

# STATUTES OF BALTIC INSTITUTE OF CORPORATE GOVERNANCE ASSOCIATION

## 1. General

- 1.1. **BALTIC INSTITUTE OF CORPORATE GOVERNANCE ASSOCIATION (the “Association”)** is an independent, non-profit making legal person representing the interests of the public and the Association members, falling within the scope of objectives set out in these Statutes.
- 1.2. Legal form: an association.
- 1.3. The Association has its own balance sheet, stamp bearing its name, accounts kept with banks registered in the Republic of Lithuania and foreign states by operation of applicable legislation.
- 1.4. The activities of the Association shall be regulated by the Constitution of the Republic of Lithuania, international agreements entered into by the Republic of Lithuania, the Civil Code of the Republic of Lithuania, the Law on Associations of the Republic of Lithuania and other legislation and statutory acts of the Republic of Lithuania.
- 1.5. The Association may join other international organizations whose purpose and activities do not contradict the Constitution and laws of the Republic of Lithuania.
- 1.6. The Association is a limited liability formation liable for its obligations to the extent of its assets, but is not liable for the obligations of its members, nor are its members liable for the obligations of the Association. The assets and funds of the Association shall be used for the implementation of the objectives and tasks set out in these Statutes and shall not, in any form, be distributed among its members, except as provided otherwise by applicable Lithuanian legislation.
- 1.7. A calendar year shall be deemed to constitute a fiscal year of the Association.
- 1.8. The Association shall be in existence for an unlimited period.
- 1.9. The Association shall enjoy the status of a sponsorship beneficiary in the manner prescribed by laws of the Republic of Lithuania.

## 2. Objectives and areas of activities of the Association

- 2.1. The primary purpose of the Association is to pursue global class transparency and competitiveness of Baltic public, private and state or municipality owned companies through the promotion of leading corporate governance (the “CG”) practices.
- 2.2. The objectives of the Association are:
  - 2.2.1. to offer CG education program to professional board members;
  - 2.2.2. to develop and maintain CG guidelines for the Baltic companies to promote best international CG practice in the region;
  - 2.2.3. to establish and maintain an active network of members;
  - 2.2.4. to provide practical value to the members based on sharing of good CG practices;
  - 2.2.5. to establish close relationships with international bodies active in CG area as well as peer organizations in other countries;
  - 2.2.6. to raise international awareness of CG practices adopted in the Baltic countries internationally;
  - 2.2.7. to provide various services related to board positions and boardroom work.
- 2.3. The Association may, as might be necessary for the achievement of its objectives, engage in business and commercial activities allowed by laws and not contradicting the Statutes and the objectives.
- 2.4. Activities, for which a license/permit is required under Lithuanian laws, shall not be pursued by the Association otherwise than upon the receipt of an appropriate permit/license.
- 2.5. In pursuing its key objectives, the Association shall carry out the following business activities:
  - Professional training in CG and other areas;
  - Services related to education;
  - Consulting and recruitment services;

- Other entertainment and recreational activities that support the objectives of the Association;
  - Alumni activities;
  - Publication of books, brochures, and other materials;
  - PR activities;
  - Online services.
- 2.6. In pursuing its objectives, the Association shall have the right to:
- 2.6.1. freely disseminate the information about its activities and tasks in written, oral or any other form;
  - 2.6.2. organize events;
  - 2.6.3. employ persons for the business activities contemplated by these Statutes;
  - 2.6.4. set up legal entities by operation of laws, co-operate with Lithuanian and foreign natural and legal persons;
  - 2.6.5. enter into agreements with the Government (ministries and other state institutions and municipalities) with regard to various sponsorship programmes, business trips to foreign countries, co-operation with similar organizations in other countries, etc. as might be necessary when representing personal and common property and non-property interests of the members of the Association;
  - 2.6.6. enter into agreements with other natural and legal persons as might be necessary for carrying out any other types of business of the Association allowed by laws of the Republic of Lithuania;
  - 2.6.7. enter into other agreements and assume obligations under the laws of the Republic of Lithuania as might be necessary for the implementation of the objectives of the Association;
  - 2.6.8. open and hold in the name of the Association bank accounts by operation of laws;
  - 2.6.9. use funds for the implementation of the objectives set out herein;
  - 2.6.10. provide sponsorship to the projects approved by the Meeting of the Members of the Association;
  - 2.6.11. receive sponsorship, funds or other assets; enjoy the status of a sponsorship beneficiary;
  - 2.6.12. manage, use and dispose of the assets and funds owned by it;
  - 2.6.13. provide services against consideration, consulting and recruitment services, perform contractual works and fix prices for such works;
  - 2.6.14. disclose its activities in written, oral or any other form, promote the objectives and tasks of the Association, and produce publications;
  - 2.6.15. join and withdraw from the unions (confederations) of public organizations whose objectives do not contradict those of the Association;
  - 2.6.16. join international organizations;
  - 2.6.17. engage in any other activities by operation of these Statutes and applicable legislation as might be necessary for the implementation of the objectives of the Association, unless such activities are prohibited by laws.

