

Transparency policy

The Lithuanian government is the largest owner of commercial assets in Lithuania. These assets represents a substantial value to the nation and ultimately it is the common property of the Lithuanian people, which requires open and professional provision of information.

The key words for the Government's administration are openness, active ownership and good order. The overarching objective for the management of these commercial assets is that this portfolio of assets should create value. The standard of external reporting for this portfolio as well as that of auditing, shall be of international standard and at least as high as that of listed enterprises.

The reporting shall provide a good description of the business activities of the state-owned commercial assets, and provide a basis for continuous follow-up and assessment of the activities of the enterprise and the targets and objectives set. The Government will make an assessment of compliance with the guidelines for external reporting for state-owned assets, which will be reported in the government's consolidated annual report.

This is an unofficial translation. In the event of any discrepancy between this English version and the Lithuanian original, the latter will take precedence.

The description of the guidelines for ensuring transparency of activities by the state-owned enterprises

I. General provisions

1. The description of the Guidelines for ensuring transparency of activities by the state-owned enterprises (hereinafter referred to as the Transparency Guidelines) are aimed to increase transparency of activities by the state-owned enterprises, accountability to Lithuanian society, attractiveness to investors, potential business partners; as well as to create conditions for implementation of internationally accepted principles of good governance in the state-owned enterprises – to prepare and publish comprehensive and up-to-date information on activities by the state-owned enterprises and their results.
2. The Republic of Lithuania is an important owner of public limited liability companies or private limited liability companies and state enterprises, in Lithuania. State institutions, usually Ministries, are exercising rights and obligations of the state as the owner of more than 100 state enterprises, exercising property and non-property rights provided by state-owned shares of public limited liability companies and private limited liability companies in more than 200 companies, in almost one-tenth of which state is the sole shareholder. Shares of 8 companies are traded on a regulated market. State-owned enterprises operate in diverse key economic sectors including, energy, telecommunications, transportation etc. They create substantial economic value and have significant importance to the economic development of the country, to the implementation of social and employment policies. Furthermore, they are ultimately the property of Lithuanian taxpayers. Therefore, the state, as their representative institutions, has to be an active and professional owner, seeking to improve the management of its state-owned enterprises.
3. One important goal of the Government of the Republic of Lithuania is to increase transparency of activities by the state-owned enterprises and to take measures to introduce good corporate governance. Management of these state-owned enterprises must be based on principles of openness, active participation in the capital control and good governance. They should have value maximisation as its sole objective. Exceptional conditions must not be created

for state-owned enterprises. They are governed by the same laws as all the other enterprises, for example, Law of the Republic of Lithuania on Bookkeeping, Law of the Republic of Lithuania on Financial Statements of Entities, Law of the Republic of Lithuania on Companies, Law of the Republic of Lithuania on Securities, is applied to the state-owned companies. The aim of the Transparency Guidelines is to identify additional requirements, not established by law, which would increase transparency of activities by the state-owned enterprises and accountability to Lithuanian taxpayers, improve trust of investors in them and help to attract local and foreign investment.

II. Principal definitions

4. The definitions used in the Transparency Guidelines:
 - Corporate Governance Code** - Governance code of the companies listed on NASDAQ OMX Vilnius.
 - Coordinating institution** - institution appointed by the Government of the Republic of Lithuania, which is responsible for formulation of good governance policy and coordination of implementation by the state enterprises, public limited liability companies and private limited liability companies, whose shareholder is the state.
 - State representative institution** - Government of the Republic of Lithuania or state body authorized by it, exercising rights and obligations of the owner of the state enterprise; state institution, agency, state enterprise State Property Fund or other legal entity, which has the shares transferred in trust to manage, use and dispose, in cases and order established by law, exercising property and non-property rights provided by the state-owned shares of public limited liability companies and private limited liability companies.
 - State-owned enterprise** - engaged in commercial business activity state enterprise, public limited liability company and private limited liability company, where the state is the owner of shares giving more than 1/2 of all votes in the general meeting of shareholders of this company. If the Transparency Guidelines provisions are applied to state-owned enterprises – public limited liability companies and private limited liability companies, the definition “state-owned



The external reporting standards of state-owned commercial assets shall be at least as high as that of listed enterprises.

company“ is used.

5. Other definitions used in the Transparency Guidelines are defined in the Law of the Republic of Lithuania on Companies, Law of the Republic of Lithuania on State and Municipal Enterprises, Law of the Republic of Lithuania on Financial Statements of Entities and other laws.

