

SEIMAS OF THE REPUBLIC OF LITHUANIA
RESOLUTION
REGARDING THE CONCLUSION OF THE PARLIAMENTARY INVESTIGATION BY
THE NATIONAL SECURITY AND DEFENCE COMMITTEE OF THE SEIMAS OF
THE REPUBLIC OF LITHUANIA INTO POSSIBLE UNDUE IMPACT OF PERSONS,
BUSINESS ENTITIES AND OTHER INTEREST GROUPS ON STATE AUTHORITIES
IN DECISION MAKING AND POSSIBLE UNLAWFUL INFLUENCE ON
POLICY PROCESSES

5 June 2018 No XIII-1228

Vilnius

The Seimas of the Republic of Lithuania r e s o l v e s:

Article 1.

To approve the conclusion of the parliamentary investigation by the National Security and Defence Committee of the Seimas of the Republic of Lithuania into possible undue impact of persons, business entities and other interest groups on state authorities in decision making and possible unlawful influence on policy processes (annexed).

Speaker of the Seimas

Viktoras Pranckietis

APPROVED by
Resolution No XIII-1228
of the Seimas of
the Republic of Lithuania
of 5 June 2018

**CONCLUSION OF THE PARLIAMENTARY INVESTIGATION BY
THE NATIONAL SECURITY AND DEFENCE COMMITTEE OF
THE SEIMAS OF THE REPUBLIC OF LITHUANIA INTO
POSSIBLE UNDUE IMPACT OF PERSONS, BUSINESS ENTITIES AND
OTHER INTEREST GROUPS ON STATE AUTHORITIES IN DECISION MAKING
AND POSSIBLE UNLAWFUL INFLUENCE ON POLICY PROCESSES**

The National Security and Defence Committee of the Seimas of the Republic of Lithuania (hereinafter: the 'Committee'), on the assignment of the Seimas and on the rights of the ad hoc investigation commission, carried out the parliamentary investigation on possible undue impact of persons, business entities and other interest groups on state authorities in decision making and possible unlawful influence on policy processes (annexed).

1. Basis for the mandate of the Committee Resolution No XIII-691 of the Seimas of the Republic of Lithuania of 19 October 2017 regarding the Assignment to the National Security and Defence Committee of the Seimas of the Republic of Lithuania to Carry out the Parliamentary Investigation into possible undue impact of persons, business entities and other interest groups on state authorities in decision making and possible unlawful influence on policy processes (hereinafter: 'Seimas Resolution No. XIII-691').

2. Composition of the Committee Chair of the Committee Vytautas Bakas, Vice Chair of the Committee Rasa Juknevičienė, members Virgilijus Alekna, Arvydas Anušauskas, Algirdas Butkevičius, Dainius Gaižauskas, Jonas Jarutis, Laurynas Kasčiūnas, Michal Mackevič, Juozas Olekas, Audrys Šimas.

3. Issues of the parliamentary investigation:

3.1. to establish whether maintaining connections with the persons capable of threatening the interests of the State was aimed at making undue impact on state authorities in decision making or exerting unlawful influence on politicians and/or political processes;

3.2. to establish whether there were any cases of funding of political parties or individual politicians which might cause a threat to the interests of the State with the aim of making undue

impact on state authorities in decision making or exerting unlawful influence on politicians and/or political processes;

3.3. to establish whether there were the cases causing a threat to the interests of the State when, in order to make impact on the situation in the economy sectors that are strategically important for the national security, undue impact was made on the state authorities in decision making or unlawful influence was exerted on the politicians and/or political parties.

4. Duration of the Committee's work: 19 October 2017 – 30 May 2018.

5. Dates of the Committee's meetings: 8 November 2017, 15 November 2017, 22 November 2017, 24 January 2018, 7 February 2018, 28 February 2018, 7 March 2018, 14 March 2018, 21 March 2018, 16 May 2018, 23 May 2018, 29 May 2018, and 30 May 2018.

6. Participants of the Committee's meetings: Minister of Transport and Communications of the Republic of Lithuania Rokas Masiulis, senior adviser of the Budget and State Property Management Department of the Ministry of Transport and Communications Darius Kuliešius, Director of the State Security Department (hereinafter: the 'SSD') Darius Jauniškis, Deputy Director of the SSD Kęstutis Budrys, officers of the SSD, Director of the Special Investigation Service of the Republic of Lithuania (hereinafter: the 'SIS') Saulius Urbanavičius, Deputy Director of the SIS Žydrūnas Bartkus, former Minister of the Transport and Communications Eligijus Masiulis, Member of the Seimas of the Republic of Lithuania (former Minister of Transport and Communications) Rimantas Sinkevičius, former Director General of AB (a joint stock company is called AB in Lithuanian) Lietuvos geležinkeliai Stasys Dailydka, Director General of AB Lietuvos geležinkeliai Mantas Bartuška, Deputy Director General of AB Lietuvos geležinkeliai Gerimantas Bakanas, Director of the Information Technology Centre of AB Lietuvos geležinkeliai Eglė Radvilė, Director of the Prevention Department of AB Lietuvos geležinkeliai Rolandas Terminas, cyber security experts of the Prevention Department of AB Lietuvos geležinkeliai Šarūnas Grigaliūnas ir Donatas Vitkus, Director General of the state enterprise Oro navigacija Mindaugas Gustys, former Director General of the state enterprise Oro navigacija Algimantas Raščius, representative of the state enterprise Oro navigacija Tomas Montvila, Director of the Cyber Security and Telecommunications Service under the Ministry of National Defence Darius Adomaitis, acting Director of the Cyber Security and Information Technology Department of the Ministry of National Defence of the Republic of Lithuania (hereinafter: the 'MND') Jonas Skardinskas, representative of the Lithuanian Armed Forces Viktoras Kucenko, former Minister of Energy Arvydas Sekmokas, former Vice-Minister of Energy Romas Švedas, former advisers to the Prime Minister Irina Urbonavičiūtė, Tomas Garasimavičius, Justas Pankauskas, journalist Tomas

Dapkus, former Prime Minister Gediminas Kirkilas, former Prime Minister Andrius Kubilius, Member of the Seimas Dainius Kreivys.

7. Legal acts relevant to the parliamentary investigation:

- 7.1. the Law of the Republic of Lithuania on Ad hoc Commissions of the Seimas;
- 7.2. the Statute of the Republic of Lithuania;
- 7.3. the Law of the Republic of Lithuania on the Basics of National Security;
- 7.4. the Law of the Republic of Lithuania on State Secrets and Official Secrets;
- 7.5. the Law of the Republic of Lithuania on the Protection of Objects of Importance to Ensuring National Security;
- 7.6. the Law of the Republic of Lithuania on the Special Investigations Service;
- 7.7. the Law of the Republic of Lithuania on Intelligence;
- 7.8. the Law of the Republic of Lithuania on Criminal Intelligence;
- 7.9. Decision No SV-S-1603 of the Board of the Seimas of the Republic of Lithuania of 29 June 2016 Approving a Description of the Procedures for Organising the Legislation of Laws and other Legal Acts of the Seimas, Parliamentary Control and Surveillance Activities of the Seimas.

The Committee encountered the problem of making public the information received for service purposes. On this basis, the pressure was exerted on the members of the Committee.

The Committee, acting pursuant to Resolution of the Seimas No XIII-691, was guided by the following information: Letter No 4-01-621 of the Special Investigation Service of the Republic of Lithuania of 24 January 2018; Letter No 4S-266 of the Public Procurement Office of the Republic of Lithuania of 20 February 2018; Letter No 17.2-2339 of the Office of the Prosecutor General of the Republic of Lithuania of 23 April 2018; Letter No 18-3191 of the State Security Department of the Republic of Lithuania of 4 May 2018 and its following supplements: Letter No 19-286 of 9 March 2018, Letter No 19-277 of 8 March 2018, Letter No 19-235 of 27 February 2018; Letter No 18-3279 of the State Security Department of the Republic of Lithuania of 9 May 2018 and its following supplements: Letter No 19-286 of 9 March 2018, Letter No 19-356 of 23 March 2018, Letter No 19-392 of 23 March 2017, Letter No 19-33 of 11 January 2017, Letter No 19-639 of 24 May 2017, Letter No 19-466 of 17 April 2017, Letter No (06)-19-210KF-411KF of 10 May 2011, Letter No (03)-19-1510KF-698KF of 6 November 2006; Letter No 4-01-3718 of the Special Investigation Service of 14 May 2018; Letter No (12.8-14K) 3-992 of the Ministry of Energy of the Republic of Lithuania of 22 May 2018; Letter No SN-S-40 of Algirdas Butkevičius, Member of the Seimas of the Republic of Lithuania, of 24 May 2018; public audit report No VA-P-20-14-20 of the National Audit Office of the Republic of Lithuania of 20 November 2009; Letter No 54 of the Lithuanian Private

Railway Companies Association of 14 July 2017; minutes of the meetings of the Committee of 8 November 2017, 15 November 2017, 22 November 2017, 24 January 2018, 7 February 2018, 28 February 2018, 7 March 2018, 14 March 2018, 21 March 2018, 16 May 2018, 23 May 2018.

8. Results of the parliamentary investigation:

Influence exerted by interest groups on decision-making in a State is not in itself a corrupt or unlawful activity but rather one of the essential elements of the decision-making process. Whether influence of interest groups is useful or harmful to a State depends on the extent these groups may affect the decision-making and on the distribution of such influence between individual interest groups. A disproportionately big influence of one or several business groups may create conditions for unlawful influence, coming into existence of parallel structures (for state authorities) or even capture of the State. In the long term, such processes may put the representative democracy and interests of the State to danger.

Capture of a State or public policy or separate state authorities includes unlawful influence on policy formation by directing public policy decisions away from the public interest and towards the interests of a narrow interest group or person (typically, a business group). This may be achieved through both illegal (e.g., corruption, trading in influence) and legal (e.g. lobbying and supporting political parties and political campaigns) instruments and channels. Unlawful influence on decision-making may be exerted without personal acquaintance with the decision-makers or having direct contacts with them but, e.g. by manipulating information provided to them or, on the contrary, by establishing close social and economic ties with such persons.

Capture of public policy negatively affects a State in different ways: by distorting the allocation of public and private resources (which has an adverse effect on the possibilities of sustainable development); by deepening social and economic exclusion; by eroding government credibility and legitimacy, hampering effective policy implementation (even the appearance of unlawful influence may have detrimental effects), and etc.¹

8.1. To establish whether maintaining connections with the persons capable of threatening the interests of the State was aimed at making undue impact on state authorities in decision making or exerting unlawful influence on politicians and/or political processes;

8.1.1. The Committee has established:

In the course of the parliamentary investigation, the Committee has established (see point 8.2 hereof) that undue impact on state authorities in decision making or unlawful influence on some politicians and/or political processes is inseparably linked to the use of non-transparent or

¹ Available on the Internet at: https://read.oecd-ilibrary.org/governance/preventing-policy-capture_9789264065239-en#page11

insufficiently controlled lobbying, non-transparent and insufficiently controlled public and private interests as well as non-transparent and biased media to achieve specific goals.

The Committee, having conducted in 2017 the investigation into the potential threat to the national security posed by connections of Mindaugas Bastys, the Member of the Seimas of the Republic of Lithuania, and into the possibility to institute impeachment proceedings, concluded that: 1) Member of the Seimas Mindaugas Bastys, by maintaining close and constant connections with the representatives of the State Atomic Energy Corporation of the Russian Federation Rosatom, which has started the construction of the Baltic Nuclear Power Plant in the Kaliningrad region or is constructing the Nuclear Power Plant in the Ostrovets District of Belarus, acted against the interests of the State of Lithuania; 2) close connections of Member of the Seimas M. Bastys with the former or current officers of the intelligence and security structures of the Russian Federation, Kremlin-linked journalists and former or current underworld figures poses a threat to the national security; 3) Member of the Seimas M. Bastys, by acting as an intermediary for Rosatom and enterprises associated with it, officers of the intelligence and security structures, Kremlin-linked journalists and former or current underworld figures, sought to exert influence on political processes and top state officials in Lithuania who could change the geopolitical direction of Lithuania and inflict harm on the State of Lithuania. The Seimas of the Republic of Lithuania approved the conclusion of the Committee by adopting Resolution No XIII-285 of 18 April 2017 on the Conclusion from the Parliamentary Investigation Conducted by the Committee on National Security and Defence of the Seimas of the Republic of Lithuania into the Potential Threat of the Connections of Mindaugas Bastys, Member of the Seimas of the Republic of Lithuania, to the National Security, and the Possibility to Institute Impeachment Proceedings. After the Seimas instituted the impeachment proceedings against Member of the Seimas M. Bastys, the Constitutional Court of the Republic of Lithuania held in its Conclusion No KT22-I2/2017 of 22 December 2017 on the Compliance of the Actions of Mindaugas Bastys, a Member of the Seimas of the Republic of Lithuania, against whom an Impeachment Case has been Instituted, with the Constitution of the Republic of Lithuania that 'Mindaugas Bastys, Member of the Seimas of the Republic of Lithuania has grossly violated the Constitution insofar as, in providing an answer to the question of Item 55 of the Questionnaire for persons who are candidates to obtain an authorisation to handle or familiarise with classified information 'Do you know (did you know) any persons who are working (worked) in the intelligence or security services or related institutions of other states? If so, provide information in this regard', Mindaugas Bastys concealed his relations with former KGB official Piotr Voyeyko; in this way, having violated the requirement laid down in Article 17(2)(11) of the Law of the Republic of Lithuania on State Secrets and Official Secrets to provide information about

relations affecting the decision to issue an authorisation to handle or familiarise with classified information, and acting in bad faith, he sought to obtain an authorisation to handle or familiarise with classified information; upon obtaining this authorisation, he could, due to his relations, pose a threat to the protection of state secrets. By acting in the above mentioned way, Mindaugas Bastys, Member of the Seimas of the Republic of Lithuania has grossly violated the Constitution of the Republic of Lithuania and, at the same time, has breached his oath².

During the parliamentary investigation carried out by the Committee in 2017, the Committee received information on the connections of the Lithuanian politicians and representatives of business circles with persons able to pose threat to the public interests as well as on their possible undue impact on state authorities in decision making or unlawful influence on some politicians and/or political processes.

It should be noted that, according to the data provided to the Committee, prior to the election to the Seimas in 2012, Vidmantas Kučinskas, the manager of corporate group Arvi, honorary consul of the Russian Federation favoured M. Bastys, aiming to make him the minister of agriculture in the new Government to be formed after the said election to the Seimas. By using his relations with Albinas Januška and then president of the Baltic Institute of Agribusiness, Raimundas Lopata, he cared for shaping of public opinion about M. Bastys as a possible future minister of agriculture. With this end in view, video clips about M. Bastys were created and conferences attended by M. Bastys were arranged. In October 2012, after the Labour Party publicly announced that one of its desired ministries in the new Government was specifically the Ministry of Agriculture, corporate group Arvi manager V. Kučinskas instructed the corporate group's vice-president to convince the chairman of the Social Democratic Party of Lithuania (hereinafter: the 'LSDP') Algirdas Butkevičius not to give this ministry to the Labour Party. V. Kučinskas asserted that Arvi, aiming to have a "friendly" minister of agriculture, did much that LSDP candidates supported by the corporate group would win at the election to the Seimas in Suvalkija.