### **3. Association members, their rights and responsibilities**

- 3.1. All the members of the Association shall enjoy equal rights, irrespective of the amount of the membership fee paid or sponsorship provided by them.
- 3.2. The Association shall be open for natural (individual members) and/or legal (Corporate members, Baltic corporate members or Development corporate members) persons with full legal capacity who shall accept the Statutes of the Association. Legal persons may become Corporate members, Baltic corporate members or Development corporate members of the Association.
  - 3.2.1. Baltic corporate members are considered legal persons established or otherwise operating in Lithuania, Latvia and Estonia. Every Baltic corporate member shall have one vote at the Meeting.

- 3.2.2 Development corporate members are considered legal persons established or otherwise operating in Lithuania, Latvia and Estonia. Development corporate members contribute to the development of the Association as an organization and their membership fee is used for cover of administration expenses. Every Development corporate member shall have one vote at the Meeting.
- 3.3. Individual members can only be those who have graduated the Baltic Institute of Corporate Governance executive education for professional board members or Chairman's education programmes.
- 3.4. Corporate membership is by invitation only. All corporate members must be approved by the Board of the Association.
- 3.5. A member shall enjoy the right to deter the membership for one year and rejoin next year.
- 3.6. Members are not allowed to use the logo or the name of the Association without prior written permission issued by the Association.
- 3.7. The Association members shall enjoy the right to:
  - 3.7.1. attend the General Meeting of Members of the Association;
  - 3.7.2. use the services provided by the Association;
  - 3.7.3. vote at the General Meeting of Members of the Association, to elect and to be elected to the governing bodies of the Association;
  - 3.7.4. submit proposals concerning the activities of the Association and receive information about any decisions passed in this connection;
  - 3.7.5. have access to the documents of the Association and obtain information on the business activities of the Association;
  - 3.7.6. withdraw from the Association any time. Such being the case, admission fees, membership fees or contributions made otherwise shall not be refunded;
  - 3.7.7. propose their or other persons' candidatures to the Nomination Committee to be included into the list of candidates for Board membership;
  - 3.7.8. other rights established by legal acts and these Statutes.
- 3.8. The Association members shall:
  - 3.8.1. abide by the Statutes of the Association;
  - 3.8.2. act in compliance with lawful decisions of the General Meeting of Members of the Association, and decisions of the governing bodies of the Association;
  - 3.8.3. take due care of the facilities of the Association and contribute to their development;
  - 3.8.4. pay the membership fee in accordance with the procedure established by the General Meeting of Members of the Association;
  - 3.8.5. show loyalty to and solidarity with other members of the Association.
- 3.9. The members shall have no property obligations to the Association, except in-kind or financial contributions (admission and membership fees), should such fees be determined by the General Meeting of Members of the Association. The contributions shall be recorded in the accounting records of the Association.

#### **4. Terms of and procedure for admission, withdrawal and expulsion**

- 4.1. Membership in the Association is voluntary. With regard to para 3.3. and 3.4. membership shall be open to natural and/or legal persons who conform to the requirements and rules determined by the General Meeting of Members of the Association.
- 4.2. A natural and/or legal person seeking a membership in the Association shall be required to submit a written request and other documents, if necessary, to pay the admission and annual membership fees, if such fees are determined by the General Meeting of Members of the Association.
- 4.3. The decision on admission to the Association of new members shall be made by a majority vote of the Board. The membership list shall be maintained by the President of the Association. The membership list shall be kept at the registered office of the Association.
- 4.4. The number of members of the Association shall not be limited.
- 4.5. A member may, upon the request given in writing to the President of the Association, withdraw from the Association. Should the member who submitted the written request for

withdrawal from the Association be not notified of the President's decision within 15 business days, it shall be held that the request has been satisfied. In case of a member's death, the membership shall terminate automatically.

