

STATUTES

APPROVED BY THE FOUNDING GENERAL ASSEMBLY – 1ST JULY 2009

WITH REVISIONS APPROVED BY THE GENERAL ASSEMBLY ON 10 JUNE 2010 AND 28 JUNE 2012 AND 24 JUNE 2014

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Article 1 Name and Legal Personality

- 1.1. An Association named “Better Cotton Initiative” (BCI), referred to as “the Association” in these Statutes, is incorporated according to article 60 and subsequent of the Swiss Civil Code.
- 1.2. The Better Cotton Initiative is a legal entity under Swiss law.

Article 2 Seat

- 2.1. According to article 56 of the Swiss Civil Code the Association's legal seat is at the place where the company is administered.
- 2.2. BCI may operate internationally.

Article 3 Mission and Beneficiaries

- 3.1. The Better Cotton Initiative exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future.
- 3.2. BCI's beneficiaries are cotton farmers, cotton farm workers, cotton farming communities, and the environment.
- 3.3. The objectives of the Association are not for profit.

Article 4 Finances

Financial Resources

- 4.1. The Association's resources may derive from the following sources:
 - 4.1.1. Membership fees;
 - 4.1.2. Donations and legacies;
 - 4.1.3. Sponsorships;
 - 4.1.4. Private and public sources;
 - 4.1.5. Any other resources authorised by the law.
- 4.2. The funds shall be used in accordance with the Association's mission.

Financial Powers

- 4.3. For the purposes of carrying out its mission, the Association shall be entitled:
 - 4.3.1 To open and operate bank accounts in the name of the Association and to draw, make, accept, endorse, execute and issue promissory notes, bills, cheques and other instruments.

- 4.3.2 To acquire, alter, improve, charge, take on lease, exchange, hire, sell, let or otherwise dispose of any movable or immovable property and any rights and privileges whatsoever.
- 4.3.3 To borrow or raise money, with or without security, upon terms approved by the BCI Council.
- 4.3.4 To pledge, lien or mortgage the assets of the Association and / or render guarantee as security for the performance of any contract entered into with a third party, the discharge of any obligation incurred or the repayment of any monies borrowed by the Association.
- 4.3.5 To invest any surplus funds of the Association not immediately required for the Association's activities, as determined and approved by the BCI Council.
- 4.3.6 To create, establish, administer and manage funds, including endowment funds, conducive to achieving and promoting the Association's mission.
- 4.3.7 To enter into agreements, contracts and arrangements with organisations, institutions, bodies and individuals.

Financial year

- 4.4. The financial year shall begin on 1 January and end on 31 December of each year.

Auditor

- 4.5. An independent Auditor appointed by the Council shall audit the Association's accounts every year. If the Association complies with the requirements of Art. 69b (1 or 2) of the Swiss Civil Code a qualified auditor is to be elected by the General Assembly.

Liability

- 4.6. For any claims whatsoever, the Association is only liable with its assets. No member is personally liable for any liabilities of the Association.

Article 5 Membership

Membership qualifications

- 5.1. An organisation is qualified to be a member of the Association if the organisation
 - 5.1.1. is legally registered or is a group of legal entities
 - 5.1.2. falls within one of the categories listed in article 5.2;
 - 5.1.3. has applied for membership as provided by articles 5.6.1 to 5.6.6;
 - 5.1.4. has been approved for membership of the Association.

Membership categories

- 5.2. The Association's members are categorised as follows:
- 5.2.1. Producers: any organisation that engages with and aims to represent cotton producers.
 - 5.2.2. Suppliers and Manufacturers: any organisation that runs for-profit activity within the cotton supply chain beyond the farm-gate and before the retail, from buying, selling, and financing to processing.
 - 5.2.3. Retailers and Brands: any for-profit organisation selling goods or services directly to consumers.
 - 5.2.4. Civil Society: any organisation that is not-for-profit and serves the public interest and common good related to the cotton supply chain.
 - 5.2.5. Associate members: any organisation that
 - a. has a valid interest in becoming a member of the Association but does not fall within categories 5.2.1 to 5.2.4; or
 - b. represents the interests of organisations as defined in 5.2.2, 5.2.3 and 5.2.4.
- 5.3. The Council may determine sub-categories to the categories as in article 5.2 for the purpose of membership fee structure and principles of participation.

