

Articles of Association of the National Foundation of Civil Society

I. GENERAL PROVISIONS

- 1.1 The name of the Foundation is **Sihtasutus Kodanikuühiskonna Sihtkapital** (hereinafter the *Foundation*). The name of the Foundation in English is *The National Foundation of Civil Society*.
- 1.2 The founder of the Foundation is the Government of the Republic and the person exercising the rights of the founder shall be the Ministry of the Interior.
- 1.3 The seat of the Foundation shall be Tallinn, the Republic of Estonia.
- 1.4 The Foundation shall be a non-profit legal person in private law acting in the public interests, whose activities shall be regulated by the Foundations Act, State Assets Act and other legislation as well as these Articles of Association (hereinafter the *Articles of Association*).
- 1.5 The financial year of the Foundation shall commence on 1 January and end on 31 December.
- 1.6 The settlements of the Foundation shall be made through the State Treasury.
- 1.7 The Foundation shall accept, preserve and dispose of the funds, gifts and donations and shall use, disburse or donate the income earned therefrom or the main part thereof for achieving the objectives provided for in the Articles of Association.
- 1.8 The Foundation has been established for an unspecified term.
- 1.9 The directing bodies of the Foundation shall be the Supervisory Board and Management Board.

II. OBJECTIVE AND TASKS

- 2.1 The objective of the Foundation is to contribute to enhancing the capacity of non-profit associations and foundations acting in the public interests of Estonia in the development of civil society and in formation of the environment favourable for civic initiative.
- 2.2 To achieve its objective, the Foundation shall fulfil the following tasks:
 - 2.2.1 elaboration and implementation of programmes for the development of operational capacity of the non-profit sector and for support of the activities of organisations and networks, and target-specific allocation of the project and activity grants within the framework thereof to the operating organisations or private individuals by way of organising public competitions and allocation of scholarships or by a resolution of the Supervisory Board;
 - 2.2.2 involvement of means of the Foundation to the necessary extent from the state budget funds, target-specific foreign funds and private donations, and administration and mediation thereof for the needs of the development of civil society;
 - 2.2.3 elaboration and management of programmes, incl. organisation of allocation of grants, performance of analyses supporting the development of civil society and commissioning of research;
 - 2.2.4 promotion of bilateral or multilateral cooperation with Estonian organisations and those of the foreign countries, whose objectives and activities support the development of civil society;

- 2.2.5 support of the increase in awareness of civil society through systemic dissemination of information.
- 2.3 The Foundation shall follow in its activities the national strategic documents relating to the development of civil society.

III. PERSON EXERCISING RIGHTS OF FOUNDER

- 3.1 The person exercising the rights of the founder shall consult with the government committee established for the purpose of appointing members of the Supervisory Board, implementing action plans of application of the concept of the development of Estonian civil society and assessing the performance thereof and developing cooperation between civil society and the state.
- 3.2 The person exercising the rights of the founder shall decide on the changes in the membership of the Supervisory Board and removal of the members of the Supervisory Board, consulting previously with the government committee specified in clause 3.1 of the Articles of Association. A member of the Supervisory Board may not be appointed for more than two consecutive periods provided for in clause 4.4 of the Articles of Association.
- 3.3 The person exercising the rights of the founder shall be authorised to amend the Articles of Association of the Foundation, for which the person receives a proposal or consults with the Supervisory Board.
- 3.4 The person exercising the rights of the founder shall determine the remuneration of the members of the Supervisory Board of the Foundation.
 - 3.4.1 The members of the Supervisory Board of the Foundation shall be assigned equal remuneration, unless otherwise arising from the State Assets Act or the Government of the Republic Act. The chair of the Supervisory Board may be assigned greater remuneration. Additional remuneration may be assigned to a member of the Supervisory Board in connection with his or her participation in the activities of the audit committee specified in the Authorised Public Accountants Act or another body of the Supervisory Board.
 - 3.4.2 In the payment of remuneration to members of the Supervisory Board of the Foundation, their participation in meetings of the Supervisory Board and in bodies of the Supervisory Board shall be taken into consideration.
 - 3.4.3 Members of the Supervisory Board of the Foundation shall not be paid severance pay in the event of their removal from the Supervisory Board.
 - 3.4.4 If the obligation specified in clauses 84 (2) 1) or 2) of the State Assets Act is not performed with respect to the Foundation, the person exercising the rights of the founder may decide, pursuant to the procedure provided for in subsection 85 (2) of the State Assets Act, to suspend the payment of the remuneration to the chair of the Supervisory Board or reduce the remuneration in proportion to the period during which the said obligation was not performed.
- 3.5 The person exercising the rights of the founder may remove a member of the Supervisory Board at any time, irrespective of the reasons.