- 4.6. A member may be expelled from the Association if he/she/it:
  - 4.6.1. fails to abide by the Statutes and decisions of the Association's governing bodies;
  - 4.6.2. delays in payment of the membership fee for more than three months, provided such fee has been determined by the General Meeting of Members of the Association;
  - 4.6.3. causes harm to the Association;
  - 4.6.4. the activities of such member are deemed to be in disagreement with, or in contravention of, the activities of the Association or in other ways damage the reputation of the Association, or is sentenced for criminal activity or a similar offence.
- 4.7. The decision on a member's expulsion shall be made by the Board of the Association within a reasonable time as of the date on which the events specified in clause 4.6 above occurred or came into knowledge. A member of the Association may, within 10 business days as of the date of receipt of the decision of the Board, address the General Meeting of Members and appeal against the decision of the Board. More than half of the votes in the General Meeting of Members must be in favour of reinstatement for the decision of the Board to be repelled. The decision to be passed by the General Meeting of Members of the Association shall be final and binding. In the course of considering the appeal, the decision of the Board of the Association on the expulsion of a member shall not be enforced but the membership in the Association shall be suspended.
- 4.8. The payment of the membership becomes due on receipt of the invoice. Members that have not paid the annual fee as provided for in para 3.8.4. by March 1<sup>st</sup> in the membership year are suspended of the membership until they pay the membership fee. If a member is late with the payment of the membership fee for more than 3 (three) months he/she/it may be expelled from the Association.

## **5. Bodies and structure of the Association**

- 5.1. The supreme body of the Association shall be the General Meeting of Members of the Association (the "**Meeting**").
- 5.2. The collegiate body of the Association shall be the Board.
- 5.3. A single-person governing body of the Association shall be the President.
- 5.4. The Meeting shall have the right to appoint Association committees.

### **Meeting**

- 5.5. The Meeting shall have the exclusive power to:
  - 5.5.1. adopt, amend and supplement the Statutes of the Association;
  - 5.5.2. set the objectives and key tasks of the Association;
  - 5.5.3. make decisions on restructuring, reorganisation or winding up of the Association;
  - 5.5.4. elect and remove the members of the Board based upon the candidacies put forward by the Nomination Committee;
  - 5.5.5. determine the amounts and payment terms of the admission or annual membership fees for the Association members, should the decision to pay such fees be made by the Meeting;
  - 5.5.6. approve the annual activity reports of the Association for the preceding fiscal year as submitted by the President of the Association. Annual activity reports should be submitted to the Meeting within 4 (four) months since the end of fiscal year;
  - 5.5.7. approve the annual set of financial statements;
  - 5.5.8. change the domicile of the Association;
  - 5.5.9. elect and remove the members of the Nomination Committee;
  - 5.5.10. adjudicate on disputes in relation to the expulsion of members.
  - 5.5.11. make other decisions on matters assigned to the scope of authority of the Meeting under the Law on Associations of the Republic of Lithuania and these Statutes.

- 5.6. The Meeting shall be convened by decision of the President at least once a year. The Meeting must be held no later than May 1<sup>st</sup> every year. The Meeting shall be deemed lawfully convened, if participated by more than half of the voting members of the Association.
- 5.7. Decisions shall be passed by a majority of votes present at the Meeting unless it is stated otherwise in law or in these statutes. If the Meeting has no quorum, then the Meeting shall be reconvened within 4 (four) hours and shall be entitled to adopt decisions on agenda items regardless of the number of members present at the Meeting. An E-mail notification of the reconvened Meeting shall be given by the President to the members of the Association immediately after the failed first Meeting at least 3 (three) hours in advance.
- 5.8. Decisions on amendments to the Statutes, restructuring, reorganization or winding up of the Association shall require a 2/3 vote of the members present at the Meeting.
- 5.9. Each member of the Association shall be entitled to one vote. Invited to the Meeting must be all the members of the Association. A member unable to attend the Meeting shall have the right to transfer his/her/its voting right to another member of the Association. Such an agreement shall be based on a bilateral agreement between two members with the attending member being able to exercise the transferred voting right in the annual Meeting of that year.
  - 5.9.1. In case of a foreseen absence, members of the Association shall enjoy the right to vote in advance by filling in a ballot. Upon member's request, advance voting ballots are distributed not later than 20 days before the Meeting. The filled-in ballot shall be transferred to the Association by means of electronic communication, provided that the security of information thus transmitted is ensured and it is possible to establish the member's identity.
  - 5.9.2. If a member exercises its right to vote in advance by filling in a ballot, it shall upon familiarising with the agenda of the Meeting and draft decisions fill in and submit to the Association a ballot (transferred in accordance with para. 5.9.1. above) notifying the Meeting of whether it is "for" or "against" each decision. The members that have voted by means of such voting shall be considered as being present at the Meeting and their votes shall be included in the quorum of the Meeting and the results of voting. The ballots of the Meeting which was not held shall be also valid at the repeated Meeting convened following the procedure laid down by para. 5.7. of these Statutes. A member shall not be entitled to vote at the repeated Meeting when considering a decision in respect of which it expressed its will in advance.
- 5.10. The President of the Association shall, having decided to convene a Meeting, announce for the members of the Association of the place, date, time and agenda of the Meeting on the Association website 30 days before the Meeting. Members hold a responsibility of obtaining relevant information on the annual Meeting place, date, time and agenda through the Association website.
  - 5.10.1. Members are entitled to make suggestions to the Meeting agenda at least 20 days before the Meeting. Final agenda containing all items shall be sent / announced following the procedure provided for in para. 5.10. to all members no later than 10 days before the Meeting.
- 5.11. An extraordinary meeting may be initiated by one third of the members of the Association as well as upon the decision of the Board. Upon receipt of the initiators' request for an extraordinary meeting, the decision on its convocation shall be made by the Board of the Association within 8 business days.
  - 5.11.1. An extraordinary meeting shall follow the same rules of procedure as the annual Meeting. Extraordinary meeting shall be held no earlier than 30 days but no later than 60 days from the decision of the Board to convene the meeting.
- 5.12. If the Meeting has failed to be convened by operation of these Statutes, it may be convened by a court decision upon filing with the court a request for convocation by more than 20 percent of the members of the Association.