Benefits and rights of membership

- 5.4.1. The benefits of membership shall include:
- a. Learning about Better Cotton production and receiving updates on the Association and its activities,
 - b. Other non-commercial benefits as determined by the Council.
- 5.4.2. The rights attached to membership include:
- a. The right to participate and vote in the General Assembly;
 - b. Other non-commercial rights as may be determined by the Council.

Commitment and obligations of members

- 5.5.1. All members shall commit in writing to support and contribute to the Association's mission, and to share relevant learning and experience, in line with the Association's antitrust policy.
- 5.5.2. All members shall comply with the principles of participation applicable to their category, or sub-category, as determined by the Council.

Application for membership

- 5.6.1. An application for membership of the Association:
 - a. must be in writing in the form made available by the Association;

- b. must be lodged with the Secretariat of the Association.
- 5.6.2. As soon as practicable after receiving an application for membership the Secretariat of the Association must refer the application to the members of the Association, who will have at least 15 days to make comment on the application.
- 5.6.3. As soon as practicable after the period for comment referred to in article 5.6.2 has ended, the Secretariat of the Association will consider the application, together with any comments received.
- 5.6.4. The Secretariat of the Association will determine whether to approve or reject the application. The Secretariat of the Association will not deny membership for any anticompetitive purpose.
- 5.6.5. As soon as practicable after the Secretariat of the Association makes a determination under article 5.6.4, the Secretariat of the Association must:
 - a. notify the nominee, in writing, of the Secretariat's determination; and
 - b. if the Secretariat approved the nomination, request the nominee to pay the membership fee as determined in the membership fee structure.
- 5.6.6. In case where an application for membership has been rejected by the Secretariat of the Association, the applicant may appeal of that decision to the BCI Council. An appeal of a decision of rejection of membership must be:
 - a. must be in writing and include the application for membership, the decision of rejection, and a short explanation as to why the Council should accept the application for membership;
 - b. must be lodged with the Secretary of the Association within 15 days of receiving the decision of rejection.
- 5.6.7. As soon as practicable the Council will consider any appeal of a decision of rejection of membership.
- 5.6.8. The decision of the Council on whether to accept or confirm rejection of membership shall be final.
- 5.6.9. Specific periods and timelines for the process referred to in articles 5.6.2 to 5.6.5 may be decided by the Secretariat.

Membership fees

- 5.7.1. All members must pay a membership fee, on an annual basis, in accordance with the membership fee structure determined by the Council.
- 5.7.2. The membership fee structure shall determine:
 - a. the scale determining the fee amount for each membership category;
 - b. the timelines for payment of the membership fees;

c. the rules and timelines to obtain a reduction or a waiver of membership fees.

5.7.3. The membership fee structure is determined and approved by the Council.

5.7.4. Membership fees are not reimbursable.

Termination of membership

5.8. A member ceases to be a member of the Association if the member:

5.8.1. Becomes insolvent, is wound-up or is dissolved; or

5.8.2. Resigns that membership by written notice to the Secretariat of the Association with a notice period of at least six months; or

5.8.3. Is expelled from the Association.

Expulsion from membership

5.9. The Council may expel a member if:

5.9.1. the Council determines that:

a. the member no longer meets the definition specified in article 5.2. for the member's membership category, or

b. the member has breached any of the articles 5.5.1, 5.5.2, 5.7.1 or 5.10.1

c. the member is endangering the interests or the reputation of the Association,

5.9.2. provided that the Council has given the member at least 30 days written notice of the expulsion, stating the grounds for the expulsion and allowed the member to provide a written submission stating why they should not be expelled with such submission to be received prior to the proposed date of expulsion.

5.9.3. The Council's decision whether or not to expel a member shall be final.

Membership entitlements

5.10. A right or obligation which an organisation has by reason of being a member of the Association:

5.10.1. is not capable of being transferred or transmitted to another organisation; and

5.10.2. terminates upon cessation of the organisation's membership.

Article 6 Organs

6.1. The Association shall consist of at least the following organs:

a. The General Assembly;

b. The Council;

- c. The Advisory Committee;
- 6.2. The Council shall decide on the creation of any additional organs or operational groups as necessary for the pursuit of the Association's mission.

