

**European Corporate Governance Network**  
**A Survey on Lithuanian Corporate Governance Rules, Statistics and Institutions**

## **1. Introduction**

This survey is based on the questionnaire proposed by the European Corporate Governance Network. It provides information on legal aspects of corporate law in connection to ownership and governance and summarises the data on direct ownership in tables.

First the different company types are discussed under the current law. Then the population statistics follow. After this, the different legal mechanisms concerning governance, ownership and disclosure rules pertaining to public joint – stock companies are discussed.

After the legal part the statistics on direct ownership stakes of a sample of Lithuanian companies follow. The sample of companies includes the companies listed on the Lithuanian National Stock Exchange on 01.01.2001. The direct ownership data, which was obtained from the National Stock Exchange, is crossed with the data on size available from the Central Depository. The size statistic chosen to give the widest possible sample is Turnover in 1999. The data on Total Assets was not available apart from paper Annual Reports from companies, which were difficult to obtain for all companies. The total sample of companies for which direct ownership information is available is 44 companies.

The part on internal supervision of joint-stock companies is followed by statistics on average board size of the companies in the sample. This data was obtained from the Lithuanian National Stock Exchange. The data is available on Management Board only. It is possible to distinguish between external and internal members for some companies, but some of this data is unavailable for at least one or several members for most companies, hence no generalisations on this data are possible.

The paper concludes with mechanisms for outside supervision of companies according to Lithuanian legislation.

## 2. Legal Forms

### 2.1.A Company types

Legal Forms	COMPANIES					
	PERSONAL ENTERPRISE	PARTNERSHIP	PRIVATE COMPANY	JOINT STOCK COMPANY	CO-OPERATIVES	Other (State, Municipal, and Agricultural)
Names of the legal forms:			<ul style="list-style-type: none"> <li>Uzdara akcine bendrove (UAB)</li> </ul>	<ul style="list-style-type: none"> <li>Akcine Bendrove (AB)</li> </ul>		
Main features: Limited versus unlimited liability	Unlimited Liability	Unlimited for general partnership Limited for some partners for limited partnership	Limited liability	Limited liability		
Minimum Capital	None	None	10,000 Lt	100,000 Lt 4,000,000 Lt for life insurance 2,000,000 for non-life insurance 7,000,000 for credit institutions		
Smallest number of founders	1 owner	2 owners	At least 1 owner, but not more than 50	At least 5 in public At least 2 in closed At least 7 in a bank		
Smallest number of managers			Formation of a board is not required	3 in the Board of Directors		

### 2.1.B Groups. Legal Definition

There is no definition of a group in either accounting law, or company law. The only definition existing is in the competition law:

What is the definition of a group according to the rules on drawing up consolidated accounts (transposition of Directive 83/349/EEC)?	There are no rules on drawing up consolidated accounts
What is the legal definition of a group, as set out in	There is none. A controlled company is a company in which another company holds more than

the company law (if different from the previous definition)?

50% of *votes*. The controlled company is a subsidiary and the controlling is a holding company. A subsidiary may not acquire shares in the holding company.

What is the definition of a group applied by the competition authorities (if different from the previous definition)?

One or more of economic entities acting on agreement basis acquire another economic entity (whole enterprise or a part of it), all or a part of the assets of the economic entity or a part of its shares which, including all previous acquisitions, constitute 1/4 or more of the authorized capital, or confers 1/4 or more of all the voting rights;

What is the definition of a group applied by the prudential regulation for credit institutions (if different from the previous definition)?

The total sum of a commercial bank's investments into the shares or capital of another enterprise may not exceed 10% of the bank's core capital.

Are there any other legal definitions of a group?

No

## 2.2 Basic Population Statistics

The total number of registered (both active and non-active companies) is presented in the following table. The data is taken from centralised Legal Register of Lithuania. To understand the percentage of active companies, they suggest that about 60% of all registered companies are active. We are currently working on getting the actual data on active companies from the Statistical Register.

Legal Type / Year	1995	1996	1997	1998	1999	2000
State companies	290	347	355	365	402	418
Municipal enterprises	117	143	153	158	163	168
General partnership	417	466	502	551	612	672
Commandite partnerships	47	64	70	82	96	112
Partnerships of the owners of blocks of flats	126	345	654	764	840	1514
Partnerships for construction of residential buildings	59	73	85	91	97	159
Partnerships for garage building and operation	37	132	183	211	282	686
Partnerships of gardeners	278	282	293	294	302	431
Closed joint stock companies	17163	21304	25043	29004	32436	35352
Joint stock companies	1194	1424	1518	1591	1636	1672
Specialised joint stock companies	18	34	43	59	60	61
Specialised closed joint stock companies	86	161	174	177	188	193