The Committee established that during 2012–2013 Member of the Seimas M. Bastys took part in the organization of meetings between the representatives of the State Atomic Energy Corporation of the Russian Federation Rosatom with government officials of Lithuania where the interests of the Rosatom were favoured in Lithuania and the region. It was established that the State Atomic Energy Corporation of the Russian Federation Rosatom³ in 2012-2013 drafted and tried to implement a plan to found together with Lithuanian enterprises a joint venture

² Available on the Internet at: <http://www.lrkt.lt/lt/teismo-aktai/paieska/135/ta1773/content>

³ After the collapse of the Soviet Union, Russia established the Ministry for Atomic Energy, which was later reorganized into the Federal Agency on Atomic Energy while the latter was reorganized into the state atomic energy corporation Rosatom in 2007. This corporation is under full effective control of the Kremlin, inter alia operating in the warfare sector, implementing the Russian national policy, geopolitical projects and receiving state tasks in the EU Member States as well.

(consortium) which would in the future trade in the electric power produced by nuclear power plants constructed in the Kaliningrad region and Belarus (hereinafter: the ‘Baltiiskaya NPP’ and the ‘Ostrovets NPP’) using the existing and prospective electric power transmission interconnections with Kaliningrad region, through the use of the Kruonis Pumped Storage Plant (hereinafter: the ‘Kruonis PSP’), and to participate in the projects related to construction of the Baltiiskaya NPP and decommissioning of the Ignalina nuclear power plant (hereinafter: the ‘Ignalina NPP’), and, where circumstances permit, in the project of construction of a new nuclear power plant in Visaginas. With the help of the business partners from Lithuania, Rosatom expected not only to enter the Lithuanian market but also to ensure support for the projects implemented by Rosatom, primarily the Baltiiskaya NPP project in the Kaliningrad region⁴.

The Russian state corporation Rosatom tried through its representatives and intermediaries in Lithuania to found an agency which would take care of creating a consortium of Rosatom and Lithuanian enterprises. In 2012, during the negotiations between the general contractor which implements the projects of decommissioning of the Ignalina NPP, the company NUKEM Technologies (hereinafter: ‘NUKEM’), (whose 100 % of shares has been held by Rosatom since 2009) and UAB (a private limited liability company is called UAB in Lithuanian) Vėtrūna (which performs the construction works) concerning the debt for the performed construction works, NUKEM representative Kęstutis Puidokas (a former KGB agent of the USSR), who provided the necessary information about the situation at the Ignalina NPP, as well as Piotr Vojeika (a former KGB agent of the USSR) and Jevgenijus Kostinas, who represented Rosatom interests, got involved in the said dispute with the aim of mediating between the two parties concerned.

The Lithuanian enterprises were offered the opportunity to receive orders in relation to the projects of decommissioning of the Ignalina NPP⁵, and later to participate in construction of the Baltiiskaya NPP and the Ostrovets NPP. Examination of the opportunity to construct electricity interconnections between Lithuania and Kaliningrad region and later on even the idea to establish a joint venture (Rosatom applied for owning 40 % of shares) which would sell electricity produced in the future Baltiiskaya NPP and Ostrovets NPP began in September of 2012. In order to ensure the political support to these plans, Rosatom attempted through its intermediaries in Lithuania to arrange several times a meeting between the representatives of Rosatom and the head of the Government of the Republic of Lithuania.

⁴ Construction of the two nuclear power plants, the Baltiiskaya NPP and the Ostrovets NPP, near the Lithuanian borders is evaluated as geopolitical projects of Russia which pose threat to the national security of Lithuania and are aimed at exerting pressure on Lithuania and impose obstacles for synchronization of electricity transmission networks with the electricity networks of continental Europe.

⁵ General contractor in the projects of decommissioning of the Ignalina NPP is NUKEM, a German company controlled by Rosatom (since 2009).

In his explanations to the Committee (meeting of 3 April 2017), A. Butkevičius indicated that Member of the Seimas M. Bastys addressed him requesting that a Rosatom representative be seen; however, A. Butkevičius made it clear that he would not see a representative and that ‘there would be no meeting’ (quotation from the verbatim report of the Committee’s meeting of 3 April 2017). A. Butkevičius explained to M. Bastys that ‘there should be no meeting with Rosatom for political reasons’ (quotation from the verbatim report of the Committee’s meeting of 3 April 2017) and warned M. Bastys: ‘and so I told him not to meet’ (quotation from the verbatim report of the Committee’s meeting of 3 April 2017). In answering the question about what consequences would have been if Rosatom had implemented its plans in Lithuania, A. Butkevičius explained that meetings with Rosatom representatives seemed inappropriate at that time as there would have been doubts spread regarding the chosen strategic direction of Lithuania, which would have been seen as the change in Lithuania’s position, abandoning of its strategic energy projects and staying in the BREL system. In answering the question about whether he, being the Prime Minister, felt the Rosatom’s interest in the Kruonis Pumped Storage Plant, A. Butkevičius explained that the Lithuanian Confederation of Industrialists was interested in the said issue with various discussions held in the Confederation to this end, while the Government never considered this issue during his term of office as the Prime Minister.

The Committee established that on 22 February 2013 A. Mertenas and Prime Minister A. Butkevičius met for a brief meeting which was not planned but agreed on in a fast-track manner on the construction site of the Ignalina NPP⁶ where the meeting with NUKEM performing the decommissioning works of the electric power plant was held. This meeting was not included in the Prime Minister’s schedule. The media release drafted by the Government of the Republic of Lithuania specified that when visiting the nuclear installations sites of the nuclear power plant, the Prime Minister met with the Rosatom representatives which owned NUKEM shares, too. ‘At the initiative of Rusatom Overseas, a brief meeting was arranged and during that meeting I was familiarized with the projects implemented by the company’ said Prime Minister Algirdas Butkevičius as quoted by the press release⁷.

In his explanations to the Committee (the meeting of 21 March 2018), Tomas Garasimavičius, the former energy adviser of A. Butkevičius, confirmed that the meeting was held and indicated that the purpose of visiting the Ignalina NPP on 22 February 2013 was to discuss the problems in the Ignalina NPP (delays in the implementation of the projects). The Ignalina NPP was visited, after which there was a meeting and a visit to the facility B1, i.e. to the

⁶ It is specified in the schedule of the Prime Minister that at 10.30 am he would visit the construction sites of the nuclear installations (Drūkšiniai village, Visaginas municipality).

⁷ Available on the Internet at: <https://lrv.lt/lt/naujienos/ministras-pirmininkas-iae-nesutarimai-su-rangovu-turi-buti-isspresti-ikikovo-pabaigos>

used fuel storage reservoir which was under construction at that time, where the meeting with the contractors was held, at which, apart from him, the Prime-Minister and his adviser Irina Urbonavičiūtė participated. Rosatom representative A. Mertenas participated at the meeting, too.

Irina Urbonavičiūtė, the former economic advisor of A. Butkevičius, confirmed to the Committee (the meeting of 21 March 2018) that the meeting requested by the Rosatom representatives took place during the Prime-Minister's visit to the Ignalina NPP (on 22 February 2013). Rosatom representative A. Mertenas participated at the meeting, too. The issues discussed during the meeting included prospects of the construction of Kaliningrad NPP, Lithuania's joining the said project in any way (whether by leasing the Kruonis PSP facilities or otherwise). The minutes were not taken of the meeting.

In his written explanations submitted to the Committee, A. Butkevičius specifies that the Rosatom representatives repeatedly sought to meet with him as with the Prime Minister; however, all such offers were rejected. The Government had a clear, West-oriented energy strategy and a firm position; therefore, he did not show interest in any offers from Rosatom. The meeting with Rosatom representative A. Mertenas on 22 February 2013 during his visit to the Ignalina NPP was not planned. During his visit, the NUKEM representatives who accompanied him at the construction sites of nuclear installations asked him to hear the information of the Rosatom representatives.

Having failed to ensure the Lithuanian authorities approval of the strategic Rosatom's plans, this Russian corporation seeks to maintain influence in Lithuania through its company NUKEM which implements the most important decommissioning projects of the Ignalina NPP. NUKEM actively prepares for taking part in the invitation to tender procedure in respect of the new large-scale decommissioning projects of the Ignalina NPP (project B25). In order to implement these endeavours, NUKEM seeks to provide itself with the support of a major Lithuanian construction company with which it could jointly take part in tenders. For NUKEM it is extremely important that its project partner has the necessary impact on the Lithuanian authorities and political circles, which would help in ensuring the success in participation in tenders.

According to the data held by the Committee, in 2018 it is planned to announce a public tender for the project of low- and intermediate-level short-lived radioactive waste management (B25) with the estimated funds requirements, based on the data of 2015, being over EUR 180 million until 2022 (Annex 2 to Resolution No 1427 of the Government of the Republic of Lithuania of 23 December 2015 on Radioactive Waste Management Development Programme). Former agent of the KGB of the USSR R. Puidokas who represents NUKEM interests maintains active relations with the MG Baltic Group representatives who are interested in participation of

the company Mitnija managed by the said corporate group in the projects to decommission the Ignalina NPP. The interest of the MG Baltic Group in the said projects is demonstrated by the meeting between K. Puidokas and MG Baltic Group manager Darius Mockus, which took place in the autumn of 2009. The contacts between the MG Baltic Group and the NUKEM/Rosatom representatives are still maintained through K. Puidokas who also maintains connections with former MG Baltic Group vice-president R. Kurlianskis. Since 2016, the important role in these plans has been played by Tomas Dapkus representing the interest of the MG Baltic Group and maintaining intensive connections with K. Puidokas who represents NUKEM interests.

The Committee has received information that another NUKEM consultant, Jonas Tamulis, represents NUKEM interests in Lithuania, too.

8.1.1.1. On activities of the MG Baltic Group. The MG Baltic Group has been operating since 1992. In 2002, the MG Baltic Group managers, aiming to ensure financial gain and personal influence, drafted the long-term activity development strategy (hereinafter: the 'Strategy'), which since then has been consistently and purposefully implemented. The following main goals were envisioned in the said Strategy:

- to decrease negative impact of state government and administration institutions, courts and other authorities (influence on legal acts and decreasing the applicable sanctions);
- to create and maintain constant connections in state government and administration institutions, receive information from important institutions (the Seimas, the Government);
- lobbying with its results evaluated according to the number of structures complying with the influence.

In order to implement the Strategy, some politicians, state officials and officers were involved by various unlawful ways – collecting confidential or compromising materials with a view to bribe, exerting influence, handling media information.

In many cases the MG Baltic Group engaged its controlled media through which influence was exerted or public advertising services, including but not limited to political advertising, were offered in exchange for adoption of decisions that were needed by the corporate group. The persons who can assist or hinder implementing business interests of the MG Baltic Group are chosen as impact targets, therefore, in most cases, it is representatives of the political parties, state authorities, state-controlled enterprises, courts and law enforcement institutions who become such targets.

According to the data collected by the Committee, the MG Baltic Group representatives exerted influence on the political processes by making impact on the members of specific political parties represented in the Seimas and Vilnius City Municipality. In 2005-2006, the MG

Baltic Group managers sought to enhance their influence in the Vilnius City Municipality in order to expand activities of the MG Baltic Group's companies in the construction and real estate sectors. At that time, it was the corporate group Rubikon linked to the Liberal and Centre Union (hereinafter: the 'LCU') which used to get the biggest orders to implement projects in Vilnius.

In order to provide themselves with a competitive advantage, the MG Baltic Group managers undertook to implement a political scenario aimed at influencing some LCU members so that they establish a new liberals party which would meet the interests of the corporate group. The MG Baltic Group representatives, using their influence on some leaders of the LCU, pro-actively participated in resolving the parties' internal affairs: they were constantly informed about the ongoing processes in the party; the candidacy for the leader of a newly established party was discussed with them; the MG Baltic Group representatives, in their turn, were giving directions to politicians on how they had to act inside the party.

After the foundation of a new liberal party Liberals Movement of the Republic of Lithuania (hereinafter: the 'LMRL') which the MG Baltic Group could exert influence on, the LMRL candidates to the posts in the Seimas and in the Government were discussed with the MG Baltic Group managers. In 2016, after the publication of information about the political corruption case, the MG Baltic Group representatives sought to keep maintaining influence on the LMRL.

Availing themselves of the political situation emerged in the end of 2005 in respect of the ongoing processes in the Vilnius city municipality, the MG Baltic Group managers sought to have an impact on an influential member of the Social Democratic Party of Lithuania (hereinafter: the 'SDPL') so that the latter convince his political group to vote for the conclusion of the ad hoc investigatory commission of the Seimas which examined the facts of corruption in the Vilnius city municipality. With this in view, media controlled by the MG Baltic Group was engaged, too.

In 2007, the MG Baltic Group representatives, aiming to strengthen their positions in the Vilnius City Municipality, exerted influence on the candidates to the Vilnius City Council during the municipal election of 2007, later they exerted influence on the Vilnius City Council members, favoured certain persons to take responsible posts in the municipality.

In 2009, the MG Baltic Group representatives pro-actively participated in the political processes related to the disintegration of the National Resurrection Party's (hereinafter: the 'NRP') faction in the Seimas; issues concerning the resignation of the Speaker of the Seimas and the appointment of a new candidate for the Splitting were being discussed with them – all this in order to cover up for ones and form a negative opinion about the others. Actions aimed at attracting part of the NRP faction's members to the LMRL were also coordinated with them.

In 2017, the MG Baltic Group representatives pro-actively participated in the processes related to the election of the chairman of the LSDP and disintegration of that party; they also tried to affect the party's internal discussions regarding the participation in the ruling coalition in the Seimas. To this end, they collected compromising information about the possible candidates for the chairman of the party, had an impact on persons so that they would change their determination.

In December 2008, after Eligijus Masiulis, the chairman of the LMRL, was appointed as Minister of Transport and Communications, the MG Baltic Group representatives sought to win contract works procurement tenders organized by enterprises and bodies subordinate to the Ministry of Transport and Communications that would ensure a long-term profitable activity for the MG Baltic Group's company Mitnija. The MG Baltic Group representatives were mostly interested in the high value contract works procurement tenders organized by AB Lietuvos geležinkeliai. In an effort to get decisions favourable to them, the MG Baltic Group representatives created a scheme: through the media and E. Masiulis they made impact on the management of AB Lietuvos geležinkeliai with regard to the enterprise's poor activity and through an intermediary (the employee of AB Lietuvos geležinkeliai recommended by E. Masiulis organized direct meetings with Stasys Dailidka, the then head of the enterprise, during which the details of participation in the tenders were discussed. Since February 2009, meetings between the representatives of the MG Baltic Group and AB Lietuvos geležinkeliai were organized almost every month and sometimes even several times a month. The actions were coordinated by R. Kurlianskis; the progress of unofficial agreements was controlled by D. Mockus. By following the created scheme of influencing the management of AB Lietuvos geležinkeliai, the representatives of the MG Baltic Group provided its company Mitnija with long-term successful participation in the public procurement tenders announced by AB Lietuvos geležinkeliai. The main partner of AB Mitnija in the tenders announced by AB Lietuvos geležinkeliai was the company Kauno tiltai with whose manager N. Eidukevičius the MG Baltic Group representatives maintain close connections on a constant basis. In 2009-2013, both these enterprises together with other partners won contract works procurement tenders organized by AB Lietuvos geležinkeliai for the total value (including VAT) exceeded 1 billion litas (which made approximately 10 % of all the public procurements conducted by AB Lietuvos geležinkeliai). It should be noted that according to the data received by the Public Procurement Office (hereinafter: the 'PPO'), AB Lietuvos geležinkeliai had not entered into a single public procurement contract with the enterprises associated with the MG Baltic Group up until 2009 (document No. 4S-266 of the PPO of 20 February 2018).

