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THE CORPORATE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE NATIONAL STOCK EXCHANGE OF LITHUANIA

2004

NATIONAL STOCK EXCHANGE OF LITHUANIA

Preamble

There is no universally accepted and uniform definition of corporate governance (or the corporate governance framework). In the context of this document corporate governance (or the corporate governance framework) should be understood as a framework of the company's management and control. Corporate governance covers relationships between bodies of corporate management and supervision, the company's shareholders and stakeholders.

Corporate governance exerts effect on the company's performance and ability to attract capital necessary for the economic growth of the company, as proper corporate governance enhances investor and shareholder confidence in the company. Therefore good corporate governance is a key factor with a view to attracting both domestic and foreign investment, retaining investor confidence in the company and increasing the company's competitiveness. One of the ways to encourage and expedite emergence and development of good corporate governance in Lithuania is to enhance awareness of companies about the standards of corporate governance based on best practice analysis.

Although these standards are relevant to undertakings of a variety of types, they are of crucial importance to public companies. This can be explained by the fact that it is in public companies that the company's owners (shareholders) are particularly distanced from the day-to-day running of the company, which gives rise to conflicts of interest relating to corporate governance.

It is notable that the need to improve corporate governance has been under heated debate within the European Union as well as on the global scale. In its report of 21 May 2003 "On Modernising Company Law and Enhancing Corporate Governance in the European Union", the European Commission has introduced an Action Plan for the improvement of corporate governance and emphasized that good corporate governance will promote business efficiency and competitiveness, enhance shareholder protection and restore shareholder confidence in companies. One of the most effective and popular instruments to attain the target is the corporate governance codes. According to the data of the European Commission, about 40 codes relevant to the European Union have been adopted.

Usually corporate governance codes are drafted by stock exchanges, and these codes are applicable to the companies listed on those exchanges.

In connection to that, the National Stock Exchange of Lithuania took the initiative to codify principles and standards of corporate governance and to propose the listed companies on the National Stock Exchange of Lithuania to gradually introduce these principles and standards in their activities. These standards are primarily related to protection of interests of shareholders, adequate balance and distribution of functions between corporate bodies, adequate disclosure of corporate information. While drafting the Corporate Governance Code of Companies Listed on the National Stock Exchange of Lithuania (hereinafter – the Code), specific consideration was given to similar codes, standards and principles adopted by other states and international organisations. Their guiding ideas and tendencies have been reflected in the Principles of Corporate Governance of the Organisation for Economic Co-operation and Development (OECD). The Action Plan set out in the report of the European Commission "On Modernising Company Law and Enhancing Corporate Governance in the European Union" referred to above, also served as a source of valuable ideas.

The principle objectives of the Code are the following:

– Recommend the listed companies what basic principles they should follow in order to ensure equal understanding of transparent management and operation not only by domestic but also by foreign investors;

– Encourage the listed companies to improve their governance framework and disclosure of information on their activities;

– Encourage the listed companies to enhance quality management as a means to improve the company's performance;

– Promote the activities of the listed companies on the international level and enhance confidence of domestic and foreign investors as well as other stakeholders in the companies and their governance framework;

– Promote activities of the National Stock Exchange of Lithuania on the international level, to bolster confidence of domestic and foreign investors in the Lithuanian capital market.

It is noteworthy that most of the important principles of proper corporate governance have already been stipulated in laws and regulations of the Republic of Lithuania: a great many of the provisions in the Civil Code, the Law on Companies, the Law on the Securities Market and other legal acts are designed to protect shareholder interests, to regulate functions, accountability and liability of corporate bodies and to ensure transparency of corporate governance. Therefore, an attempt was made to avoid repetition of the legal provisions but rather to fill in the gaps in current legal regulations and, in particular cases, recommend the companies to follow even higher standards than those set out in the law. It should be emphasized that provisions of this Code should not be treated as replacing provisions of the laws and regulations, and, accordingly, persons adhering to this Code are by no means exempted from any statutory obligations of the Republic of Lithuania.

Principles and standards of corporate governance and methods of their implementation as proposed in this Code are only to be accepted as recommendations. The companies adhering to the Code will demonstrate to their shareholders, investors, and other market participants as well as to the public at large that their governance and information disclosure levels meet universally recognised standards and recommendations.

As one can judge from the title, the Code is primarily applicable to those companies, whose securities are admitted to the Official or Current List of the National Stock Exchange of Lithuania. Issuers of unlisted securities are also called to follow the recommendations of this Code. With a view to implementing this Code in their activities, the companies may transpose relevant provisions in their Articles of Association or approve the company's internal governance codes or choose another acceptable mechanism in order to ensure the compliance with the Code.