Agricultural communities	1435	1455	1469	1477	1479	1484
Farmers' farms	0	0	0	0	0	0
Subsidiaries of foreign companies	389	394	394	395	395	396
Representatives of foreign companies	271	358	461	566	656	726
Credit Unions	0	1	12	22	27	32
Representatives of enterprises	2	3	21	33	39	48
Representatives of foreign banks	1	2	2	3	4	4
Representatives of Lithuanian commercial banks	0	0	0	0	0	0
Public Institutions	45	84	122	720	1167	1512
Budgetary institutions	186	391	406	1277	1701	1832
Public (social) organisations	644	1182	3124	4045	4793	5607
Non-commercial associations	47	68	86	104	119	127
Chamber of commerce, industry and crafts	0	0	8	10	11	12
Associations	11	0	58	215	304	376
Charity organisations and funds	159	20	321	428	495	546
Political organisations, political parties	16	233	27	27	28	33
Non profit enterprises	9	22	19	19	19	19
Municipal budgetary enterprises	1307	76	2817	3475	3805	3936
Cooperative partnerships/companies	100	192	244	281	321	367
Foreign embassies, diplomatic representatives	0	0	0	0	0	0
Individual enterprises without the status of legal entity	32775	41638	47491	54299	60509	65809
Individual enterprises with the status of a legal entity	33	33	33	33	33	33

### 2.2.B Activity types

The companies are not limited in number of activities they indicate their activities when registering. To have the widest possible scope they usually register multiple activities, hence no meaningful distribution by sector and legal form is possible.

### 2.2.C Size

Size distribution by legal form is not available from the register, or from statistical office. Own computations for the sample of public companies will be presented.

### **3. Ownership Structure and Voting Rights**

The activities of the companies are regulated by the following laws:

The 8 May 1990 Law No. I-196 of the Republic of Lithuania "On Enterprises";

The 16 October 1990 Law No. I-676 of the Republic of Lithuania "On Partnerships";

The 5 June 1994 Company Law No. I-528 of the Republic of Lithuania;

The 1 June 1993 Law No. I-164 of the Republic of Lithuania "On Cooperative Companies (Cooperatives)";

The 21 December 1994 Law No. I-722 of the Republic of Lithuania "On State and Municipal Enterprises

The 3 August 1993 Resolution No. 601 of the Government of the Republic of Lithuania "On Provisions of Establishment and Activity of Concerns, Consortia and Associations of Enterprises";

The company law defines the formation, structure and operations, and liquidation of Limited Liability and Joint Stock Companies.

### 3.1.A Company Law

Company Law	COMPANIES					
	SINGLE OWNER ENTERPRISE	PARTNERSHIP	LIMITED LIABILITY COMPANY	JOINT STOCK COMPANY	CO-OPERATIVES	Other (State, Municipal, and Agricultural)
Register when the company is founded	Enterprise Register	Enterprise Register	Enterprise Register	Enterprise Register	Enterprise Register	Enterprise Register
Documents that the company has to deposit when the company is founded						
What is the legal procedure for transferring shares? (E.g. Anonymous, registered shares can be transferred with consent of the company, company has a register which is/is not public)			Board consent for the transfer of shares may be required.	<b>Closed issue:</b> in accordance to the by-laws of the company		
Limits on the Directors to hold ownership certificates in the company			Board may prevent the transfer only if it increases the number of shareholders above the maximum allowed - 50.	<b>Public issue:</b> in accordance with the law "On securities"		
Company notification for acquisitions or holdings of a stake in another company and applicable thresholds.			None	None		
Is the list of owners deposited			May not hold 100% of another company	Within 5 days the JSC must file a notification of an acquisition of block of shares the value of which accounts for more than 5, 10, 25 ... (further every 25 percent) of the JSC's authorised capital if exceeds 1 million Lit.		
Is the company register centralised?			Yes, in the Foundation Agreement	Yes, in the by-laws		
			Initial register, yes	Initial register, yes		

### 3.1.B Accounting Rules

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Ownership Information that companies must enclose in the annex of their annual reports	All direct stakes over 5% for joint stock companies only
Which national laws have transposed the accounting standards directives (4th Directive 78/660/EEC and 7th Directive 83/349/EEC)?	4 <sup>th</sup> Directive 78/660/EEC: Law “On the Principles of Accounting” and “Rules on periodic disclosure of information about issuers activities and their securities” 7 <sup>th</sup> Directive 83/349/EEC: None
Has the Accession State imposed additional requirements via its national accounting standards?	No
Is the information only available on paper (the printed annual report) or in the computer readable form?	All direct stakes over 5% are available on paper. Also available for all public companies through the National Stock Exchange website.
Is the information from different sources consistent?	Yes, between annual reports and the NSE reported information.

