 	
Political or party affiliations	Information not available.	
Independent	No.	

Eugenijus Gentvilas	Member Unitary Board, CEO
Educational background	Klaipėda University (dates unknown) (PhD), Vilnius University (1978 – 1983) (degree in geography).
Professional experience	<ul style="list-style-type: none"> • Klaipėda State Seaport Authority, CEO (2009 – present). • Klaipėda City Council, Member (2009 – present; 1995 – 2004). • European Parliament, Member (2004 – 2009). • Government of Lithuania, Prime Minister appointed by Decree of the President (2001 June – July). • Ministry of Economy of the Republic of Lithuania, Minister (2001). • Liberal Reforms, NGO, Chairman (2001 – 2011). • Mayor of Klaipėda (1997 – 2001). • Klaipėda development group, Ltd., Director (1995 – 1997). • University of Klaipėda, 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 of the Republic of Lithuania (2006 – present), was a member of Union of Liberals and Center (2003 – 2004), Liberal Union (1993 – 2003).
Independent	No.

Paulius Jankauskas	Member Unitary Board
Educational background	Klaipėda University (dates unknown) (degree not specified).
Professional experience	<ul style="list-style-type: none"> • Klaipėda State Seaport Authority, Member of the Unitary Board (2009 – present). • Lietuvos geležinkeliai, Member of the Unitary Board (2009 – present). • Ministry of Transport and Communications of the Republic of Lithuania, Adviser to the Minister (2008 – present). • Parliament of the Republic of Lithuania, Assistant of the Member of Parliament (2001 – 2004). • Lithuanian Radio and Television Centre, Member of the Unitary Board (dates unknown). • Lithuanian Post, Member of the Unitary Board (dates unknown). • Detonas, Plc, Member of the Unitary Board (dates unknown).
Political or party affiliations	Information not available.
Independent	No.

Tomas Karpavičius		Member Unitary Board
Educational background	PhD in Social Sciences (2009) (University not specified), SDA Bocconi, Roskilde and Kaunas University of Technology programme (2005) (EMBA), Kaunas University of Technology (1998 – 2000) (MSc in Economics and Management), Kaunas University of Technology (1998) (Bachelor degree in Management).	
Professional experience	<ul style="list-style-type: none"> • Ministry of Transport and Communications of the Republic of Lithuania, Chancellor of the Ministry (2011 – present). • Lietuvos geležinkeliai, Member of the Unitary Board (2009 – present). • Ministry of Transport and Communications of the Republic of Lithuania, Adviser to the Minister (2008 – 2011). • Ukio Bankas Investment Group, Project Manager (2005 – 2008). • Omnitel, Project Group Manager of Corporate customers. (2002 – 2004). • Ukio Bankas, Director of Strategic Development Department (1999 – 2002). • Prototechnika, Accounting consultant, Head of Marketing (1996 – 1999). • Air Navigation, SE, Chairman of the Unitary Board (dates unknown). • Lithuanian Shipping Company, Chairman of the Supervisory Board (dates unknown). • Klaipėda State Seaport Authority, Member of the Unitary Board (dates unknown). 	
Political or party affiliations	Member of the party Liberal Movement of the Republic of Lithuania.	
Independent	No.	