IV. SUPERVISORY BOARD OF THE FOUNDATION

- 4.1 The Supervisory Board shall plan the activities of the Foundation, organise the management of the Foundation and supervise the activities of the Management Board. The Supervisory Board shall represent the Foundation in disputes and conclusion of transactions with the Management Board.
- 4.2 A member of the Supervisory Board shall be a natural person with active legal capacity who complies with the restrictions provided for the members of the directing bodies in clauses 6.1–6.3 of the Articles of Association.
- 4.3 Liability and obligations of a member of the Supervisory Board
 - 4.3.1 A member of the Supervisory Board shall be liable for compensating for the damage caused to the Foundation by failure to perform his or her obligations pursuant to the procedure prescribed by law.
 - 4.3.2 A member of the Supervisory Board shall be released from liability for the Foundation if he or she maintained a dissenting opinion on the adoption of the resolution that was the basis for the illegal activity, and the dissenting opinion is recorded in the minutes. The limitation period for assertion of a claim against a member of the Supervisory Board is five years from causing the damage.
 - 4.3.3 A member of the Supervisory Board is required to notify the person exercising the rights of the founder of the plan of the Foundation to conclude transactions that are beyond the scope of everyday economic activities.
- 4.4 The Supervisory Board shall consist of 8 to 10 members appointed by the person exercising the rights of the founder for a term of 3 (three) years. The Supervisory Board shall be formed under the following principle: up to one-half of the members of the Supervisory Board are representatives of the state and at least one-half are representatives of non-profit associations and foundations. The Minister of Finance shall appoint one representative of the state.
- 4.5 A member of the Supervisory Board shall be entitled to resign, if he or she notifies the chair of the Supervisory Board of his or her resignation in writing at least one (1) month in advance. The chair of the Supervisory Board shall be required to forward the application to the person exercising the rights of the founder.
- 4.6 **The Supervisory Board shall be authorised to:**
 - 4.6.1 submit a proposal or opinion regarding the amendment to the Articles of Association of the Foundation to the person exercising the rights of the founder;
 - 4.6.2 appoint and remove members of the Management Board of the Foundation, conclude a transaction with a member of the Management Board and decide on the payment of the remuneration to the members of the Management Board;
 - 4.6.3 approve the strategy, action plan and grant programmes of the Foundation;
 - 4.6.4 approve the annual report of the Foundation;
 - 4.6.5 approve the conditions for allocation of grants of the Foundation;
 - 4.6.6 appoint the auditor of the Foundation, determine the validity of his or her powers and procedure for remuneration;
 - 4.6.7 grant consent to the conclusion of transactions that are beyond the scope of everyday economic activities;
 - 4.6.8 approve the rules of procedure and good practices of the Supervisory Board;
 - 4.6.9 make a proposal to the person exercising the rights of the founder to decide on the merger, division or dissolution of the Foundation;