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### 3.1.C Competition Rules

Are there any competition (anti-trust) rules on ownership stake notifications that apply to companies?	If one (or more) economic entity acquires a part of the assets or shares of another economic entity, which, together with all the previous acquisitions, <i>constitutes 1/4 or more of the authorised capital or voting rights.</i>
To whom do the companies have to notify and where the data is published?	To the Competition Council (Art. 10) and its permission is required where combined aggregate income of the economic entities concerned is more than 30 million Litas in the last financial year prior to concentration and the aggregate income of each of at least two economic entities concerned is more than 5 million Litas in the last financial year prior to concentration. There are several methods to compute the aggregate income outlined in the law “On Competition”

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### 3.1.D Transparency Directive

When was the Transparency Directive transposed?	31.01.1997, amended 01.05.1998
When did the legislation become effective?	Same time
Which are the competent authorities or authority referred to in Article 13?	Securities Commission and the Stock Exchange for Listed Companies
What are the reporting thresholds that were chosen?	1/10, 1/5, 1/4, 1/3, 1/2, 2/3, or 3/4 of votes
Is the first time notification threshold referred to in Article 5 10% or lower?	It is 10%
Do natural persons or legal entities have to notify when they notified?	No
How much time may pass between crossing a threshold and reporting to the company?	7 days (Article 3) (unclear as article 8 contradicts with stating that the period is 15 days in the English translation)
How much time may pass between the notification of the company (and the competent authority/authorities) and the notification of the public?	8 days (Article 12)
Who notifies the public: Article 10 (1)?	Securities Markets Commission and the Stock Exchange if the Company is listed (Articles 12 and 13)
Does the national law prescribe that “a company must also be informed in respect of the proportion of the capital held by a natural person or legal entity”; Article 4 (1)(3)?	Yes, the accountable issuer must be notified also within 7days.
By what means are the company and the competent authority/authorities notified. Art. 4(2)?	Standard form for acquisition or disposal via mail or personal delivery (Article 9)

How does the competent authority store the notifications (paper, computer)?	Paper and Excel spreadsheet
In addition to the immediate distribution mentioned in the directive, does the competent authority distribute the notifications cumulatively?	Yes, in a reading room or on diskette on special request
Does the competent authority have to declare how often it has applied the waiver rule set out in Article 11?	There is no waiver rule
What are the sanctions mentioned in Article 15?	Loss of all votes attaching to the shares which were acquired in excess of the limit subject to declaration for two years from the moment the correct data is announced. Also, all decision adopted between the acquisition of the block of shares and disclosure of correct information may be annulled in court in the event that the issuers managing bodies have been changed or property or non-property rights were violated by the decision(s). (Chapter 3, Article 9.6 of the Securities Law).
How are these sanctions applied?	As decided by court.

### **3.2 Quantitative Analysis**

#### **3.2 A Companies**

##### **3.2 A.1 Direct Stakes**

The sample consists of all official and current list companies – this gives 53 companies. The size data on which resulted in the largest number of observations was Turnover in 1999. Crossing this data with ownership data, we arrived to the sample of 44 companies – all the financial companies except one insurance company are excluded. This sample is referred to as listed companies sample. Firstly the information on direct shareholdings is presented (Tables 3 – 10). This is followed by the discussion of blockholdings data, which is presented in Tables 11 and 12.

Table 1. Number of companies by sector of activity in the final data set

Food and Beverage	11
Textiles, fibers	9
Chemicals, pharmaceuticals	4
Non - metals manufacturing, precision instruments	4
Furniture	3
Utilities	5
Trade, transportations, other services	6
Telecommunications	1
Insurance	1

Table 2. Number of companies by size (Total Sales 1999, local currency)

Percentile	Size Class	Number of companies	Between (thousands LTL)		
Less than 10%	1 (smallest)	5	0	-	19100689.6
Between 10 and 25	2	6	19100689.6	-	49170188
Between 25 and 50	3	11	49170188	-	90199331
Between 50 and 75	4	11	90199331	-	165768558
Between 75 and 90	5	6	165768558	-	429728071
Above 90 %	6 (largest)	5	429728071	-	2283923797

Table 3. Average percentage of direct shares owned by the largest investor for investor type and size

Size Class	Domestic Legal	Average Percentage	Domestic Physical	Average Percentage	Foreign Legal	Average Percentage	Foreign Domestic	Average Percentage
Less than 10%	2	35.95			3	52.51		
Between 10 and 25	2	58.05	1	33.00	3	29.77		
Between 25 and 50	6	77.01	2	24.50	2	69.05		
Between 50 and 75	5	35.82	1	26.30	4	54.96	1	33.00
Between 75 and 90	2	82.61			4	41.72		
Above 90 %	2	89.35	1	41.10	2	46.50		