After the high-value Lithuanian railways infrastructure projects came to an end, the MG Baltic Group representatives began showing interest in the public procurement tenders for road construction implemented by the Lithuanian Road Administration under the Ministry of Transport and Communications (hereinafter: the 'LRA'). On 8 March 2016, Daivis Zabulionis, former deputy head of the State Tax Inspectorate (hereinafter: the 'STI') and temporary head of the Public Procurement Office, allegedly being favoured by the managers of the MG Baltic Group and AB Kauno tiltai, was appointed as deputy director of the LRA. According to the data collected by the Committee, the managers of the MG Baltic Group and AB Kauno tiltai had a discussion concerning the payment of an unlawful constant pay to D. Zabulionis for his, being responsible for public procurements of the LRA, providing patronage to the company Mitnija of the MG Baltic Group as well as AB Kauno tiltai seeking to receiving orders of the LRA.

The MG Baltic Group representatives, seeking to receive high value orders for the implementation of the projects supervised by the Ministry of Education and Science and the Ministry of Health (construction of modern technologies valleys, medical institutions), used their influence on the heads of these ministries, maintained relations with the then rectors of Kaunas University of Medicine and Kaunas University of Technology as well as with the then Director General of the Clinics of Kaunas University of Medicine. The MG Baltic Group representatives used to receive for coordination the issues related to publicizing of TV reports and publications related to the health care system funding as well as to the salaries of the university rectors.

From April 2009 until the middle of 2016, AB Mitnija controlled the MG Baltic Group won together with other partners 33 public procurement tenders announced by universities and health care bodies for the total value (including VAT) exceeding 100 million euros.

In January 2010, Minister of Education and Science G. Steponavičius asked R. Kurlianskis to help to stop the adoption of a resolution on appeal to the Constitutional Court (to examine whether the certain provisions of the Law of the Republic of Lithuania on Science and Studies are in violation of the Constitution of the Republic of Lithuania), which was considered at the Seimas. To this end, R. Kurlianskis sought to have an impact on Member of the Seimas Aleksandras Sacharukas so that the political group United Lithuania headed by him does not support this appeal, promising to resolve issues that are important for A. Sacharukas. After the resolution of the Seimas was not adopted, G. Steponavičius informed R. Kurlianskis about expressing gratitude to A. Sacharukas.

The MG Baltic Group representatives pro-actively acted in order to gain influence in relation to the issues related to the state-funded large-scale and high-value information technology projects implemented in the Centre of Registers, the State Tax Inspectorate, and the Emergency Response Centre. For this purpose, T. Dapkus maintained close connections with

Vice-minister of Justice Raimondas Bakšys. In 2017 T. Dapkus, using his connections at the Seimas and taking advantage of the fact of the initiation of a parliamentary investigation into the e-health project unsuccessfully implemented for many years, sought to take advantage of the situation to make it possible for his favoured persons/entities to take over the implementation of the e-health project.

The MG Baltic Group representatives exerted influence in a non-transparent manner on the decisions of state authorities related to the investment projects supervised by the Ministry of Economy and financed with EU funds. In 2006, MG Baltic Group President Darius Mockus, in an effort to ensure a favourable funding model for a tennis complex one of the construction initiators of which was UAB Teniso pasaulis (a company managed by the MG Baltic Group) with the contractor being AB Mitnija sought to have an impact on the then Minister of National Defence Gediminas Kirkilas by allegedly threatening with negative media publications. The goal pursued was to make the whole project 100 % publicly funded, although the Ministry of Finance and the Competition Council objected to such funding model.

When giving explanations at the Committee's meeting (23 May 2018), the then Minister of National Defence G. Kirkilas noted that he was familiar with D. Mockus - they shared interest in playing tennis; therefore, as regards funding of the construction of a tennis complex, D. Mockus addressed him as a member of the Government who plays tennis. G. Kirkilas said he took interest in the issue of funding; however, he adhered to the position that the project (public and private partnership) needed by the sports community must be implemented in accordance with the requirements of all the legal acts.

In 2010, the MB Baltic Group representatives tried to make impact on the then Minister of Economy D. Kreivys to take decisions favourable to the MG Baltic Group. As a means of impact, the MG Baltic Group representatives spread, through the media controlled by the Group, defamatory and compromising information on D. Kreivys.

According to the data received by the Committee, the MG Baltic Group representatives sought to exert influence on politicians and officials with the purpose of adopting or blocking legal acts which could create exclusive business conditions for the Group. In 2007-2008, using influence on the members of the LMRL's political group at the Seimas, favourable decisions concerning adoption of amendments to the Law on Alcohol Control were sought with the aim of restricting advertising of alcoholic beverages on TV as little as possible.

In 2007-2014, the MG Baltic Group representatives provided patronage to Modestas Kaseliauskas, the head of the STI, who in 2007 expressed a wish to co-operate with the MG Baltic Group managers. At R. Kurlianskis' direction, negative publications about the persons and institutions that are ill-disposed towards M. Kaseliauskas were prepared and publications

unfavourable to him were stopped. In 2014, the MG Baltic Group representatives were especially active in shaping a positive public opinion about activities of the STI and its head M. Kaseliauskas in order to extend his term of office.

In 2015, after mutual disputes between the shareholders of the VP Market Group (another influential business group) came to light and following suspicions with respect to the evasion of the tax payment by it, the VP Market Group managers sought to assure the support of the MG Baltic Group managers and the possibility to use the MG Baltic Group's influence on the STI and the help of the media controlled by it. On 28 August 2015, with T. Dapkus being an intermediary, a meeting between R. Kurlianskis and Dainoras Bradauskas, the then head of the STI (appointed as head of the STI in April 2015) was organized during which the results of the ongoing tax analysis of activities of the VP Market Group were discussed. It was agreed at the meeting that the head of the STI would supervise the progress of the tax analysis of the VP Market Group and refer its results to R. Kurlianskis, representative of the MG Baltic Group who would then report to a representative of the VP Market Group.

The data collected by the Committee also reveals that the MG Baltic Group through its contacts in the STI assisted UAB Vilniaus prekyba in evading tax obligations in amount probably reaching millions of euros. For the MG Baltic Group's services UAB Vilniaus prekyba paid to the MG Baltic Group managers in the form of big discounts to the company Mineraliniai vandenys which is managed by the MG Baltic Group and which operates in trade centres Maxima.

In the Committee's opinion, it would be meaningful to evaluate anew the materials which were collected during the tax investigation in respect of the said circumstances, taking into consideration the inadmissible relations of the civil servants of the STI with the MG Baltic Group, take steps aimed at assessing the justifications of the tax obligations accrued to UAB Vilniaus prekyba and compensating for the damages allegedly incurred by the State.

The MG Baltic Group representatives sought to gain influence in the Lithuanian Radio and Television Commission (hereinafter: the 'LRTC'). In 2013, after Edmundas Vaitiekūnas was appointed as Chairman of the LRTC, the MG Baltic Group representatives, by maintaining informal ties with him and receiving from him internal information of the LRTC, were aiming at the competitive advantage and influence of the mass media managed by the MG Baltic Group.

The Committee received a written testimonial of D. Kreivys 'that the MG Baltic Group representatives sought to have an impact on Minister of Economy D. Kreivys as regards funding of a tennis complex, exerted constant and long-term pressure on him; however, he did not take any actions for the tennis complex to be 100 % funded from public sources. It was requested that the list of objects eligible for financing by the EU funds be produced in the project, however,

under the effective descriptions and procedures, they did not meet the said conditions and therefore the said funds were not allocated for the development.“

The MG Baltic Group representatives, by maintaining informal ties with Elonas Šatas, member of the Competition Council, sought to use his influence in 2014 when the Competition Council was resolving issues related to the sale of shares of AB Alita to AB Mineraliniai vandenys managed by the MG Baltic Group.

In 2009-2016, the MG Baltic Group representatives, aiming at strengthening their influence in the law enforcement institutions, collected information about the ongoing processes at the Office of the Prosecutor General and other law enforcement institutions, organized meetings with representatives of the prosecutor's office, maintained connections with the Vilnius Regional Prosecutor's Office and the Kaunas Regional Prosecutor's Office. Some officials, after working in the law enforcement institutions, were employed in the enterprises the MG Baltic Group: Aurelijus Racevičius (former head of the Interpol National Central Bureau of Lithuania), Nerijus Zulonas (former one of the heads of the Vilnius County Subdivision of the Financial Crime Investigation Service), Ramutis Jancevičius (former head of the Vilnius Regional Prosecutor's Office). By co-operating with N. Zulonas, representative of the MG Baltic Group R. Kurlianskis sought to obtain classified information from him. T. Dapkus used to maintain constant connections with Raimondas Petrauskas, the then head of the Division of Public Prosecution of the Prosecutor General's Office, and informed R. Petrauskas about the upcoming media publications, while in his turn R. Petrauskas used to provide T. Dapkus with information about the situation in the Prosecutor General's Office. The MG Baltic Group representatives of the maintained connections with K. Betingis, the then chief prosecutor of the Kaunas Regional Prosecutor's Office. At that time an investigation according to the A. Gureckis' application on fraud in the company Mitnija was being carried out in the Kaunas Regional Prosecutor's Office.

In October 2015, MG Baltic Group manager D. Mockus at the meeting with the then chief prosecutor of the Vilnius Regional Prosecutor's Office R. Jancevičius sought to have an impact on the decisions of the prosecutor's office related to the real estate project Užupio krantinės developed by the MG Baltic Group as the community of Užupys appealed to the Vilnius Regional Prosecutor's Office protesting against the designed number of floors. On 7 December 2015, there was the article 'The story of Užupys krantinės has reached the end' stating that the Vilnius Regional Prosecutor's Office, having conducted the investigation, refused to go to the court in respect of the legality of the said construction project.

In February 2016, at the request from the VP Market Group representatives the negative information about the former deputy prosecutor general Darius Raulušaitis, who temporarily headed the Prosecutor General's Office during the period of the pre-trial investigation into the

activities of the VP Market Group managers, was published on the internet portal administered by the MG Baltic Group.

In his explanations given at the Committee's meeting (16 May 2018), T. Dapkus, representative of the media group managed by the MG Baltic Group, argued that the information provided in the certificate of the SSD which got into the public domain was defamatory and an attempt 'to deal with' him as a journalist, revealing his sources of information. When communicating with politicians and officials, he collected information for his journalistic activity. His activity in question covers the period from 2005, although he has been working in the media group managed by the MG Baltic Group since 2012. T. Dapkus refused to answer some of the posed questions, stating that he could not reveal the information sources.

8.1.1.2. On the activity of UAB Vilniaus prekyba. On 28 June 2007, the Seimas of the Republic of Lithuania adopted the Law of the Republic of Lithuania on the Nuclear Power Plant establishing the provisions of implementing the project of a new nuclear power plant and created legal, financial and organizational opportunities for implementing the project of a new nuclear power plant.

On 29 April 2008, the then Minister of Economy Vytautas Navickas, acting in accordance with Resolution No 331 of the Government of 15 April 2008 on the Approval of a Draft Contract with the private limited liability company NDX energija and Granting of Authorisations, signed on behalf of the Republic of Lithuania a contract with private limited liability company NDX energija regarding creation of the national investor. Point 2 of the contract sets out that the contract's object is to create the national investor through founding LEO LT and consolidating public limited liability companies Lietuvos energija, Rytų skirstomieji tinklai and Vakarų skirstomieji tinklai into the national investor's group of companies in which LEO LT would act as the parent company of this group and in which the Republic of Lithuania would own more than 1/2 of the shares and votes at the general meeting of LEO LT shareholders. On 20 May 2008, AB LEO LT was registered in the Register of Legal Entities.

In order to implement the project of a new nuclear power plant, Article 10 of the Law of the Nuclear Power Plant provided for the national investor – AB Lietuvos energija which took private initiative to invest into the project.

On 2 March 2009, the Constitutional Court admitted that Article 8(1) of the aforementioned Law, 'to the extent that it did not establish any legal regulation securing the implementation of the goal of the law, which is creation of preconditions for construction of the new nuclear power plant, is in conflict with Paragraph 3 of Article 46 of the Constitution of the Republic of Lithuania.' The Constitutional Court pointed out 'that the law does not establish does not establish by what principles securing efficient representation of the State as a possessor

of the shares in implementing the goal of the law—to create financial preconditions for constructing the new nuclear power plant—one should be guided in choosing the persons who represent the state shares in this company. Nor does it establish how the management should be organised (while implementing the property and non-property rights by shareholders of the national investor) so that monetary funds might be accumulated for the construction of the nuclear power plant.’

The Constitutional Court stated that the law failed to create financial preconditions for the implementation of the goal of the law — to create preconditions for the construction of the new nuclear power plant; thus, the requirement entrenched in Article 46(3) of the Constitution to regulate economic activity so that it serves the general welfare of the Nation was deviated from.

Taking this into consideration, the Constitutional Court concluded that Article 8(1) of the Law on the Nuclear Power Plant ‘to the extent that it did not establish any legal regulation securing the implementation of the goal of the law, which is creation of preconditions for construction of the new nuclear power plant, is in conflict with Paragraph 3 of Article 46 of the Constitution.’

The Committee received information that LEO LT project was implemented in a non-transparent manner; in 2006-2007, the Vilniaus prekyba Group shareholders and managers, seeking to implement the LEO LT project and, at the same time, seize the main companies in the Lithuanian energy sector, sought to compromise, bribe or otherwise affect the politicians, heads of authorities and public figures who disapproved or resisted to this project. By using its significant influence in the retail trade and other economic sectors of the country, the Vilniaus prekyba Group sought to make negative impact on other business groups that did not benefit from this transaction. The Vilniaus prekyba Group was getting prepared for ‘the countermeasures’ directed against business groups and politicians resisting their idea. For example, the possibility to compromise the member of the Seimas <...> who pro-actively called for examining the transparency of the prospective transaction, and <...> who did not publicly approve the project was considered.

Taking into consideration the information collected during the investigation, the Committee is of the opinion that it would be meaningful to evaluate anew whether a criminal act was or was not committed and/or damages were incurred on the State of Lithuania when creating the national investor and if yes – take measures to reimburse these damages. In the Committee’s opinion, it is appropriate to appeal to the Prosecutor General’s Office to assess whether a criminal act has been committed and whether damages have been incurred on the State in relation to creating the national investor through establishing LEO LT.

In the Committee's opinion, it would be meaningful to request the Energy Commission of the Seimas of the Republic of Lithuania to assess what damages the State of Lithuania has incurred (or could incur) in relation to creating the national investor through establishing LEO LT and the activity of this company and propose measures to reimburse these damages.

8.1.2. The Committee states that:

The Russian corporation Rosatom, by using the company NUKEM managed by it sought in 2012-2013 to make undue impact on state authorities, some politicians and/or political processes, aiming to get approval of the Lithuanian authorities to the strategic projects that are favourable to the Russian Federation: construction of new nuclear power plants near the Lithuanian border, laying of electrical connections with the Kaliningrad region through which the electricity produced in the nuclear power plants under construction could be trade in, using of the Kruonis Pumped Storage Plant in these projects.

Rosatom plans of the end of 2012-2013 to take over the control over the Lithuanian electric energy system should be evaluated as an attempt to change the geopolitical direction of Lithuania. Taking this into consideration, the possibilities of the company NUKEM which has been under 100 % control of Rosatom since 2009, to participate in the Lithuanian energy projects should be strictly assessed in terms of national security, based on the provisions of the Law of the Republic of Lithuania on the Protection of Objects of Importance to Ensuring National Security.

Following the instructions of the Rosatom managers, persons representing the interests of the Russian corporation Rosatom and acting as its intermediaries in Lithuania used to organize meetings with high-rank officials of the Republic of Lithuania to receive approval to Rosatom projects in Lithuania and in the region, aiming to change the geopolitical direction of Lithuanian energy and pose threat to national security. As they did not manage to get support of the Lithuanian authorities, Rosatom plans were not implemented.

