

BUSINESS INTEGRITY ASSESSMENT



Business integrity assessment

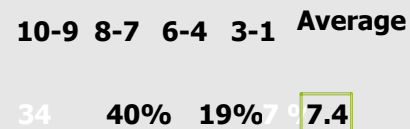
Competiveness assessment of legitimate operations in Lithuania. The assessment is based on a scale of 10 points, where 10 means that legitimate operations are “very worthwhile”, and 1 – that legitimate operations “do not pay off at all”.

Assessment of business environment through the prism of integrity. The assessment is based on a scale of 10 points, where 10 means that “Business environment in Lithuania is very favorable for business integrity”, and 1 – “Business environment in Lithuania is completely unfavorable for business integrity”.

The benefit of legitimate operations is not strongly expressed in Lithuania. One third of the members of “White Wave” initiative and the Investor’s Forum agree that legitimate operations “pay off” in Lithuania, and the average score is 7.4 points out of 10. Business environment gets an even worse assessment – only 2% of the companies surveyed see business environment in Lithuania as favorable for business integrity. The overall average score of business environment through the prism of integrity is 5.5 points out of 10.

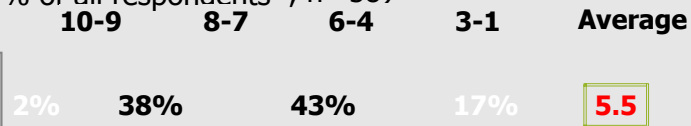
Do legitimate operations “pay off” in Lithuania?

% of all respondents (n=58)



Assessment of business environment through the prism of integrity

(% of all respondents, n=58)



Assessment of business competitiveness

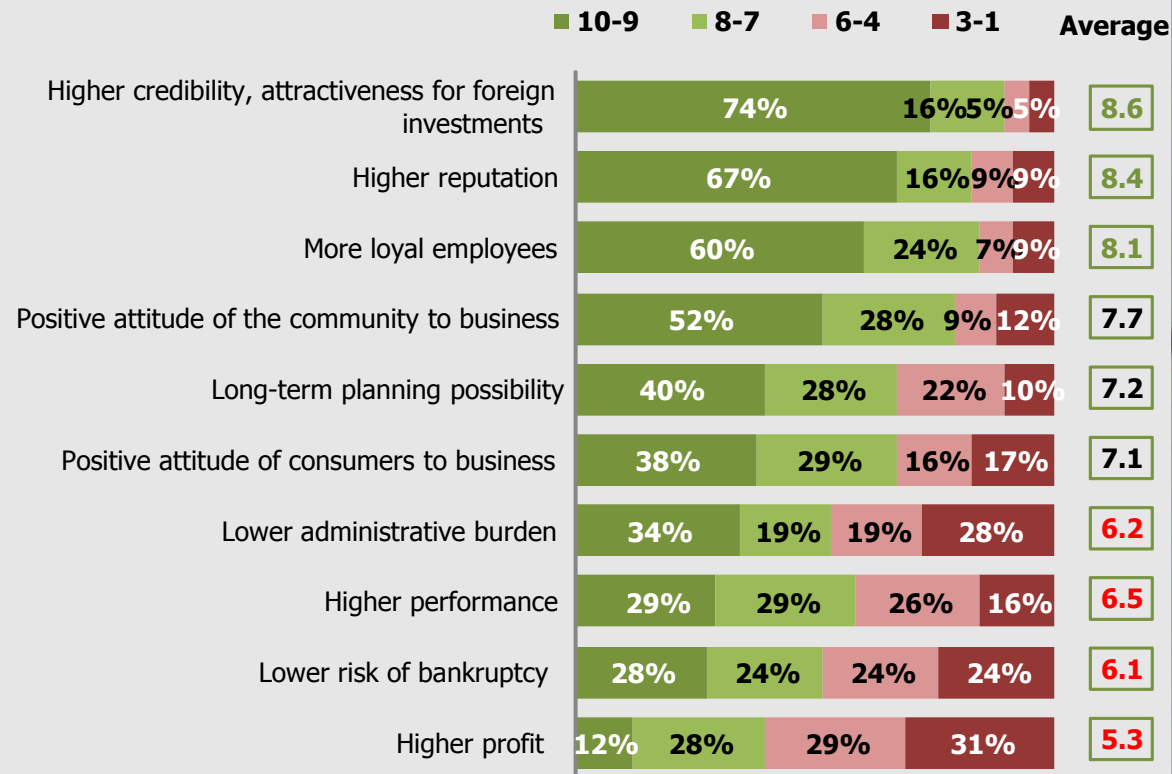
Integrity assessment of the aspects of business competitiveness in Lithuania. The assessment is based on a scale of 10 points, where 10 means that business integrity helps the company to achieve the set goals, and 1– that business integrity does not help the company to achieve the set goals.