## **Board**

- 5.13. The Board shall be a collegiate body of 9 members elected by the Meeting for a tenure of 3 (three) years. Candidacies for the election are chosen by the Nomination Committee. Nomination Committee shall be comprised of 3 members of the Association and/or representatives of legal (Corporate members, Baltic corporate members and Development corporate members) persons chosen by the Meeting for a tenure of 1 (one) year.
- 5.13.1 The Board shall only consist of members of the Association and/or representatives of legal (Corporate members, Baltic corporate members and Development corporate members) persons.
- 5.13.2. Out of the 9 members of the Board at least one member must reside in each Baltic country and represent the members' interests from that country.
- 5.13.3. One third of members of the Board shall be replaced every year. The replaced Board members can be re-elected. The number of terms of office of the Board members shall not be limited.
- 5.13.4. If a new member of the Board is elected to replace any member for whatever reason, such new member shall serve for 3 (three) years tenure.
- 5.13.5. Rotation procedures (election and removal of Board members) provided for in para 5.13.3. shall be carried out by the Nomination Committee.
- 5.14. The Board shall:
- 5.14.1. establish guidelines and principles of corporate governance in the Baltic states;
- 5.14.2. share best corporate governance practices with the members of the Association and other persons concerned;
- 5.14.3. promote corporate governance agenda in the Baltic countries among stakeholders, media and general public;
- 5.14.4. prepare and approve the education programmes in corporate governance;
- 5.14.5. consider and approve the structure, and the list of positions of the Association;
- 5.14.6. elect and remove the President of the Association;
- 5.14.7. determine the payment terms of the salary to the President, should an employment contract be made with the President;
- 5.14.8. identify priority areas and approve business activities programmes;
- 5.14.9. approve the budget estimates of the Association for the forthcoming year and follow up on budget performance;
- 5.14.10.inform the Meeting of decisions regarding budget matters and business activities programmes of the Association;
- 5.14.11.approve decisions related to charity and sponsorship when implementing the objectives and tasks set out in these Statutes;
- 5.14.12.make decisions on acceptance and expulsion of members;
- 5.14.13.make decisions on the appointment of honorary members. Persons entitled to be appointed to the honorary member position are those who have done a considerable contribution to the Association. The honorary members do not have a voting right and do not have to pay the membership fee, however they can participate in all of the Association's activities;
- 5.14.14.make a decision on setting up of other legal persons or on becoming a member in such legal persons;
- 5.14.15.deal with other important issues assigned to its competence by the Meeting or the President.
- 5.15. The Board shall strive to have consensus in decisions, in case of voting for any decision decisions of the Board shall be lawful, if made by more than half of the members of the Board. In case of a tie vote, the vote of the chairperson of the Board shall be casting.
- 5.16. The chairperson of the Board shall be elected by the Board from the members of the Board.

### **President**

- 5.17. The President shall be elected by the decision of the Board for an open tenure. The Board shall also exercise the right to remove the President.
- 5.18. The President shall:

- 5.18.1. implement the business activities programme as approved by the Board;
- 5.18.2. prepare and submit to the Meeting the annual activity reports of the Association for the preceding fiscal year before the Meeting;
- 5.18.3. manage the assets and finance of the Association, maintain membership accounting records and activity documentation;
- 5.18.4. represent the Association in relationship with institutions, public agencies, international organizations, with other natural and legal persons, and before courts;
- 5.18.5. enter into contracts, agreements and arrangements on behalf and in the name of the Association;
- 5.18.6. employ and dismiss employees, enter into employment contracts with them;
- 5.18.7. perform other functions, prescribed to him by the laws, the Board and other bodies of the Association.