- 4.6.10 decide on other matters placed in the authority of the Supervisory Board by law.
- 4.7 The members of the Supervisory Board of the Foundation shall elect a chair and deputy chair from among themselves. The chair of the Supervisory Board of the Foundation shall:
- 4.7.1 organise the activities of the Supervisory Board;
 - 4.7.2 chair the meetings of the Supervisory Board;
 - 4.7.3 verify the adherence to the resolutions of the Supervisory Board;
 - 4.7.4 represent the Supervisory Board;
 - 4.7.5 make a proposal to the person exercising the rights of the founder regarding the removal and appointment of members of the Supervisory Board, if necessary.
- 4.8 In the absence of the chair of the Supervisory Board, the deputy chair of the Supervisory Board shall fulfil the tasks and hold the rights of the chair.
- 4.9 Meetings of the Supervisory Board shall be held when necessary but not less frequently than once every three (3) months. A meeting of the Supervisory Board shall be called by the chair of the Supervisory Board or by the deputy chair substituting for the chair. The meeting of the Supervisory Board shall be called, if this is demanded by the person exercising the rights of the founder, member of the Supervisory Board, the Management Board or an auditor. Notice of the meeting shall be sent to the members of the Supervisory Board in writing or electronically at least seven (7) days prior to the meeting. The notice shall set out the time and place of the meeting and the agenda for the meeting.
- 4.10 A meeting of the Supervisory Board shall be authorised to adopt resolutions if over one-half of the members of the Supervisory Board, including the chair or the deputy chair substituting for the chair of the Supervisory Board, participate in the meeting. A resolution of the Supervisory Board shall be adopted, if over one-half of the members participating in the meeting vote in favour thereof. Upon an equal division of votes, the chair of the Supervisory Board shall have the deciding vote.
- 4.11 The resolutions of the Supervisory Board shall be adopted by a simple majority of votes. Every member of the Supervisory Board shall have one (1) vote. A member of the Supervisory Board shall not have the right to abstain from voting or to remain undecided, unless this is provided by law.
- 4.12 The Supervisory Board may adopt a resolution without calling the meeting, if none of the members of the Supervisory Board demands that the meeting shall be held or voting shall be suspended after the chair of the Supervisory Board has declared the written voting. The discussion on the resolution put to the vote initiated by a member of the Supervisory Board during a written voting shall suspend the voting.
- 4.13 Minutes shall be taken of the meetings of the Supervisory Board. The dissenting opinion of a member of the Supervisory Board shall be recorded in the minutes, if he or she so requests. The minutes shall be sent to the members of the Supervisory Board electronically for review on the 10th day, at the latest, after the meeting. The resolutions of the Supervisory Board shall enter into force from the moment of adoption thereof and are binding to the Management Board.
- 4.14 The minutes shall be digitally signed. The minutes shall be signed by all the members of the Supervisory Board and particularly those members of the Supervisory Board who participated in the meeting and the recording secretary. The minutes along with enclosures thereof shall be retained for an unspecified term. The deposit of the minutes and enclosures thereof shall be organised by and the preservation thereof shall be the responsibility of the Management Board of the Foundation.

- 4.15 In order to fulfil its tasks, the Supervisory Board has the right to examine all the documents of the Foundation and to audit the accuracy of accounting, the existence of assets and the conformity of the activities of the Foundation with the Articles of Association and resolutions of the Supervisory Board.
- 4.16 Expenses incurred in connection with the participation in the meetings of the Supervisory Board shall be compensated by the Foundation.