The corporate governance principles, standards and, the more so, methods of implementation that are stipulated in the Code are by no means ultimate and unchanging. They will evolve and improve in the course of time. Therefore, this Code should be periodically reviewed and supplemented with due regard to the experience gained from practical application of the Code, changes in the legal, economic and social environment, enhancement of good corporate governance practice and new developments in Lithuania and abroad.

Principle I: Basic Provisions

The overriding objective of a company should be to operate in common interests of all the shareholders by optimising over time shareholder value.

1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimise shareholder value.

1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimise shareholder value.

1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.

1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.

Principle II: The corporate governance framework

The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.

2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.

2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.

2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.

2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body [1]. Furthermore, where a company does not form the supervisory board but the board, it is recommended that chairperson of the board and the chief executive officer should be a different person.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting

The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies [2]***.***

3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.

3.2. The collegial body should comprise a sufficient [3] number of members independent [4] of the company and its controlling shareholders; these members should meet independence criteria throughout the entire term in office. A shareholder holding the majority of votes in the company or having a possibility to make a decisive influence on the company's management should be deemed the controlling shareholder of the company. A member of a collegial body should not be deemed independent where he/ she:

– is the controlling shareholder of the company or is otherwise connected with the controlling shareholder (as its head, employee, member of a body, etc.);

– has been chief executive officer of the company or an empowered employee (taking up a managerial position) of the company during the last three years;

– has been head of the entity, which has consulted the company, or an employee, connected with the entity, which has consulted the company, during the last three years;

[1] *Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body which is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations which are in their essence and nature applicable exclusively to the supervisory board should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.*

[2] *Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.*

[3] *The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.*

[4] *It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.*

– is a major supplier or client of the company or head, employee, member of a body, etc. of such a supplier or client;

– has material contractual relations with the company;

– has been a member of a collegial body of the company for a term which might be considered sufficient to exert influence on the determination of said member to act in the best interests of the company;

– has interests, business and other types of relations, which might cause a conflict of interest and exert influence on the determination of said member to act in the best interests of the company.

In order to evaluate independence of a person, one should consider this person's family relations, membership in other governance bodies of the same company together with other persons who are not deemed independent as well as other ties, interests and circumstances, which might have an effect on the independence of the person.

3.3. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.2, should be also disclosed.

3.4. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds [5]. The amount of such remuneration should be approved by the general shareholders' meeting.

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting

The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring [6] ***of the company's management bodies and protection of interests of all the company's shareholders.***

4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance [7].

4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare.

4.3. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly.

4.4. The collegial body should be independent in passing decisions that are significant for the company's operation and strategy. Taken separately, the collegial body should be independent of the company's management bodies [8]. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. A collegial body should be guaranteed sufficient administrative and financial support, including recourse to independent external advice at the expense of the company [9].

4.5. Bearing in mind that resolution of certain issues within the competence of the collegial body may require special qualifications or where there is a potential for conflict of interest, it is recommended that the collegial body should establish the Audit, Remuneration, Nomination or other specific committees, composed mainly of the members of the collegial body, who are not affected by the conflict of interest and who satisfy independence criteria specified in Recommendation 3.2 of Principle III. These committees should be set up with a view to qualified and independent discussion of certain specific issues and enhancement of efficiency of the collegial body as such. Members of the committees should possess qualifications and expertise, necessary for performance of the functions delegated to the committee concerned. The companies are recommended to establish a detailed procedure for setting up of the committee and delegating members thereto.

– The Audit committee should monitor and evaluate the scope of the company's audit being performed, its results, price, independence and objectivity of the auditor and the audit inspectors and submit proposals concerning these issues to the general meeting of the company's shareholders.

– The Remuneration committee should create a transparent formal procedure and principles for the remuneration of the company's supervisory and management bodies and the key executives and submit proposals concerning the remuneration of such persons to the collegial bodies of the company which adopt these decisions. No member of the Remuneration committee, however, should decide regarding the procedure and principles of the remuneration for himself/herself.

– The Nomination committee should make proposals to the company's bodies appointing or electing persons to certain posts concerning nomination of candidates to the company's supervisory and management bodies. By selecting or assessing the proposed candidates the Nomination committee should take into account the candidate's education, qualification, professional background, existing or potential conflicts of interest and other relevant information.