Table 4. Ownership structure. Average percentage of direct shares owned by the 1st, 2nd, 3rd and 4-10th largest investor by size class

Size Class	Owner 1		Owner 2		Owner 3		Owners 4 - 10	
	Average percentage shares owned	Number of Companies	Average percentage shares owned	Number of Companies	Average percentage shares owned	Number of Companies	Average percentage shares owned	Number of Companies
1 (smallest)	45.89	5	17.14	4	14.60	3	0.09	1
2	39.73	6	11.58	4	9.03	3	9.40	2
3	61.21	11	8.62	9	7.18	4	13.10	1
4	41.66	11	17.83	10	8.23	7	8.18	3
5	55.35	6	15.84	5	15.10	3	-	-
6 (largest)	62.56	5	29.85	4	10.20	1	6.60	1
Total	51.01	44	16.47	33	10.13	21	8.07	8

Table 5. Ownership Structure. Average percentage of direct shares owned by the 1st, 2nd, 3rd, and 4-10th largest investor by sector of activity

Sector of activity	Owner 1		Owner 2		Owner 3		Owner 4 -10	
	Average percentage	Number of	Average percentage	Number of	Average percentage	Number of	Average percentage	Number of
	shares owned	Companies	shares owned	Companies	shares owned	Companies	shares owned	Companies
Food and Beverage	50.32	11	11.22	7	8.50	4	6.35	1
Textiles, fibres	37.31	9	22.00	8	9.32	6	6.50	1
Chemicals, pharmaceuticals	34.35	4	14.50	4	15.10	4	8.20	3
Non - metals manufacturing, precision instruments	23.38	4	16.03	4	10.43	4	11.17	2
Furniture	70.83	3	-	-	-	-	-	-
Utilities	71.30	5	8.39	4	6.85	2	-	-
Trade, transportations, other services	69.28	6	21.30	4	7.00	1	-	-
Telecommunications	60.00	1	35.00	1	-	-	-	-
Insurance	79.40	1	13.00	1	-	-	-	-
Total	51.01	44	16.47	33	10.19	21		

Table 6. Ownership structure. Average percentage of direct shares owned by the 1st, 2nd, 3rd and 4-10th largest investor by sector of activity and investor type

	Legal Domestic				Physical Domestic				Legal Foreign				Physical Foreign
	1	2	3	4	1	2	3	4	1	2	3	4	1
Food and Beverage	65.34	10.36	0.00	13.10	26.30	15.66	-	6.35	48.33	8.09	8.50	-	
Textiles, fibers	37.10	30.03	10.50	7.80	19.60	6.20	6.95	5.20	43.04	24.50	-	-	
Chemicals, pharmaceuticals	26.30	12.00	13.40	9.27	41.10	-	-	-	43.70	17.00	15.67	6.60	
Non - metals manufacturing, precision instruments	-	23.80	-	10.80	-	18.30	10.20	-	20.17	11.00	11.10	11.35	33.00
Furniture	58.05	0.00	-	-	-	-	-	-	96.40	-	-	11.35	
Utilities	78.43	7.94	-	-	42.80	7.60	6.85	-	0.00	10.10	-	-	
Trade, transportations, other services	69.58	26.73	-	-	-	5.00	-	-	67.80	11.30	7.00	-	
Telecommunications	-	35.00	-	-	-	-	-	-	60.00	-	-	-	
Insurance	-	-	-	-	-	-	-	-	79.40	13.00	-	-	
Total	61.74	20.62	11.08	9.92	27.30	10.66	8.68	5.97	47.24	15.01	11.01	8.98	33.00

Table 7. Ownership structure. Average percentage of direct shares owned by the 1st, 2nd, 3rd and 4-10th largest investor by company size and investor type

	Domestic Legal				Domestic Physical				Foreign Legal				Foreign Physical
	1	2	3	4	1	2	3	4	1	2	3	4	1
1 (smallest)	44.30	13.59	7.00	8.50	-	-	-	-	52.51	20.70	18.40	-	
2	58.05	10.45	8.00	9.30	33.00	12.70	0.00	5.20	29.77	0.00	11.10	13.80	
3	77.01	11.60	-	13.10	24.40	5.97	6.60	-	69.05	10.60	8.90	-	
4	35.82	23.02	13.40	9.65	26.30	15.66	8.13	6.35	54.96	13.29	6.60	8.90	33.00
5	82.61	8.07	12.30	-	-	21.31	14.00	-	41.72	16.60	12.30	-	
6 (largest)	89.35	47.15	-	-	41.10	-	-	-	46.50	12.55	10.20	6.60	

Table 8. Direct shares owned by the 1st, 2nd, 3rd and 4-10th largest investor type