Article 7 General Assembly

Composition

- 7.1.1. The General Assembly consists of all the members of the Association.
- 7.1.2. The Chair of the Association may invite observers to attend General Assembly meetings.

Convocation

- 7.2.1. The Association must hold a General Assembly meeting at least every two years.
- 7.2.2. A General Assembly meeting may be either
 - a. physical, where the members of the Association gather in person in the same place for a face to face meeting; or
 - b. virtual, where the members of the Association hold a discussion by technological means such as a conference call, a video conference, an online conference.
- 7.2.3. The Council may, on such date and at such time, and place if applicable, as the Council thinks fit, call a meeting of the General Assembly.
- 7.2.4. The Council must, on the requisition in writing of at least one-fifth of the members of the Association in accordance with article 7.2.5, call a meeting of the General Assembly within 45 days.
- 7.2.5. A requisition from one-fifth of the total number of members for a General Assembly meeting:
 - a. must be in writing;
 - b. must state the purpose or purposes of the meeting;
 - c. must be signed by the members making the requisition;
 - d. must be lodged with the Chair of the Association; and
 - e. shall consist of the appropriate supporting documents, each signed by one or more of the members making the requisition.

Notice

- 7.3.1. The Council shall give a written notice to each member specifying the date, time, and place if applicable, and draft agenda of the meeting:

- a. in the case of a physical meeting, at least 90 days before the fixed date for the holding of the General Assembly meeting; or
 - b. in the case of a virtual meeting, at least 15 days before the fixed date for the holding of the General Assembly meeting.
- 7.3.2. The Council shall send to the members supporting documentation and a detailed agenda of the meeting at least:
- a. 15 days prior the meeting date in case of a physical meeting; and
 - b. 10 days prior the meeting date in case of a virtual meeting
- 7.3.3. 10% of the members of one category may request, in accordance with article 7.3.4., to add an item for discussion or decision to the agenda of a General Assembly meeting.
- 7.3.4. Any request made under article 7.3.3.
- a. must be in writing;
 - b. must be signed by the requesting members;
 - c. must be lodged with the Secretary of the Association:
 - i. in the case of a physical meeting, at least 60 days prior to the date of the meeting; and
 - ii. in the case of a virtual meeting, at least 30 days prior to the date of the meeting.
 - d. shall consist of the appropriate supporting documents.

Procedure

- 7.4.1. Generally Assembly meetings are limited to topics on the meeting agenda, which antitrust counsel shall review in advance, and will be held in accordance with the Association's antitrust policy.
- 7.4.2. The Chair of the Association presides over the General Assembly meetings, unless otherwise decided by the Chair of the Association.
- 7.4.3. No decision or election is to be made at a General Assembly meeting unless a quorum of members as determined in article 7.4.4 is present during the time the meeting is considering that item.
- 7.4.4. At least 10% of the members of each category either present at the meeting or represented in accordance with the articles 7.4.5. constitute a quorum for the General Assembly.
- 7.4.5. Members who are not able to attend a meeting of the General Assembly may vote electronically.

Election of the Council members

- 7.5.1. The members from each category as provided in articles 5.2.1. to 5.2.4. vote to elect representatives of their category on the Council, to replace Council members whose

mandate is terminated by a plurality voting system (the candidates with most votes are elected) and by secret ballot

- 7.5.2. All Council candidates must be eligible to serve a full term of 4 years in order to stand for election and/or to be appointed as member of the Council.
- 7.5.3. In the case of an indecisive deadlock between two or more candidates within a membership category, the members from this membership category shall re-vote for the candidates involved in the deadlock.
- 7.5.4. If after a re-vote in accordance with article 7.5.3 there is still an indecisive deadlock between two or more candidates within a membership category, then a second re-vote will be taken, with only those members from the membership categories not deadlocked being eligible to re-vote for the candidates involved in the deadlock.

Decision making

- 7.6.1. The General Assembly shall seek to make decisions by consensus (absence of sustained opposition).
- 7.6.2. If the General Assembly is unable to reach consensus, a double majority is required for the General Assembly to make a decision:
 - a. a simple majority of all the members present or voting electronically; and
 - b. 30% of the members present or voting electronically in each category.
- 7.6.3. In case of a deliberation on the dissolution of the Association, a majority of two thirds of the members present or voting electronically and a simple majority of the members present or voting electronically in each category is required.
- 7.6.4. The decisions of the General Assembly are made public.