The highest benefit of business integrity for companies is *higher attractiveness for foreign investments, higher reputation, an more loyal employees.*

Unfortunately, transparent operations do not help companies *generate more profit, have a lower risk of bankruptcy or a lower administrative burden.*

Assessment of business integrity competitiveness aspects

(% of all respondents, n=58)



Assessment of the conditions for business integrity in Lithuania

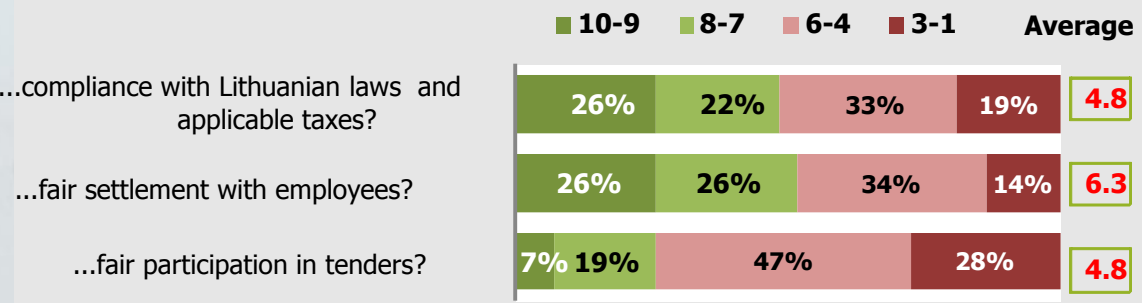
Assessment of the conditions for business integrity based on the existing political-economical situation in Lithuania. The assessment is based on a scale of 10 points, where 10 means that “the existing political-economical situation in Lithuania provides for very favorable conditions”, and 1 that – “the existing political-economical situation in Lithuania provides for no conditions at all.

In the assessment of the conditions for business integrity provided by the current political-economical situation, the conditions created for fair settlement with employees were assessed more favorably (6.3 points out of 10).

Very few positive assessments were given to the conditions for fair participation in tenders (7% give very positive scores; the overall average score is 4.8 points out of 10).

In your opinion, how well the current political-economical situation in Lithuania provides for:

(% of all respondents, n=58)



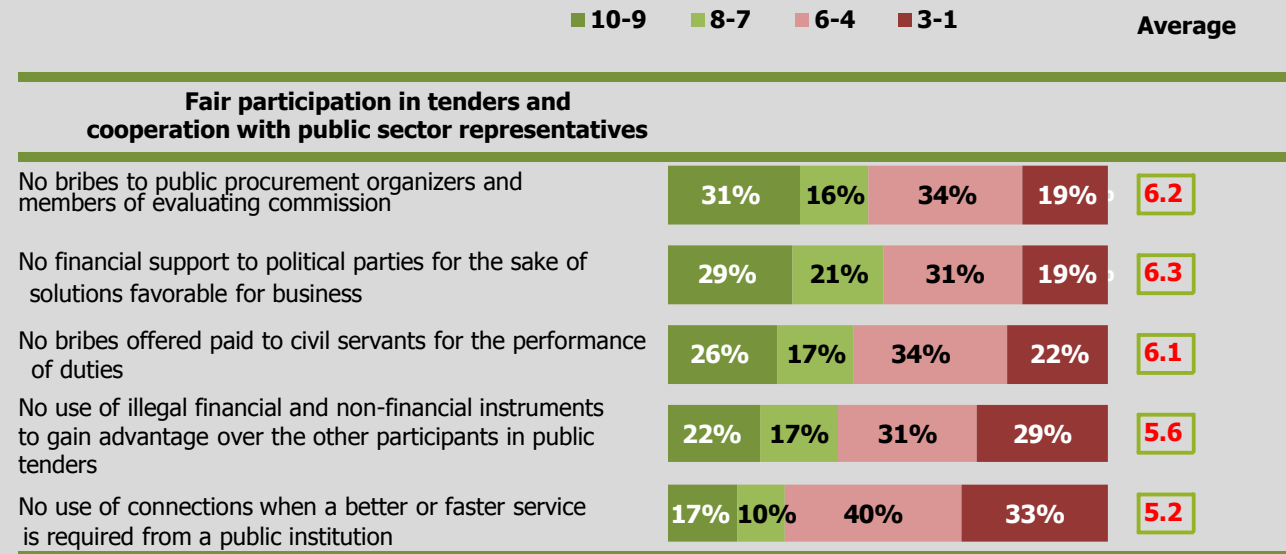
Compliance with the requirements for cooperation with public sector

Assessment of compliance with the requirements for fair participation in tenders (public procurement) and cooperation with public sector representatives in the competitive business environment. The assessment is based on a scale of 10 points, where 10 means that business complies with these requirements in the complete environment, and 1 – that these requirements are not followed in business.