The company NUKEM which is managed by the Russian corporation Rosatom and which implements important decommissioning projects of the Ignalina NPP, was at the same time engaged in other activity: sought to organize meetings between high-rank officials of the Republic of Lithuania and Rosatom representatives, provided patronage for Rosatom's interests in Lithuania and in the region that differ from the strategic interests of Lithuania provided for in the National Energy Independence Strategy.

Persons representing the interests of the Russian corporation Rosatom and affiliated enterprises are planning to maintain influence in respect of the decommissioning of the Ignalina NPP through the most affluent business group in Lithuania – the MG Baltic Group which, by

using its extensive ties in the political circles and the media group, controls, seeks to make undue impact on state authorities, politicians and/or political processes.

As regards the Ignalina NPP decommissioning process, the MG Baltic Group and Rosatom share the same interests. UAB Mitnija managed by the MG Baltic Group would assure long-term construction works, while Rosatom would be able to control the Ignalina NPP decommissioning process.

In 2002, the MG Baltic Group managers, aiming to ensure financial gain and personal influence, drafted the long-term activity development strategy which since then has been consistently implemented and must be seen not only as a business development strategy but also as the strategy of making non-transparent impact on state authorities (including law enforcement institutions), politicians, political parties and political processes.

Upon establishment of a political party (the Liberals Movement of Lithuania) closely associated with the MG Baltic Group managers, in less than ten years the MG Baltic Group has become the most influential business and influence group in Lithuania. This has been determined by the size of the managed assets, the wide range of business interests, control over the influential media group, close connections with the political system and influence on certain political parties, the use of the connections and influence in making policy decisions beneficial for the development of own business.

The MG Baltic Group managers, both directly and through intermediaries, sought to influence some Members of the Seimas, ministers, heads and civil servants of ministries and other state authorities as well as managers of the state-owned enterprises operating in the area of their regulation.

The actions of the MG Baltic Group representatives aimed at exerting unlawful influence not only on individual politicians but also on political processes and making impact on law enforcement or other controlling institutions should be assessed as *modus operandi* of this business group.

Seeking to provide enterprises of the corporate group with profitable public orders, the MG Baltic Group representatives made impact on the decision-making of state authorities and state-owned enterprises in relation to public procurement. The aim pursued in involving the party closely associated with the managers of the corporate group and the ministers delegated by this party was winning of high-value public procurement tenders in relation to the projects managed by the Ministry of Transport and Communications, the Ministry of Health, the Ministry of Education and Science, the Ministry of Justice and the Ministry of Economy as well as the construction projects supervised by the bodies and enterprises which are subordinate to them.

In the opinion of the Committee, the particularly effective scheme of action in the transport sector designed by the representatives of the MG Baltic Group and the LML has allowed to create exceptional business conditions for the corporate group. The company Mitnija owned by the corporate group together with partners won the contract works procurement tenders organised in the 2009-2013 period by AB Lietuvos geležinkeliai alone for the total value of more than 1 billion litas (which accounted for approximately 10 per cent of all public procurement of AB Lietuvos geležinkeliai).

The *modus operandi* of the MG Baltic Group representatives was applied not only to competitors but also to politicians, civil servants and officials who were unfavourable to the corporate group and was purposefully aimed at enhancing the non-transparent influence of the managers of the corporate group in the State. Certain state authorities could be considered as *de facto* seized. This statement is proven by the cases when business groups, in order to resolve the issues encountered by them, reached out to the MG Baltic Group for help.

Such an activity of the MG Baltic Group poses a threat to the structure of the State as: (1) political decisions are *de facto* taken by a group of persons unaccountable to anyone; (2) political influence has become a commodity; (3) when required by the interests of the corporate group, the media under its control are used as a tool of pressure and manipulation. A potential outcome of such activity is façade democracy with the rule of money and non-institutional networks of influence.

The long-term systematic implementation of the strategy of the MG Baltic Group, taking into account the scale of operation of the MG Baltic Group representatives, may be viewed as a destructive activity capable of destabilising the structure of the State and the democratic political system thus posing a threat to the interests of the State and national security.

The Committee has established that the MG Baltic Group representatives maintain, on a regular basis, contacts with a former KGB agent and other persons who represent the enterprises seeking to change the geopolitical direction of Lithuania. The Committee has at its disposal the data that Rosatom and the MB Baltic Group seek to receive particularly high-value long-term orders related to the strategic projects of Lithuania, which may pose a threat to the interests of the State.

In the Committee's opinion, one of the directions of activities of the managers of the corporate group was and continues to be the exertion of systemic unlawful influence on state and municipal bodies, politicians, civil servants and officials, use of this influence in order to ensure the management of obtained information, non-transparent participation in the public procurement tenders announced by the State, unlawful influence on heads of law enforcement institutions as well as of the state and municipal bodies exercising control and supervision and non-transparent

relations with the media. The corporate group has developed a strategy on how to organise and develop its activities and influence and has consistently implemented it since 2002.

In the Committee's opinion, this strategy is aimed not at developing business but rather at gaining as much own profit as possible by managers of the corporate group, developing systemic unlawful influence through the use of the methods which are inconsistent with legal norms, therefore the exertion of unlawful influence should be considered to be the source of the unfair financial gain of the corporate group as well as the consistent and continuous increase of the group's domination.

The Committee has established that the MG Baltic Group representatives maintain, on a regular basis, contacts with a former KGB agent of the USSR and/or LSSR and other persons who represent the enterprises seeking to change the geopolitical direction of Lithuania. The Committee has at its disposal the data that Rosatom and the MG Baltic Group seek to receive particularly high-value long-term orders related to the strategic projects of the Republic of Lithuania (e.g., Rosatom and the MG Baltic Group pursue the common goal of receiving particularly high-value long-term orders related to the decommissioning of the Ignalina NPP), thus this may pose a threat to the national interests of Lithuania.

The management of the MG Baltic Group, while acting independently and using the funds of the corporate group, consistently developed the activities aimed at ensuring, by unlawful means, the continued support of state and municipal politicians, managers of state and municipal enterprises and managers of public limited liability companies managed by the State, created an influence scheme based on corrupt relations and undue impact and aimed at supporting, on state and municipal levels, the decisions favourable to it. The materials available to the Committee make it clear that this group of persons took advantage of this influence for profit-making purposes by providing, for consideration, to other business entities the services based on the mentioned unlawful influence and did it systematically, having allocated roles among the members of the group and aiming to receive personal gain. The information received by the Committee shows that influence was traded in by rendering support to other business groups and deriving from this direct material and other gain, which was not necessarily received by the corporate group as a legal entity but went directly to its management to be used in personal interest.

This allows a presumption that the group consisting of several persons acting in mutual concert has, for a long time, been engaged in the activities which actually have the features of an organised criminal group and has used and is still using the infrastructure and funds of the corporate group as a cover for its unlawful acts. In such a manner, the exertion of unlawful

influence itself has become the personal business and source of financial gain for the MG Baltic Group managers.

It is a matter of particular concern that this group of persons, by exerting unlawful influence on the politicians, civil servants and employees of state enterprises benevolent to it, represented and, according to the data available to the Committee, still represents not only its own interests but also the interests of other enterprises, including Rosatom. The major part of these interests is related to the aspiration to change the geopolitical direction of the Republic of Lithuania.

The Committee has received the information that such projects as those related to the decommissioning of the Ignalina NPP can be implemented at least by 46 enterprises from Europe, the USA and Japan, hence it is appropriate, for the purposes of ensuring the interests of national security, to recommend the Government to look for the contractors conforming to the Euro-Atlantic security criteria.

Considering the fact that the activities of both the Russian energy company Rosatom and the MG Baltic Group are based on the exertion of unlawful influence on state authorities, also the fact that both enterprises seek, in a non-transparent manner, to exert influence on political processes and that the goals of Rosatom to have a dominant position in the region's energy sector are incompatible with the aspiration of the Republic of Lithuania to ensure energy independence from the Russian Federation, the Committee believes that such links posed and still poses a direct threat to the national security of the Republic of Lithuania.

8.1.3. Conclusion of the Committee:

8.1.3.1. Relations were maintained with the persons capable of threatening the interests of the State, such as the Russian state corporation Rosatom and NUKEM, a company managed by Rosatom, with the aim of making undue impact on state authorities in decision-making or exerting unlawful influence on certain politicians and/or political processes.

8.1.3.2. The activities of the MG Baltic Group as the most influential Lithuanian enterprise and the activities of the owners and representatives of other enterprises identified during the parliamentary investigation which had the aim of making and made undue impact on the political system and the decisions adopted by state authorities as well as the exertion of unlawful influence on certain politicians and political processes pose a threat to the democratic governance of the State and national security.

8.2. To establish whether there were any cases of funding of political parties or individual politicians which might cause a threat to the interests of the State with the aim of making undue impact on state authorities in decision-making or exerting unlawful influence on politicians and/or political processes.

8.2.1. The Committee has established the following:

The Constitutional Court has repeatedly stated that, in a constitutional democracy, the formation of political representative institutions is subject to particular requirements. These institutions may not be formed in a manner that raises doubts as to their legitimacy, lawfulness, *inter alia*, as to whether the principles of democratic rule of law were violated when electing persons to the political representative institutions. Otherwise, people's trust in representative democracy, state authorities and the State itself would be undermined. Democratic elections are an important form of citizens' participation in state governance and, at the same time, a mandatory element of the formation of the political representative institutions of the State. Elections may not be deemed to be democratic and their results – legitimate and lawful if they are held in disregard of the principles of democratic elections enshrined in the Constitution and in violation of democratic elections procedures (the conclusion of the Constitutional Court of 5 November 2004, the ruling of 1 October 2008, the conclusion of 7 November 2008, the rulings of 9 November 2010 and 29 March 2012, the conclusion of 26 January 2012). In its ruling of 9 November 2010, the Constitutional Court stated that, under the Constitution, only such elections are allowed where there is free and fair competition for the mandate, where the voters have the right and a real opportunity to choose from several candidates, where at the time of voting they can express their will freely and without being subjected to control. The requirements of transparency and publicity must be applied to the formation of a representative political institution.

The Law of the Republic of Lithuania on Funding of, and Control Over Funding of, Political Parties and Political Campaigns, which was in effect until 1 January 2012, allowed legal persons to donate to political parties and political campaign participants. The Law was amended taking account of the alleged dependence of political parties on the donations of the legal persons and with a view to encouraging politicians and political parties to compete more in ideas. There were cases when interest groups funded, through various affiliated enterprises and organisations, political parties in disregard of the specified maximum allowable donation limits.

In assessing the funding of Lithuanian political parties and possible threats to the interests of the State, the Committee has received the data that the legal regulation which was in effect until 1 January 2012 allowed for the funding of the Lithuanian political parties and politicians by the legal persons registered in the Republic of Lithuania which, by virtue of their activities, nature thereof or capital origin, were associated with the entities registered in other countries and allegedly posing a threat to the interests of Lithuania.

In Lithuania, the interests of the business group Petrochemical Holding (primarily in the oil chemistry sector; however, also in the case of AB Mažeikių nafta, when Baltic Holding vied

for control over it) were mostly represented by the former leader of the Labour Party, Viktor Uspaskich. According to the data received by the State Security Department, this business group has always devoted and still devotes particular attention and considerable funds to corporate relations and actually seeks to ingratiate itself with a wide range of politicians and civil servants (especially in the Government, the Ministry of Economy and the Ministry of Environment) in respect of adopting the decisions relevant to the business group.

Before the 2004 elections to the Seimas, the Lithuanian enterprises linked with the business group Petrochemical Holding (according to R. Juknevičienė and L. Kaščiūnas, they have become affiliated only since 2006) funded various political actors and candidates, not only the Labour Party. For example, according to official data, UAB Nemuno bangos grupė (subsequently reorganised into UAB Neo Group and UAB NB Europe), before the 2004 elections to the Seimas, provided support in the amount of LTL 21 000 to each of the following persons: A. Vazbys (Homeland Union), A. Kubilius (Homeland Union), P. Grecevičius (Homeland Union), R. J. Dagys (Homeland Union); V. Martinkaitienė (Labour Party) received support in the amount LTL 3 000.

During the 2004 Seimas electoral campaign, the Labour Party officially declared that it had paid to UAB Švenčionių vaistažolės, which is associated with D. Buriak, for various services rendered by it (advertising, event management, installations lease, etc.) approximately LTL 550 000. Another LTL 30 000 was paid to this company by the candidates then delegated by the Labour Party (with each— paying the amounts ranging between several hundreds and several thousands litas): S. Bajeričius, A. Bosas, V. Bukauskas, G. Bužinskas, V. Domarkas, G.J. Furmanavičius, V. Gedvilas, L. Grauzinienė, A. Ivanauskas, J. Jagminas, E. Karpickienė, V. Prunskienė, M. Subačius, R. Šatkauskas.

The Labour Party declared to have paid approximately LTL 20 000 to UAB Forumo rūmai for the services provided during the 2004 Seimas electoral campaign LTL 550 000. It cannot be ruled out that, in such a manner, the mentioned companies to which the politicians or political parties claim to have paid for the provided services just launder a part of their funds. This, in turn, shows close connections between those political actors and business groups.

The Committee has at its disposal the information that UAB Dujotekana, which trades in Lithuania in gas supplied by the Russian gas company Gazprom, spent on various political campaigns in 2004 LTL 550 000. UAB Dujotekana, either directly or through another enterprise managed by its main shareholder, provided in 2004 LTL 37 500 to each of the following persons: the Social Democratic Party of Lithuania, the Homeland Union, the New Union, the Electoral Action of Poles in Lithuania; LTL 50 000 – to the Union of Peasants and New Democratic Parties; LTL 100 000 – to Vilija Blinkevičiūtė; LTL 30 000 – to Kazimira Danutė

Prunskienė. During 2006-2011, UAB Dujotekana granted LTL 57 500 to the Civic Democratic Party and supported the public establishments associated with politicians, e.g., the public establishment Institute of Democratic Politics (VŠĮ “Demokratinės politikos institutas”), funded the media.

Since 1 January 2012, after the Seimas amended the Law of the Republic of Lithuania on Funding of, and Control over Funding of Political Parties and Political Campaigns, it has been prohibited for legal persons to make donations to political parties and political campaign participants in Lithuania. However, the Committee has at its disposal data about the interests of persons, business entities and other interest groups in respect of supporting individual politicians or political parties as well as about the methods used in order to fund, unlawfully or in a non-transparent manner, political parties.

The identified cases show that opportunities opened up for the individual politicians or political parties to gain advantage over other politicians or political parties, also opportunities for their supporters, either lawful or unlawful, to exert unlawful influence or make undue impact on decision-making and political processes. The Committee has identified the main challenges which, due to the systemic nature and the undue impact of the persons concerned on state authorities in decision-making or unlawful influence on politicians and/or political processes, may pose a threat to the interests of the State:

- 1) Non-transparent and unlawful funding of political parties;
- 2) Unlawful and uncontrolled lobbying;
- 3) Uncontrolled public and private interests;
- 4) Certain non-transparent and biased media.