LESTO

Kęstutis Źilęnas		Chairman Unitary Board
Educational background	Mykolas Romeris University (2005) (Master of Law), Kaunas Technology University (1991) (degree in engineering).	
Professional experience	<ul style="list-style-type: none"> • Ministry of Energy of the Republic of Lithuania, Vice-minister (2011 – present). • Lietuvos dujos, Member of the Unitary Board (2011 – present). • LESTO, Chairman of the Unitary Board (2010 – present). • Lietuvos Energija, Member of the Unitary Board (2010 – present). • Klaipędos Nafta, Member of the Management Board (2010 – 2011). • Ministry of Energy of the Republic of Lithuania, Deputy Head and Head of the Division of Energy Resources, Electricity and Heat (2009 – 2011). • National Control Commission for Prices and Energy, various positions in License and Control Divisions (2001 – 2009). 	
Political or party affiliations	Information not available.	
Independent	No.	
Darius Maikštęnas		Member Unitary Board
Educational background	Harvard Business School (2009) (General Management Program), Harvard Business School (2008) (Executive Education), Harvard Law School (2008) (Program on Negotiation), Baltic Management Institute (2005) (Exec. MBA), Kaunas University of Technology (1996 – 2001) (BBA).	
Professional experience	<ul style="list-style-type: none"> • TeliaSonera, Vice-president Marketing and Services in Omnitel; Head of Business and Consumer, Mobility Services LT (2010 – present). • TeliaSonera, Head of Communications MS Lithuania (2006 – 2010). • Omnitel, Head of Strategy and Communications (2004 – 2010). • Omnitel, Market Strategy Coordinator (2000 – 2004). • Sekasoft, Head of Marketing (1994 – 2000). 	
Political or party affiliations	None.	
Independent	Yes.	
Arvydas Tarasevičius		Member Unitary Board
Educational background	Vilnius University (1979 – 1983) (PhD Social Sciences), Vilnius University (dates unknown) (Degree in Economics and Mathematics).	
Professional experience	<ul style="list-style-type: none"> • LESTO, CEO (2011 – present). • VST, Chairman of the Unitary Board (2009 – 2010). • RST, CEO and Chairman of the Unitary Board (2009 – 2010). • Vilnius Territorial Statistics Office, Director (dates unknown). • Lietuvos energija, Member of the Unitary Board (dates unknown). • Lithuanian Electricity Association, Member of the Board (dates unknown). • Invalda Construction Management, General Manager (dates unknown). 	
Political or party affiliations	Information not available.	
Independent	No.	

Rimantas Vaitkus	Member Unitary Board
Educational background	Vilnius University (1986) (PhD, Natural Sciences), Vilnius University (1979) (Bachelor of Physics).
Professional experience	<ul style="list-style-type: none"> • LESTO, Member of the Unitary Board (2012 – present). • Lietuvos Energija, Member of the Unitary Board (2011 – present). • Visagino Atominė Elektrinė, CEO and Member of the Unitary Board (2011 – present). • VST, CEO (2010) • LEO LT, CEO and Chairman of the Unitary Board (2009 – 2010) • Rytų Skirstomieji Tinklai, CEO (2008 – 2009). • IBM Lithuania, Country General Manager (2001 – 2008). • Ministry of Economy of the Republic of Lithuania, Vice-minister (1999 – 2001). • Parliament of the Republic of Lithuania, Head of International Department (1997 – 1999). • Semiconductor Energy Laboratory, Japan, Researcher (1991 – 1994). • Tokai University, Japan, Visiting Scientist (1989 – 1991). • Vilnius University, Faculty of Physics, Scientist (1979 – 1989).
Political or party affiliations	Information not available.
Independent	No.

Aloyzas Vitkauskas	Member Unitary Board
Educational background	Vilnius Civil Engineering Institute (dates unknown) (degree not specified).
Professional experience	<ul style="list-style-type: none"> • LESTO, Member of the Unitary Board (2011 – present). • Lietuvos Energija, Member of the Unitary Board (2011 – present). • Ministry of Finance of the Republic of Lithuania, Vice-minister (2009 – present). • Ministry of Finance of the Republic of Lithuania, Secretary of the Ministry (2006 – 2009). • Central Project Management Agency, Director (2003 – 2006). • Housing and Urban Development Agency, General Manager (1998 – 2003). • Būsto kreditavimo fondas, General Manager (1996 – 1998). • LITDANIA, General Manager (1994 – 1996).
Political or party affiliations	Information not available.
Independent	No.

LIETUVOS ENERGIJA

Kęstutis Źilęnas Chairman Unitary Board	
Educational background	Mykolas Romeris University (2005) (Master of Law), Kaunas Technology University (1991) (degree in engineering).
Professional experience	<ul style="list-style-type: none"> • Ministry of Energy of the Republic of Lithuania, Vice-minister (2011 – present). • Lietuvos dujos, Member of the Unitary Board (2011 – present). • LESTO, Chairman of the Unitary Board (2010 – present). • Lietuvos Energija, Member of the Unitary Board (2010 – present). • Klaipędos Nafta, Member of the Management Board (2010 – 2011). • Ministry of Energy of the Republic of Lithuania, Deputy Head and Head of the Division of Energy Resources, Electricity and Heat (2009 – 2011). • National Control Commission for Prices and Energy, various positions in License and Control Divisions (2001 – 2009).
Political or party affiliations	Information not available.
Independent	No.
Sonata Matulevičienę Member Unitary Board	
Educational background	The Swedish Institute Management Programme (2011), Vilnius University (1990 – 1998) (Medical Doctor).
Professional experience	<ul style="list-style-type: none"> • Baxter, Business Unit Manager Baltic Countries and Member of Baltic Management Board (2010 – present). • Abbot Laboratories, various positions (1998 – 2010).
Political or party affiliations	None.
Independent	Yes.
Dalius Misiūnas Member Unitary Board, CEO	
Educational background	Lunds tekniska högskola (2000 – 2005) (PhD, Industrial automation), Kaunas University of Technology (1996 – 2000) (BSc, Electrical engineering).
Professional experience	<ul style="list-style-type: none"> • Lietuvos energija, CEO (2011 – present). • Vilnius Gediminas Technical University, Lecturer (2007 – 2011). • LESTO, Director of Strategy and Development Department (2011). • VST, Director of Regional Units (2010 – 2011). • Ernst&Young, Manager (2008 – 2010). • SWECO BKG LSPI, Project Manager (2007 - 2008). • LSPI, Deputy Director for planning (2007). • SWECO BKG, Project Manager (2006 – 2007).
Political or party affiliations	None.
Independent	No.