Powers

- 7.7.1. The General Assembly is the supreme authority of the Association.
- 7.7.2. The General Assembly delegates operational activities and strategic decision making to the Council.
- 7.7.3. The General Assembly shall:
 - a. elect its representatives for the Council in accordance with articles 8.1.2.a. and 8.1.3.;
 - b. receive each year reports of activity and financial reports from the Council;
 - c. receive activity reports from the other organs as determined by the Council;
 - d. consider and decide on any proposals submitted to the General Assembly by the Council or other organ;
 - e. approve any revision of the present Statutes;
 - f. decide the dissolution of the Association.

Article 8 Council

Composition

- 8.1.1. With reference to article 69 of the Swiss Civil Code, the Association has a Council to act on behalf of the Association by delegation of the General Assembly.
- 8.1.2. The Council shall consist of:
- a. up to 12 representatives designated in accordance with article 8.1.3 from the membership categories set out in articles 5.2.1 to 5.2.4 (Member Representatives), who shall be elected in accordance with articles 7.5.1 to 7.5.3 or co-opted pursuant to article 8.1.6.
 - b. up to 3 persons other than representatives from the categories of members set out in articles 5.2.1 to 5.2.4 (Independent Directors), who shall be appointed by the Member Representatives elected by the General Assembly.
- 8.1.3. The member representatives referred to under article 8.1.2.a. shall consist of:
- a. up to 3 representatives from the Producers category as provided in article 5.2.1.;
 - b. up to 3 representatives from the Suppliers and Manufacturers category as provided in article 5.2.2.;
 - c. up to 3 representatives from the Retailers and Brands category as provided in article 5.2.3.;and
 - d. up to 3 representatives from the Civil Society category as provided in article 5.2.4.
- 8.1.4. The Executive Director of the Association as provided in article 11.1.1. shall serve as a non-voting ex-officio member of the Council.
- 8.1.5. The Chair of the Association may invite observers, without voting rights, to observe meetings of the Council.
- 8.1.6. In case of vacancy of one or more seats on the Council, the members of the Council may co-opt additional Member Representatives from the relevant categories to sit on the Council until the seat mandate comes to an end.
- 8.1.7. The members of Council do not receive any financial remuneration for their activity as members of the Council.
- 8.1.8. Council members shall serve a maximum of 10 (ten) consecutive years. This applies to both Independent Directors and Member Representatives.

Convocation and notice

- 8.2.1. The Council shall meet at least twice a year, either in person or virtually.
- 8.2.2. The Chair of the Association calls the meetings of the Council.

8.2.3. The Chair of the Association must, at the request of one of the Council members, call a meeting.

8.2.4. The Chair of the Association shall call a meeting of the Council with a notice period in advance of the fixed date of the meeting as determined in the By-Laws of the Council.

8.2.5. One or more members of the Council who wish to add any item for discussion or decision to the agenda of a meeting of the Council shall as soon as practicable request the Chair of the Association to include the item on the agenda.

Decision Making

8.3.1. No decision shall be made by the Council unless a quorum as defined in the Council By-Laws is present.

8.3.2. The Council shall seek to make all decisions by consensus (absence of sustained opposition).

8.3.3. In the case where the Council is unable to reach consensus, the Council shall resort to a vote as determined in the By-Laws of the Council.

8.3.4. The decisions of the Council shall be reported to the General Assembly in a timely manner and cost effective way as determined by the By-Laws of the Council.

Powers

8.4.1. The Council is the representative decision making organ on behalf of and with the mandate of the General Assembly.

8.4.2. The responsibility of the Council is to ensure that the Association has a clear strategic direction and an adequate policy to successfully fulfil its mission.