8.2.1.1. Non-transparent and unlawful funding of political parties. Notwithstanding the prohibition for legal persons to fund political parties and political campaigns, which came into effect on 1 January 2012, the business groups concerned, individual businessmen, politicians and even media owners sought to circumvent this prohibition; they also took advantage of the inefficient system of control over funding of political parties and political campaigns. In seeking to secure exclusive conditions for their activities, business representatives are prepared to support, in various forms, certain political parties or individual politicians in search for additional funding, thereby gaining a possibility to influence the decisions adopted by them. The following forms of non-transparent and unlawful funding of political parties should be distinguished:

Support in cash. There are cases when political parties’ representatives request or demand that legal persons provide them with support in cash, also cases when support is offered by business representatives themselves. The Committee has received information about the aims

of the representatives of the groups concerned and their inclination to provide financial support to some political parties, for example, about the arranged regular meetings of the representatives of the groups concerned which are attended by certain politicians and leaders of certain political parties. At such meetings, the ways and conditions of provision of financial support to a political party or its individual members, even specific amounts of money for the political party or its influential members are discussed, also requirements are raised by representatives of the groups concerned to politicians in respect of the specific political decisions to be adopted, the draft legal acts being prepared or considered and other issues, e.g., candidates for certain positions in the public sector or extension of their terms of office.

Financial support is often provided to certain political parties in exchange for satisfaction of demands of the groups concerned in respect of specific businesses' interests in the area of public procurement or investment projects. Most often, legal persons use, for the purpose of provision of financial support to political parties and political campaigns, the funds which are not reflected in official accounting records, i.e. 'shadow' money, which the political parties neither record in their accounts.

Support in the form of discounts. In seeking greater visibility, political parties use available funds to publicise their activities or ideas. Advertising services are provided by the business entities which often provide political parties with unreasonably large discounts, thereby funding a part of the services. The managers of certain mass media or their representatives apply, as a covert form of supporting a certain political party or certain politicians, specific pre-agreed financial discounts for political advertising in the mass media or discounts for the airtime. The politicians who have received discounts also undertake to satisfy the interests of the groups concerned, adopt the decisions that are necessary for an influence group and satisfy the needs of the groups concerned. For example, in 2017, the mass media published the information stating that officers suspected some political party to have received discounts for the broadcasted political advertising.

Support through funding sponsorship funds. It is not uncommon that the funds of legal persons which are donated to the legal entities associated with representatives of some political parties and having the status of a recipient of sponsorship are used for funding a political party. The Committee has been provided with an analysis of financial flows of a public establishment associated with certain politicians, which shows that the public establishment having the status of a recipient of sponsorship did not actually carry out any activities at all; however, a little more than one month prior to the beginning of the electoral campaign, the funds transferred to the account of the public establishment (tens of thousands of litas) were used to pay for the lease of premises, events (musical performers), catering, publishing, production of T-shirts and badges

and similar services characteristic of a political party's publicity activity. In certain cases, not only leaders of the business groups concerned and some political parties but also managers of certain mass media participated in agreements between the groups concerned and some political parties to support a political party through the legal entities having the status of a recipient of sponsorship. According to the Committee, this could have been related to the particularly non-transparent use of funds intended for the publicity of activities of state authorities.

According to data of the Committee, 46 Members of the Seimas of the 2012-2016 term were in one way or another associated with public establishments, i.e. with a legal entity having the status of a recipient of sponsorship. In total, 46 members of the Seimas were associated with 121 recipients of sponsorship, while 16 members of one of the political groups were associated with as many as 41 recipients of sponsorship. Such relations between the politicians and the recipients of sponsorship may create preconditions for corruption mechanisms.

Support in the form of settling of accounts. There are cases when a business entity (legal person), having provided a service to a certain political party, does not directly receive any remuneration for it from the political party but the costs incurred by the legal person are reimbursed by other legal persons which, either directly or through intermediary enterprises, win public procurement tenders organised by the state authorities headed by the representatives delegated by that political party or which, while representing their own interests, settle the accounts of political parties through the legal entities having the status of a recipient of sponsorship and are associated with the representatives of those political parties. The Committee has been provided with information and an illustrated cash flow chart showing that a major event of a political party, which cost tens of thousands of euros and during which exclusively political party's and its leaders' activity was made public, was financed through the associated enterprises.

Support in the form of advertising political parties free of charge (hidden advertising). Some political parties or individual politicians are supported in the form of hidden advertising of political parties or individual politicians, stressing the positive role of a politician or the institution headed by him in exchange for adopting decisions favourable to businesses. The Committee has been provided with information on the way in which representatives of a media business group negotiate with representatives of a certain political party regarding discounts for party advertising and publicity services in exchange for the decisions favourable to the business group.

8.2.1.2. Unlawful and uncontrolled lobbying. Lawful lobbyists and the lawful activities pursued by them are one of the elements of a mature democratic society. Lobbying is associated with the constitutional right to participate in the governance of one's state; transparent lobbying

is beneficial for society and often leads to improvements in the legislative and national policy formation process; however, the official information suggest that in Lithuania, this legal institute still does not operate properly. It has been established that until the middle of 2017, out of 38 officially registered lobbyists, as few as 12 had published information about their activities, while, as of 1 September 2017, when the new version of the Law on Lobbying Activities came into effect, 58 lobbyists were registered in total; however, not all of the lobbyists lodged declarations on the lobbying activities pursued by them.

Business entities are in constant search for and in the process of creating the lobbying strategies providing exclusive conditions for the development of their business, while politicians, in their turn, rarely being aware of the extent of business operations and without going into much detail as regards the possible consequences of their actions, initiate amendments to legal acts or adopt the decisions which are sometimes beneficial only to narrow interest groups. The study 'Behind the Scenes of Politics. (Non-)Transparency of Lobbying in Lithuania' conducted at the request of the 'Transparency International Lithuanian Chapter'⁸ has revealed the following specific features of political corruption:

- 6 of 10 businessmen have specified that it is associations, registered lobbyists (52%), trade unions (41%) and enterprises (35%) that tend to seek to exert influence in Lithuania;
- 8 of 10 businessmen know the cases when persons in a position of authority, when adopting decisions, sought to provide benefits to specific interest groups while disregarding the public interest;
- Most typically, influence on decision-making is sought to be exerted in the energy (81%), construction (65%), pharmacy and healthcare (48%) sectors, alcoholic beverages (58%) and tobacco (53%) markets, while the interest groups representing these sectors are referred to as the most influential ones;
- The majority of the businessmen are fully aware of the harm caused by unlawful lobbying: 68% of the businessmen state that the exerting of non-transparent influence hits the hardest citizens' trust in the State, also the financial wealth of the citizens (66%), the national budget (64%) and the business and investment environment (64%).

The analysis of cases of unlawful lobbying shows that a person interested in a specific decision selects several influence persons (Members of the Seimas, heads of state authorities) who are often unaware about each other's initiatives to support and implement the interests of that specific person. The Committee has been provided with information about a legal person which, in pursuance of its business development interests in the territory of a municipality, sought to amend the provisions of an environmental law. The enterprise, having influence within

⁸ Available on the Internet at: <https://goo.gl/tyK7QP>

the municipality, acted through heads of the municipality requesting them to refer to the supervising ministry and to initiate the amendments to the law that were supposedly necessary for the municipality but actually for the business entity. After the municipality-proposed law amendments were not passed, the business entity actively sought to influence the individual members of the Government and of the Seimas. It has been achieved that the civil servants who had evaluated the draft negatively and had not upheld the legislative amendments necessary for the enterprise be transferred to other positions. In the given situation, the business enterprise had acted through the persons having political influence and the politicians being unaware of the circle of affected persons, while the enterprise's interests were presented as a decision in the public interest.

Another case is related to a business group's goal to influence the supervising ministry so as to make the territorial division subordinate to it change its opinion and adopt a decision necessary for the business group. In this case, discrediting of decision-makers in the media was considered; however, it was decided that a more effective way to achieve the desired result would be a financial proposal to the persons capable of influencing decision-making through the contacts of representatives of a political party. In order to obtain a favourable decision in a similar case, the business group offers financial support for the formation of a politician's positive image in the mass media in exchange for his influence on a local municipality in respect of adoption of a decision favourable to the business group.

It should be noted that, in some cases, the decisions favourable to business groups were discussed with some Members of the Seimas who register the draft legal acts favourable to the groups concerned and proposals in their regard (or refuse to register them) or do not accept separate proposals if it is beneficial to business representatives. The Committee has been provided with the examples of consideration of provisions of draft laws during the 2012-2016 term of the Seimas.

The Committee has also received, for the purposes of the parliamentary investigation, information about the goal to influence the politicians of the Seimas and municipalities so that the decisions related to reorganisation of the institutions providing social services would be adopted. This case is different in that some politicians belonging to different political parties represented in the Seimas, several Members of the Seimas met with a person interested in favourable decisions and, in his environment, agreed on possible decisions, exerted influence on municipal and executive authorities. The actions of the Members of the Seimas and municipal politicians were mutually coordinated; the meetings of the politicians with the persons were not made public, while links between the persons were not declared, although the issue of reorganisation of the provision of social services to the public was being considered.

All the listed cases of non-transparent lobbying and coordination of interests involved some Members of the Seimas of an opposition political group and of the governing majority of the Seimas of this term. There are data that one of the politicians was to be influenced for a specific consideration.

It should be noted that such cases of unlawful and non-transparent lobbying when in the state there are formed the influential groups of persons which exert unlawful influence on the decisions adopted by state authorities both for personal enrichment, increasing of the profit of enterprises under their control and for 'trading' in existing influence by acting as an intermediary of other business or interest groups pose threat to national security.

8.2.1.3. Uncontrolled public and private interests. The Committee has been provided with information about the cases when business and state representatives are linked to each other by various relations: they may have been studying, working or spending leisure time together; they may belong to the same political party or be related to each other by kinship, marriage, etc. The relations between persons should not be evaluated as negative unless this leads to a conflict of interest.

Currently, out of all the conflicts of public and private interest that could arise or have already arisen in Lithuania, only those conflicts are investigated which become known to the public. Unrevealed conflicts of interest where business or private interests are satisfied increase the risk of corruption and do harm to the State. Businesses tend to seek to have as many links with state authorities or politicians as possible. It is common for businessmen themselves to become politicians; however, for the time being, Lithuania does not have in place an effective pro-active control of public and private interests which would allow to identify potential conflicts of interest in advance and prevent adoption of the decisions that are unfavourable to the State, i.e. there is a lack of a more responsible declaration of public and private interests and more active and effective control over the data declared. Although the number of the persons who are under the obligation to declare private interests is increasing, there is practically no analysis of the data provided in the declarations of the latter, their validity and sufficiency.

It should be noted that the absence of an effective monitoring and control of the declaration of interests, i.e. the absence of pro-active control, was mentioned as early as in 2014 in the European Commission's Anti-Corruption Report as one of the key shortcomings of the Lithuanian system of adjustment of public and private interests⁹.

For example, a rather high level of nepotism expansion was established in 2017, following an analysis of kinship relations in the area of management of one of the ministries. The findings of the analysis have revealed that employees of one of the ministries and of 10

⁹ Available on the Internet at: https://www.stt.lt/documents/es_ataskaita_2014/ES_kovos_su_korupcija_ataskaita_visa_acr_2014_lt.pdf

subordinate institutions implementing control and supervision over economic entities were related by kinship to 53 ministry-controlled companies and 5 ministry-controlled licenced associations.

An illustrative example of a conflict of interest as a prerequisite for manifestation of corruption and arising of corruption-related damage to the State is the interests and relations of the former chair of the supervisory board of a state-owned enterprise and their influence on the state enterprises. For example, following the appointment of a person associated with a corporate group by indirect business relations to the post of chair of the supervisory board of a state enterprise, the persons who had been previously employed in an associated corporate group or their family members started to hold high-rank positions in the enterprise, while the value of the public procurement tenders organised by the state enterprise or associated enterprises and won by this corporate group has increased 16 times (from several to tens of millions of euros). In a similar manner, the same business group has won, over the period of nine years, the public procurement tenders organised by another state-owned enterprise for the total value of EUR 10 million; however, following the appointment of the associated person to the state-owned company, the business group has won public procurement tenders worth EUR 5 million over the period of one year. The analysis of the person's relations has revealed that the person, either himself or through other persons, has interests in the enterprises which are associated with the business group concerned being under his patronage and winning tenders.

The Committee has been provided with the fact- and analysis-based information illustrating a business group's financial benefit resulting from cooperation between the business group and a political party. Until the appointment of a representative of the party providing patronage to the business group to the post of minister, the business group did not participate in public procurement tenders conducted by the state-owned enterprises operating in that sector. Upon the appointment of the person to the post of minister, the business group won the public procurement tenders organised by the state-owned enterprises for the total value of EUR 500 million, of which the amount of EUR 170 million was the value of the procurement tenders organised by a state-owned enterprise whose manager's staying in power issues had been discussed with the politicians providing patronage to the enterprise and other politicians and included on the list of the business group's demands to the politicians supported by it. During a meeting of the business group's representatives with the head of a state body, mutually beneficial cooperation was discussed.

During the period of 2009-2012, the value of the public procurement tenders organised by the state enterprise and won by the business group's enterprises made up 32 % of all the tenders won by the business group's enterprises in the whole public sector. During the period of

2013-2017, the value of the public procurement tenders organised by the state-owned enterprise and won by the business group's enterprises made up as much as 43% of all the tenders won by the business group's enterprises in the whole public sector.

Maintaining of informal contacts between the controlling and controlled entities, too, poses the risk of a conflict of interest. Membership of civil servants and the business representatives concerned in hunters clubs may serve as an example of that. For example, members of a hunters club include the employees who are in charge of one of the ministries and its subordinate institutions and who are responsible for the use of and supervision over the use of public resources. The business entities concerned, their shareholders and managers, too, are members of the same hunters club. The fact that members of the hunters club belong to the mentioned legal entities may pose a risk of a conflict of interests in the cases when the business representatives concerned hunt together with the government officials who are in a position to provide them with more favourable conditions for their business. Membership of the Members of the Seimas in hunters clubs may provide conditions for the emergence of informal relations with the business representatives who are members of those hunters clubs, thereby posing the risk of arising of a conflict of interest. In the 2016-2020 term of the Seimas, 34 Members of the Seimas are registered as hunters.

Conflicts of interest may be caused also by the participation of representatives of political parties in the activities of businesses entities. It should be noted that 141 Members of the Seimas of the 2016-2020 term, together with their spouses, are or were related to more than 930 legal persons, i.e. are or were members of management bodies, shareholders, employees of these legal entities.

8.2.1.4. Role of non-transparent and biased media The main expectation of society is that the information provided by the media is objective. Strong investigative journalism is deemed to be an effective means of deterring corruption and disclosing specific corruption cases; however, available data show that some media in Lithuania are closely associated with businesses.

According to the traditional 2017 World Press Freedom Index published by Reporters Without Borders, Lithuania has fallen– to 36th from 37th in 2017. It is reported that Lithuanian media are “known to be independent and able to freely criticize government but not always the interests of large businesses”. Commenting on this situation, Associate Professor Doctor Deimantas Jastramskis, Head of the Institute of Journalism of Vilnius University, claims that the freedom of press is weakened by a strong concentration of the property and market shares of media organisations – television, radio, newspapers, partly Internet – and by the fact that the media are managed by large businesses which are well-established also in other business areas.

Non-transparent transactions between politicians and the large businesses which control the media decimate the freedom of a part of press even more. Last year, the situation with the MG Baltic Group and the Lietuvos Rytas Media Group was regrettable in this respect¹⁰. The concerns over media transparency are also illustrated by the data of a survey of businessmen carried out by the “Transparency International” Lithuanian Chapter¹¹:

- the absolute majority of the surveyed businessmen believe in the huge power of the media in pre-determining the success of individuals or enterprises: almost 62 % of the respondents fully believe and more than 29 % tend to believe that unfavourable publications and broadcasts about a specific individual or an enterprise may destroy that individual or enterprise;
- 54 % of those who had dealt with media representatives confirmed to have understood that journalists would prepare a favourable publication about an enterprise in exchange for advertising in the media;
- Most commonly, the respondents associate corruption in the media with: “sponsored articles, publications” – almost 44 %; almost 21 % of the respondents indicate “biased, false, purposefully misrepresenting information”; and almost 14 % – “non-official representation of business and political groups by the media“.

