



Corporate
Governance
Center



EFFECTIVE CORPORATE GOVERNANCE FRAMEWORK AS A CONDITION FOR ATTRACTING CONSTRUCTIVE CAPITAL

report on the research

SUMMARY

The result of constructive investments is formation of a transparent, accountable business environment, reduction of corruption risks, spread of a culture of integrity, environmental security, and promotion of stakeholder inclusion. Constructive capital contributes to the development of public goods, to increase in quality of public life, and not life of individuals or groups.

The quality of corporate governance is crucial for attracting constructive capital; that is, existence of a clear and strong commitment to good governance, professional and independent board, internal control and risk management systems, structures for stakeholder rights protection, etc.

Top management clearly understands its responsibility to ensure the long-term success of the company.

Taking into account the connection between constructive capital and corporate governance, the aim of the “Effective corporate governance framework as a condition for attracting constructive capital” research was to:

- ‡ Study the inclination of Armenian companies towards constructive capital;
- ‡ Find out the features of corporate governance of Armenian companies;
- ‡ Identify the efforts of Armenian companies aimed at improving their own corporate governance system and their expectations from the state.

A narrative research was conducted through a survey of 63 companies. The survey was conducted using a semi-standardized questionnaire.

The main results of the survey are:

- ‡ Most of the respondents, emphasizing the long-term nature of the investments attracted (71%), assessing their positive impact on market transparency and accountability, expressed their inclination towards constructive capital.
- ‡ 16% of the respondents were in favour of investments with characteristics of corrosive capital; moreover, 13% of the respondents considered the long-term return on investment to be secondary, and 3% considered that they should serve the enrichment of a certain group of people.
- ‡ The respondents also emphasized the importance of constructive capital for the development of their own business.
- ‡ As barriers to investment attraction nearly 3/4th of the respondents cited the country’s political instability, and 80% - failures of the economic policy. In addition to government policy barriers, the respondents also singled out inefficient corporate governance environment: lack of culture of integrity in the business environment (22%), lack of knowledge about corporate governance (21%), and non-transparent and non-accountable practices of companies (14%).
- ‡ The respondents attach importance to the role of emotional ties with Armenia in attracting investments; they found that foreign investors of Armenian origin (70%) as well as local investors (65%) may be interested in Armenia’s economy.

- ‡ The vast majority of the respondents (95%) expressed their agreement with the provision of the 2020 Manifesto of the World Economic Forum, according to which companies' performance were assessed not only by the profit paid to its shareholders, but also by their ability to achieve social, environmental and governance goals.
- ‡ Only about 1/3rd of the respondents were aware of the UN Sustainable Development Goals, and they presented a fairly wide range of goals to be achieved by them, including all 17 goals.
- ‡ The respondents' perceptions of corporate governance are strongly positive. Only 3% of the respondents found that corporate governance was an additional headache.
- ‡ The respondents highlighted the need for improvements in their governance system, but gave secondary importance to the corporate governance commitment.
- ‡ The respondents rely mainly on public policy to improve their own corporate governance systems; the state should encourage efforts to improve the quality of corporate governance of companies (40%), promote companies' transparency through legislative changes (27%), and tighten law enforcement (21%).
- ‡ More than 2/3rd of the respondents expected the state to ensure equal rules of the game in the business environment in order to improve the country's business environment and promote the flow of long-term investments; almost half of the respondents were in favour of implementing a tax incentive system, and 37% expressed the opinion that the state should encourage companies with an effective corporate governance system.
- ‡ The need for business collective action to improve the corporate governance system was highlighted by the vast majority of respondents (95%).

INTRODUCTION

Constructive capital¹ is responsible capital through which the business culture of integrity is spread.

Constructive capital is well regulated and managed not only in its source of origin but also in the destination country. This refers not only to legislative regulations, but also to self-regulatory mechanisms.

The gross result of constructive capital is a transparent, accountable business environment, reduction of corruption risks, environmental security, and promotion of stakeholder inclusion. Constructive capital is accountable not only to investors but also to stakeholders.

Constructive capital contributes to the development of public goods, to increase in the quality of public life, and not life of individuals or groups.

Constructive capital is well regulated and governed not only in the source of its origin but also in the destination country. This refers to both legislative regulations and self-regulatory mechanisms.

The quality of corporate governance is crucial for attracting constructive capital. A good corporate governance system attracts constructive capital on account of:

- ‡ corporate counterbalance measures and containment mechanisms;
- ‡ clear scopes of accountability and responsibility;
- ‡ independent and professional board with a strong and explicit commitment to good corporate governance;
- ‡ active internal control system which allows timely detection or prediction of possible abuses and incompliances;
- ‡ transparency of both financial and non-financial information;
- ‡ governance of environmental and social impact;
- ‡ awareness of rules of corporate conduct;
- ‡ top management's clear understanding of its own responsibilities while ensuring the long-term success of the company.

It can be stated that constructive capital lives by the principles and rules of corporate governance and at the same time contributes to its improvement.

Taking into account the essential connection between constructive capital and corporate governance, the aim of the “Effective corporate governance framework as a condition for attracting constructive capital” research (hereinafter referred to as the Research) was to:

- ‡ Study the inclination of Armenian companies towards constructive capital;
- ‡ Find out the features of corporate governance of Armenian companies.
- ‡ Identify the efforts of Armenian companies aimed at improving their own corporate governance system and their expectations from the state.

¹ Constructive Capital <https://www.cipe.org/newsroom/building-a-market-for-everyone-how-emerging-markets-can-attract-constructive-capital-and-foster-inclusive-growth/>

RESEARCH METHODOLOGY AND SAMPLING

The research was conducted through a survey. Taking into account the potential of the issue studied and lack of information on the relations between constructive capital and corporate governance in practice, as well as the low level of corporate governance awareness in Armenia, a narrative/cognitive method was chosen for the research in order to understand the implications and features of the issue in Armenia as well as its perception by the business community.

The survey was conducted by MPG Limited Liability Company from July 29 to August 20, 2021. A semi-standardized questionnaire with multiple-choice answers was used for the survey (Annex 1).

The sample size was 63 companies (Annex 2). To form the sample, MPG databases, the Business Integrity Club, as well as other available sources were used. A primary list of companies was compiled, from which the companies were selected, according to the following criteria:

- ‡ Potential of a company for growth and investment attraction;
- ‡ Awareness on the corporate governance potential by the company.

Prior to the actual fieldwork, the interviewers were instructed and two pilot interviews were conducted to identify existing problems in the questionnaire. After receiving the final approval for the questionnaire, the fieldwork started. The average duration of a survey was 20-25 minutes.

The surveys were conducted mainly with CEOs of the companies, and in some cases with CFOs by the direction of the CEO. Taking into account the limitations due to COVID-19 pandemic the “face to face” survey method was combined with phone calls or surveys via Zoom. The ratio of “face to face” and remote methods of the survey was 50/50.