III. Application of transparency guidelines

6. Transparency Guidelines provisions have to be followed by all state-owned enterprises, regardless of their size (capital, sales and (or) service volumes, number of employees), industry or legal status.
7. If the state is one of the shareholders of a public limited liability company or private limited liability company, state representative institution shall closely cooperate with other shareholders of the company and seek implementation of the Transparency Guidelines.
8. Provisions of Chapters IV-VIII of the Transparency Guidelines shall be recommendatory and applied on the principle of “comply or explain”. To deviate from the provisions of the Transparency Guidelines or fail to comply with them is possible providing a clear explanation of the reasons of its necessity (expedience).
9. The fact that state-owned enterprise’s shares are not traded on a regulated market should not be a justifiable reason for departure from the provisions of the Transparency Guidelines, the Corporate Governance Code, unless the provision of the Transparency Guidelines, the Corporate Governance Code is related to stock trade on a regulated market.
10. The fact that state-owned enterprise is a state enterprise should not be a justifiable reason for departure from the provisions of the Transparency Guidelines, the Corporate Governance Code, unless the corresponding provisions of the Transparency Guidelines, the Corporate Governance Code can be applied only to public limited liability companies or private limited liability companies.

IV. Information disclosure

11. State-owned enterprise is guided by provisions of the Corporate Governance Code regarding information disclosure, set out in Principle X of this Code (“Information Disclosure”), by other provisions elaborating on the Corporate Governance Code principles, relating to public disclosure of information.
12. State-owned enterprise shall make public goals and targets set by the state representative institution for the enterprise, its financial and other business results, current number of employees, yearly labour costs, monthly salary of the state-owned enterprise executives and their deputies; accomplished, ongoing and planned acquisitions and investments during the financial year.
13. Information disclosed by a state-owned enterprise, includ-

ing the annual reports and interim six-month reports, activity reports and six-month interim activity reports, objectively reflect the character of activities of the state-owned enterprise, the current and subsequent trends, objectives and targets, performance and achievements of the enterprise activities.

14. Information about the state-owned enterprise is accessible to the public published on the enterprise’s website (if a state-owned enterprise does not have a website – on the website of the state representative institution).



State-owned enterprises shall publish Quarterly Reports.

V. Contents of company's annual report and the six-month interim report

15. State-owned company's annual report in addition to statutory mandatory content requirements for the annual reports of public limited liability companies and private limited liability companies shall include (present):
 - 15.1. information and reports that in accordance with the Law of the Republic of Lithuania on Financial Statements of Entities and the Corporate Governance Code must be disclosed in their annual report by public limited liability companies whose securities are traded on a regulated market;
 - 15.2. company's business strategy and targets (financial and non-financial), opportunities and threats;
 - 15.3. accordance of the company's performance with company's objectives;
 - 15.4. dividend policy;
 - 15.5. events of the financial year, with substantial importance for the company's activities;
 - 15.6. the company's services or products (markets for the services (products), competitors);
 - 15.7. customers of the company and their major groups (grouped according to product (service) groups, markets, etc.);
 - 15.8. company's investment in fixed assets during the financial year, the largest current or future investment projects;
 - 15.9. company's total yearly labour costs, summarized average monthly salary by positions and departments;
 - 15.10. company's ongoing social initiatives and policy;
 - 15.11. information about compliance with provisions set out in Chapters IV-VIII of the Transparency Guidelines: their implementation, any failure to comply with the provisions and for what reasons is described.
16. State-owned companies prepare a six-month interim report.
17. Information provided in the six-month interim report by a state-owned company is of the identical nature as disclosed in the state-owned company's annual report. This information may be shortened – key changes to the information provided in the state-owned company's annual report are indicated.
18. Information indicated in clauses 15.1-15.11 of the Transparency Guidelines, where possible, is expressed in quantitative parameters, for example, production sales volume in units and Lit, etc.