V. MANAGEMENT BOARD OF THE FOUNDATION

- 5.1 The Management Board of the Foundation (hereinafter the *Management Board*) shall represent and direct the Foundation. The Management Board shall consist of up to three (3) members. The membership, changes in the membership of the Management Board and the removal of members of the Management Board shall be decided by the Supervisory Board.
- 5.2 A member of the Management Board shall be a natural person with active legal capacity who complies with the restrictions provided for the members of the directing bodies in clause 6.1 of the Articles of Association.
- 5.3 The members of the Management Board cannot have a personal interest in obtaining the benefits to be distributed by the Foundation. In case of conflict of interests or if a question of concluding a transaction between a member of the Management Board and the Foundation or bringing or terminating a court dispute against him or her is being decided, the member of the Management Board shall not participate in deciding on the question.
- 5.4 If the Management Board consists of more than one (1) member, the members of the Management Board shall elect a chair of the Management Board from among themselves who shall organise the activities of the Management Board.
- 5.5 The term of office of the member of the Management Board shall be four (4) years.
- 5.6 The Management Board shall represent the Foundation in all legal acts. The right of the Management Board to represent the Foundation may be restricted by a resolution of the Supervisory Board.
- 5.7 **The Management Board (director) of the Foundation shall:**
 - 5.7.1 be liable for organising the accounting of the Foundation;
 - 5.7.2 decide on expenses necessary for the Foundation's activities within the scope and subject to the budget approved by the Supervisory Board;
 - 5.7.3 employ and dismiss employees of the Foundation by entering into, amending and terminating employment contracts with them;
 - 5.7.4 grant powers of attorney for the representation of the Foundation;
 - 5.7.5 participate in the meetings of the Supervisory Board, unless otherwise decided by the Supervisory Board.
- 5.8 The Management Board shall, in directing the Foundation, adhere to the lawful orders of the Supervisory Board and fulfil the tasks arising from the Articles of Association.
- 5.9 Transactions that are beyond the scope of everyday economic activities may only be concluded by the Management Board with the consent of the Supervisory Board.
- 5.10 The Supervisory Board may delegate to the Management Board decisions on all the questions relating to the activities of the Foundation, which are not in conflict with the law. A member of the Management Board may not impose the performance of his or her obligations to third parties.

- 5.11 The Supervisory Board may remove a member of the Management Board at any time, irrespective of the reasons. The rights and obligations arising from the contract entered into with the member of the Management Board shall expire according to the contract.
- 5.12 The rules of procedure of the members of the Management Board and other conditions (incl. remuneration) shall be determined in a contract entered into between a member of the Management Board and the Supervisory Board. Upon entry into the contract with a member of the Management Board, the chair of the Supervisory Board shall represent the Foundation.
- 5.13 **Remuneration of members of the Management Board**
- 5.13.1 Remuneration may only be paid to a member of the Management Board on the basis of a contract of a member of the Management Board entered into with the member. If, in addition to the tasks of a member of the Management Board of the Foundation, the member of the Management Board performs other tasks required by the Foundation, remuneration may only be paid for such tasks if this is prescribed in a contract of a member of the Management Board.
- 5.13.2 Additional remuneration may be paid to a member of the Management Board, taking into account the results of his or her work. The amount of the additional remuneration shall be reasoned, considering that the achievement of objectives established for the Foundation shall be taken into account. The total amount of the additional remuneration paid within the financial year may not exceed the fourfold average monthly remuneration paid to the member of the Management Board within the previous financial year.
- 5.13.3 Severance pay may only be paid to a member of the Management Board upon removal of the member on the initiative of the Supervisory Board prior to the expiry of the term of his or her powers. Severance pay may be paid to the extent of the remuneration of up to three months effective at the time of removal of the member of the Management Board.
- 5.14 A member of the Management Board who has caused damage to the Foundation by violation of his or her obligations shall be liable for causing the damage. If the Management Board has more than one (1) member, the members of the Management Board shall be solidarily liable for the damage caused.
- 5.15 **The Management Board shall be authorised to:**
- 5.15.1 ensure the implementation of the resolutions of the Supervisory Board and be liable for the adherence thereto;
- 5.15.2 represent the Foundation in compliance with the restrictions or powers established by the Supervisory Board and act on behalf of the Foundation;
- 5.15.3 plan, organise and manage the everyday economic activities of the Foundation, dispose of the assets, enter into contracts and open bank accounts with credit institutions;
- 5.15.4 prepare the strategy, grant programmes, action plan, annual budget and conditions of grants of the Foundation, make proposals for amendments and submit them to the Supervisory Board for approval;
- 5.15.5 prepare the investment strategy of the Foundation and submit it to the Supervisory Board for approval;
- 5.15.6 prepare an annual report of the Foundation and submit it to the Supervisory Board for approval within four (4) months of the end of the financial year;

- 5.15.7 enter into contracts for involvement of additional funds on the basis of the resolution of the Supervisory Board;
- 5.15.8 prepare the financial review of the Foundation once a quarter and submit it to the Supervisory Board.

