

The International Bar Association Company Director Checklist – Lithuania

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Item	Number	Check	Item	Number	Check
Before appointment			Potential liability	16	<input type="checkbox"/>
Items to understand	1	<input type="checkbox"/>	Duration of duties	17	<input type="checkbox"/>
People to meet with	2	<input type="checkbox"/>	Special circumstances		
Documents to review	3	<input type="checkbox"/>	Bankruptcy	18	<input type="checkbox"/>
Ongoing duties			Takeover bids	19	<input type="checkbox"/>
Points for attention	4	<input type="checkbox"/>	Market abuse/insider dealing	20	<input type="checkbox"/>
Legal status of directors	5	<input type="checkbox"/>	Defences		
Parties to which duties are owed	6	<input type="checkbox"/>	Good corporate governance	21	<input type="checkbox"/>
Powers of directors	7	<input type="checkbox"/>	Minutes of board meetings	22	<input type="checkbox"/>
Duty of loyalty	8	<input type="checkbox"/>	Discharge and indemnification	23	<input type="checkbox"/>
Duty of care	9	<input type="checkbox"/>	Insurance	24	<input type="checkbox"/>
Duty to have and maintain skills	10	<input type="checkbox"/>	Resignation	25	<input type="checkbox"/>
Additional duties (confidentiality, etc.)	11	<input type="checkbox"/>	Restructuring of assets	26	<input type="checkbox"/>
Delegation of powers/authority	12	<input type="checkbox"/>	ESG and D&I policies, metrics	27	<input type="checkbox"/>
Conflicts of interest (inc. intragroup dealings)	13	<input type="checkbox"/>			
Compliance with statutory obligations	14	<input type="checkbox"/>			
Disclosure obligations	15	<input type="checkbox"/>			

Introduction

This checklist is intended to serve as a practical guide to the main duties and obligations of the directors of

- listed public companies in jurisdiction of Lithuania, listed on a regulated market, i.e. Nasdaq Stock Exchange Vilnius;
- private limited companies in jurisdiction of Lithuania arising from the Lithuanian law, namely:
 - Law on Companies of the Republic of Lithuania (hereinafter – “**Law on Companies**”);
 - Civil Code of the Republic of Lithuania (hereinafter – “**Civil Code**”);
 - Labour Code of the Republic of Lithuania (hereinafter – the “**Labour Code**”);
 - Law on Insolvency of Legal Persons of the Republic of Lithuania (hereinafter – the “**Law on Insolvency**”);
 - Law on Securities of the Republic of Lithuania.

If any specifics of listed public companies are relevant, see the third column of this checklist below.

Disclaimer

This checklist is informational in character only and is not intended to be comprehensive in all respects or to serve as a substitute for professional advice. In all cases, however, specific legal advice should be sought. This checklist was last updated on 6 March 2022.

DUTIES AND OBLIGATIONS OF THE DIRECTORS			
	Action/issue	Specifics of listed public companies (if relevant)	Comments/notes
Before appointment			
1. Items to understand	There is no specific list provided under the Lithuanian law of the items to understand that the members of the Management Board or the CEO must understand before the appointment. However, it is recommended to familiarize with nature and scope of the company's business activities, current corporate structure (corporate bodies, shareholders structure), remuneration policy, requirements applied for the members of the Management Board or the CEO for serving as a member of the statutory body.	It is recommended to familiarize with the relevant market regulator's rules which must be followed by the listed company.	
2. People to meet with	There is no specific list provided under the Lithuanian law of the people who the members of the Management Board or the CEO must meet with before the appointment. However, in practice the members of the Management Board shall appear at the meeting of the Supervisory Board or the General Meeting of Shareholders and the CEO shall appear at the meeting of the Management Board, the Supervisory Board or the General Meeting of Shareholders depending on which body decides on the appointment.		
3. Documents to review	There is no specific list provided under the Lithuanian law of documents to be reviewed by the members of the Management Board or the CEO before the appointment. However, in practice, the members of the Management Board or the CEO shall familiarize themselves with the publicly available documents (e.g. articles of association of the company, minutes of the General Meeting of Shareholders and minutes of the Management		Every candidate for the office of CEO or to the position of the Management Board member must inform the electing body where and what position he/she holds, how his/her other activities are related to the company and to other legal persons related to the company.