8.4.3. The Council shall

- a. Call a General Assembly meeting at least every two years;
- b. Approve the By-Laws of the Council;
- c. Elect the Chair, Vice-Chair, Treasurer and Secretary of the Association from amongst its members;
- d. Endorse the Executive Director of the Association;
- e. Appoint the members of the Advisory Committee;
- f. Appoint an independent auditor to audit the Association's finances every year;
- g. Establish any organ, committee or operational group considered necessary for the pursuit of the Association's mission;
- h. Decide on the strategy for development and implementation;
- i. Approve the annual budget and audit report of the Association;

- j. Approve the membership fee structure and principles of participation;
 - k. Consider the appeals on decision of rejection of membership application and approve expulsion of members;
 - l. Approve significant modifications to the definition of Better Cotton.
 - m. Determine a grievance management process.
- 8.4.4. The Council may mandate the Chair, Vice-Chair, Treasurer, Secretary or the Executive Director of the Association to execute its decisions.
- 8.4.5. All further responsibilities and duties as well as procedures with reference to the Council of the Association are defined in By-Laws.

Article 9 Chair, Vice-Chair, Treasurer and Secretary of the Association

Chair of the Association

- 9.1.1. The Chair of the Association is elected by the Council.
- 9.1.2. The Chair of the Association's key role is as both an internal and external ambassador for the Association:
- a. to ensure policy decisions are both presented to the Council and appropriately considered;
 - b. to perform defined tasks and take specific decisions on behalf of the Council;
 - c. to advise the Executive Director of the Association.

Vice – Chair of the Association

- 9.2.1. The Vice-Chair of the Association is elected by the Council.
- 9.2.2. It is the duty of the Vice-Chair of the Association to assist the Chair of the Association in all responsibilities in article 9.1.2. on request of the Chair of the Association.

Treasurer of the Association

- 9.3.1. The Treasurer of the Association is elected by the Council.
- 9.3.2. It is the duty of the Treasurer of the Association to:
- a. ensure that all money due to the Association is collected and received and that all payments authorised by the Association are made; and
 - b. ensure that correct books and accounts are kept showing the financial affairs of the Association including details of all receipts and expenditure connected with the activities of the Association;
 - c. ensure that an annual financial report is submitted to the Council together with the annual budget of each coming year;

d. carry out specific tasks as determined by the Council.

Secretary of the Association

9.4.1. The Secretary of the Association is elected by the Council.

9.4.2. The Secretary of the Association ensures open and transparent communication procedures between the members of the Association and the Council of the Association are in place in accordance with the present Statutes.

Article 10 Advisory Committee

10.1. An Advisory Committee shall be established by the Council.

10.2. The Council shall determine the composition and role of the Advisory Committee.

Article 11 Executive Director and Secretariat

Executive Director

11.1.1. An Executive Director shall be recruited and appointed by the Chair of the Association, on behalf of the Council, to execute the decisions of the Council.

11.1.2. All further responsibilities and duties as well as procedures with reference to the Executive Director of the Association, not determined by the present Statutes, are to be determined by the Council as appropriate.

Secretariat

11.2.1. A Secretariat shall assist the Executive Director of the Association in executing the decisions of the Council.

11.2.2. The organisation of the Secretariat shall be decided by the Executive Director of the Association.

11.2.3. Staff of the Secretariat are appointed by the Executive Director of the Association.

Article 12 Grievance Management

12.1. Members of the Association who wish to raise a grievance in relation to the Association, or one or more of its organs, or one or more of its members shall appeal to the Council or the grievance management organ if any.

12.2. Submission of a grievance shall

12.2.1. be in writing;

12.2.2. be lodged with the Secretary of the Association; and

12.2.3. document as appropriate the nature of the grievance.

12.3. The Council shall determine a process to manage the grievance in an open and transparent manner.

12.4. The Council may establish a grievance process organ.

Article 13 Signature

The Council determines the persons authorised to sign for the Association as well as their signing powers.

Article 14 Dissolution

Decision of dissolution

14.1. The dissolution of the Association may only be decided by the General Assembly in accordance with its decision making rules defined in article 7.6.3. of the present Statutes.

Disposal of assets

14.2. Upon dissolution, the Council, after payment or constitution of a deposit for all indebtedness of the Association, shall transfer the net assets to one or more non-profit making Swiss organisation exonerated from tax pursuing a purpose of public interest similar to that of the Association.

Article 15 Language

The English version of the present Statutes is the legally binding version and shall be considered as the reference in case of conflict of interpretation with any other versions

In the name of the Association:

Patrick Laine

CEO