MAIN RESULTS

The issue of attracting investments to the Armenian economy is not losing its relevance.

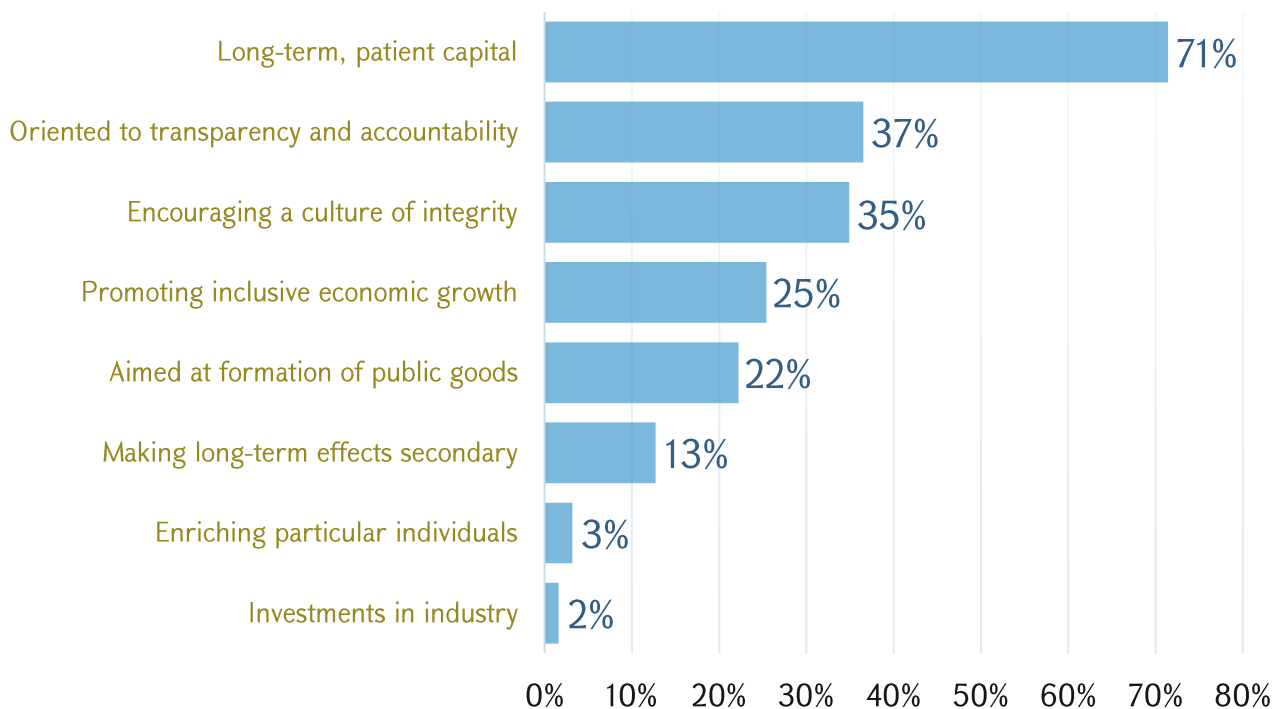
In terms of long-term sustainable development, the attractiveness of the country's investment environment for constructive capital is particularly important. Therefore, the characteristics of the investments attracted are essential. For this purpose, the surveyed companies were suggested to single out the quality features that investments aimed at the sustainable development of the Armenian economy should be endowed with.

71% of the respondents highlighted the long-term nature of the investments attracted. More than a third of them said that investments should be aimed at market transparency and accountability. For almost as many respondents, promoting a culture of business integrity through potential investments was essential. A significant number of respondents also thought that investments should stimulate inclusive economic growth (25%) and be aimed at the creation of public goods (22%) (Figure 1).

Taking into account the mentioned characteristics and expectations of the respondents, it can be concluded that the latter are more than oriented towards constructive capital.

At the same time, 13% of the respondents considered the long-term return on investment to be secondary, and 3% considered that they should serve the enrichment of a certain group of people. That is, 16% of the respondents were in favour of investments with characteristics of corrosive capital.

FIGURE 1: WHAT INVESTMENTS DOES THE ARMENIAN ECONOMY CURRENTLY NEED? (N=63)