In the opinion of the survey participants, the companies of their sector do not follow the requirement for fair participation in public tenders (public procurement) and for cooperation with public sector representatives particularly well. The overall average score is 5.9 points out of 10. In the opinion of the survey participants, connections are most often used to get a better or faster service in a public institution.

A little more favorable assessment was given to the compliance with the requirement not to bribe public procurement organizers and valuation commission members (6.2 points) and not to provide financial assistance to political parties for the sake of solutions favorable for business (6.3).

How, in your opinion, business entities comply with these requirements? (% of all respondents, n =58)



Responsible legal compliance

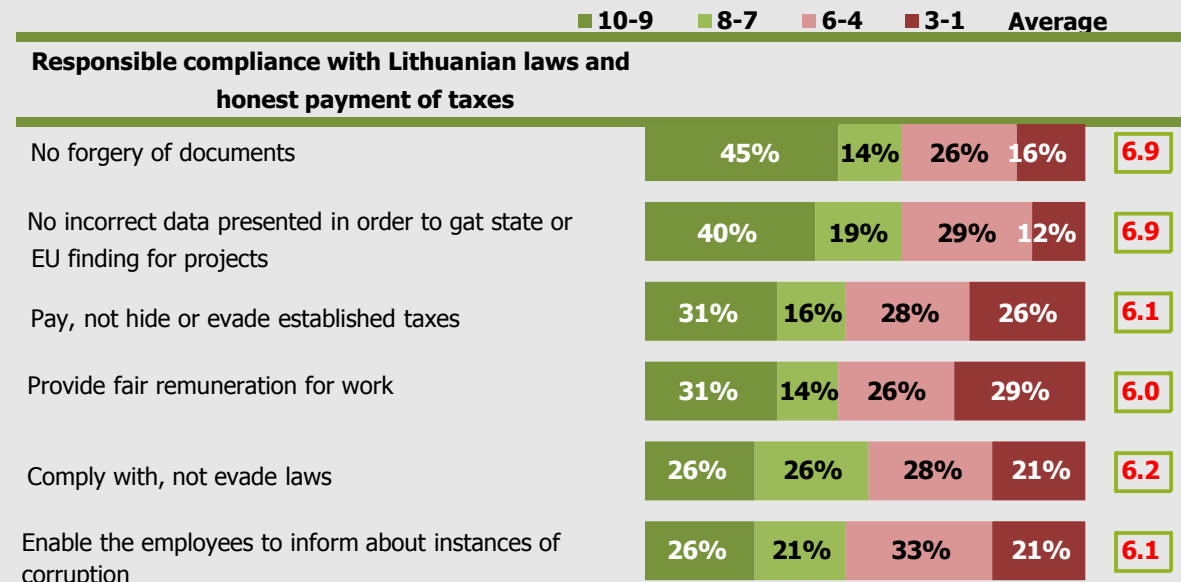
Assessment of the compliance with requirements of Lithuanian laws and honest payment of taxes in the competitive business environment. The assessment is based on a scale of 10 points, where 10 means that business is compliant with these requirements in the competitive environment, and 1 – that these requirements are not met at all.

The survey participants think that the companies in their sector are the most compliant with the requirements not to commit document forgery or not to submit false data in order to receive state or EU funding for projects (assessed at 6.9 points out of 10).

In the opinion of the respondents, the companies in their sector are least compliant with the requirement to provide fair remuneration for work (6.0) or provide their employees with a possibility to inform about instances of corruption (6.1).

How, in your opinion, business entities comply with these requirements?

(% of all respondents, n=58)



Compliance with the requirements for legitimate operations

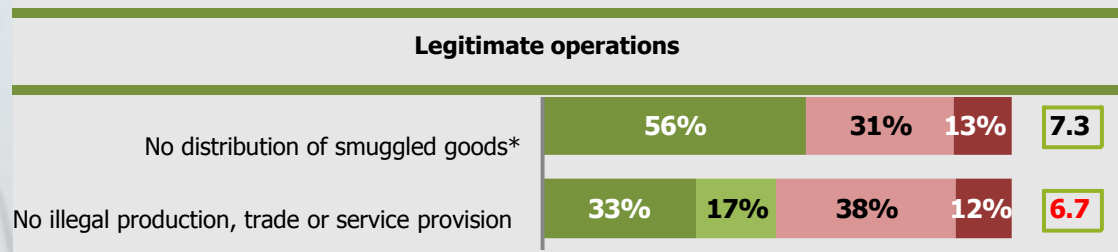
Assessment of compliance with the requirements for legitimate operations in competitive business environment. The assessment is based on a scale of 10 points, where 10 means that business is in compliance with these requirements in the competitive environment and 1 – that these requirements are not followed in business at all.