	Owner 1	Owner 2	Owner 3	Owner 4
Domestic Legal	61.74	20.62	11.08	9.92
Domestic Physical	27.30	10.66	8.68	5.97
Foreign Legal	47.24	15.01	11.01	8.98

Table 9. Official list companies - investor type and direct shares owner by 1st, 2nd, 3rd, 4th and 5th investor for each company

		Owner 1		Owner 2		Owner 3	
		Investor type	% of shares	Investor type	% of shares	Investor type	% of shares
EKRANAS	Electric valves and tubes manufacture	Foreign legal	18.3	Foreign legal	14.9	Domestic physical	14
KALNAPILIS	Food and Beverage	Foreign legal	86.4	-	-	-	-
LIETUVOS TELEKOMAS	Telecommunications	Foreign legal	60	Domestic legal	35	-	-
ROKISKIO SURIS	Food and Beverage	Foreign legal	24.99	Domestic physical	21.31	Foreign legal	12.3
SNAIGE	Refrigerating Equipment manufacture	Foreign legal	21.1	Foreign legal	7.1	Domestic physical	6.6
UTENOS TRIKOTAZAS	Textiles	Domestic legal	37.1	Foreign legal	29.2	Domestic physical	7.8



KLAIPEDOS JURU KROVINIU KOMP.	Stevedoring	Domestic legal	28.60	Domestic legal	61.30	.	.	.	.	.	.
KLAIPEDOS NAFTA	Oil trade	Domestic legal	76.30	Foreign legal	11.30	Foreign legal	7.00	.	.	.	.
KLAIPEDOS TRANSPORTO LAIVYNAS	Transportation	Domestic legal	80.89	.	.	.	.	.	.	.	.
LIETUVOS DRAUDIMAS	Insurance	Foreign legal	79.40	Foreign legal	13.00	.	.	.	.	.	.
LIETUVOS DUJOS	Gas trade	Domestic legal	92.40	.	.	.	.	.	.	.	.
LIETUVOS ENERGIJA	Electricity	Domestic legal	86.30	Foreign legal	10.10	.	.	.	.	.	.
LIETUVOS JURU LAIVININKYSTE	Transportation	Domestic legal	80.00	.	.	.	.	.	.	.	.
LIETUVOS KURAS	Trade in fuel.	Foreign legal	67.80	Domestic legal	7.60	.	.	.	.	.	.
LIFOSA	Fertilizers manufacture	Domestic physical	41.10	Foreign legal	15.00	Foreign legal	10.20	Foreign legal	5.00	Foreign legal	8.20
LINAS	Textiles	Foreign legal	41.70	Domestic legal	15.40	.	.	.	.	.	.
LITHUN	Construction materials	Domestic physical	42.80	Domestic legal	7.80	Domestic physical	6.00	.	.	.	.
MAZEIKIU NAFTA	Processing of oil	Foreign legal	33.00	Domestic legal	59.30	.	.	.	.	.	.
PANEVEZIO PIENAS	Milk and dairy products.	Domestic physical	24.20	Foreign legal	10.60	Foreign legal	8.90	Domestic legal	13.10	.	.
PANEVEZIO STATYBOS TRESTAS	Construction	Domestic legal	49.80	Domestic physical	7.60	Domestic physical	7.70	.	.	.	.
PIENO ZVAIGZDES	Milk and dairy products.	Domestic legal	12.10	Domestic physical	10.00	Foreign legal	6.70	Domestic physical	7.50	Domestic physical	5.20
RAGUTIS	Beverages	Foreign legal	50.00	Domestic legal	5.50	.	.	.	.	.	.
SANITAS	Pharmaceuticals	Foreign legal	43.70	Foreign legal	19.00	Foreign legal	5.90	.	.	.	.

SEMA	Beverages	Foreign legal	35.73	Domestic legal	19.27	.	.	.	.	.	.
SIAULIU STUMBRAS	Leather	Domestic physical	33.00	Domestic legal	15.40	Domestic legal	9.90	Domestic physical	5.20	Domestic legal	7.80
STUMBRAS	Beverages	Domestic legal	91.95	.	.	.	.	.	.	.	.
TRINYCIAI	Textiles	Domestic legal	44.30	Foreign legal	22.40	Domestic legal	7.00	.	.	.	.
VILNIAUS BALDU KOMBINATAS	Furniture	Domestic legal	65.70	.	.	.	.	.	.	.	.
ZEMAITIJOS PIENAS	Dairy products.	Domestic physical	26.30	Domestic legal	6.30	Foreign legal	6.10	.	.	.	.

### 3.2 A.2 Blockholdings

When crossing one of the thresholds stipulated in the transposition of the Large Holdings Directive (see table), the shareholders notify the Securities Commission of Lithuania. These notifications are stored in paper files for each company (in chronological order alongside all other information submitted to SC). Apart from this, this data is available cumulatively in Excel format.