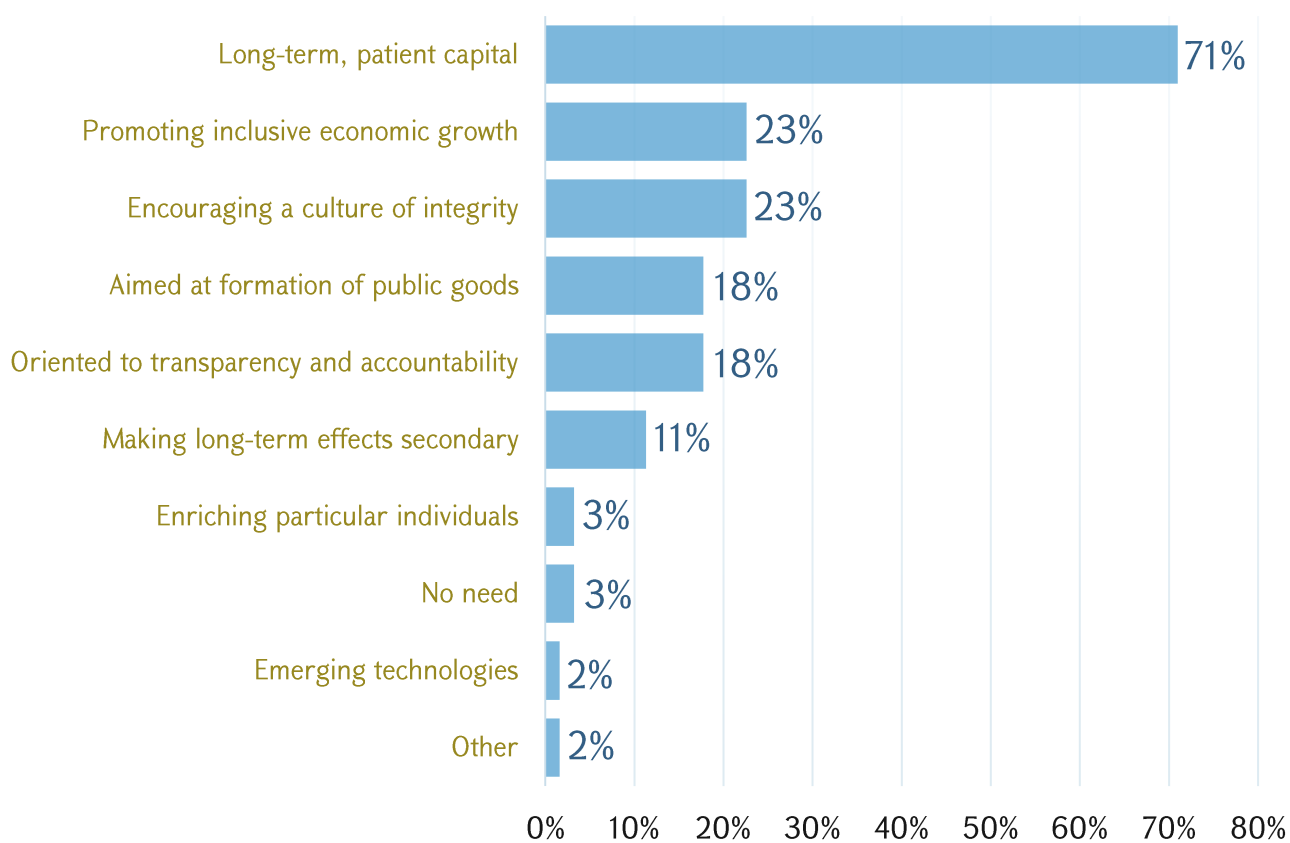


The overall profile of investments did not change significantly when an attempt was made to find out what investments the surveyed companies needed. 71% of the respondents again highlighted the long-term nature of investments. According to 23 percent, each, of the respondents, the investments they attract should promote inclusive economic growth and a culture of integrity (Figure 2).

From the respondents' answers a conclusion can be drawn that companies also highlighted the need for constructive capital to develop their own business.

It is worth paying attention to the fact that if the profile oriented to transparency of investments and accountability was significant for the respondents in macrolevel, then that characteristic of constructive capital at the microlevel received only 18% of the respondents' votes, which was comparatively decreased almost twice. A possible explanation for this is the preference of non-transparent and non-accountable practices by Armenian companies.

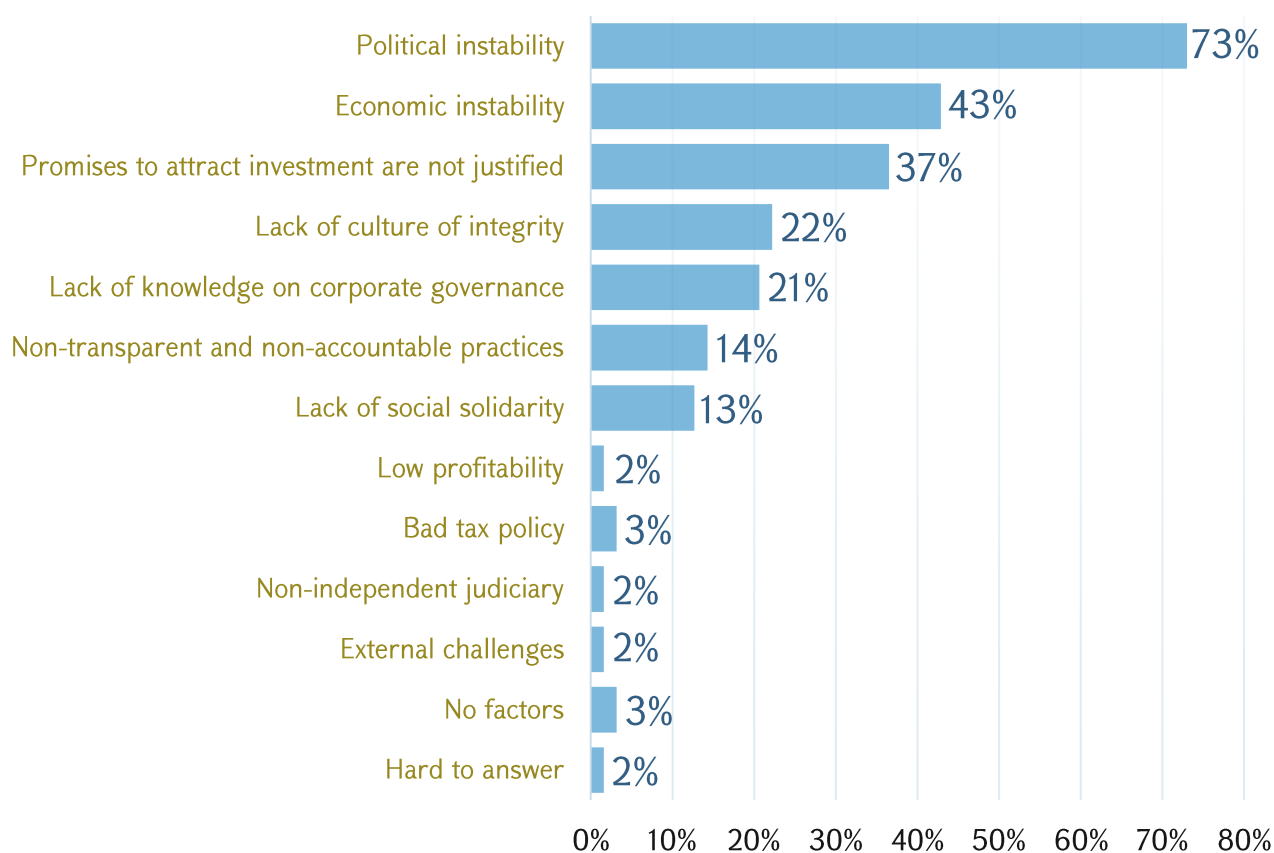
FIGURE 2: WHAT INVESTMENTS DO YOU NEED? (N=63)



As barriers to investment attraction nearly three-quarters of the respondents cited the country's political instability, 43% - economic instability, and 37% found that government failed to fulfill its promises to increase Armenia's investment attractiveness.

In addition to government policy barriers, the respondents singled out issues on corporate governance environment such as lack of culture of integrity (22%), lack of knowledge about corporate governance (21%), non-transparent and non-accountable practices of companies (14%) (Figure 3).