During the parliamentary investigation, the Committee received the information indicating that owners of the media could have directly used them as a means to satisfy personal interests or interests of the managed enterprises, increase personal influence and profit by exerting unlawful influence on some state authorities, politicians, political processes, sought to make undue impact on law enforcement institutions or the institutions controlling the managed enterprises.

For example, to summarise the results of the analysis of the support provided to AB Lietuvos geležinkeliai, an assumption can be made that a part of the support was allocated to the organisations which declared, as their activity, sports and other activity often without having any economic ground for that. A large part of such support (more than EUR 1 million) in 2014-2016 was allocated to the public establishment Krepšinio rytas.

Media bias is often pre-determined by the ambition of the businesses controlling them to win more orders for the provision of publicity services from state authorities. After receiving funding, a media organisation tends to stop publishing negative information about that state authority. Media organisations may be used as a tool of exerting influence on the political system by offering to a political party free airtime on TV, providing discounts, ensuring the visibility of specific members of the party in TV shows in exchange for a possibility to exert influence on the

¹⁰ Available on the Internet at: <https://www.delfi.lt/verslas/medija/lietuva-krenta-ziniasklaidos-laisves-indekse-ekspertai-perspeja-del-stambiojo-verslo-interesu.d?id=74470278>

¹¹ Available on the Internet at: <https://goo.gl/f532zi>

political system; in certain cases, the media may also be seen as the business of making public sector representatives adopt the necessary decisions for the benefit of a specific media organisation by making (or not making) public certain negative information (either true or fabricated) about a specific person.

Large nation-wide media groups have a strong hold over the formation of public opinion. There are cases when business interest groups, political parties or owners of media organisations themselves seek, in a non-transparent manner, to use the mass media for attaining their objectives. The Committee has provided with information on the following cases of exerting unlawful influence:

1) During a meeting between a representative of a political party governing in municipality and a business group representative, it is agreed that the municipality should raise conditions to a media group under which the municipality would support a project patronised by the media group in exchange for its favouritism to the party governing in the municipality or its representatives;

2) A media organisation publishes fabricated discrediting information about a high-ranking official of a state authority, allegedly doing this in order to influence decision-making by that person, discredit his activity or the activity of the state authority represented by him;

3) During a meeting between representatives of a media group and heads of a ministry or an institution which is subordinate to the ministry, the possibility of receiving orders for publicity services in exchange for the refusal of exerting influence and publishing articles criticising the activity of the ministry is discussed;

4) Possibilities of influencing the decision-making of a law enforcement institution regarding the unlawful activity of the manager of an enterprise in relation to implementation of an EU-funded project are discussed with representatives of a media group;

5) During a conversation with the former head of a state authority, a media group's representative demands to provide compromising information about the head of the supervising ministry. The information compromising the minister is necessary for exerting influence when providing publicity services to the ministry;

6) A politician asks a media group's representative to stop negative publications about the activity of the head of a state authority. The politician claims that the head of the state authority would like to make a deal. The representative of the media group raises a condition that the head of the authority must order publicity services;

7) During a conversation between a media group's representative and a representative of a state-owned enterprise, conditions upon the fulfilment of which the media would stop

criticising the manager of that state-owned enterprise are discussed. A condition is raised that the state-owned enterprise must order publicity services.

8.2.2. The Committee states the following:

Business groups and some politicians are looking for the ways and are creating schemes of how to provide financial support to certain political parties or their representatives in circumvention of the prohibitions established in legal acts. There exists a scheme according to which an influential business group agrees with certain political parties represented in the Seimas on conditions, i.e. on the provision of financial or other support to the political party or its representatives in exchange for complying with the requirements of the business group.

Some political parties or their representatives, by accepting unofficial (non-transparent, unlawful, unaccounted, undeclared) financial support from business groups, gain an unfair advantage over other parties which compete in the political process in good faith. In their turn, the business groups which have provided unofficial financial support to some political parties or their representatives 'become entitled' to demand that the politicians adopt decisions necessary for the business group or, in abuse of their political position, influence other persons holding responsible positions in civil service. In such a manner, the business groups which support some political parties unofficially gain an unfair competitive advantage over transparent and lawful businesses.

The unofficial funding provided to some political parties by business groups forms a non-transparent mechanism aimed at satisfying mutual interests, distorting political processes and undermining democracy.

Business groups unofficially support some political parties and individual influential representatives of the political parties (Members of the Seimas, members of municipal councils) by various means in exchange for the adoption of decisions favourable to them:

- 1) provide some political parties or influential politicians with financial support in the form of unaccounted cash;
- 2) provide financial support to the public establishments (sponsorship funds) founded by some politicians or associated with them which, having the status of a recipient of sponsorship, can accept funds from donators (including business entities, other natural persons and legal persons) and use them for the purposes of political advertising;
- 3) cover the expenses of some political parties or individual influential representatives of the political parties or politicians by applying, to this end, various schemes of intermediate transactions (payments);

4) the business groups which manage media organisations apply unreasonable and disproportionally high discounts to advertising and publicity services of some political parties or individual politicians.

The current legal regulation of lobbying activities and their supervision practices do not ensure transparency of the lobbying activities. By making use of these gaps, business entities constantly look for and create lobbying strategies, exert influence on some political parties, politicians, the responsible officials of decision-making state authorities in respect of adopting decisions meeting business interests. In their own turn, the politicians, often not being aware of the extent of the lobbying activities of the businesses and without going into much detail as regards the possible consequences of their actions, initiate amendments to legal acts or adopt decisions which are beneficial only to narrow interest groups.

It is a commonplace when leaders of some political parties, Members of the Seimas and politicians come to meet representatives of business groups or other influential businessmen and, in their own setting or other informal setting, agree on the decisions needed by the businesses. Such meetings are neither made public nor anywhere declared. The business groups usually act through several politically influential persons with none of them being aware of the other politicians, heads of state authorities or civil servants engaged for this purpose, therefore not having full information, not seeing the situation in its entirety, thus, a decision meeting a business group's interests is presented to politicians as an issue of importance to public interest (amendment of a legal act, voting when adopting a decision, appointment of a person to a responsible position, granting of authorisations, etc.).

During the parliamentary investigation, it was established that the politicians, when meeting the persons representing and promoting business interests, often do not declare this in their declarations of public and private interests, do not announce the meetings in their agendas, do not issue press releases about such meetings. The content of the conversations during such meetings, requests of the persons representing business and their proposals to politicians or other high-ranking civil servants clearly point to the possibility of arising of a conflict of interest.

The existing mechanism of declaration of public and private interests is not controlled proactively. This opens up opportunities to conceal a conflict of interest in civil service. Concealed conflicts of interest, undisclosed contacts between politicians or other decision-makers with business entities pose a risk of corruption, create conditions for adopting the decisions that meet only the narrow interests of the business entities and private individuals.

It is likely that there exist in Lithuania the flexible, non-transparent relations between politicians, businesses and media organisations which are based on mutual interests. There are

cases when some media-managing business groups, by using non-transparent methods incompatible with journalist ethics:

- 1) use the media as a tool of obtaining of the decisions of state or municipal authorities, state-owned enterprises required for their own purposes or for clients of advertising services;
- 2) provide patronage to some political parties or their representatives by granting free TV or radio airtime, providing unreasonable, disproportionately high discounts on political advertising, publishing biased publications in periodicals or web portals, ensuring visibility of specific members of a party;
- 3) seek to win as many orders for publicity services of state authorities, state bodies and state-owned enterprises as possible.

There are cases when these goals are sought by way of spreading biased information, fictitious facts, tendentiously compromising or blackmailing persons.

8.2.3. The conclusion of the Committee:

The established cases of non-transparent and unlawful funding of certain political parties related to unlawful and uncontrolled lobbying activities and violations of public and private interests as well as to the interests of business groups to make, using the media controlled by them, undue impact on state authorities in the course of decision-making or to exert unlawful influence on politicians and/or political processes pose a threat to the interests of the State.

8.3. To establish whether there were cases posing a threat to the interests of the State where, in order to influence the situation in the economic sectors that are of strategic importance to national security, undue impact was made on state authorities in the course of decision-making or unlawful influence was exerted on politicians and/or political processes.

8.3.1. The Committee has established the following:

Lithuanian enterprises which are of strategic importance to national security have always been a target for the state corporations and special services implementing geopolitical objectives of Russia. Some strategic enterprises of Lithuania remain closely associated with Russia, both in terms of inherited infrastructure, equipment used and in terms of those enterprises' staff connections. By using benevolent intermediaries in Lithuania, Russian security and intelligence services and associated state corporations and business structures are looking for various ways of forging a bond with the employees of strategic enterprises of Lithuania, aiming to exert influence on strategic sectors of the economy as well as on economic and political processes in Lithuania.

The Lithuanian intelligence services have been consistently warning the decision-makers about the Russian geopolitical interests to exploit various economic projects, especially in the strategic sectors of transport and energy.

Back in May 2017, in the course of exercising parliamentary control, the Committee considered the situation in certain state enterprises which are of strategic importance to national security and pointed out that the existing legal regulation failed to ensure that some decisions adopted in the enterprises of strategic importance in respect of purchasing equipment of importance to national security and maintenance thereof meet the public interests.

During this parliamentary investigation, the Committee considered the cases where, seeking to influence the situation in the economic sectors of strategic importance to national security, undue impact on state authorities in the course of decision-making could have been made, namely:

- 1) the case of the state enterprise Ignalina NPP;
- 2) the case of AB Lietuvos geležinkeliai;
- 3) the case of the state enterprise Oro navigacija.

8.3.1.1. The case of the state enterprise Ignalina NPP

During the parliamentary investigation, the Committee considered the issue of whether influence had been exerted on the Lithuanian authorities and the state enterprise Ignalina NPP seeking to affect the decisions relating to the implementation of the nuclear power plant's decommissioning projects.

The Committee established that, after Lithuania had adopted the decision to decommission Unit 1 of the Ignalina NPP, specific preparation works related to decommissioning of Unit 1 had been started: a number of preliminary studies had been carried out, possible costs of decommissioning of the whole Ignalina NPP had been estimated and the Framework Agreement between the Republic of Lithuania and the European Bank for Reconstruction and Development (hereinafter: the 'EBRD') was signed on 5 April 2001. Back in June 2000, Vilnius hosted a conference between the donor countries of the Ignalina International Decommissioning Support Fund (hereinafter: the 'IIDSF'), Lithuanian ministries and representatives of the EBRD and the Ignalina NPP during which the issues of funding of the Ignalina NPP's decommissioning were addressed and a lot of projects were discussed.

At the initial stage, there were two major projects: the interim spent fuel storage facility (hereinafter: 'Project B1') and the solid radioactive waste management and storage facility (hereinafter: 'Project B2/3/4'). Both tenders relating to Projects B1 and B2/3/4 were launched simultaneously in 2002 and information about them was published in the media.

The tender relating to Project B1 received 8 offers in total, of which 5 were dismissed and 3 tenderers, including a consortium led by Atomstroyexport, a subsidiary of the Russian corporation Rosatom, were invited to participate in the next stage. On 28 July 2004, after the second stage evaluations, the German consortium GNB Gesellschaft für Nuklear-Behälter mbH

– RWE NUKEM GmbH (hereinafter: the ‘GNS/NUKEM’), which submitted the offer worth EUR 165.1 million, was announced as the winner of the tender. Since the funds accumulated by the IIDSF at the time were insufficient to implement the project, the possibility to terminate the tender was considered; however, at the initiative of the EBRD, the scope of works provided for in the technical specification (in particular, the number of newly designed containers to be purchased) was decreased. The contract was signed on 12 January 2005.

The tender relating to Project B2/3/4 received 6 offers, of which 4 tenderers were invited to participate in the second stage and whereafter there were 2 tenderers left. After the evaluation of the offers, it was established that the prices offered by both tenderers exceeded the IIDSF-approved amount of the grant; other technical/commercial inconsistencies between the bids and the requirements laid down in the tender documents were also established. On 21 February 2005, after both tenderers had renewed their offers, the German company RWE NUKEM GmbH (hereinafter: the ‘NUKEM’) was announced as the winner.¹²

Similarly to project B1, the final evaluation report was signed by the evaluation commission composed of 14 members who were advisers from the Project Management Group (hereinafter: the ‘PMG’) and specialists from the Ignalina NPP; all the required approvals by the EBRD were received. The contract was signed on 1 December 2005.

Draft contracts (special terms and conditions, annexes), as part of the set of procurement documents, were prepared by PMG advisers together with the specialists from the procurement unit of the EBRD assisted by specialists from the Ignalina NPP; the projects were drafted on the basis of standard general terms and conditions applied by the EBRD and taking into account the specific requirements for the projects funded by the EBRD (i.e., the applicable law – English law; language of the contract – English; only direct EBRD payment method applied, etc.). Draft contracts were prepared in accordance with the international best practice at the time (in 2001-2002, when the preparation of draft contracts was commenced, the construction experience in respect of similar building complexes was very limited). The contracts were signed by the then Director General of the state enterprise Ignalina NPP. Both contracts were later amended to extend the time limits for project implementation and to increase the funding.

The report on the public audit ‘Using of Funds Intended for the Decommissioning of the Ignalina Nuclear Power Plant’, carried out by the National Audit Office in 2009, indicates that, in accordance with the Framework Agreement on the Activities in Lithuania of the Ignalina International Decommissioning Support Fund which was concluded by the Republic of Lithuania

¹² In the course of and after the tender, NUKEM’s owners and corporate structure had changed several times: up to 2006, NUKEM had belonged to the German energy corporate group RWE; in 2006, the company was purchased by the international investment fund Advent International and divided into several companies, including Nukem Technologies, which in 2009 was purchased by Atomstroyexport, a subsidiary of Rosatom.

and the EBRD in 2001 and ratified by the Seimas, the EBRD acted on behalf of the IIDSF as the administrator of its funds and incurred no liability for the proper use of funds, while the authorities of the Republic of Lithuania bore responsibility for the project implementation, although they did not administer the funds assigned for the implementation of these projects.

Project B1, one of the most important projects for the whole Ignalina NPP decommissioning process, was launched without accumulating the sufficient funds needed for this project. After announcing the international public procurement tender relating to Project B1, the IIDSF accumulated approximately EUR 80 million, while the price offered by the tender winner consortium GNS/NUKEM was initially EUR 165 million and EUR 171.6 million in the contract signed after further negotiations (Audit report by the National Audit Office, p. 21, 28). While the approval by the donor countries of the larger amount of project funding was pending, it was decided that the price of the contract would consist of two parts: the initial (fixed) part in the amount of EUR 92.7 million and additional (optional) part which depended on the period in which the containers would be purchased. Since the procurement of 163 special containers was approved on 31 July 2006, which was provided for in the contract as the third option, the contractual price in the amount of EUR 171.6 million was chosen, which was later increased due to the lengthy project coordination with the Lithuanian authorities in relation to obtaining the necessary authorisations.

In the assessment of the Committee, in this way the contract concluded under the English law stipulated the possibility for the contractor to make demands for additional funding. According to the Committee's data, the contract between the state enterprise Ignalina NPP and the contractor (consortium GNS/NUKEM) on the implementation of Project B1 was signed without having been considered by the board of the state enterprise Ignalina NPP and without its approval. When giving testimony during the pre-trial investigation carried out by Vilnius Regional Prosecutor's Office, Secretary of the Ministry of Economy Artūras Dainius, who was holding office of chairman of the board of the Ignalina NPP at that time, explained it as follows: "he knew that the issue of signing this transaction was not considered by the board; however, after the information was made public, it would have been illogical to convene a meeting of the board and approve the actions which had already been performed; it would have also been illogical for the board to cancel this transaction. The decision on this transaction was seemingly fully understandable, acceptable, correct and necessary. Such was the perception not on the level of a specific enterprise or institution, such was the perception on the level of state authorities" (Resolution of 1 August 2012 to terminate the pre-trial investigation by the prosecutor from the Organised Crime and Corruption Investigation Division of Vilnius Regional Prosecutor's Office).