	Board that are publicly available, financial statements of the company, etc.).		
Ongoing duties			
4. Points for attention	It is recommended for the CEO and the Management Board members to constantly follow changes in the relevant legislation, situation and dynamics in the market in which the company operates, good corporate governance / business management practices applied by other companies, etc.		
5. Legal status of directors	<p>The CEO is a single-person management body of the company. The CEO must be a natural person. Under the Lithuanian law the CEO is the person legally obliged to ensure all day-to-day activities of the company, act at his/her own discretion on behalf of the company in relations with third parties, enter into transactions on behalf of the company, etc.</p> <p>The Management Board is a collegial body of the company. The Management Board must have at least three members. Only a natural person may be elected a member of the Management Board. The Management Board decides on the strategic issues of the company.</p>		<p>The following persons may not be a member of the Management Board:</p> <ol style="list-style-type: none"> 1) A member of the Supervisory Board of the company; 2) A person who may not hold this office under the legal acts; 3) CEO in the cases when the Supervisory Board is not formed in a company and the articles of association of the company stipulate that the Management Board performs the supervisory functions.
6. Parties to which duties are owed	CEO / members of the Management Board must act in the interest of the company and its shareholders (Article 19(8) of the Law on Companies).		
7. Powers of the board of directors	<p>Powers of CEO</p> <p>CEO shall be responsible for:</p> <ol style="list-style-type: none"> 1) Organisation of activities and implementation of purposes of the company; 2) Drawing up of a set of annual financial statements and drafting of an annual report of the company; 	<p>The Management Board analyses and evaluates the draft remuneration policy of the listed company and submits it to the Supervisory Board and the General Meeting of Shareholders together with the proposals thereto.</p> <p>The Management Board of a listed public company shall, when determining the</p>	<p>Where the Management Board is not formed in a company, the functions assigned to the powers of the Management Board shall be performed by the CEO, except where the Law on Companies provides otherwise (Article 19(4) of the Law on Companies).</p>

	<p>3) Drafting of a decision on the allocation of dividends for a period shorter than the financial year and drawing up of a set of interim financial statements and an interim report for the purpose of adoption of the decision on the allocation of dividends for a period shorter than the financial year;</p> <p>4) Conclusion of a contract with an auditor or an audit firms where the audit is mandatory under the law or the articles of association of the company;</p> <p>5) Submission of information and documents to the General Meeting of Shareholders, the Supervisory Board and the Management Board;</p> <p>6) Submission of information to the Register of Legal Entities;</p> <p>7) Submission of the documents to the Bank of Lithuania and the Central Securities Depository of Lithuania;</p> <p>8) Publication of the information of the company;</p> <p>9) Notification to the shareholders, the Supervisory Board and the Management Board about the most important events that are significant for the company's operations;</p> <p>10) Submission of information to shareholders;</p> <p>11) Management of personal securities accounts of shareholders, except when the accounting of the shares is delegated to external service providers.</p> <p>Powers of the Management Board The Management Board shall:</p> <p>1) Consider and approve:</p> <ul style="list-style-type: none"> • the business strategy of the company; 	<p>remuneration of the CEO follow the remuneration policy as set out in Article 37³ of the Law on Companies.</p>	
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	<ul style="list-style-type: none"> • the annual report of the company; • the interim report of the company; • the management structure of the company and the positions of the employees; • the positions to which employees are recruited through competition; • regulations of branches and representative offices of the company; <p>2) Elect and remove from office the CEO, fix his/her salary and set other terms of the employment contract, approve his/her job description, provide incentives for and impose penalties against him/her;</p> <p>3) Approve the list of commercial secrets and confidential information;</p> <p>4) Take the following decisions:</p> <ul style="list-style-type: none"> • decisions for the company to become a founder of other legal persons; • decisions on the opening of branches and representative offices of the company; • decisions on the investment, disposal or lease of the fixed assets, pledge or mortgage, acquisition of fixed assets, the book value whereof exceeds 1/20 of the capital of the company (calculated individually for every type of transaction), unless the articles of association indicate another value; • decisions on offering of suretyship or guarantee for the discharge of obligations of third parties the amount whereof exceeds 1/20 of the capital of the company, unless the articles of association indicate another amount; 		
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	<ul style="list-style-type: none"> other decisions assigned to the scope of powers of the Management Board by Law on Companies, the articles of association of the company or the decisions of the General Meeting of Shareholders. 		
8. Duty of loyalty	<p>The duty of loyalty is a duty of a fiduciary nature to the governing bodies to act in the best interests of the company and its shareholders. The duty of loyalty is specified in separate duties of the governing bodies as follows:</p> <ol style="list-style-type: none"> 1) Duty of confidentiality (Article 2.87(2) of the Civil Code); 2) Duty to avoid conflicts of interest (Article 2.87(3) of the Civil Code); 3) Duty to report a conflict of interest (Article 2.87(5) of the Civil Code; Article 19(9) of the Law on Companies); 4) Duty not to confuse assets, not to use the company's capabilities for own interests (Article 2.87(4) of the Civil Code); 5) Duty to inform about the conclusion of transactions with the legal person which CEO he/she is (Article 2.87(6) of the Civil Code). 		<p>The duty of loyalty to act exclusively for the benefit of the company, established in Article 2.87(2) of the Civil Code, binds not only the CEO, but also the members of the Management Board of the company.</p>
9. Duty of care	<p>The duty of care is a duty of a fiduciary nature to the governing bodies to act in good faith and reasonable manner in respect of the company and members of other company's bodies.</p> <p>The concept of the duty of care includes the following:</p> <ol style="list-style-type: none"> 1) Establishes the requirement of lawful conduct applied to the CEO and the company (not violate the mandatory legal requirements); 		<p>The duty of care to act lawfully, faithfully and reasonably, established in Article 2.87(1) of the Civil Code, binds not only the CEO, but also the members of the Management Board of the company and the liquidator of the company.</p>