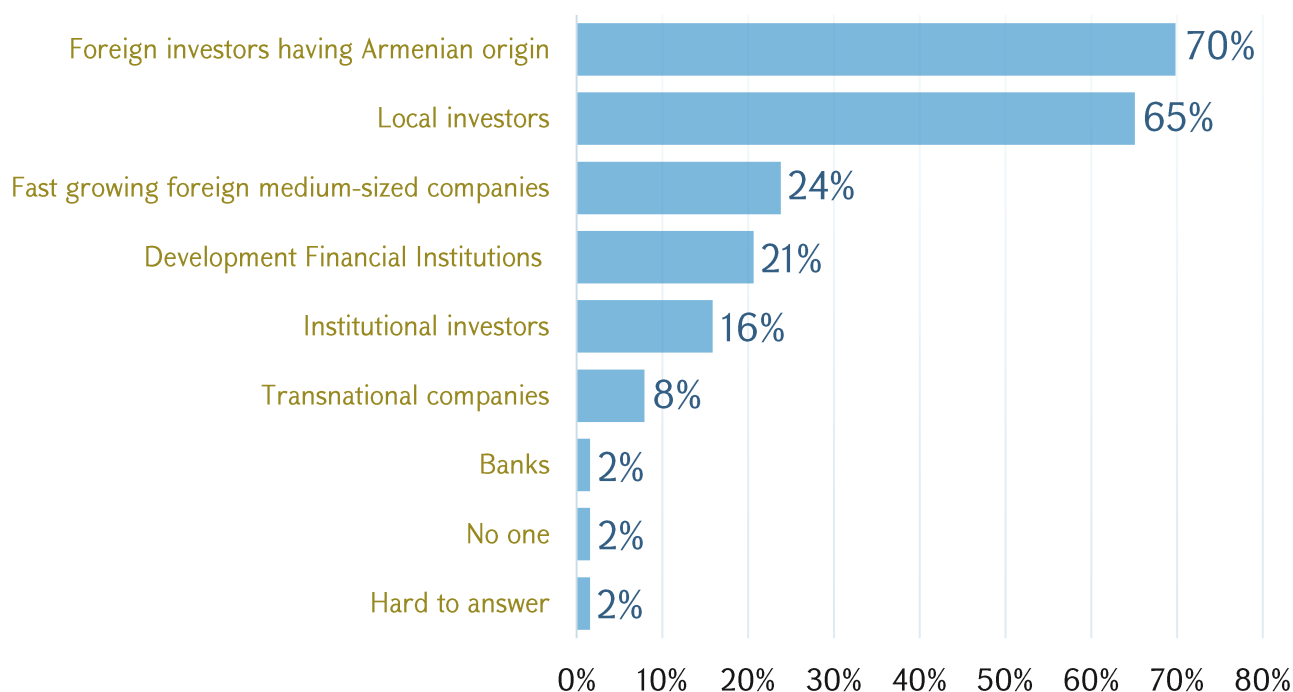
FIGURE 3: MAIN FACTORS HINDERING INFLOW OF INVESTMENTS INTO THE ARMENIAN ECONOMY (N=63)



When asked which investors might be particularly interested in Armenia's economy, the respondents tend to see those with emotional ties to Armenia as well as local investors in the above mentioned role. Thus, 70% of the respondents mentioned foreign investors of Armenian origin, and 65% of the respondents highlighted the local investors (Figure 4).

The respondents also mentioned fast-growing foreign medium-sized companies (24%), development financial institutions (21%), institutional investors (16%) and transnational corporations (8%) as potential investors. It should be noted that the respondents gave significantly fewer votes to those institutions, despite the fact that in the global economy they mainly act as advocates for constructive capital and good governance.

FIGURE 4: INVESTORS INTERESTED IN THE ARMENIAN ECONOMY (N=63)



Given that constructive capital supports the achievement of broader goals, taking into account the needs of stakeholders and society in general when the long-term value formation, the Research was aimed to determine the attitude of the respondents to the role of companies in environmental, social and governance issues (ESG). To this end, the respondents were asked to express their approaches on the following provision of the 2020 Manifesto of the World Economic Forum: “A company is more than an economic unit generating wealth. Performance must be measured not only on the return to shareholders, but also on how it achieves its environmental, social and good governance objectives”.

The vast majority of the respondents (95%) expressed their agreement with the provision, with almost half of the respondents fully agreeing.

For comparison, it should be noted that according to the results of a survey² conducted among the representatives of Armenia’s expert community almost the same picture was gained. 96% of the experts agreed with the formulation of the Manifesto, with the only difference that a larger number of experts expressed their complete agreement (62%).

It follows from the above mentioned that the representatives of both the business and expert communities of Armenia theoretically realize the need to run a business oriented towards sustainable development.

² Corporate Governance Center, the results for “Is the transition to ‘stakeholder capitalism’ in the Armenian business environment possible?” research, 2021, <https://corpgov.am/wp-content/uploads/2021/08/is-the-transition-to-stakeholder-capitalism-possible-eng.pdf?download=false>

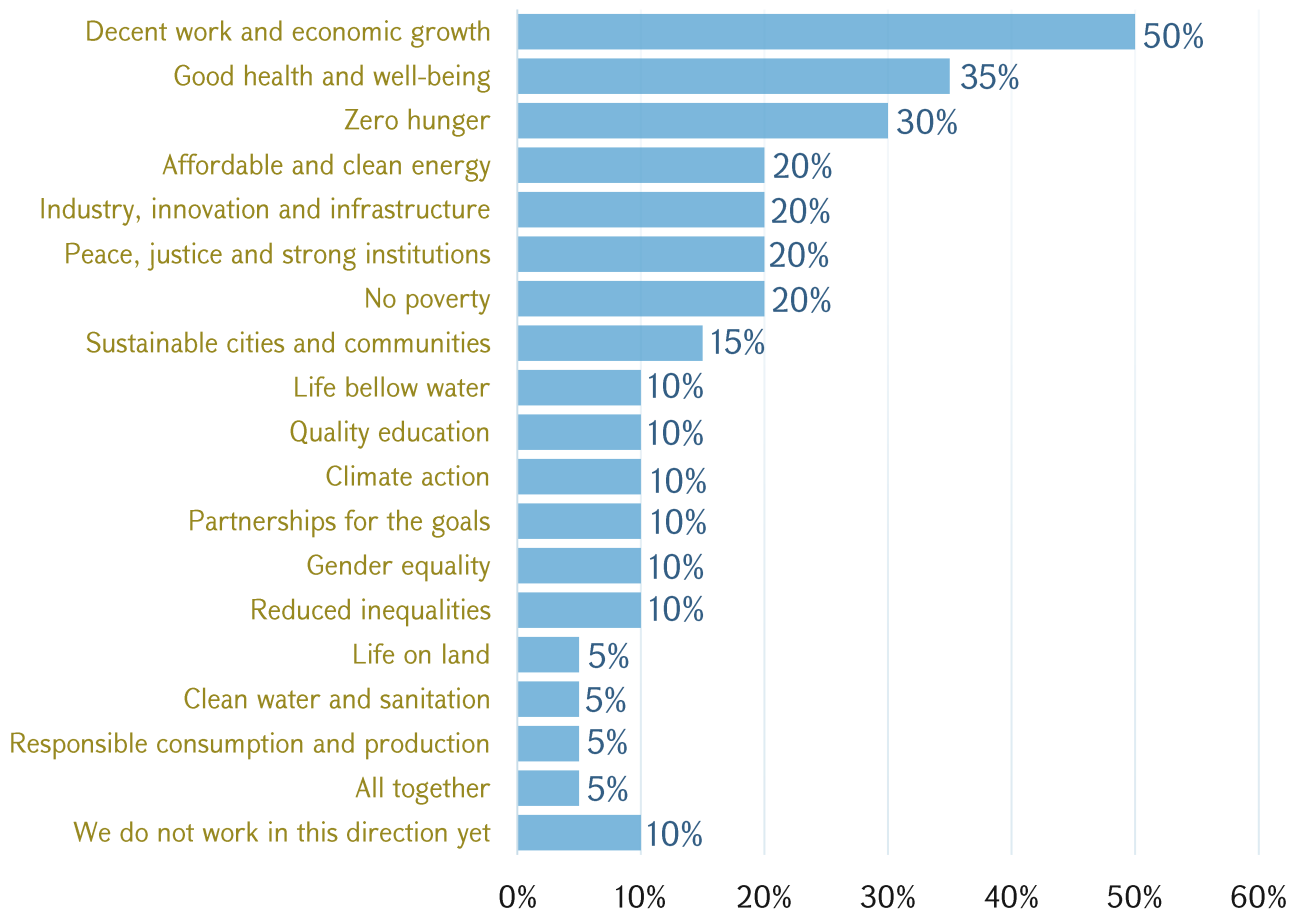
In order to identify the practical progress of companies in this area, an attempt was made to find out the companies' awareness of the UN Sustainable Development Goals (UN SDG), as they raise issues of inclusive economic growth on the agenda of the society and business until 2030, which will promote economic, social and environmental sustainability. On the one hand, businesses play a significant role in the implementation of UN SDGs, and on the other hand, they open new opportunities for long-term development of businesses.