VI. Contents of state enterprise's activity report and six-months interim activity report

19. State enterprise's activity report in addition to statutory mandatory content requirements for activity reports of state enterprises shall include (present):
 - 19.1. Information and reports that in accordance with the Law of the Republic of Lithuania on Financial Statements of Entities and the Corporate Governance Code must be disclosed by public limited liability companies whose securities are traded on a regulated market in their annual report, except for information, which by contents and nature is not applicable for the state enterprises (for example, information about significant directly or indirectly controlled portfolios, shareholders, restrictions on voting rights, etc.)
 - 19.2. enterprise's activity strategy and targets (financial and non-financial), opportunities and threats;
 - 19.3. accordance of the enterprise's performance with company's objectives;
 - 19.4. the enterprise's services or products (markets for the services (products), competitors);
 - 19.5. customers of the enterprise and their major groups (grouped according to product (service) groups, markets, etc.);
 - 19.6. enterprise's investment during the financial year, the largest current or future investment projects;
 - 19.7. operations of the enterprise in research and development.
 - 19.8. enterprise's total yearly labour costs, summarized average monthly salary by positions and departments;
 - 19.9. events with substantial importance for the enterprise's activities after the end of the financial year,
 - 19.10. enterprise's ongoing social and environmental initiatives and policy;
 - 19.11. information about compliance with provisions set out in Chapters IV-VIII of the Transparency Guidelines: implementation of these provisions, any failure to comply with the provisions and for what reasons is described.
20. State enterprises prepare a six-month interim activity report.
21. Information provided in the six-month interim activity report by a state enterprise is of the identical nature as disclosed in the state enterprise's activity report. This information may be shortened – key changes to the information provided in the last state enterprise's activity report are indicated.
22. Information indicated in clauses 19.1-19.11 of the Transparency Guidelines, where possible, is expressed in quantitative parameters, for example, production sales volume in units and Lit, etc.

VII. Bookkeeping and sets of financial statements

23. State-owned enterprises conduct accounting procedures in accordance with international accounting standards.
24. State-owned enterprise prepares sets of interim (3, 6, 9, and 12 months) financial statements.
25. Audit of sets of annual financial statements of state-owned enterprises is conducted in accordance with international auditing standards.

VIII. Timetable for presentation of reports, activity reports and sets of financial statements

26. State-owned company publicly publishes on its website the annual report, the six-month interim report, sets of financial statements and independent auditor's reports, state enterprise's activity report, the six-month interim activity report, sets of financial statements and independent auditor's reports:
 - 26.1. the statutory approved annual report, activity report, set of annual financial statements and independent auditor's report - at the latest by 31 March;
 - 26.2. set of interim (3 months) financial statements - at the latest by 30 April;
 - 26.3. six-month interim report, six-month interim activity report and set of interim (6 months) financial statements - at the latest by 15 August;
 - 26.4. set of interim (9 months) financial statements - at the latest by 30 October;
 - 26.5. set of interim (12 months) financial statements - at the latest by 15 February.
27. Documents referred to in the clause 26 of the Transparency Guidelines should be available in PDF format published on the state-owned enterprise's website with technical possibility to print them. If a state-owned enterprise does not have a website, these documents are published on the website of the state representative institution.
28. State-owned enterprise presents its annual report, the six-month interim report, sets of financial statements and independent auditor's report, and state enterprise presents its six-month interim activity report, sets of financial statements to the state representative institution within the deadlines established in clauses 26.1-26.5 of the Transparency Guidelines.

IX. Preparation of consolidated reports

29. The state representative institution presents the documentation referred to in clause 26 of the Transparency Guidelines to the coordinating institution within 3 working days from the publication of the respective documents, but not later than the next working day after the end of the deadlines specified in clauses 26.1-26.5 of the Transparency Guidelines.
30. The coordinating institution:
 - 30.1. evaluates and summarizes compliance with the provisions of the Transparency Guidelines of the disclosed information, annual reports, activity reports, actions in presenting annual report and (or) activity reports, sets of financial statements to the respective authorities and to the public by the state-owned enterprises, other public limited liability companies and private limited liability companies, whose shareholder is the state;
 - 30.2. presents the summarized information that reflects the above along with its conclusions and proposals to the Government of the Republic of Lithuania;
 - 30.3. prepares consolidated annual and interim (3, 6, 9 and 12 months) reports on the state-owned enterprises.
31. The coordinating institution publishes on its website the consolidated reports on the state-owned enterprises, and presents them to the Government of the Republic of Lithuania:
 - 31.1. annual report on the state-owned enterprises - at the latest by 30 April;
 - 31.2. interim (3 months) report on the state-owned enterprises - at the latest by 21 May;
 - 31.3. interim (6 months) report on the state-owned enterprises - at the latest by 15 September;
 - 31.4. interim (9 months) report on the state-owned enterprises - at the latest by 21 November;
 - 31.5. interim (12 months) report on the state-owned enterprises - at the latest by 15 March.

X. Final provisions

32. Information about compliance with the Transparency Guidelines shall be published in the consolidated annual and interim reports on the state-owned enterprises, prepared by the coordinating institution.
33. The coordinating institution prepares the consolidated annual and interim reports on the state-owned enterprises beginning with the consolidated annual report on the state-owned enterprises for the 2010 financial year.