From analysing the data it appears that initial holding in excess of 10% were not taken – as there are companies in which a single direct shareholding exceeds 10%, but they are not listed in the SC file. It seems that only *changes* in blockholdings are recorded. Blockholdings include direct + indirect ownership and refer to the total percentage of *voting* power held by a blockholder.

From our sample of listed companies it appears (comparing Table 9 and 11 and Table 10 and 12) that only few companies have indirect ownership in excess of direct stakes. Namely, these companies appear to be: PIENO ZVAIGZDES, GRIGISKES, LITHUN which report a management voting block (20%, 35, and 49% respectively). LIFOSA has a mixed voting block of 75% where as there is no single direct controlling stake.

Also, as evident from comparison of on direct shareholdings and blockholdings, there is discrepancy in the data for some companies. This is due to the method of obtaining the data. The direct stakes data is taken at the moment of latest general shareholders meeting and is provided by National Stock Exchange of Lithuania. The blockholdings data is taken from Securities Commission as of March

2000. Since most of the blockholdings reported to SC are in fact direct stakes, the changes in ownership between the date when blockholdings are taken and the latest GSM are the source of discrepancy.

In general, it seems that indirect ownership is not significant in excess of direct ownership. This conclusion is based on assumption of proper enforcement of the Large Holdings Directive and it is hard to assess to which extent this is actually the case.

Table 11. Official List Companies - investor types and block owner (direct + indirect ownership) by 1st, 2nd and 3rd block for each company

		Block 1		Block 2		Block 3	
		Investor type	% of votes	Investor type	% of votes	Investor type	% of votes
EKRANAS	Electric valves and tubes manufacture	Foreign legal	18.3	Foreign legal	15	Foreign legal	34.5
KALNAPILIS	Food and Beverage	Foreign legal	86.4				
LIETUVOS TELEKOMAS	Telecommunications	Foreign legal	60				
SNAIGE	Refrigerating Equipment manufacture	Foreign legal	17.8	Domestic legal	21		.
UTENOS TRIKOTAZAS	Textiles	Foreign legal	29.1				

Table 12. Current List Companies - investor types and block owner (direct + indirect ownership) by 1st, 2nd and 3rd block for each company

		Block 1		Block 2		Block 3		Block 4	
		Investor type	% of shares	Investor type	% of shares	Investor type	% of shares	Investor type	% of shares
AKMENES CEMENTAS	Cement	Domestic legal	24.90	Foreign physical	33.00	Foreign physical	12.0	.	.
ALITA	Wine and alcoholic drinks	Domestic legal	83.80	.	.	.	.	.	.
ALYTAUS TEKSTILE	Textiles	Foreign legal	85.00	Foreign legal	13.20	.	.	.	.
ANYKSCIU VYNAS	Wine and alcoholic drinks	Domestic legal	73.50	.	.	.	.	.	.
APRANGA	Wholesale and retail trade.	Domestic legal	85.70	Domestic legal	5.00	.	.	.	.
BALTIJOS LAIVU STATYKLA	Shipbuilding	Foreign legal	91.40	.	.	.	.	.	.
BIRZU AKCINE PIENO BENDROVE	Dairy and other food products	Foreign legal	45.20	Foreign legal	6	.	.	.	.
DIRBTINIS PLUOSTAS	Acetate yarn manufacture	Domestic legal	24.90	Domestic legal	8.70	.	.	.	.
DVARCIONIU KERAMIKA	Ceramic products	Domestic physical	79.70	Domestic physical	22.00	Foreign legal	20.90	Foreign legal	15.00
ENDOKRININIAI PREPARATAI	Pharmaceuticals	Domestic legal	28.40	.	.	.	.	.	.
GRAFOBAL VILNIUS	Paper and paper products	Foreign legal	78.10	.	.	.	.	.	.
GRIGISKES	Paper and paper products	Domestic physical	35.10	Domestic physical	12.00	Foreign legal	12.50	.	.
KAUNO AUDINIAI	Textiles	Foreign legal	10.30	Foreign legal	15.00	Foreign legal	34.50	Domestic legal	7
KLAIPEDOS BALDAI	Furniture	Domestic legal	0.60	Domestic legal	50	.	.	.	.
KLAIPEDOS JURU KROVINIU KOMP.	Stevedoring	Domestic legal	37.00	Domestic legal	53.00	.	.	.	.