Only 1/3rd of the respondents stated that they were aware of the UN SDGs.

According to the Figure 5, the 20 companies familiar with the UN SDGs presented a fairly wide range of goals to be achieved by them, including all 17 goals. In the top three UN SDGs singled out by the respondents are:

- ‡ Goal 8: “Decent work and economic growth”, which aims to promote comprehensive and sustainable economic growth, employment and decent work for all (50%);
- ‡ Goal 3: “Good health and well-being”, which aims to ensure a healthy life for all regardless of their age and promote well-being (35%);
- ‡ Goal 2: “Zero hunger”, which aims to eliminate hunger, to ensure food security and promote sustainable development of agriculture (30%).

FIGURE 5: IMPLEMENTATION OF UN SDGS BY COMPANIES (N=20)

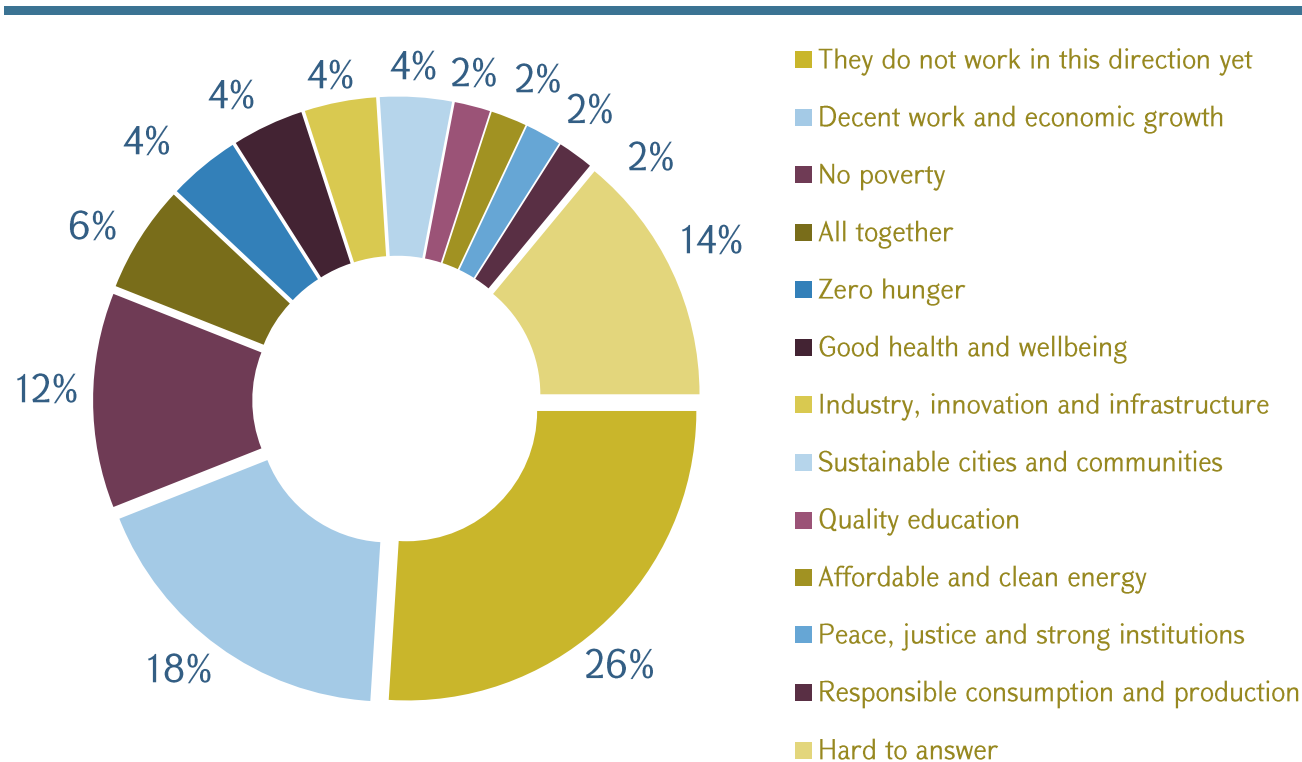


Taking into account that this question was also asked to the experts³, it is rational to also present the comparison.

According to Figure 6, 26% of the experts said that Armenian companies did not operate in that direction yet, 14% found it difficult to answer. Both the surveyed companies and a relatively large number of experts (18%) voted for the 8th goal.

From the comparison, it can be concluded that the surveyed companies accept a desire as a reality. At the same time, the separation of the 8th goal by both the experts and companies may indicate that companies are making real efforts in this direction.

FIGURE 6: IMPLEMENTATION OF UN SDGS BY COMPANIES ACCORDING TO THE EXPERTS



As already mentioned, good corporate governance is one of the essential conditions for attracting constructive capital. Therefore, the Research studied the perceptions and approaches of Armenian companies to corporate governance.