In the opinion of the representatives of companies, the activity sector of which is related to excisable goods, companies of their sector are usually compliant with the requirement not to distribute contraband goods (average requirement compliance assessment score – 7.3 out of 10).

A little worse assessment was given to the compliance with the requirement not to engage in illegal production, trade and service provision – 6.7 out of 10.

How, in your opinion, business entities comply with these requirements?

■ 10-9 ■ 8-7 ■ 6-4 ■ 3-1



* Responses were given by the companies, the activity sector of which is related to excisable goods, n=16.

Promotion of business integrity and responsibility ideas

Assessment of the promotion of business integrity and responsibility in the competitive business environment. The assessment is based on a scale of 10 points, where 10 means that business is compliant with these requirements in the competitive environment, and 1 – that these requirements are not met in business at all.

Promoters of business integrity and responsibility who took part in the survey think that the situation in Lithuania with regard to this issue is unfortunately not good. In general, when selecting partners for cooperation businesses are not considering whether these companies operate with integrity (average score 5.3 out of 10), and businesses themselves do not encourage other market players to operate with integrity and responsibility (5.4).

A little better situation is seen by the survey participants when saying that a part of the companies tend to follow the principles of ethical standards regulating business integrity.

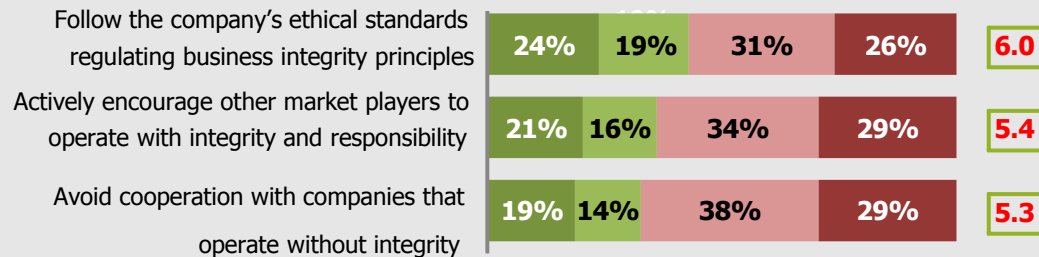
How, in your opinion, business comply with these requirements?

(% of all respondents, n=58)

■ 10-9 ■ 8-7 ■ 6-4 ■ 3-1

Average

Promotion of business integrity and responsibility ideas



“Pressure” on business
dishonesty



Spread of corruption

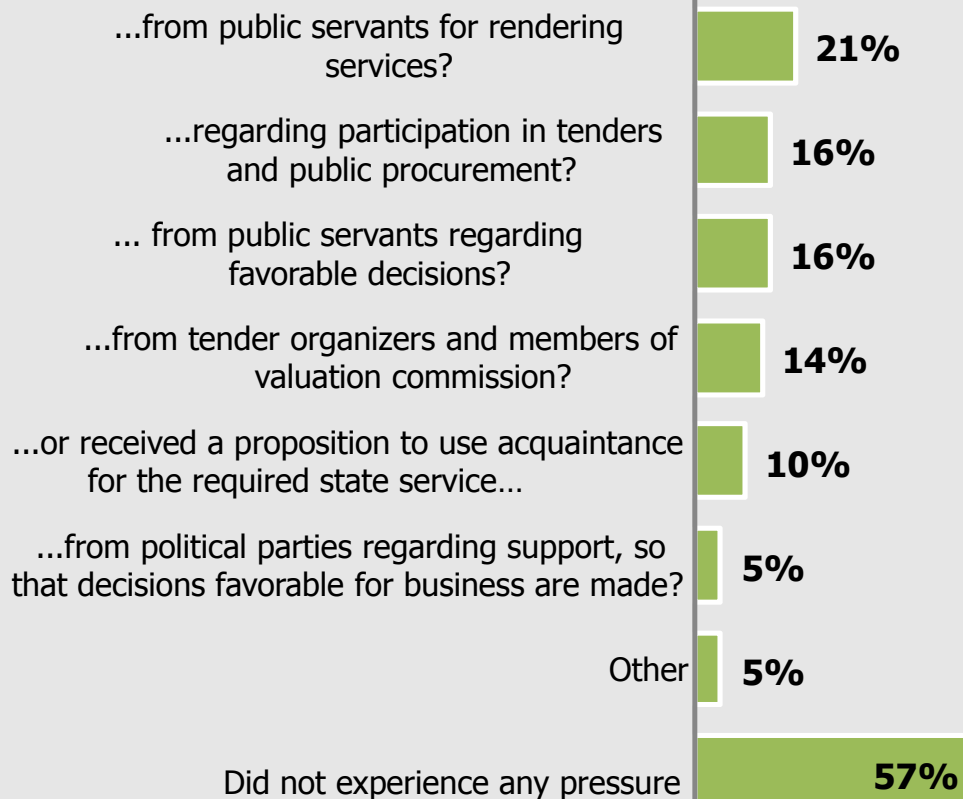
Has the company or its representatives felt pressure this year (2012), has it received hints regarding "gratuity" for services, contracts, decisions, etc?