Rimantas Vaitkus	Member Unitary Board
Educational background	Vilnius University (1986) (PhD, Natural Sciences), Vilnius University (1979) (Bachelor of Physics).
Professional experience	<ul style="list-style-type: none"> • LESTO, Member of the Unitary Board (2012 – present). • Lietuvos Energija, Member of the Unitary Board (2011 – present). • Visagino Atominė Elektrinė, CEO and Member of the Unitary Board (2011 – present). • VST, CEO (2010) • LEO LT, CEO and Chairman of the Unitary Board (2009 – 2010) • Rytų Skirstomieji Tinklai, CEO (2008 – 2009). • IBM Lithuania, Country General Manager (2001 – 2008). • Ministry of Economy of the Republic of Lithuania, Vice-minister (1999 – 2001). • Parliament of the Republic of Lithuania, Head of International Department (1997 – 1999). • Semiconductor Energy Laboratory, Japan, Researcher (1991 – 1994). • Tokai University, Japan, Visiting Scientist (1989 – 1991). • Vilnius University, Faculty of Physics, Scientist (1979 – 1989).
Political or party affiliations	Information not available.
Independent	No.

Aloyzas Vitkauskas	Member Unitary Board
Educational background	Vilnius Civil Engineering Institute (dates unknown) (degree not specified).
Professional experience	<ul style="list-style-type: none"> • LESTO, Member of the Unitary Board (2011 – present). • Lietuvos Energija, Member of the Unitary Board (2011 – present). • Ministry of Finance of the Republic of Lithuania, Vice-minister (2009 – present). • Ministry of Finance of the Republic of Lithuania, Secretary of the Ministry (2006 – 2009). • Central Project Management Agency, Director (2003 – 2006). • Housing and Urban Development Agency, General Manager (1998 – 2003). • Būsto kreditavimo fondas, General Manager (1996 – 1998). • LITDANIA, General Manager (1994 – 1996).
Political or party affiliations	Information not available.
Independent	No.

LITHUANIAN RAILWAYS

Arūnas Štaras		Chairman Unitary Board
Educational background	Moscow M. Lomonosov University (1974 – 1977) (degree not specified), Vilnius University (1969 – 1974) (degree in Mathematics)	
Professional experience	<ul style="list-style-type: none"> • Lietuvos geležinkeliai, Chairman of the Unitary Board (2010 – present). • Klaipėda State Seaport Authority, Chairman of the Unitary Board (2009 – present). • Ministry of Transport and Communications of the Republic of Lithuania, Vice-minister (2008 – present). • Vilnius City Council, Member (2007 – 2011; 2000). • Eika Ltd., Deputy of the General Manager (2002 – 2007). • Government of the Republic of Lithuania, Deputy Chancellor (2000 – 2001). • Tukana, Turto Bankas, Šiaulių Bankas (1993 – 2000). • Mayor of Vilnius (1991 – 1993). • Vilnius University, Lecturer (1977 – 2000). • Lithuanian Shipping Company, Chairman of the Board (dates unknown). • Smiltyne Ferry Terminal, Plc., Chairman of the Board (dates unknown). 	
Political or party affiliations	Member of the party Liberal Movement of the Republic of Lithuania, was a member of Union of Liberals and Center (2003 – 2005), Liberal Union (1999 – 2003).	
Independent	No.	
Rolandas Bražinskas		Member Unitary Board
Educational background	Vilnius Gediminas Technical University (studies ongoing) (Master in Transport and Logistics), Klaipėda University (dates unknown) (Bachelor in Recreation).	
Professional experience	<ul style="list-style-type: none"> • Ministry of Transport and Communications, Adviser to the Minister (2009 – present). • Klaipėda City Council, Member (2000 – present). • Nese Group, Head of Marketing Department (2004 – 2007). • Vox Maris, Radio station, Co-founder (2004). • Palink, Marketing Department (2000 – 2004). • Lithuanian Shipping Company, Member of the Management Board (dates unknown). • Smiltyne Ferry Terminal, Plc, Member of the Management Board (dates unknown). • Transport and Road Research Institute, SE, Member of the Unitary Board (dates unknown). • Lithuanian Inland Waterways Authority, Chairman of the Unitary Board (dates unknown). • International Vilnius Airport, Member of the Unitary Board (dates unknown). • Problematika, SE, Member of the Unitary Board (dates unknown). 	
Political or party affiliations	Member of the party Liberal Movement of the Republic of Lithuania (2006 – present), was a member of Union of Liberals and Center (2003 – 2006), Liberal Union (1998 – 2003).	
Independent	No.	