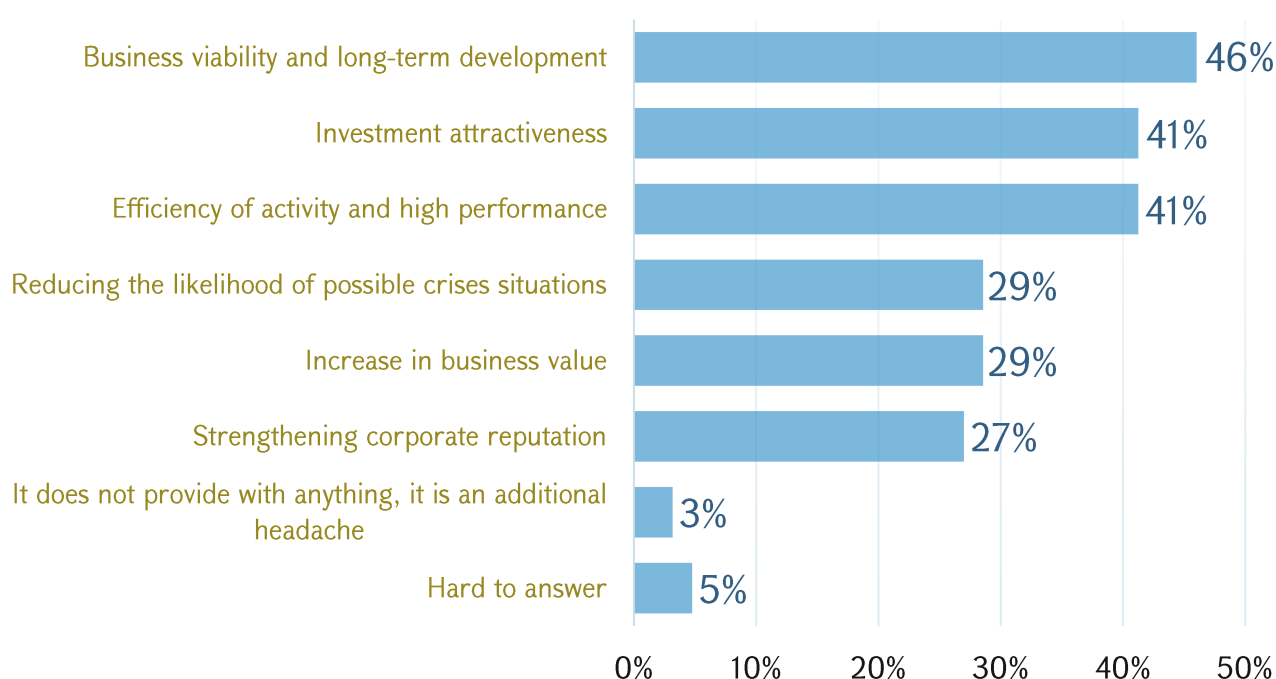
Almost half of the respondents (46%) considered ensuring business viability and long-term development as an advantage of good corporate governance. 41% of them, each, mentioned the increase of investment attractiveness, efficiency and high performance as advantages. Nearly 30 percent of respondents, each, attributed the likelihood of the reduction of crisis situations, the growth of business value, as well as strengthening of corporate authority to good corporate governance. It can be concluded that the respondents' perception of corporate governance is

³ Corporate Governance Center, the results for “Is the transition to ‘stakeholder capitalism’ in the Armenian business environment possible?” research, 2021, <https://corpgov.am/wp-content/uploads/2021/08/is-the-transition-to-stakeholder-capitalism-possible-eng.pdf?download=false>

strongly positive. As for the negative one, only 3% of the respondents found that corporate governance did not provide anything, and it was an additional headache.

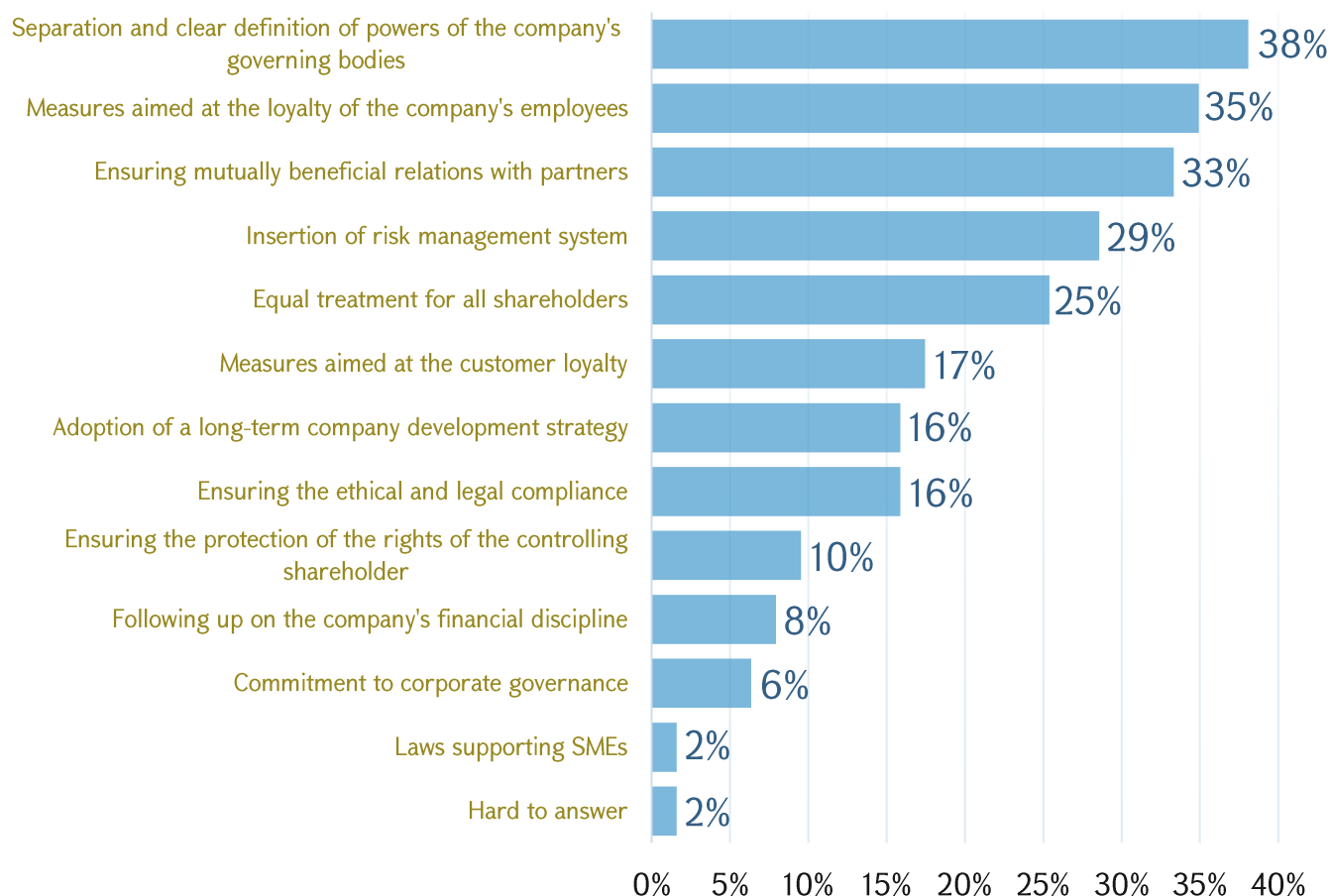
It should be noted that the sincerity of the respondents on the issue under consideration raises doubts, as the situation in practical life is quite the opposite: companies with a positive attitude towards corporate governance are in the minority, and the majority have adopted a stereotype that improvements in the governance system are a major cost to the company and they are not compensated with the practical benefits.