## **6. Procedure for announcement of notices**

- 6.1. Decisions and notices of the Association that are to be announced in public according to the Civil Code of the Republic of Lithuania and the Law on Associations of the Republic of Lithuania shall be published in the Association's websites ([www.corporategovernance.lt](http://www.corporategovernance.lt), [www.corporategovernance.lv](http://www.corporategovernance.lv), [www.corporategovernance.ee](http://www.corporategovernance.ee)).

## **7. Procedure for access to documents and other information**

- 7.1. Upon written request of a member (to be delivered to the registered office of the Association or sent by post by registered mail), the President shall, not later than within 7 business days as of receipt of such request, make available to the member the documents of the Association discussed in clause 7.2 hereof and/or submit copies thereof. Any refusal to submit copies of the documents shall be made in writing. Disputes related to the members' right to get access to information shall be settled in court.
- 7.2. The member who has submitted the request shall get access to the Statutes of the Association, list of members of the Association, annual financial statements, activity reports of the Association, minutes of meetings of the Board and written decisions of the President at the registered office of the Association. The costs associated with copying of the documents shall be borne by the member.

## **8. Assets, sources of funds and control over the activities of the Association**

- 8.1. The Association may have in its ownership buildings, equipment, motor vehicles and charity items, as might be necessary for the implementation of the objectives and tasks set out in these Statutes. Assets may be generated from the Association's funds, donations, inheritance and other legal sources.
- 8.2. The sources of the Association's assets shall be:
  - 8.2.1. membership fees;
  - 8.2.2. donations (contributions) by natural persons or companies;
  - 8.2.3. revenue from the Association's activities;
  - 8.2.4. interest earned on the Association's funds kept with credit institutions;
  - 8.2.5. other legally obtained funds.
- 8.3. The assets and funds held by the Association shall not be used otherwise than for the implementation of the objectives and tasks specified in these Statutes, and shall not be distributed to the members of the Association in whatever form, save the case specified in para 11.3 hereof.
- 8.4. The proceeds from the sale of the redundant assets of the Association shall be used in accordance with the procedure established in these Statutes.
- 8.5. For the maintenance of funds and assets records, the President may appoint an accountant (or an accounting services company) to ensure that such records are maintained and kept in accordance with applicable Lithuanian laws and statutory acts.

8.6. Upon the expiry of the fiscal year of the Association, the financial activities (the use of funds and revenues) shall be audited by an audit commission or an independent auditor appointed by the Board.

**9. Procedure for setting up and termination of branches and representative offices**

9.1. Branches and representative offices of the Association shall be set up and terminated by decision of the Meeting in accordance with the procedure established by the Civil Code, the Law on Associations, other legal acts of the Republic of Lithuania and these Statutes.

9.2. The decision of the Meeting on setting up of a branch or representative office shall: 1) appoint members of the governing bodies of the branch or representative office; 2) specify the procedure for their appointment and removal, approve the statutes of the branch or representative office.

**10. Procedure for amendments and supplements to the Statutes of the Association**

10.1. A draft of amendments and supplements to the Statutes of the Association shall be made by the President and made available to each member of the Association alongside with an agenda of the Meeting at which such amendments and supplements shall be discussed.

10.2. The Statutes shall be amended and supplemented by decision of the Meeting passed by at least 2/3 of the voting members present at the Meeting. Once the decision on amendments has been passed, the entire text of the amended Statutes shall be made available. The Statutes shall be signed by the person authorised by the Meeting. The amendments and supplements to the Statutes shall become effective upon registration thereof with the Register of Legal Persons.

**11. Procedure for winding up or reorganization**

11.1. Issues related to the reorganization or winding up of the Association shall fall within the competence of the Meeting.

11.2. The Association shall be reorganized and wound up by operation of Lithuanian laws.

11.3. In case of winding up of the Association, the remaining assets and funds of the Association after having satisfied the claims of the creditors and members, however not in excess of the member's admission fee or contribution shall, before de-registration of the Association from the Register of Legal Persons, be transferred to other public legal person (s) to be nominated by the Meeting or court that has made a decision on the winding up of the Association.

**12. Miscellaneous**

12.1. The relationship not regulated by these Statutes shall be governed by legal acts of the Republic of Lithuania.

12.2. The Statutes shall become effective upon registration with the Register of Legal Persons.

\_\_ March 2015

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Authorized by the Meeting of Members of the Association