KLAIPEDOS NAFTA	Oil trade	Domestic legal	76.30	Foreign legal	20.00	Foreign legal	15.00	Foreign legal	3.5
LIETUVOS DRAUDIMAS	Insurance	Foreign legal	70.00	Foreign legal	16.00				
LIETUVOS DUJOS	Gas trade	Domestic legal	92.90	.	.	.	.	.	.
LIETUVOS ENERGIJA	Electricity	Domestic legal	86.30	Foreign legal	10.00	.	.	.	.
LIETUVOS JURU LAIVININKYSTE	Transportation	Domestic legal	80.00	.	.	.	.	.	.
LIETUVOS KURAS	Trade in fuel.	Foreign legal	67.80	.	0.00	.	.	.	.
LIFOSA	Fertilizers manufacture	Domestic physical	75.40	.	.	.	.	.	.
LINAS	Textiles	Foreign legal	39.00	.	.	.	.	.	.
LITHUN	Construction materials	Domestic physical	49.30	.	.	.	.	.	.
MAZEIKIU NAFTA	Processing of oil	Foreign legal	92.30	.	.	.	.	.	.
PANEVEZIO PIENAS	Milk and dairy products.	Domestic legal	27.30	Foreign legal	11.00	.	.	.	.
PANEVEZIO STATYBOS TRESTAS	Construction	Domestic legal	5.70	.	.	.	.	.	.
PIENO ZVAIGZDES	Milk and dairy products.	Domestic physical	20.00	Domestic legal	11.00	.	.	.	.
RAGUTIS	Beverages	Foreign legal	50.00	Foreign legal	12.00	.	.	.	.
SANITAS	Pharmaceuticals	Foreign legal	14.60	Foreign legal	19.00	Domestic physical	23.20	.	.
SIAULIU STUMBRAS	Leather	Domestic physical	33.00	Domestic legal	15.00	Foreign physical	9.90	Domestic physical	9.70
TRINYCIAI	Textiles	Domestic legal	57.00	Foreign legal	22.40	.	.	.	.
ZEMAITIJOS PIENAS	Dairy products.	Domestic physical	35.60	Domestic physical	29.00	Domestic physical	5.40	Domestic physical	27

## 4. Inside Supervision

### 4.1. Boards – Legal and Institutional Description

#### 4.1.A Board Structure

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Legally Available board structure (one or two tier board)	Both one tier and two tiers possible
Are they the same for all legal forms?	Private company may decline to form one or both boards. Public company upon the decision of GSM may decline to form one of the boards. If state/municipality owns no less than 2/3 of votes a board of directors must be formed If state/municipality owns more than 1/2, but less than 2/3rds of all votes, both boards have to be formed.
Are there different categories of directors and/or managers?	Internal (employees), external (no employment contract)
What are their titles (in the original language)?	?
What are their functions?	Board of Directors: approves annual accounts, elects CFO, head of the board, has mainly supervisory role  Supervisory Board: supervises the Board of Directors
What are their powers?	GSM does most of decision-making and Board of Directors cannot take over any of its responsibilities. Companies must have approved regulations of the Board of Directors.
Does the chairman of the board of directors have a veto power or a “golden vote”?	No
By who are directors/managers nominated, appointed (and for how long), re-appointed, promoted, removed, remunerated?	Nominated, appointed, dismissed, remunerated by GSM
How are these decisions taken (majority voting, unanimity)?	Simple majority voting
Does anybody have veto power?	No

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Are the nomination and appointment rules set out in company law, the company statute, imposed by the stock exchange?	In the company law
Is it possible to obtain a list with the names of persons who sit on the board and in the various committees for each company?	In the annual report of public companies. Otherwise information on activities and management of the company is available if not deemed confidential by the company. Only if 50% of voting rights owned, the shareholder(s) have the right to all company information.
Is it possible to find out how much the individual directors and managers earn (pay, bonuses, stock options)?	No
Do directors have to declare how many shares in their own company they possess and when they buy and sell?	Only as specified by the large holdings directive
Is it possible for a shareholder/member of the public to obtain a copy of the managers' employment contract/the directors' employment contracts?	No. Directors (external) do not have to have an employment contract with the company.

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#### **4.1.B Manager Independence**

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For which business decision must the managers seek approval by the shareholder meeting and/or the board and/or worker representatives?	Worker representation in the board is not popular. GSM must approve: CL Board must approve: CL
In particular, do these decisions include financing decisions (IPOs, new equity issues, bond issues, bank loans, use of derivative products)?	No, new equity issues, IPOs, increases of authorised capital, issue of convertible instruments, exchange of 1 share class for another, pre-emption rights are in the jurisdiction of GSM
Is approval granted by the majority voting? Is the catalogue of decisions that the managers cannot take independently set out in the company statute, laid down by the company law, stock exchange or other regulation?	The total value of business per year of transactions involving long-term assets of the company without consent of GSM cannot exceed 5% of the capital value. 2/3 majority voting Company law sets the powers of GSM which cannot be taken away in the Articles of Association. The powers of the board may be established by the Articles of Association.
Are managers allowed to buy shares in the company	Yes – in the public companies and cannot exceed 1/10 <sup>th</sup> of the capital. Done by GSM decision,

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in the name of the company? specifying: purpose, maximum amount, period of buy-out (18 months limit), max/min price.