FIGURE 7: ADVANTAGES OF CORPORATE GOVERNANCE ACCORDING TO THE RESPONDENTS (N=63)



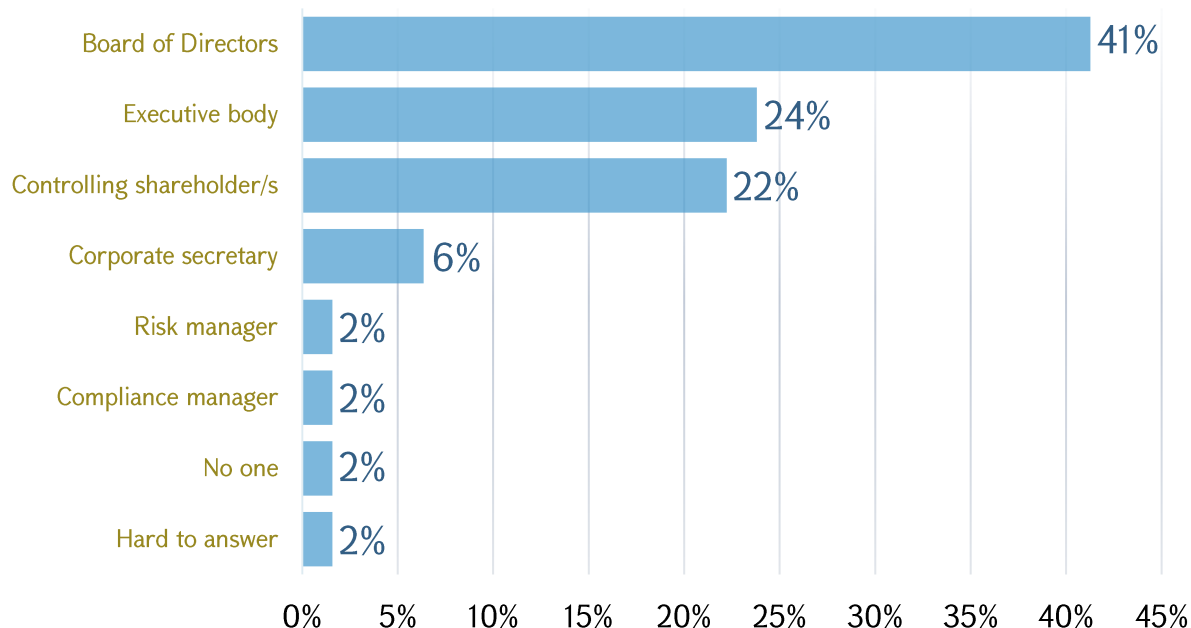
The companies considered the separation and a clear definition of competencies of the governing bodies (38%) as a priority measure aimed at improving their own corporate governance system. In addition, the survey revealed the need for measures to improve relations with stakeholders; in particular, 35% of the respondents mentioned measures aimed at increasing employee loyalty, and 33% - the establishment of mutually beneficial relations with partners. Without underestimating the importance of companies' efforts to improve their own corporate governance system, it should be noted that the respondents took a more situational rather than in-depth approach. The thing is that only 6% of the respondents have voted in favour of the commitment to corporate governance which is the core of building an effective governance system. The results of the survey show that companies highlight the need for improvements in their governance system, but the priority measure has been pushed to the second place with respect to its derivatives. On the one hand, such a situation can be explained by the respondents' modest knowledge of corporate governance, and, on the other hand, by the existence of important issues in the governance system highlighted by the respondents.

FIGURE 8: MEASURES TO IMPROVE OWN SYSTEM OF CORPORATE GOVERNANCE (N=63)



According to the respondents, the first position of key people responsible for corporate governance is occupied by the Board of Directors (41%), the second by the Executive Director (24%), and the third by the Controlling Shareholder (22%) (Figure 9). Taking into account the special role of controlling shareholders in Armenian companies, which is reflected in the significant influence of the latter on corporate decisions, and often by making them alone, it can be stated that the respondents again viewed the desired situation as a reality. However, it is optimistic that in any case, the respondents recognized the real “owner” of the corporate governance process, in the person of the board of directors, as a responsible body.

FIGURE 9: KEY PEOPLE RESPONSIBLE FOR CORPORATE GOVERNANCE (N=63)



As shown in Figure 10, the respondents rely mainly on public policy to improve their own corporate governance systems. Thus, 40% of the respondents believe that the state should encourage efforts to improve the quality of corporate governance of companies, 27% believe that there is a need for legislative changes to promote transparency, and 21% are in favour of tightening law enforcement.

It should be added that according to the program of the Government of the Republic of Armenia approved by the RA Government Decision No. 1363-A of August 28, 2021, the government has undertaken a responsibility to support the introduction of a modern corporate governance system in companies through additional incentives for their development. It should be noted that the formulation of the program is rather general, especially in terms of support structures and additional incentives. In addition, it is important to clarify the term for “modern corporate governance system”. It can be assumed that the clarification will be based on Article 60 of the Comprehensive and Enhanced Partnership Agreement (CEPA) signed between Armenia and the European Union, which emphasizes the importance of corporate governance and need for cooperation between the parties to bring corporate governance policies in line with OECD standards⁴. It is expedient to note that the draft RA Corporate Governance Code developed on the basis of G20/OECD corporate governance principles of 2015 has been submitted to the RA Government for approval.

In addition to relying on state policy, 1/3rd of the respondents cited the socio-economic situation in the country as a factor promoting good corporate governance in Armenian companies, which became quite tense due to the COVID-19 pandemic, the 44-day lasting war, and post-war developments. Sharing the approaches of this group of the respondents, it can be argued that good governance helps companies align their goals with the interests of society, build strong and reliable

⁴ Comprehensive and Enhanced Partnership Agreement (CEPA) signed between the Republic of Armenia and the European Union, https://ec.europa.eu/commission/presscorner/detail/en/ip_21_782

relationships with stakeholders, thus creating an environment of economic and social solidarity, which is a prerequisite for socio-economic recovery and ensuring security.

It should be noted that only 1/4th of the respondents realized their role in improving corporate governance. The latter mentioned the companies' commitment to corporate governance as a motivating factor.