VI. RESTRICTIONS UPON APPOINTING MEMBERS OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

6.1 The following may not serve as a member of the Supervisory Board or Management Board of the Foundation:

- 6.1.1 a person whose wrongful act or omission has led to a person's bankruptcy;
- 6.1.2 a person whose wrongful act or omission has led to the activity licence issued to a legal person being declared invalid;
- 6.1.3 a person who is subject to a prohibition on business;
- 6.1.4 a person whose wrongful act or omission has caused damage to a legal person;
- 6.1.5 a person who has been sentenced for an economic criminal offence, criminal official misconduct or a criminal offence against property;
- 6.1.6 a person who has significant business interests with the Foundation or who is a significant seller or purchaser of goods, service provider or contracting entity.

The restrictions specified in clauses 6.1.1–6.1.4 of the Articles of Association shall remain in force for five years from the date of declaration of bankruptcy, declaration of the invalidity of the activity licence, expiry of the prohibition on business or compensation for damage. The prohibition provided for in clause 6.1.5 of the Articles of Association shall not extend to persons whose information concerning sentence has been expunged from the criminal records office.

6.2 The following may not serve as a member of the Supervisory Board:

- 6.2.1 a self-employed person engaged in the same economic activities as the Foundation;
- 6.2.2 a partner of a general partnership or a general partner of a limited partnership engaged in the same economic activities as the Foundation;
- 6.2.3 a person who holds a shareholding or shares that represent at least 1/10 of the share capital in a company engaged in the same economic activities as the Foundation;
- 6.2.4 a member of the directing body of a company engaged in the same area of activity as the Foundation, unless it is a company with state participation or a company belonging to the same group as the company;
- 6.2.5 a member of the Management Board of the Foundation.

6.3 A member of the Supervisory Board cannot have a personal interest in obtaining the benefits to be distributed by the Foundation. In case of a conflict of interests and if a question of concluding a transaction between a member of the Supervisory Board and the Foundation or bringing or terminating a court dispute against him or her is being decided,

the member of the Supervisory Board shall not participate in deciding on the question and he or she shall not vote in that question.

VII. VII ASSETS OF THE FOUNDATION

- 7.1 The assets of the Foundation shall be constituted of allocations made from the state budget, other donations and target-specific allocations, as well as income earned from economic activities of the Foundation.
- 7.2 The Foundation shall only participate in companies, acquire and transfer shareholdings in companies, establish other foundations, merge with other foundations or be divided on the basis of the resolution of the person exercising the rights of the founder. The Foundation may only participate in a company, the activities of which are directly related to the achievement of the objectives of the Foundation. The Management Board shall be the body disposing of the assets to the extent established in the procedure for acquisition, use and disposal of the assets.
- 7.3 In a contract for acquisition of an immovable or right of superficies without charge, the Foundation shall assume the obligation to use the assets according to the intended purpose and to pay contractual penalty pursuant to the provisions of §33 of the State Assets Act.
- 7.4 The Foundation may only raise loans and enter into operating lease contracts on the basis of the resolution of the person exercising the rights of the founder.
- 7.5 The administrative expenses of the Foundation may not exceed the rate justified by the objectives and nature of its activities.
- 7.6 **Procedure for transfer of assets**
 - 7.6.1 Funds received by the Foundation shall be transferred to the bank account(s) of the Foundation.
 - 7.6.2 A generally recognised expert shall value the assets to be transferred.
 - 7.6.3 Assets shall be transferred to the Foundation on the basis of a contract and/or record of delivery and receipt.
 - 7.6.4 The Management Board of the Foundation shall confirm the transfer of money and other assets with its signature.
 - 7.6.5 The Foundation may not accept assets that do not coincide with its objectives or are in conflict with good practices.
- 7.7 General procedure for use and disposal of assets
 - 7.7.1 Assets shall be used to achieve the objectives and fulfil the tasks of the Foundation specified in the Articles of Association and to cover the current expenses of the Foundation and remuneration of employees.
 - 7.7.2 The Foundation may not grant loans to or secure loans of member(s) of the Management Board or Supervisory Board or employees of the Foundation or persons with an equivalent economic interest.
 - 7.7.3 Target-specific donations may only be used for the objective indicated by the donor.