4.6. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders,

[5] *It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the only form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressely stated either.*

[6] *See Footnote 2.*

[7] *See Footnote 2. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.*

[8] *In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.*

[9] *It is notable that a possibility to hire experts at the expense of the company is realized not directly by the collegial body itself, but through the company's chief executive officer, who, pursuant to the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574), has the right to conclude transactions on behalf of the company.*

members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.

4.7. Members of a collegial body should devote sufficient time to their work in the collegial body in order to discharge their duties as members of the collegial body. If a member of the collegial body participated in fewer than half [10] of the meetings of the collegial body in the company's financial year, shareholders of the company should be notified of the fact.

4.8. To enable the collegial body members to discharge their duties effectively, the company should furnish them with the relevant, accurate and timely information. The companies are recommended to appoint an employee responsible for notifying members of the collegial body, in particular those not working for the company, and fulfilling their requests related to their work in this body.

Principle V: The working procedure of the company's collegial bodies

The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.

5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept "collegial bodies" covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.

5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month [11].

5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.

5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-ordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.

Principle VI: The equitable treatment of shareholders and shareholder rights

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.

6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.

6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.

6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting [12]. All shareholders should be furnished with equal opportunity to familiarise with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.

6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.

6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance [13].

[11] *The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.*

[12] *The Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumbre the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.*

[13] *The documents referred to above should be placed on the company's website in advance with due regard to a 10-day period before the general shareholders' meeting, determined in paragraph 7 of Article 26 of the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574).*

It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarise with the information, wherenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.

6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.

6.8. Information about arrangements concerning concerted voting at the shareholders' meeting, transfer of the voting rights, exercise of shareholder rights and other arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership, should be disclosed to other shareholders. The company's shareholders should be notified about existence of such arrangements, term of validity, parties to the arrangement and the total number of votes these parties hold in concert at the general shareholders' meeting. In order to ensure proper communication about such arrangements to the shareholders of the company, it is recommended that the companies' Articles of Association should contain a provision stipulating the obligation of the parties to such arrangements to disclose them.

Principle VII: The avoidance of conflicts of interest and their disclosure

The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.

7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorised by the meeting.

7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction must be immediately reported in writing or orally to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.6.

7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.

7.5. In order to prevent potential inside trading, thus violating interests of the shareholders and investors, the companies are recommended to approve internal rules, which would regulate the order of trading in the company's securities by members of the company's supervisory and management bodies and the company's employees, who enjoy access to inside information. It is recommended that the internal rules should contain a provision stipulating the obligation of the members of the company's supervisory and management bodies and the company's employees, who enjoy access to inside information, to immediately disclose information about said transactions with the securities issued by the company to the company and its shareholders.

7.6. The order of determining remuneration for the members of the company's supervisory and management bodies from the company's funds should be determined by the corporate body that has elected members of the body. Determination of the remuneration for the members of the company's supervisory and management bodies should be based on transparent and clear principles and procedures. When determining the amount of the remuneration, consideration should be given to successful operation of the company, its financial results, scope of responsibility of a respective member of the supervisory and management bodies for the functions entrusted to him/her, remuneration level for the members of the supervisory and management bodies in peer companies operating in the market.

Principle VIII: The role of stakeholders in corporate governance

The corporate governance framework should recognise the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

8.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.

8.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.

8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.

Principle IX: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the company, including the financial situation, performance and governance of the company.

9.1. The company should disclose information on:

1. The financial and operating results of the company;
2. Company objectives;
3. Persons holding by the right of ownership or in control of a block of shares in the company;
4. Members of the company's supervisory and management bodies and their remuneration;
5. Material foreseeable risk factors;
6. Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;
7. Material issues regarding employees and other stakeholders;
8. Governance structures and strategy.

This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.

9.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 9.1 is under disclosure.

9.3. It is recommended that information about the members' professional background, qualifications, and potential conflicts of interest that may have an effect on the members' decisions should be disclosed when information specified in item 4 of Recommendation 9.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies.

9.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 9.1 is under disclosure.

9.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the National Stock Exchange of Lithuania, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.

9.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.

9.7. It is recommended that the company's Annual Prospectus-Report and other periodical accounts prepared by the company should be placed in the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange in the company's website too.

Principle X: The selection of the company's auditor

The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.

10.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.

10.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.

10.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.

10.4. In order to ensure rotation of the firms of auditors conducting the company's audit, it is recommended that the maximum term for conducting of the audit by the same firm of auditors should be fixed in the company's Articles of Association. Where the company decides not to carry out rotation of the firms of auditors, it is recommended that the audit inspector in charge of the company's audit should be changed at least once in five years.