When giving testimony during the pre-trial investigation carried out by Vilnius Regional Prosecutor's Office, V. Ševaldinas, who was holding office of Director General of the state enterprise Ignalina NPP at the time of signing of the contract, stated the following: "The EBRD and the Ministry of Economy carried out independent contract reviews and approved it for signing. The Lithuanian Government, by its resolution, instructed him to sign the contract with the GNB company on Project B1 as well as documents with the EBRD on funding conditions. Before signing the contract with the consortium GNS/NUKEM on Project B1, he spoke with A. Dainius asking whether any other documents or authorisations were necessary for signing the contract. A. Dainius said that the powers to sign the contract had been delegated to him, V. Ševaldinas, by the Government's resolution and that no other formalities were needed, the contract could be signed." The Committee points out that no document authorising the Director General of the Ignalina NPP to sign the contract had been registered in the Register of Legal Acts.

According to the data of the audit performed by the National Audit Office, in November 2009, the actual implementation of Project B1 was 31 months (2.5 years), of Project B2 – 36 months (3 years) and Project B3/4 – 22 months (1.8 years) behind the set implementation schedule. By 2009, the price of Project B1 increased from EUR 80.5 million (estimated contract price) to EUR 171.6 million (actual contract price) and, after signing the last addition to the contract, the price increased to EUR 193.5 million; the price of Project B2/3/4 increased from EUR 72.4 million (estimated contract price) to EUR 120.1 million (actual contract price) and, after signing the last addition to the contract, the price increased to EUR 122.5 million (Audit report by the National Audit Office, p. 4-5).

When providing explanations at the meeting of the Committee (7 March 2018), former Vice-Minister of Energy Romas Švedas stated that, after he assumed office of the Vice-Minister of Energy in 2009, he was appointed as the chairman of the board of the Ignalina NPP and was put in charge of the Ignalina NPP project issues (before then, these issues were supervised by A. Dainius, State Secretary of the Ministry of Economy). At that time, the Ignalina NPP decommissioning project was the biggest one, estimated at about EUR 3 billion and therefore, it attracted a lot of interest groups. According to the project funding scheme, the EBRD paid the funds to the client who settled the accounts with the contractor. He quickly noticed that, although the money was paid, both of the most important projects (B1 and B2/3/4) were significantly delayed, and no diligent supervision was carried out by the management of the Ignalina NPP. After the replacement of V. Ševaldinas, manager of the Ignalina NPP, questions were started to be raised why money was paid for works not performed. The decision to stop paying money for works not performed resulted in a big conflict with the contractor NUKEM. It

came as a surprise to the Lithuanian side that the European Commission and the EBRD took the side of NUKEM and strongly urged not to get into a conflict. According to R. Švedas, the domination of NUKEM was enshrined in the signed contracts. There was strong lobbying from the contractor as well as signals from the European Commission and the EBRD to pay to the contractors under the signed contracts and not based on the works performed. R. Švedas pointed the Committee's attention to the fact that it was mainly the Germans who worked with the Ignalina NPP projects (at the European Commission, the EBRD and NUKEM), with the majority of them having graduated from the same high schools in Saint Petersburg (Polytechnic University and Konstantinov Institute of Nuclear Physics) and knowing Russian. Having understood that he had no levers to substantially change the situation, R. Švedas resigned from the office of the Vice-Minister of Energy (6 September 2011). Another key aspect – at the time of the conflict with NUKEM, the media began harsh attacks on Osvaldas Čiukšys, the new manager of the Ignalina NPP (quotation from a verbatim report: “KK2 journalists are on duty by the door of the Director General; when he goes to work, they follow him filming, driving after him”).

When providing explanations at the meeting of the Committee (14 March 2018), former Minister of Energy Arvydas Sekmokas stated that there were two main reasons for the delay of the projects: NUKEM was not really willing to perform its obligations assumed under the contract; the second reason – the administration of the Ignalina NPP was not demanding enough of the contracts to be performed. These problems were discussed with Vice-Minister R. Švedas and Prime-Minister A. Kubilius. It was decided to replace the manager of the undertaking. The selection commission established by the Ministry selected O. Čiukšys as the new Director General of the Ignalina NPP from among three candidates. (3 March 2010). After these changes, LNK television began broadcasting TV programmes discrediting O. Čiukšys, which was the first sign of existence of certain risks. A. Sekmokas later received oral information from the SIS that the MG Baltic Group was trying to exert influence in respect of the Ignalina NPP decommissioning projects. Reportedly, MG Baltic Group Vice-President R. Raulynaitis went to Ignalina with one of female employees of the MG Baltic Group; they visited the facility and met with O. Čiukšys. Approximately two weeks later, that woman was employed at the Ignalina NPP (appointed to the position related to public procurement). According to the information orally provided to A. Sekmokas by the SIS, this was related to the interests of the construction company Mitnija, owned by the MG Baltic Group. At the time, he requested Vice-Minister R. Švedas that the woman be immediately dismissed; however, the dismissal process took quite a long time (he did not receive any information about the dismissal for a month or longer). Several weeks after her dismissal, A. Sekmokas was approached in a café by a person who

claimed to be R. Raulynaitis and asked him why he had dismissed such a good employee. A. Sekmokas went away without answering. Some time later, during an official event at the Presidential Palace of the Republic of Lithuania, he was approached by the same person, R. Raulynaitis, and the manager of MG Baltic Group D. Mockus, who started asking him why he had treated their company so badly. A. Sekmokas once again did not say a thing; however, he understood that as an attempt to exert pressure on him. As the conflict between the Ignalina NPP and the contractor NUKEM grew further, the possibility of terminating the contract with NUKEM was considered by involving lawyers. Vice-Minister R. Švedas informed him that he had sent a letter to the European Chamber of Auditors, requesting it to carry out an examination. However, the EU authorities exerted pressure demanding to agree with NUKEM, which was the reason why R. Švedas resigned from office. At about the same time, R. Sekmokas received a letter from Gunther Oettinger, EU Commissioner for Energy, in which he unequivocally calls on him to agree with NUKEM, warning of severe and significant challenges that Lithuania would face otherwise. Since other important EU-funded projects (electricity interconnections with Sweden and Poland and a gas link with Poland) were launched at the time, after receiving such a letter, there was no other alternative but to continue the negotiations with NUKEM, during which the negotiators were put under enormous pressure. NUKEM demanded additional funding, while the European Commission's position was that since it allocated the funds, it wherefore had the right to decide on the additional funds to be allocated to NUKEM so that it would be possible to finish the projects already launched. A. Sekmokas also attributed a visit to Lithuania of former European Commissioner Gunter Verheugen to the episodes of exerting pressure on Lithuania. Before meeting with him, R. Švedas had high expectations, however, during the meeting G. Verheugen supported NUKEM (quotation from a verbatim report: "he arrived purely as a NUKEM lobbyist"). Several months later, being in a foreign country, A. Sekmokas met G. Verheugen, who approached him and asked whether Lithuania had reached an agreement with NUKEM. Furthermore, A. Sekmokas was aware that during the negotiations, NUKEM was represented by Jonas Tamulis. He knew from R. Švedas that the MG Baltic Group exerted pressure on O. Čiukšys and that K. Puidokas was trying to exert influence as well, however, he had not met with him and could not specify what kind of influence it was.

When providing explanations at the meeting of the Committee (23 May 2018), former Prime-Minister A. Kubilius confirmed that, while holding the position of Prime Minister, he met with J. Tamulis, who paid a visit to him at the building of the Government and tried to convince him that Lithuania should not terminate the contract and that it should continue working with NUKEM, as all the EU authorities approved of it. J. Tamulis told A. Kubilius that the Ignalina

NPP projects, including their delay, were funded with the EU funds, therefore, there was no need for Lithuania to worry about the EU money.

According to the data held by the Committee, NUKEM was on fighting terms not only with the Ignalina NPP but also with the sub-contractors implementing the projects, namely Lithuanian construction companies. In July 2012, the owners of NUKEM (Rosatom and Atomstroyexport/ NIAEP managed by it) started to look for new sub-contractors. The goal was to attract licensed companies even where the contracts could be financially unfavourable. In August 2012, the owners of NIAEP announced that they had agreed with UAB Vilstata, a construction company registered in Visaginas, which became the sub-contractor of the projects. However, even after signing the contract, consultations with other construction companies continued: new enterprises and interested parties got involved in the negotiations over the possibility to participate in the Ignalina NPP decommissioning projects. In the said period, the representatives of NIAP had held negotiations with various Lithuanian companies, including UAB Mitnija, managed by the MG Baltic Group.

According to the data held by the Committee, the long-standing representative of NUKEM in Lithuania, K. Puidokas, was a former agent of the Lithuanian department of the USSR's KGB; UAB Lakona, established by him, had signed a representation and consultation contract with NUKEM (K. Puidokas' official status at NUKEM varied, however, in practice, K. Puidokas carried out the same functions and assignments relating to representation of NUKEM), which was coordinated with representatives of Rosatom supervising the Ignalina NPP projects (thanks to K. Puidokas' efforts, the companies of Rosatom are not mentioned in the contract). In September 2009, President of MG Baltic Group D. Mockus met with K. Puidokas; during the meeting they discussed the possibilities of the construction company Mitnija, managed by the MG Baltic Group, to participate in the Ignalina NPP decommissioning projects.

According to the data held by the Committee, in 2018, it is planned to announce a public tender for the low- and intermediate-level short-lived radioactive waste management project (B25) with the estimated funds requirements, based on the data from 2015, being over EUR 400 million from 2018 until 2038, of which over EUR 180 million required by 2022 (Annex 2 to Resolution of the Government of the Republic of Lithuania No 1427 of 23 December 2015 On Radioactive Waste Management Development Programme).

8.3.1.2. The case of the joint stock company Lietuvos geležinkeliai (AB Lietuvos geležinkeliai).

According to the data held by the Committee, being an enterprise of strategic importance to the national security of Lithuania, AB Lietuvos geležinkeliai uses the unified integrated locomotive safety system KLUB–U (hereinafter: the 'KLUB-U'). The KLUB-U system is

produced by Izhevskiy radiozavod, a company of the Russian Federation, in which dual-use goods (used both for civil and military purposes) are produced. The system was installed by specialists from Russia; it allows tracking the real-time location of a locomotive and calculating the distance to level crossings and traffic lights (based on the electronic map of a specific railway route) and comes with automatic braking and speed regulation, driver vigilance control and many other functions. Some of these functions can be activated remotely by using Russia's satellite communication system GLONASS/GPS. The KLUB-U system has been installed in all types of locomotives and self-propelled train sets of AB Lietuvos geležinkeliai, including the new generation locomotives Siemens, purchased in Germany.

It should be noted that after international sanctions were imposed on Russia, the USA and Great Britain banned the export to Russia of electronic components used by companies of Izhevskiy radiozavod.

AB Lietuvos geležinkeliai purchased the KLUB-U system for the first time in 2005-2006 under the contract concluded on 4 July 2005 with the company Kolomna Energy Service OU, registered in Estonia (a subsidiary of the Russian joint stock company Kolomensky zavod). Under the contract, which was concluded by way of the negotiated procedure without prior publication of a contract notice, AB Lietuvos geležinkeliai purchased four fully equipped shunting locomotives, including communication tools and the safety system KLUB-U as well as spare parts and locomotive testing and personnel training services. The total value of the transaction was EUR 7 837 645, exclusive of VAT.

After the purchase, AB Lietuvos geležinkeliai continued installing the KLUB-U system in locomotives and self-propelled train sets. By order No Į-334 of the Director General of AB Lietuvos geležinkeliai of 30 April 2010, the (KLUB-U) instructions 246/AA-T on the unified integrated locomotive safety system were approved, under which it is prohibited to dispatch locomotives with the KLUB-U system turned off or malfunctioning. The KLUB-U information received in respect of each route must, on a mandatory basis, be entered on registration cassettes and the data read and decoded from the registration cassettes must be stored on a digital medium.

According to the information provided by the Lithuanian Private Railway Companies Association (Association's letter No 54 of 14 July 2017), by order of the Minister of Transport and Communications of the Republic of Lithuania No 3-241 of 2 April 2012, the KLUB-U system was included in the list of technical regulations for railway subsystems applicable in the Republic of Lithuania (points 92, 93 and 100). The order states that the automatic cab-signalling and speed control system installed in locomotives must comply with the requirements of the KLUB-U system produced by the specific manufacturer Izhevskiy radiozavod. When refusing to register locomotives with automatic cab-signalling and speed control systems produced by other

manufacturers, the State Railway Inspectorate was guided by this list. By order of the Minister of Transport and Communications of the Republic of Lithuania No 3-367 of 14 August 2017, the KLUB-U instruction 246/AA-T was removed from the list of technical rules of railway subsystems applicable in the Republic of Lithuania and substituted with general requirements.

Based on the information from AB Lietuvos geležinkeliai provided to the Committee (official report 'On the Actions to Ensure the Safety of KLUB-U'), it was established that, with a view to ensuring safe operation of the KLUB-U facilities and prevention of the threats posed, AB Lietuvos geležinkeliai had held hybrid security exercises for critical infrastructures with the analysis of possible threats, including the functionality and vulnerability of the KLUB-U equipment, and analysis of the network's typology and planning of other possible malicious actions. Based on the results of the exercises, by order of the Director General of AB Lietuvos geležinkeliai No Į-613 of 6 October 2017, the enterprise's information technologies centre was obliged to disconnect the server of the locomotive traffic control system KLUB-U from the traffic management system and isolate it. On 20 October 2017, the KLUB-U system server was disconnected from the traffic management system and isolated from the network of AB Lietuvos geležinkeliai. On 14 November 2017, cyber security experts from AB Lietuvos geležinkeliai performed the scanning of the company's network of information systems, assessed them and confirmed that the KLUB-U system was disconnected from the company's network as well as from the traffic management system.

At the Committee's request, the National Cyber Security Centre under the Ministry of National Defence (hereinafter: the 'NCSC') carried out a safety evaluation of the unified integrated locomotive safety system KLUB-U installed at AB Lietuvos geležinkeliai and concluded that, in terms of cyber security, the KLUB-U system in principle carries a high degree of risk as the system's security gaps (e.g., software errors) may be used for taking over the system, and this poses a serious threat to the confidentiality, integrity and accessibility of the KLUB-U services and processed information. Taking account of the conclusions and recommendations following the cyber exercises held in September 2017 and in order to manage risks, AB Lietuvos geležinkeliai disconnected the vulnerable KLUB-U server from the company's network of information systems and traffic management system. The actions performed are adequate for the situation identified and AB Lietuvos geležinkeliai has the risks mentioned under control.

When providing explanations at the meeting of the Committee (15 November 2017), former Minister of Transport and Communications Rimantas Sinkevičius stated that, while holding the position of minister, he received no information or warning from either the SSD or the management or the board of AB Lietuvos geležinkeliai that a system allegedly posing a

threat to national security may have been installed at the company. R. Sinkevičius claimed that he had not known about the order of the preceding Minister of Transport and Communications whereby the KLUB-U was included in the list of mandatory technical regulations. He had also not experienced any pressure from business groups, although, when appointing S. Dailydka as the company manager for the next term, he noticed certain nervousness in his environment. However, he personally did not experience any political influence either from the Government or from the Seimas.