More than a half (57%) survey participants declaring business integrity principles stated they did not experience pressure during the year to offer a "bribe" or other gratuity for services.

21% survey participants said they felt pressure from public servants for services rendered, 16% felt pressure regarding participation in tenders and public procurement and another 16% - from public servants regarding favorable decisions.

Most seldom the businessmen experienced pressure from political parties regarding support in exchange for adoption of decisions favorable for business (5%).

Did you experience pressure during 2012...? (% of all respondents, n=58)



Spread of pressure for illegitimate operation

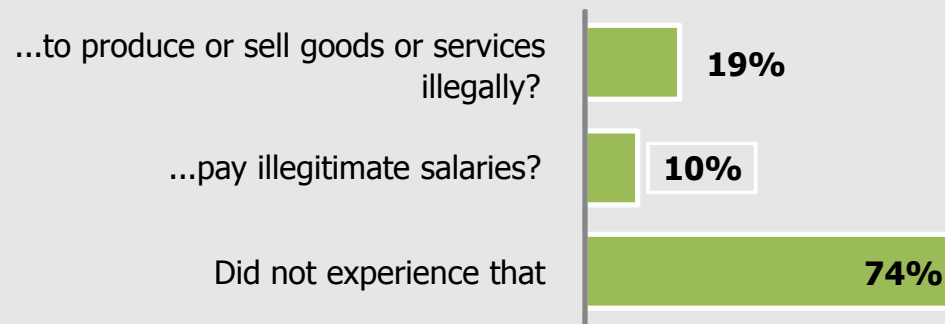
Was the company or its representatives offered by clients, customers or buyers to perform the specified activities this year (2012)?

Three out of four companies participating in the survey stated that this year they were not offered any dishonest activities by the clients, customers, buyers or employees.

One fifth of the companies stated that they had received offers to illegitimately produce or sell goods or services. One tenth of company representatives stated they had received offers to pay salaries illegitimately.

Were there offers from clients, customers, buyers or employees...:

(% of all respondents, n=58)



Reziumé of key results

- The survey disclosed that at the moment, when evaluating business environment through the prism of integrity, the companies supporting the idea of business integrity assess this situation as not very favorable – the average assessment score is 5.5 points out of 10. However, the assessment of legitimate activities through the prism of competitiveness is considerable higher – 7.4 points out of ten, and the companies following the principles of business integrity more often state that business integrity in Lithuania gives full or partial “pay-off” (74%).
- The key motivator for business integrity of companies is the company’s reputation (positive attitude of the community and consumers towards business).
- Business integrity brings most added value to companies due to higher reliability, attractiveness for foreign investment, better reputation and more loyal employees – however, this is kind of hygiene of business integrity – as a matter of course.
- Companies operating with integrity mostly miss economic benefit for the company, increased business effectiveness, lower bankruptcy risk and administrative burden.
- In the assessment of conditions created for business integrity in Lithuania, the survey participants see only one more favorable condition – it is the requirement for fair settlement with employees (assessed at 6.3 points out of 10). However, the survey participants believe that the current political-economical situation in Lithuania almost does not provide for conditions to comply with the requirement to pay the applicable taxes and fairly participate in tenders (assessed at 4.8 points).
- Therefore, the state is expected to fight against illegitimate shadow business and corruption, to improve tax and regulatory environment, implement business integrity and provide support to companies operating with integrity.
- NGO are expected to be more active and representative, they should keep the public informed, carry out educational activities and form public opinions.
- Business expects more cooperation from other businesses in support of the common initiative of integrity.