	<p>2) Establishes the requirement to act in a act in a qualified manner and carefully examine the information relevant for making a specific business decision;</p> <p>3) Establishes the requirement to safeguard the assets of the company and to keep them properly accounted.</p>		
10. Duty to have and maintain skills	There is no specific legal regulation under the Lithuanian law related to duty of the directors to have the expertise, skills, or abilities necessary to perform all activities that fall within the scope of the CEO or the Management Board.		
11. Additional duties (confidentiality, etc.)	It arises from the duty of loyalty to ensure the confidentiality of information of the company (e.g. know-how, trade secrets, list of suppliers/clients, etc.), avoid the conflicts of interest (requirement to avoid situations when the CEO's or member's of the Management Board interests contradict with interests of the company), etc. The list of such duties is provided in Section 8.		For details related to conflict of interest see Section 13.
12. Delegation of powers/authority	<p>CEO may authorize persons to conclude contracts on behalf of the company by issuing the power of attorney of the company.</p> <p>A member of the Management Board shall have the right to issue a proxy in a simple written form to another member of the Management Board to represent him/her during voting at a meeting of the Management Board, except where the articles of association stipulate otherwise.</p>		Although the CEO may issue the power of attorney to authorized persons, who have a right to enter into transactions on behalf of the company, the CEO remains liable for all the transactions the company has entered into regardless who signed the transaction on behalf of the company.
13. Conflicts of interest (inc. intragroup dealings)	In case the interests of the member of the Management Board member conflict with the interests of the company, such member must inform the other members of the Management Board and refrain from taking		Pursuant to the Lithuanian law, a member of the Management Board shall not be entitled to vote when the meeting of the Management Board discusses the issue related to his/her work at the Management Board or the issue related to his/her liability.

	<p>decisions related to question which arise the conflict of interest.</p> <p>CEO / member of the Management Board must notify other members of the Management Board or shareholders about the circumstances of conflict of interest and define their nature and, where applicable, their value. Such information shall have to be provided in writing or included into the minutes of the meeting of the Management Board.</p>		<p>CEO / member of the Management Board may enter into a contract with a company being CEO / member of the Management Board of the said company. However, he/she shall notify about circumstances of entering into such contract and its value (if any) the shareholders (in case of CEO) or other members of the Management Board (in case of the members of the Management Board).</p>
14. Compliance with statutory obligations	<p>The CEO must ensure the compliance with statutory obligations applied to the company.</p> <p>Failure of the CEO to ensure the company's compliance with the statutory requirements might lead to the application of liability for any harm incurred by the company resulting hereof.</p>		
15. Disclosure obligations	<p>The CEO is liable for publication of certain information of the company required under the Lithuanian law.</p> <p>It is required to publicize the following information of the company:</p> <ol style="list-style-type: none"> 1) Annual financial statements; 2) Interim financial statements; 3) Information on changes of the members of the Management Board, changed data of the company (name, registered address, etc.); 4) Data of shareholders of the company; 5) Data of UBO's of the company. 	<p>The listed companies are required to publicize the following information:</p> <ol style="list-style-type: none"> 1) Annual information (comprised of the audited annual financial statements, audited annual report and statement that the company complies with mandatory legal requirements); 2) Semi-annual information (comprised of the interim financial statements of first half of a year, semi-annual report and statement that the company complies with mandatory legal requirements); 3) Information received from a person who has acquired or disposed 5, 10, 15, 20, 25, 30, 50, 75 and 95 percent of votes at the General Meeting of Shareholders; 4) Information on acquisition or disposal of own shares (in case of acquisition or disposal of 5 or 10 percent); 	<p>The relevant market regulator's rules and obligations provided in the relevant legal acts might establish other requirements related to disclosure of information applied to the listed companies.</p> <p>On 1 January 2022 the new technical measures to publicize data of UBOs have started to be implemented. The UBO registration system will be implemented in stages:</p> <ol style="list-style-type: none"> 1) Currently the list of UBOs can be submitted by those companies, all UBOs of which are natural persons only controlling them directly; 2) From May 2022 the obligation to provide information on UBOs will be vested in all companies whose UBOs are the natural persons directly and indirectly controlling them (with the exception of the

