

COUNTRY UPDATE-Lithuania: ESG reporting

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Environmental, social and governance (ESG) reporting has become a major regulatory issue in Europe. Non-financial disclosure is seen as playing a key role in helping the financial sector address climate change and sustainability. It is also being used to assess and improve problems such as poor workplace diversity and gender pay gaps. After an outline of EU legislation, this article provides an overview of ESG law in Lithuania by [Migle Petkeviciene](#) of [Ellex Valiunas](#).

Principal EU ESG reporting legislation

The [Non-Financial Reporting Directive 2014/95](#) (NFRD) came into effect in 2018. It requires public interest entities with 500 or more employees to disclose their policies about and impact on matters including environmental, social, employee and human rights concerns in their annual report. That report should also describe an entity's diversity policy for its administrative, managerial and supervisory bodies, the policy's objects and its results.

The revised [Shareholder Rights Directive 2017/828](#) (SRD II) came into force in 2017. It requires asset managers and institutional investors to have a policy on how they monitor investee companies on non-financial performance and risk, including their social and environmental impact.

The [December 2019 European Green Deal](#) proposed three measures to strengthen the basis for sustainable investment by improving corporate reporting of environmental issues.

NFRD is to be revised, with draft EU legislation expected during 2021.

The [Sustainability-related Financial Disclosures Regulation 2019/2088](#) (SFDR) came into force on March 10, 2021. It imposes new transparency requirements on 'financial market participants' at product and manager level. Firms must publish their policies on integrating sustainability risks in investment decisions and the principal adverse impacts of those decisions.

The [Taxonomy Regulation 2020/852](#) came into force in July 2020 and applies in practice from January 2022. It standardises definitions and processes to be used when determining whether an activity is environmentally sustainable for disclosures under SFDR and NFRD.

ESG in Lithuania

1. What national legislation enacted the NFRD in Lithuania and did any aspects of it exceed the requirements set by the NFRD?

The Law of the Republic of Lithuania on Financial Reporting by Undertakings (Lithuanian version can be found [here](#)) and the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings (Lithuanian version can be found [here](#)) enacted the NFRD in Lithuania.

Some points exceeded the requirements set by the NFRD: for instance, Lithuania allows information relating to impending developments or matters in the course of negotiation to be omitted in exceptional cases where, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law



and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking's development, performance, position and impact of its activity (as per Article 1 of the NFRD) (Lithuanian version can be found [here](#) – Article 232(5) and [here](#) – Article 101(5)). In addition, the laws establish an additional criterion for companies that qualify under the requirement to include a non-financial statement. These requirements establish that in addition to the requirements set in the NFRD directive, the company must have a capital that exceeds 20,000,000 euros, or an annual net income exceeding 40,000,000 euros (Lithuanian version can be found [here](#) – Article 4(4)).

2. Which national authority or authorities oversee ESG reporting?

The Ministry of Finance is responsible for overseeing the financial reporting of undertakings, which are governed by the laws that implemented the NFRD.

3. Does any existing national legislation require firms to disclose the environmental/ sustainability impact of their activities, or of companies in which they invest?

Yes, there are certain requirements to conduct an assessment on the environmental impact, for instance, in construction (Article 6(1)(1) of the Law of the Republic of Lithuania on Construction – Lithuanian version can be found [here](#)) or in economic activities (Annexes 1 & 2 of the Republic of Lithuania Law on Environmental Impact Assessment of the Proposed Economic Activity – Lithuanian version can be found [here](#)). The law also states that companies have to disclose such information of companies in which they invest (Lithuanian version can be found [here](#)).

4. Does any national legislation regulate whether an activity or investment can be classified as sustainable/ environmentally friendly?

No national legislation regulates this area.

5. Does any national law or regulatory guidance cover workplace diversity, for example, the representation of women on a firm's management or supervisory body?

The Labour Code in Lithuania sets the general principles of equality in workplaces. However, there are no specific laws that would address diversity in the workplace. Nevertheless, the Lithuanian Diversity Charter, a non-governmental organisation, is working towards ensuring a diverse workplace. The Charter has its signatory members which are accountable to the Charter. More information on the members and the work of the Charter can be found [here](#).

6. Does any national legislation require firms to report on gender or other diversity pay gaps?

The State Social Insurance Fund Board under the Ministry of Social Security and Labour publishes the average salary for different genders in companies that have at least 8 employees. The law ensures to decrease the pay gap between men and women.

7. Are firms under any national legal duty to identify/ prevent risks such as modern slavery or human rights abuses?

Yes, the firms are obliged to identify and prevent such risks. Labour Law establishes the responsibilities for the employer to take care as well as respect their employees' rights. Labour Protection Law establishes requirements for employers to create a safe work environment for employees. The Whistleblowing Law establishes the right to blow the whistle on in infringement human rights or labour safety threat in the workplace.

[Complaints Procedure](#)

