

Limited liability public company Šiaulių Bankas

Vilnius  
20 March 2019

Tilžės str.149  
Šiauliai, Lithuania

## **EXPLANATIONS REGARDING GRANTING OF SHARES TO EMPLOYEES AND RELATED DECISION MAKING**

Having regard to Your application, we provide the following explanations regarding the legislative regulation of granting shares to employees and related decision making while granting shares of limited liability public company Šiaulių Bankas (hereinafter - the **Bank**) to the Bank's and financial group's employees (**Memorandum**).

The Memorandum has been prepared in accordance with the legislation of the Republic of Lithuania in force at the time of its preparation and is based on the Law on Companies (hereinafter - **the Law**), Resolution No 03-82 On the Approval of the Description of Minimum Requirements for the Policy on the Remuneration of Employees of Credit Institutions and Financial Brokerage Companies of the Bank of Lithuania dated 8 May 2015 (previously valid - Resolution of the Board of the Bank of Lithuania on Minimum Remuneration Policy Requirements for Employees of Credit Institutions No 228 dated 10 December 2009) (hereinafter - the **Resolution**) and the draft Rules for Granting Shares (hereinafter - **the draft Rules for Granting Shares**) which is submitted for approval to the General Meeting of Shareholders of the Bank (hereinafter - the **Shareholders Meeting**) to be held on 28 March 2019.

### **1. LEGISLATORY REGULATIONS FOR GRANTING SHARES TO EMPLOYEES**

- 1.1. The Resolution passed by the Board of the Bank of Lithuania regulates the allocation and payment of variable remuneration (in cash and Bank's shares) to the Bank's employees whose professional activities and / or decisions taken may have a significant impact on the risk assumed.
- 1.2. From 01 January 2018 the new wording of Article 47<sup>1</sup> of the Law came into force, which established the procedure for granting shares, which may be followed by the company, including the Bank, while granting shares to employees. In accordance with the procedure provided for in Article 47<sup>1</sup> of the Law the shares that are intended as a payout to an employee whose professional activities and / or decisions taken may have a significant impact on the risk assumed may also be granted. Thus, under this procedure, shares may also be granted to employees for whom the Bank allocates shares in accordance with the Resolution and the remuneration policy approved by the Bank's Supervisory Council.
- 1.3. The Law (wording effective since 1 January 2018) established the possibility for the Bank to grant shares using reserves (Article 47<sup>1</sup> (3)), i.e. a reserve for granting shares (when the shares are granted by issuing a new share issue of the Bank) and / or a reserve for acquisition of own shares (when the shares are issued through the transfer of the Bank's own shares). The Bank would only be able to use the provided option to grant shares using reserves if both conditions are met: (a) the Shareholders' Meeting approves the relevant Rules for Granting Shares; and (b) the required amount of money is accumulated in the relevant Reserve.

- 1.4. Pursuant to the Law, the approval of the remuneration policy and the adoption of specific decisions regarding the remuneration of employees are not within the competence of the Shareholders' Meeting. Pursuant to the Resolution (Item 7), the Supervisory Council of the Bank is responsible for determining the principles of remuneration policy and the calculation of variable remuneration whereas the Board - for the implementation of the remuneration policy. Therefore, taking into account the existing regulation, the draft Rules for Granting Shares does not regulate how many shares precisely will be granted to the employees, however, it determines the way of granting shares whereas the decisions regarding allocation of the number of shares to the employees are made by the Bank's Supervisory Council and Board in accordance with the Bank's internal legislation and Resolution.
- 1.5. The Law (Article 47<sup>1</sup> (5)) defines the exhaustive list of mandatory requirements for the Rules for Granting Shares. The Rules for Granting Shares shall specify the following: 1) the class of shares to be granted, the nominal value; 2) groups of persons to whom shares are granted; 3) the way in which the shares are granted (free of charge and / or partially paid); 4) the body (bodies) of the company which takes the decision to grant the shares; 5) the procedure to be followed by the company body when deciding on granting shares; 6) the procedure for submission of information on the application of these Rules to the Shareholders' Meeting; 7) the procedure for access to these Rules if the Rules are not published on the company's website.

## **2. RESTRICTIONS**

This Memorandum shall be used for purposes of the Bank only.

This Memorandum is a general information document that provides general information on the issues it contains but does not provide legal advice or consultation; it is not a legal conclusion. Nor is there any recommendation for approval or disapproval of the draft Rules for Granting Shares. Sorainen Law Firm and Partners and its partners, lawyers and employees assume no responsibility against any third party to whom this Memorandum may be disclosed.

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