Stasys Dailydka		Member Unitary Board, CEO
Educational background	Vilnius Gediminas Technical University (2007 – 2011) (Doctor of Technology), Lithuanian Management Academy (1990 – 1991) (Qualification of Technology Manager), Vilnius Engineering Construction Institute (1970 – 1975) (Qualification of Engineer – Mechanic).	
Professional experience	<ul style="list-style-type: none"> • Lietuvos geležinkeliai, CEO (2006 – present). • Lietuvos geležinkeliai, Head of Passenger Transportation Directorate (2002 – 2006). • Lindra Ltd., Consultant; Lindra – Life Insurance Ltd., President (1997 – 2001). • Lithuanian Airlines, Director General and Chairman of the Board (1992 – 1997). • Lithuanian Road Carriers Association Linava, President (1991 – 1995). • Lithuanian Industrialist Confederation, Vice-president (1991 – 1995). • Ministry of Transport and Communications of the Republic of Lithuania, Vice-minister (1987 – 1992). • Vievis Transport Enterprise, Manager (1980 – 1987). • Pakruojis Transport Enterprise (1976 – 1980). • Švenčionys Transport Enterprise, Engineer of Traffic Safety, Deputy Senior Engineer (1975 – 1976). 	
Political or party affiliations	Information not available.	
Independent	No.	

Paulius Jankauskas		Member Unitary Board
Educational background	Klaipėda University (dates unknown) (degree not specified).	
Professional experience	<ul style="list-style-type: none"> • Klaipėda State Seaport Authority, Member of the Unitary Board (2009 – present). • Lietuvos geležinkeliai, Member of the Unitary Board (2009 – present). • Ministry of Transport and Communications of the Republic of Lithuania, Adviser to the Minister (2008 – present). • Parliament of the Republic of Lithuania, Assistant of the Member of Parliament (2001 – 2004). • Lithuanian Radio and Television Centre, Member of the Unitary Board (dates unknown). • Lithuanian Post, Member of the Unitary Board (dates unknown). • Detonas, Plc, Member of the Unitary Board (dates unknown). 	
Political or party affiliations	Information not available.	
Independent	No.	

Tomas Karpavičius		Member Unitary Board
Educational background	PhD in Social Sciences (2009) (University not specified), SDA Bocconi, Roskilde and Kaunas University of Technology programme (2005) (EMBA), Kaunas University of Technology (1998 – 2000) (MSc in Economics and Management), Kaunas University of Technology (1998) (Bachelor degree in Management).	
Professional experience	<ul style="list-style-type: none"> • Ministry of Transport and Communications of the Republic of Lithuania, Chancellor of the Ministry (2011 – present). • Lietuvos geležinkeliai, Member of the Unitary Board (2009 – present). • Ministry of Transport and Communications of the Republic of Lithuania, Adviser to the Minister (2008 – 2011). • Ukio Bankas Investment Group, Project Manager (2005 – 2008). • Omnitel, Project Group Manager of Corporate customers. (2002 – 2004). • Ukio Bankas, Director of Strategic Development Department (1999 – 2002). • Prototechnika, Accounting consultant, Head of Marketing (1996 – 1999). • Air Navigation, SE, Chairman of the Unitary Board (dates unknown). • Lithuanian Shipping Company, Chairman of the Supervisory Board (dates unknown). • Klaipėda State Seaport Authority, Member of the Unitary Board (dates unknown). 	
Political or party affiliations	Member of the party Liberal Movement of the Republic of Lithuania.	
Independent	No.	