Is the management allowed to vote these shares? No

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#### 4.2 Boards – Quantitative Description

The data on management boards includes the data on board size as of end September 2000. The source of the data is the Lithuanian Stock Exchange. It is not possible to distinguish between internal and external members for all cases. Also, there is not data on Supervisory Board size available.

Table 13. Average Management Board size by size classes

Size Class	Average number of Board Members
1 (smallest)	6.80
2	10.00
3	6.64
4	7.73
5	10.67
6 (largest)	9.80
Total	8.30

Table 14. Average Management Board size by activity type

Activity Type	Number of Companies	Average Number of Board Members
Food and Beverage	11	7.36
Textiles, fibers	9	9.00
Chemicals, pharmaceuticals	4	7.25
Non - metals manufacturing, precision instruments	4	8.50
Furniture	3	9.00
Utilities	5	9.20
Trade, transportations, other services	6	7.83
Telecommunications	1	10.00
Insurance	1	10.00
Total	44	8.30

## 4. 3 Shareholders

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Who has the right to attend the shareholder meeting?	Shareholders, board members, head of administration
Is it possible to delegate (or transfer) voting rights to third parties?	Yes, though proxy voting
What percentage of the equity capital has to be present at the meeting to take binding decisions?	½ of all votes must be present for GSM to take binding decisions
What majority is required to change the company statute?	2/3.
Can this required majority be increased or decreased in the company statute?	Can be increased only to ¾ or 4/5 in the Articles of Association
Is it possible to obtain a copy of the attendance list of the shareholder meeting as a shareholder/as a member of the public?	Yes, from the issuer at least three days before the GSM.
Is it possible to obtain the minutes of the annual meeting with the results of the votes for each item on the agenda?	Yes, the minutes of GSM must be available to for all shareholders.
What other information do the minutes contain?	The list of the attendees or their proxies, the agenda, most important statements in the discussion, protests, decisions and voting results.
Can shareholder ask the management to disclose whether the company holds stakes in other companies?	All stakes above 5% are disclosed in the annual report. Also, if under thresholds of Market Commission's regulation on material events.
How many shares (voting rights) does the shareholder need to own to make such a request?	This is public information

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## 2. 5. Outside Supervision

### 5.1 Legal and Institutional Description

#### 5.1.A Stock Market Institutions and Rules

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What are the main stock markets and who is in charge of supervising them?	National Stock Exchange of Lithuania. Supervising body as stipulated in Company Law: Supervisory Board elected by GSM
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Who owns the main stock markets?	NSE is a public company, and the Ministry of Finance is its principal shareholder. Other shareholders are brokerage firms, banks, other companies, and private persons. Members of NSE must be shareholders.
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### 5.1.B Public Offerings

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What are the listing requirements on the main, second and third tier markets?	<i>Official List:</i> Market capitalization of at least EUR 1 million, audited financial statements from the past three years, profitable operation for 1 year prior to application and fraction of public shares at 25%.
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*Current List:* Issuer's minimum authorized capital LTL 4 mln (USD 1 mln)

What are the insider trading rules associated with a public offering?	Same as with all material events listed in the "Rules on identification of insider trading dealing with material events".
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What are the information diffusion policies before a public offering?	Obligatory issuance of a securities prospectus
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### 5.1.C Takeover Rules

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Are there any takeover rules?	No
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### 5.1.D Auditors

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Which documents the companies publish are previously checked by auditors?	Annual report, semiannual for all listed companies and quarterly for official list companies
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What legal responsibilities, for example liability, do the auditors assume?	Liability is limited, and usually to the amount of the fee.
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Have there been any well-known cases where auditors have been brought to court by shareholders or directors?	There were no precedents.
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## **6. Concluding Remarks**

Lithuania is the only country among the three Baltics where the Large Holdings Directive was not only transposed, but also results in a blockholdings dataset. However, the problem remains that there appears to be no initial data on all direct + indirect ownership in excess of 10%. It is also difficult to assess the enforcement of this disclosure upon all companies. Indirect ownership and resulting accumulation of voting rights does not seem significant in excess of direct ownership.

The data availability is generally rather good in Lithuania and most of the information (direct ownership, blocks, annual report data, Management Board composition) is available from a single source which is National Stock Exchange of Lithuania in cumulative form in Electronic format for a fee. Also, the service of the Central Depository which provides data on the financials of the top 400 public companies (liquidity, profitability, other ratios) is useful. The submission of this information to the Central Depository is voluntary, however most of the companies do submit this information.