



IMPLEMENTING SRD II

COUNTRY BRIEF: LITHUANIA

KEY TAKEAWAYS

- The laws that cover the implementation of the majority articles of the Shareholder Rights Directive II was approved on June 27, 2019.
- New say-on-pay votes are introduced, a binding vote on the remuneration policy and an advisory one on the remuneration report.
- The first votes are expected in 2020.

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 were 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 the 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 LITHUANIAN LEGISLATION

A number of laws were accepted in connection with the implementation of SRD II, particularly the amending Law on Markets in Financial Instruments. The most recent ones took effect on June 27, 2019.

The most important components of SRD II transposed to the Lithuanian 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 Lithuanian regulator did not set a specific threshold. This amendment will take effect on Sep. 3, 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. 3, 2020.

Facilitation of Shareholder Rights

The intermediaries are required to facilitate the exercise of shareholder rights. Upon the request of the shareholders who (or whose proxy) voted by electronic means, the issuers are required to provide them with confirmation that their votes were recorded and counted properly. The shareholders have the right to request such confirmation within seven working days after the general meeting. This amendment will take effect on Sep. 3, 2020.

Transparency of Institutional Investors

Institutional investors and assets managers are required to prepare their engagement policies and disclose how it has been implemented no later than four months after the end of the previous calendar year.

Transparency of Proxy Advisors

Proxy advisors are required to publish on their websites a code of conduct which they follow and an annual report of its application, no later than four months after the end of the previous calendar year. Upon partial or full non-compliance, the proxy advisors should publish the reasons on their website.

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 resolution on the remuneration policy should be approved by a qualified majority, which should not be less than two-thirds of the votes of all shareholders present at the meeting.

The annual remuneration report should be included in the annual report and be submitted for shareholder approval at the general meeting for the accounting period for which the remuneration report is prepared.

Transparency on Related-Party Transactions

Related-party transactions are subject to approval by the supervisory board or the board performing the supervisory functions.

Effective Date

June 27, 2019

GM Notice Period

21 days

Availability Remuneration Report

21 days

Policy Vote

Binding

Report Vote

Advisory

RPT Vote

No



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