		<ul style="list-style-type: none"> 5) Information on all changes in the rights attached to all types of shares and derivative securities of the listed company; 6) Information on all changes in the rights attached to securities resulting from the change in the non-equity securities issue terms or the interest rate; 7) Information on convocation of the General Meeting of Shareholders; 8) Remuneration policy; 9) Information on conclusion of agreements with related parties. 	<p>investment funds and investment companies, which will have to provide data from August 2022).</p>
<p>16. Potential liability</p>	<p>Under the Lithuanian law a member of a governing body who fails to perform or performs improperly his/her duties must redress all damage incurred on a company except as otherwise provided by law, incorporation documents, or an agreement (Article 2.87(7) of the Civil Code).</p> <p>Civil liability For application of civil liability of the CEO or the members of the Management Board the following conditions shall be determined:</p> <ul style="list-style-type: none"> 1) Unlawful actions (breach of mandatory legal duties, e.g. duty to apply to the court in case of bankruptcy; breach of fiduciary duties, e.g. duty of loyalty); 2) Damages (amount of the loss or damage of property sustained by a company and the expenses incurred as well as deprived income); 3) Causal link between the unlawful actions and damage; 4) Fault (shall be presumed). <p>The CEO and members of the Management Board are protected from the civil liability by business judgement rule, which means that a</p>		<p>The liability of the CEO and the Management Board is partial. In case of application of liability, it is required to take into account the competence and duties of these two governing bodies provided in law and articles of association of the company. If the damage was caused by the decisions of the CEO and the Management Board, the liability of the CEO must be assessed in proportion to the influence of his/her conduct on the damage.</p>

	<p>CEO and members of the Management Board are exempt from civil liability if they have performed all their duties properly, even though the decision made has not beneficial to the company.</p> <p>Administrative and criminal liability might be imposed to the CEO of the company for a breach of number of duties provided under the Code of Administrative Offences of the Republic of Lithuania as well as Criminal Code of the Republic of Lithuania).</p>		
<p>17. Duration of duties</p>	<p>CEO CEO shall commence performance of his/her duties from his/her election, unless otherwise provided for in the contract concluded with him/her. The body which elected the CEO might at any time revoke the CEO from office or the CEO has the right to resign (for details see Section 25).</p> <p>There is an exception for duty of confidentiality of the CEO – if the parties to the employment contract which must be concluded with the CEO have not agreed on a longer period, the non-disclosure agreement shall be valid for one year after termination of the employment relationship (Article 39(3) of the Labour Code).</p> <p>Member of the Management Board The Management Board or its members shall commence their activities after the end of the General Meeting of Shareholders or the meeting of the Supervisory Board which elected the Management Board or its members. Duties of the Management Board or its members last until the term of office ends</p>		

	or the member of the Management Board resigns (for details see Section 25).		
Special circumstances			
18. Bankruptcy	<p>The CEO must initiate the insolvency process where the company is insolvent.</p> <p>The CEO shall take the following actions in case of a probability of insolvency of a company:</p> <ol style="list-style-type: none"> 1) Inform the shareholders of the company about the probability of insolvency of the company and propose to resolve the issue of financial difficulties; 2) Take action to protect the interests of creditors; 3) Avoid intentional and / or grossly negligent actions that would endanger the viability of the company. <p>The CEO shall take the following actions in case of the insolvency of a company:</p> <ol style="list-style-type: none"> 1) Inform the shareholders of the company about the insolvency of the company and propose to resolve the issue of restoration of solvency; 2) Initiate the insolvency process; 3) Initiate the insolvency process if an agreement on assistance to overcome financial difficulties is not being implemented or is being implemented improperly; 4) Take action to protect the interests of creditors; 5) Avoid intentional and / or grossly negligent actions that would endanger the viability of the company. <p>The CEO and the Management Board upon opening of the bankruptcy procedure shall</p>		<p>The CEO must compensate for the damage resulting from non-performance or improper performance of the duties specified in the Law on Insolvency.</p> <p>The CEO and the Management Board shall lose their powers as of the coming into effect of a court ruling to open a bankruptcy proceeding.</p>