When providing explanations at the meeting of the Committee (15 November 2017), former Minister of Transport and Communications A. Butkevičius stated that, to his knowledge, no other equipment could have been installed at the time as it was operated by satellite communications and only two satellite communication systems were in operation in the world at the time— the American and the Russian one, which was also used by international organisations. At the time, there were no threats from Russia; nobody even talked about possible threats resulting from installing or procuring certain equipment. In general, he never interfered in public procurement issues.

When providing explanations at the meeting of the Committee (22 November 2017), former Minister of Transport and Communications E. Masiulis stated that, while holding the position of minister, he had never participated in resolving the issues of AB Lietuvos geležinkeliai concerning public procurement. When working as a minister, he had a possibility to get access to classified information of different classification levels and had been receiving certificates from the SSD on a regular basis, however, during four years in office, he had definitely not received any insights, comments or any indications from the institutions that were responsible for national security and prevention of threats in Lithuania that the installed system might interfere with national security. When signing the order whereby the KLUB-U system's equipment was included in the list of mandatory technical regulations, that equipment had already been installed in many locomotives and the order only consolidated the actual situation.

When providing explanations at the meeting of the Committee (22 November 2017), former Director General of AB Lietuvos geležinkeliai S. Dailydka stated that the railway system inherited a great many problems from the Soviet times. After installing the KLUB-U system, everything was functioning properly and many problems got resolved due to automation of the processes. It is also important in case of possible critical situations, e.g., in the event of seizure of a locomotive, it would be possible to stop it from the Traffic Management Centre. After events began unfolding in Ukraine, the company took an interest in other equivalent systems, considered the experience of Estonia and Latvia but it did not prove to be insightful. There were considerations to disconnect the system from the possibility to manage it through satellite

communications, however, they were dismissed. According to S. Dailydka, up to 2015, he had not received any warnings related to security threats, although the SSD employees regularly visited the company, took an interest in its processes, went into details and asked questions. Only in 2015, there was a message or a letter received (he could not remember from where exactly) that the KLUB-U system might be dangerous and it was necessary to assess its possible threats. During the period when he held the position of manager of the company, no politician or any other official addressed him in respect of employing any persons. It was either the board or managers of directorates who dealt with the personnel issues.

The Committee has data that in 2006, the SSD did provide information expressing its concerns about the absolute domination of the Russian-capital companies in the area of technical maintenance and repair services provided by AB Lietuvos geležinkeliai (e.g., locomotives are repaired in Russia or by a Russian-capital company in Latvia). The domination of Russian companies is very much conditioned by objective factors (e.g., the origin of the rolling stock); however, from the perspective of the SSD, this creates conditions for exerting influence on the company's financial indicators, its capacity as well as on the national security interests of the State.

8.3.1.3. The case of the state enterprise Oro navigacija

The state enterprise Oro navigacija, an enterprise of strategic importance to national security, renders air navigation and air traffic management services which are crucial to air traffic safety. In 2004, the state enterprise Oro navigacija organised an international public procurement tender for radar equipment, in which the Spanish company Indra sistemas was selected as the winner. The company's partner in implementing the project was the NRPL, a Russian-capital company registered in Finland. The company, which was established by Russian citizens in Finland, delivered the primary air space surveillance radar (PSR) "Ural", produced by the Russian enterprise Severniy zavod, and installed it at Vilnius, Kaunas and Palanga airports. Up to 2017, the repair services of that equipment had been provided by the NRPL.

Former (up to 2017) Director General of the state enterprise Oro navigacija Algimantas Raščius maintains close relations with one of the founders of the NRPL, whom he has known since 1992. At present, they are linked by a common business – they have established a company in Lithuania which is engaged in business activities related to air navigation services and carries out projects in Vietnam.

8.3.2. The Committee states the following:

The system of legal and organisational measures as well as contractual provisions of funding of the decommissioning of the Ignalina NPP and management of Projects B1 and B2/3/4 have failed to ensure the proper representation and protection of national interests.

No assessment of the enterprise's reliability and conformity with the national security interests was carried out either during or after the tender, when the owners and the corporate structure of the contractor NUKEM, carrying out Projects B1 and B2/3/4, changed several times.

By using non-transparent relations with some politicians and representatives of state authorities, business interest groups are constantly seeking to make impact on decision-making in respect of anticipated high-value Ignalina NPP decommissioning projects.

In 2018, it is planned to announce a public tender for the low- and intermediate-level short-lived radioactive waste management (Project B25) with the estimated funds requirements, based on the data from 2015, being over EUR 400 million from 2018 until 2038, of which EUR 180 million required by 2022 (Annex 2 to the Radioactive Waste Management Development Programme approved by Government Resolution No 1427 of 23 December 2015).

Seeking to influence the decisions of the management of the Ignalina NPP, the MG Baltic Group representatives used the media managed by them as a tool for exerting influence.

The contracts on funding of the decommissioning of the Ignalina NPP and on project implementation, the project-implementing contractors and the sub-contractors they employ must be assessed for conformity with the national security interests in accordance with the procedure laid down in legal acts.

In the assessment of the Committee, the MG Baltic Group representatives and politicians responsible for this area have created a scheme for making undue impact on the management of AB Lietuvos geležinkeliai, aimed at ensuring long-term successful participation of the construction company Mitnija, owned by the group, in high-value contract work tenders organised by AB Lietuvos geležinkeliai. Some of the public procurement tenders were carried out in a non-transparent manner with their conditions being coordinated in advance with the business groups concerned, politicians favouring the conditions or intermediaries thereof.

Since 2005, the locomotive safety and management system KLUB-U, manufactured by a company owned by the Russian military industry complex, had been installed at AB Lietuvos geležinkeliai, which is an enterprise of strategic importance; the system had been used on a mandatory basis up to 2017. The use of certain functions of this equipment poses a risk (potential remote taking over of control over the locomotive) in terms of national security.

Up to September 2017, AB Lietuvos geležinkeliai as well as the Ministry of Transport and Communications of the Republic of Lithuania, within the area of whose management this enterprise of strategic importance to national security falls, had failed to ensure that the KLUB-U system be assessed in terms of national security. It should be emphasised that the possible threat to national security interests posed by the KLUB-U system operation peculiarities had not been assessed either after the Russian aggression in Georgia in 2008 or after the Russian aggression in

Ukraine in 2014. It should be noted that the functionalities of the KLUB-U system had not been assessed in a timely manner in terms of the Law of the Republic of Lithuania on Mobilisation and Support of the Host Country.

The state enterprise Oro navigacija, an enterprise of strategic importance, renders air navigation and air traffic management services which are crucial for air traffic safety and Lithuanian air space control. The air space surveillance equipment, manufactured by the Russian company Severniy zavod, which was installed at Vilnius, Kaunas and Palanga airports by the enterprise is not in conformity with the national security interests of Lithuania.

8.3.3. The conclusion of the Committee:

By means of non-transparent relations maintained by representatives of the Russian state corporation Rosatom, representatives of NUKEM, the company managed by Rosatom, and representatives of the MG Baltic Group with Lithuanian politicians, civil servants and managers of enterprises, undue impact was made on state authorities in their decision-making with a view to affecting the implementation of projects at the state enterprise Ignalina NPP, which is of strategic importance to national security.

The locomotive safety system KLUB-U manufactured by Izhevskiy radiozavod, a company of the Russian military industrial complex, and installed at AB Lietuvos geležinkeliai is incompatible with the national security interests of Lithuania.

The radar equipment manufactured by the Russian company Severniy zavod and installed at the state enterprise Oro navigacija is incompatible with the national security interests of Lithuania. Long-term relations of the former management of the enterprise with representatives of the manufacturers of the insecure equipment as well as the circumstances of installation of the equipment should be assessed as allegedly having influenced the decision-making in the sector which is of strategic importance to national security and allegedly having posed a threat to national interests.

8.4. The Committee proposes:

8.4.1. To the Government of the Republic of Lithuania:

8.4.1.1. To draft legal acts which would create conditions and incentives to support initiatives aimed at encouraging investigative journalism, enhancing regional media, self-regulation of the media, social responsibility and accessibility of information and decreasing media concentration.

8.4.1.2. To draft and submit to the Seimas amendments to the Law on the Provision of Information to the Public providing that broadcasting licences and/or re-broadcast content licences are issued only to those persons whose owners and managers of licensed media meet the requirements of good repute and national security interests.

8.4.1.3. In accordance with Articles 11, 12 and 13 of the Law of the Republic of Lithuania on the Protection of Objects of Importance to Ensuring National Security, to initiate verification of conformity to national security interests of transactions concluded between the companies managed by the MG Baltic Group and Category I or Category II enterprises of importance to ensuring national security.

8.4.1.4. In accordance with Articles 11, 12 and 13 of the Law of the Republic of Lithuania on the Protection of Objects of Importance to Ensuring National Security, to initiate verification of conformity to national security interests of the transactions of Nukem Technologies GmbH, on the basis of which this company is involved in the Ignalina NPP decommissioning projects.

8.4.1.5. To draft and submit to the Seimas draft legal acts legitimising civil asset forfeiture which allows for confiscation of assets of entities owned by or affiliated with organised criminal groups as well as assets acquired through criminal acts of corruption.

8.4.2. Submit proposals to the Seimas of the Republic of Lithuania in relation to the following:

8.4.2.1. Funding of and control over the funding of political parties and political campaigns:

8.4.2.1.1. to consider possibilities and submit proposals regarding maximum unification of conditions for activity and funding of political campaign participants (political parties, electoral committees);

8.4.2.1.2. to propose measures allowing for effective tackling of unlawful funding of political parties and political campaign participants;

8.4.2.1.3. to propose measures for supervision of financial activity of entities which have the status of a recipient of sponsorship – charity or sponsorship funds eligible to receive donations from legal persons, including business entities, preventing the use of the funds donated to charity or sponsorship funds to cover the political activity expenditure, i.e. activity other than specified in the articles of association;

8.4.2.1.4. to submit proposals ensuring the transparency of political advertising;

8.4.2.2. Lobbying activity:

to draft proposals on the procedure for declaring informal meetings of politicians and civil servants with representatives of business groups and making information about them public as well on relevant measures of ‘soft law’ (e.g., rules of conduct requiring to publish agendas, information about meetings, meeting results, decisions adopted, actions planned), the minimum scope of information to be made public, deadlines for making it public, making information

about the meetings public on a reciprocal basis and monitoring the fulfilment of requirements for making such information public;

8.4.2.3. Adjustment of public and private interests in the civil service:

8.4.2.3.1. to improve the accessibility of declarations so that they are easily accessible to the public (providing all types of public data of declarations on the official website of the declaring person's workplace);

8.4.2.3.2. to improve the procedure for declaring public and private interests, inter alia, by ensuring, by legislative and other measures, effective control over possible, alleged and real conflicts of interests, giving priority to the prevention of conflicts of interests and assisting persons engaged in civil service to avoid real and alleged conflicts of interests;

8.4.2.4. Media regulation and self-regulation:

8.4.2.4.1. to examine good practices of the member countries of the Organisation for Economic Cooperation and Development (hereinafter: the 'OECD') in respect of media market regulation and consider a possibility to establish such a legal mechanism that would allow for ensuring the separation of management of the media from certain other business areas (especially involving trade in excise goods) as well as effective control over the influence of other business entities (e.g., advertising agencies, public relations companies) on media, effective control over media concentrations and independence of the content of the media from business interests and for encouraging effective pluralism in provision of information to the public and fair competition;

8.4.2.4.2. to propose measures allowing for performance of monitoring of expenses of public sector entities on publicity activities according to producers and disseminators of public information as well as according to the ratio between public- and private-sector orders for individual producers and disseminators of public information; to consider a possibility of including, for a specified period, producers and disseminators of public information in 'blacklists' for the identified violations in respect of public-sector orders;

8.4.2.4.3. to examine good practices of the OECD and, on the basis thereof, draft measures for strengthening investigative journalism; to examine whether producers of public information comply with the requirement to establish in internal documents the protection of journalists from the possible restriction of their rights; where necessary, to provide for the measures ensuring the effectiveness of such protection;

8.4.2.4.4. to consider a possibility to initiate public cooperation agreement/agreements between politicians, producers and disseminators of public information and associated structures thereof, journalists and representatives of the public with a view to ensuring the function of the media to provide objective and unbiased information to the public;

8.4.3. To the Prosecutor General's Office:

8.4.3.1. Taking into consideration the information collected during the investigation and the transpired circumstances of creating the national investor through establishment of LEO LT, to re-assess whether no criminal act was committed in creating the national investor.

8.4.3.2. To carry out an investigation into the cases of undue impact made on prosecutors and propose amendments to legal acts which would ensure independence of prosecutors and protect them from undue impact.

8.4.3.3. To carry out an inspection of procedural decisions adopted by prosecutors in the course of pre-trial investigation or cases of defence of public interest in which one of the parties was a company of the MG Baltic Group or an affiliated person.

8.4.4. To the Public Procurement Office:

To carry out an analysis of public procurement tenders won by companies managed by the MG Baltic Group in 2008-2016 in respect of the areas mentioned in the conclusion, an inspection of the legality of the transactions concluded, to assess the alleged damage to the State and, where such damage is established, to initiate procedures for compensation of the damage incurred.

8.4.5. To the State Tax Inspectorate:

To assess the tax investigation carried out in respect of the alleged evasion of tax obligations by companies and shareholders of the VP Market Group, which was established during the investigation, taking into account the inadmissible relations of civil servants of the STI with the MG Baltic Group representatives, and to take measures to assess the validity of the calculated tax obligation and to compensate for the alleged damage incurred by the State.

8.4.6. To the Seimas of the Republic of Lithuania:

8.4.6.1. To improve the Law on Ad Hoc Investigation Commissions of the Seimas to introduce a requirement prohibiting all persons (not only members of the commission) who, due to performance of their official duties or other circumstances, are in possession of the investigation material to transfer it to third parties without the commission's consent until the commission completes the investigation.

8.4.6.2. To improve other provisions of the legal acts relating to the activities of Ad hoc investigation commissions of the Seimas, defining the responsibility for violating the Law on Ad Hoc Investigation Commissions of the Seimas and non-compliance with legitimate requirements of the commission.

8.4.6.3. To adopt legal acts obliging the Special Investigation Service and/or the Central Electoral Commission to exercise control over the funding of political parties and political

campaigns and to provide the Seimas Committee on National Security and Defence with an estimation of the financial resources needed to perform this function;

8.4.6.4. To draft legal acts on the establishment of an authority for independent monitoring of entities engaged in intelligence and criminal intelligence (intelligence ombudsman).

8.4.6.5. To apply to the Energy Commission of the Seimas of the Republic of Lithuania requesting it to assess the damage which was incurred (or may have been incurred) by the State of Lithuania due to creating the independent investor through establishment of LEO LT and the activity thereof and to propose measures for compensation of the damage.

8.4.6.6. To assign the Seimas Committee on National Security and Defence to exercise control over the implementation of the proposals of the conclusion of this parliamentary investigation.

8.4.6.7. To propose to the State Security Department to address the issue of declassifying the annexes specified in letter No (63)-19-3003S-575S On the Implementation of the Resolution of the Seimas and their submission to the Committee.

8.4.7. To the political parties represented at the Seimas of the Republic of Lithuania:

To sign an accord between the political parties on combating corruption, covering the issues of civil asset forfeiture, lobbying activities, adjustment of public and private interests in the civil service and declaration thereof, funding of political parties and fight against organised crime.

9. The conclusion of the Commission was approved during the meeting of the Commission on 30 May 2018. The voting results were as follows: 10 votes in favour, 0 votes against and 1 abstention.