



IMPLEMENTING SRD II

COUNTRY BRIEF: LATVIA

KEY TAKEAWAYS

- The main law that implements the Shareholder Rights Directive II was approved on June 20, 2019 and took effect on July 16, 2019.
- New say-on-pay votes are introduced, a binding vote on the remuneration policy and an advisory vote on the remuneration report.
- Voting on the remuneration policy as of Sep. 1, 2019.

EU DIRECTIVE
2007/828/EC
REGARDING THE
ENCOURAGEMENT OF
LONG-TERM
SHAREHOLDER
ENGAGEMENT (SRD II)

In response to the global financial crisis, the European Commission proposed a revision of the original 2007 Shareholder Rights Directive.

The [revised Shareholder Rights Directive II \("SRD II"\)](#), which took effect in June 2017, seeks to reinforce effective and long-term shareholder engagement and monitoring of company performance.

KEY NEW REQUIREMENTS OF SRD II

The Directive is subdivided into three main chapters



VOTING CHAIN

- Companies should have access to the identity of shareholders without delay.
- Transmission of information that enables the exercise of shareholder rights should be made in electronic and machine-readable formats.
- Intermediaries are required to facilitate the exercise of shareholder rights, including confirmation that shareholder votes are recorded and counted accurately.



TRANSPARENCY

- Engagement policies of institutional investors and asset managers
- How shareholder engagement is integrated into investment strategy, including how voting rights were exercised
- Institutional investors' investment strategies and arrangements with asset managers
- Proxy advisors shall disclose a reference to the code of conduct they apply and report on the application of that code.



REMUNERATION & RPTs

- Shareholders will have the right to express their views on executive pay.
- Separate votes on the remuneration report and the remuneration policy.
- The European Commission will provide non-binding guidance about presentation of the remuneration report.
- Rules on transparency and approval process of related-party transactions.

SHAREHOLDER RIGHTS DIRECTIVE II

In response to the 2008 global financial crisis, the European Commission proposed in April 2014 a revision of the original 2007 Shareholder Rights Directive in 2014. The revised Shareholder Rights Directive ("SRD II"), which took effect in June 2017, seeks to reinforce effective and long-term shareholder engagement and monitoring of company performance. Both elements were lacking during the crisis when many companies took on excessive risks in the pursuit of short-term returns. EU member states were called upon to amend their laws to comply with SRD II by June 10, 2019. As of Feb. 26, 2020, 20 EU member states had implemented SRD II into their local legislations.

IMPLEMENTING SRD II INTO LATVIAN LEGISLATION

Several pieces of legislation, in particular the Amendments to the Financial Instruments Market Law, was approved on June 20, 2019 and took effect on July 16, 2019. The most important components of SRD II transposed to the Latvian law are detailed below.

Identification of Shareholders

In line with the SRD II, issuers will be allowed to request the identification of shareholders holding more than a certain percentage of shares or voting rights. Such a percentage shall not exceed 0.5 percent. The Latvian regulator did not set a specific threshold. According to the Initial Impact Assessment Report of the Draft Law, the identification request is possible irrespective of the number of shares held by the shareholder. This amendment will take effect on Sep. 1, 2020.

Transmission of Information

In order to enable shareholders to exercise rights deriving from their shares, the intermediaries are required to transmit information without delay. This amendment will take effect on Sep. 1, 2020.

Facilitation of Shareholder Rights

The intermediaries are required to facilitate the exercise of shareholder rights. Upon the request of the shareholders, the companies are required to provide vote confirmations. This information can be requested within one month from the date of the meeting. This amendment will take effect on Sep. 1, 2020.

Transparency of Institutional Investors

Institutional investors and assets managers are required to disclose their engagement policies annually. The policies are expected to be developed and published by Nov. 1, 2019 and a report on the implementation of the engagement policy should be disclosed by Aug. 1 each year.

Transparency of Proxy Advisors

Proxy advisors are required to publish on their websites a reference to a code of conduct which they apply and reports on the application of that code and update it at least once a year.

Right to Vote on the Remuneration Policy and Report

The remuneration policy should be submitted at the general meeting for shareholder approval upon each substantial change thereof or at least every four years. The policy shall be submitted for approval by the management board at the next general meeting after Sep. 1, 2019 and published no later than Dec. 31, 2020.

The annual remuneration report should be submitted for shareholder approval as a separate part of the annual report, at the general meeting which approves the financial statements for the accounting period for which the remuneration report is prepared. The report shall be prepared starting from fiscal year 2020.

Transparency on Related-Party Transactions

The atypical transactions (i.e. transactions neither concluded in the ordinary course of business, nor under normal market conditions) concluded with a related party are subject to approval by the supervisory board, and in the absence thereof during the general meeting.

Effective Date
July 16, 2019
GM Notice Period
14 days
Availability Remuneration Report
14 days
Policy Vote
Binding
Report Vote
Advisory
RPT Vote
No



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