	transfer all the assets managed and used by the company as well as all documents and information of the company.		
19. Takeover bids	The governing bodies of the offeree company must act in the interests of the company as a whole and must not deny the opportunity from the shareholders to decide on the merits of the takeover bid.	In case of a takeover, the Management Board (or the CEO if the Management Board is not formed) has the following obligations: 1) Inform the employees; 2) Publicize its reasoned opinion concerning the takeover bid; 3) Communicate their opinion on the takeover bid to the representatives of its employees. The Management Board shall be prohibited from performing any actions that could significantly worsen the financial status of the company or in any other way inhibit the implementation of the takeover bid.	
20. Market abuse/insider dealing	The Lithuanian law does not provide for any specific mandatory requirements related to market abuse and insider dealing other than those provided under the law of the European Union.		
Defences			
21. Good corporate governance	The Lithuanian law does not provide for any specific mandatory requirements related to good corporate governance.	The CEO and members of the Management Board must familiarize themselves as well as ensure the compliance of the company with the corporate governance rules for listed companies which are usually applied by relevant market regulators.	
22. Minutes of board meetings and publication requirements	Requirements for the minutes of board meetings: 1) Content. Minutes of board shall include the time and place of a meeting, number of participants, the fact of having a quorum, results of voting, and decisions. Minutes shall also include information specified by the meeting participants, if requested. 2) Annexes. Minutes of board have to be		

	<p>annexed by the list of participants and information on the convening of the meeting.</p> <p>3) Persons obliged to take and sign minutes. Minutes of board shall be taken by a secretary of a meeting, a chairman of a meeting, where a secretary is not elected, or by a chairman of board of a legal person where a chairman and secretary of a meeting are not elected. Minutes must be signed by the person who has taken it and by the chairman of a meeting and in cases where he is not elected – chairman of board.</p> <p>4) Timeframe for signing. Minutes must be signed within the timeframe provided under the incorporation documents or no later than within thirty days as of the day on which a meeting was convened.</p> <p>5) Archiving of minutes. Minutes have to be archived no less than ten years and on the request of each participant or other member of a managing body who participated or was entitled to participate in the meeting a copy of the minutes shall have to be issued.</p> <p>The law does not prescribe the obligation to publish the minutes, unless the Management Board addresses issues related to matters that must be registered with the Register of Legal Entities (e.g. replacement of the CEO of the Company).</p>		
<p>23. Discharge and Indemnification</p>	<p>The body which elected the CEO might at any time revoke the CEO from office as well as the body which elected the Management Board might at any time revoke the entire Management Board or the individual</p>		

	<p>members of the Management Board before expiry of the term of office.</p> <p>For the indemnification see Section 16.</p>		
24. Insurance	<p>The Lithuanian law does not require professional liability insurance. However, it is common practice to have in place D&O civil liability insurance.</p>		
25. Resignation	<p>CEO CEO shall have the right to resign by submitting a written notice to the company's body which elected him/her. The body, which elected the CEO, must take a decision on the removal of the CEO within 15 days from the day of the receipt of the notice of resignation.</p> <p>Members of the Management Board A member of the Management Board may resign from company before the expiry of his term of company by giving a written notice thereof to the company at least 14 days in advance.</p>		<p>If the company's body, which elected the CEO does not take the decision on the removal of the CEO, an employment contract concluded therewith shall expire:</p> <ol style="list-style-type: none"> 1) On the 16th day from the day of the receipt of the notice of resignation, where the CEO was elected by the Management Board or the Supervisory Board; 2) On the next day following the General Meeting of Shareholders, and where the meeting is not held – on the next day following the repeat General Meeting of Shareholders, where the CEO was elected by the General Meeting of Shareholders.
26. Restructuring of assets	<p>A company having temporary financial difficulties, or a company that may have financial difficulties in the near future with the aim of repaying debts to creditors, restoring the company's solvency and avoiding its bankruptcy might be restructured. The CEO is responsible for preparation of the restructuring plan, which later has to be approved by court and implemented no later than within 4 months as of the approval.</p> <p>The Management Board or the CEO (if the Management Board is not elected) shall convene the General Meeting of Shareholders to approve the restructuring plan before applying to the court.</p>		

<p>27. ESG and D&I policies, metrics, reports</p>	<p>The Lithuanian law does not provide for any obligations regarding ESG policy.</p>	<p>Certain listed joint-stock companies should comply with the so-called “Good practices of the listed companies” that require periodic reports to contain information on e.g. the number of male and female employees. However, this is not an obligation imposed by law, rather by official guidelines, therefore non-compliance does not result in sanctions, etc.</p>	
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