LITGRID

Arvydas Darulis		Chairman Unitary Board
Educational background	Vilnius University (1986 – 1991) (Degree in Economics), Dalhousie University (dates unknown) (degree not specified).	
Professional experience	<ul style="list-style-type: none"> • Klaipėdos Nafta, Chairman of Management Board (2011 – present). • Lietuvos energija, Chairman of the Unitary Board (2011). • Ministry of Energy of the Republic of Lithuania, Vice-minister (2010 – present); • Ministry of Energy, Head of Strategic Projects Division (2009 – 2010). • SNORAS, Director of Territorial Network Management Department (2007 – 2009). • Lithuanian Small and Medium Enterprise Development Agency, Director (1996 – 2007). • KPMG, auditor (1994 – 1996). • Ministry of Economy of the Republic of Lithuania, Head of Commercial privatization unit (1991 – 1994). • Visagino Atominė Elektrinė, Chairman of the Unitary Board (dates unknown) (currently holds). • Ignalinos Atominė Elektrinė, Chairman of the Unitary Board (dates unknown) (currently holds). 	
Political or party affiliations	Information not available.	
Independent	No.	

Violeta Greičiuvienė		Member Unitary Board
Educational background	Vilnius Gediminas Technical University (1990 – 1996) (degree in Business Management).	
Professional experience	<ul style="list-style-type: none"> • Ministry of Energy of the Republic of Lithuania, Deputy Head of Strategic Projects Division (2010 – present). • Permanent Representation of the Republic of Lithuania under International Organizations in Vienna, Nuclear Energy attaché (2005 – 2010). • Ministry of Economy of the Republic of Lithuania, Head of Division for Coordination of Ignalina NPP Issues (2004 – 2005). • Ministry of Economy of the Republic of Lithuania, Chief Specialist of Nuclear Energy Division in Department of Energy Development (1997 – 2004). 	
Political or party affiliations	None.	
Independent	No.	

Valentinas Pranas Milaknis	Member Unitary Board
Educational background	Kaunas Institute of Polytechnics (1970) (Radio Engineering).
Professional experience	<ul style="list-style-type: none"> • Government of the Republic of Lithuania, Office of the Prime Minister, Public Consultant (currently holds)(dates unknown). • Alna Ltd., Member of the Management Board (2011 – present). • Klaipėdos nafta, Member of the Supervisory Board (2010 – present). • Government of the Republic of Lithuania, Advisor to the Prime Minister (2009 – 2010). • Alna Group, Chairman of the Management Board (2007 – 2009). • Alnos Biuro Sistemas, President (2003 – 2007). • Radio and Television of Lithuania, CEO (2001 – 2003). • Ministry of Economy of the Republic of Lithuania, Minister (1999 – 2000). • Alna AB, CEO (1989 – 1999). • Utilities Engineering Institute, engineer and deputy senior engineer (1971 – 1989).
Political or party affiliations	Information not available.
Independent	Yes. Despite relationship as a Public Consultant to the Prime Minister he can be considered independent. There is no employment relationship and the board membership is not remunerated.

Virgilijus Poderys	Member Unitary Board, CEO
Educational background	Vytautas Magnus University, Baltic Management Institute (1999 – 2000) (degree not specified), Vilnius University (1979 – 1984) (degree in Physics).
Professional experience	<ul style="list-style-type: none"> • LITGRID, CEO (2009 – Present). • National Control Commission for Prices and Energy, Chairman (2007 – 2009). • Government of the Republic of Lithuania, Financial Advisor to the Prime Minister (2006 – 2007). • National Securities Commission, Chairman (1997 – 2006).
Political or party affiliations	Information not available.
Independent	No.

Viktorija Sankauskaitė	Member Unitary Board
Educational background	Kaunas University of Technology (1997 – 2005) (MSc in energy).
Professional experience	<ul style="list-style-type: none"> • Ministry of Energy of the Republic of Lithuania, Head of the Renewable Energy Sources and Energy Efficiency (2010 – present). • Ministry of Energy of the Republic of Lithuania, Chief specialist, Energy Efficiency unit (2009 – 2010). • Ministry of Economy of the Republic of Lithuania, Chief specialist and Head of Energy Strategic Projects Division (2007 – 2009).
Political or party affiliations	None.
Independent	No.



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