VIII. REPORTING, INTERNAL CONTROL AND INTERNAL AUDIT, AUDITOR

- 8.1 After the end of the financial year, the Management Board shall prepare the annual accounts and management report (annual report) and submit them to the auditor for audit. Within three (3) months, at the latest, after the end of the financial year, the Management

Board shall present the annual report along with the auditor's report to the Supervisory Board for approval.

8.2 The approved annual report shall be signed by all members of the Management Board and Supervisory Board.

8.3 The Management Board shall submit the approved annual report to the Commercial Register within four (4) months after the end of the financial year.

8.4 Internal control system of the Foundation

8.4.1 The position of an internal auditor shall be formed or the services of an internal auditor shall be purchased from an auditing company, if, as of the balance sheet date of the financial year, the balance sheet total of the Foundation is greater than two million euros or the income of the financial year is greater than two million euros.

8.4.2 The Foundation has the right to waive the formation of the position of an internal auditor or the purchase of the services of an internal auditor from an auditing company, if it is, in the view of the Supervisory Board, financially expedient. The respective resolution of the Supervisory Board shall be previously agreed with the person exercising the rights of the founder.

8.4.3 The person exercising the rights of the founder shall have the right to conduct a special audit and use for that purpose a structural unit of an institution managed by the person.

8.5 The Foundation shall have auditor(s). The Supervisory Board shall appoint auditor(s) for a single audit or for a term of up to three (3) years.

8.6 A member of the Supervisory Board, member of the Management Board or an employee of the Foundation may not be an auditor of the Foundation.

8.7 The person exercising the rights of the founder shall annually present to the Ministry of Finance a management report approved by the Supervisory Board concerning the achievement of objectives established for the Foundation and exercise of the rights of the founder.

IX. AMENDMENT TO THE ARTICLES OF ASSOCIATION

9.1 The Articles of Association of the Foundation may be amended on the bases and pursuant to the procedure provided for in law or the Articles of Association.

9.2 To amend the Articles of Association, the proposal for which is made by the Supervisory Board, the approval of two-thirds (2/3) of the members of the Supervisory Board of the Foundation is required.

9.3 If the Articles of Association of the Foundation must be amended due to changed circumstances, but the persons entitled to amend the Articles of Association fail to do so, a court may decide on amendment to the Articles of Association at the request of an interested person.

X. MERGER AND DIVISION, TERMINATION OF ACTIVITIES

10.1 With a resolution of the person exercising the rights of the founder, the Foundation may merge with another foundation or divide pursuant to the procedure provided for by law, proceeding from the changed circumstances and considering the objectives of the Foundation.

- 10.2 The Foundation shall be dissolved by a resolution of the person exercising the rights of the founder or in the cases prescribed by law. The Foundation shall be dissolved or merged with other foundations upon the demand of the state. The Foundation cannot be dissolved or merged with another foundation without the consent of the state.
- 10.3 The Supervisory Board shall appoint the liquidators of the Foundation.
- 10.4 The liquidators shall have the rights and obligations provided by law and the liquidation shall take place pursuant to the procedure provided by law. The liquidators shall deposit the documents of the Foundation with the person exercising the rights of the founder.
- 10.5 Upon liquidation, the remaining assets shall be transferred, by a resolution of the Supervisory Board and upon the consent of the person exercising the rights of the founder, to the state, to a foundation belonging to the list of non-profit associations and foundations with a similar objective benefiting from income tax incentives or to a legal person in public law.
- 10.6 After the conclusion of the liquidation, the liquidators shall file a petition for the deletion of the Foundation from the register.