FIGURE 10: MAIN INCENTIVES FOR IMPROVING THE CORPORATE GOVERNANCE SYSTEM OF COMPANIES (N=63)



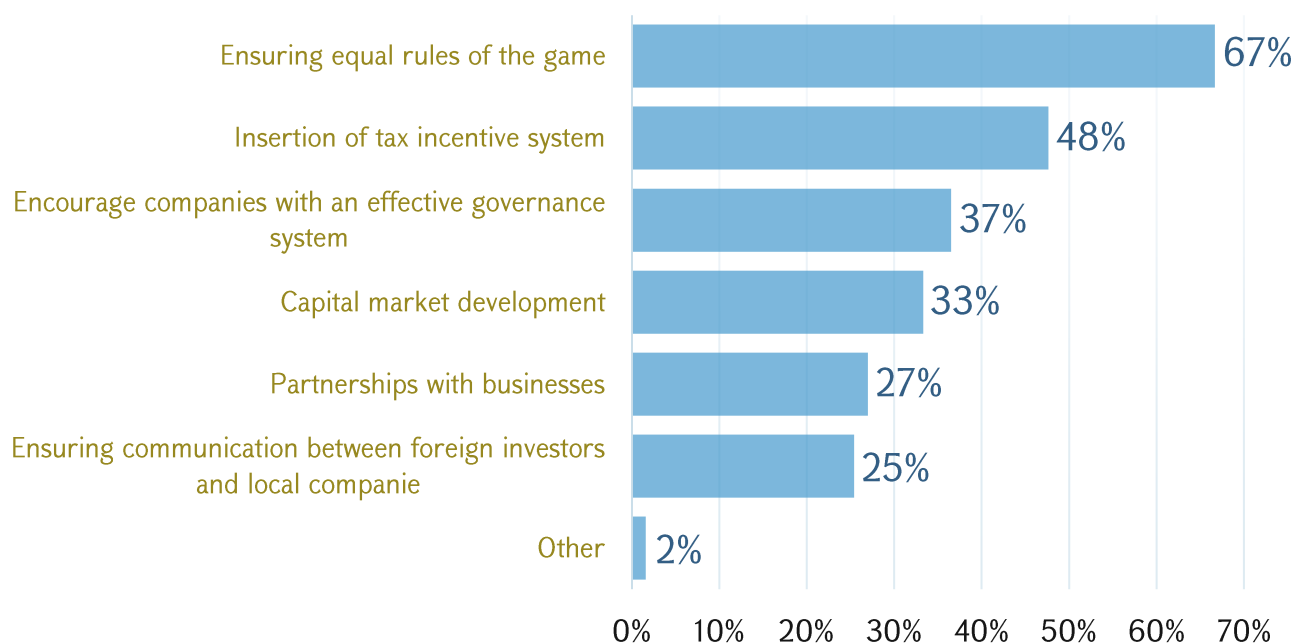
Although only 19% of the respondents consider foreign investors as a stimulus for corporate governance improvements, the vast majority of the respondents (80%) said they were ready to accept the rules of the game proposed by investors, which were related to the improvement of their governance system and strengthening culture of corporate integrity.

As already mentioned, the respondents rely on state-sponsored policies to improve their own corporate governance. Therefore, in the framework of the research, an attempt was made to find out the expectations of companies from the state, in terms of both improving the country's business environment and ensuring the flow of long-term investments, and state support structures to promote the quality of the corporate governance system of companies.

According to the Figure 11, more than 2/3rd of the respondents expect the state to ensure equal rules of the game in the business environment. Almost half of the respondents were in favour of

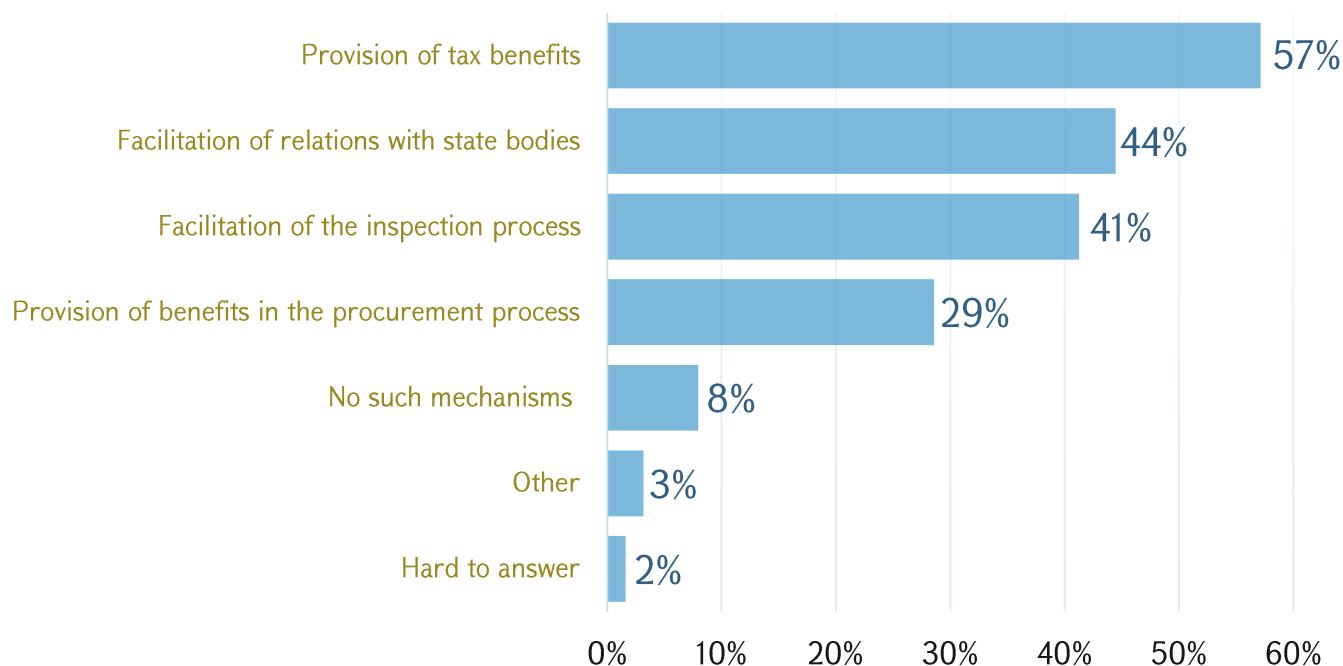
implementing a tax incentive system, and 37% again expressed the opinion that the state should encourage companies with an effective corporate governance system.

FIGURE 11: POSSIBLE MOVES BY THE STATE TO IMPROVE THE BUSINESS ENVIRONMENT OF THE COUNTRY AND TO ATTRACT LONG-TERM INVESTMENTS (N=63)



As for the structures of state incentives for an effective corporate governance system, it should be noted that such an approach is quite in line with the concept of “stakeholder capitalism” and fits within its logic. As a stakeholder the state has an opportunity to take advantage of good governance opportunities (for example, economic system stability, increase in budget revenues, etc.) and does have its own interests in the sustainable development of the private sector. Therefore, it is quite logical to apply a differentiated approach to companies with good corporate governance practices in their relations with state authorities, and appreciate the latter’s’ efforts of the latter. Apply certain incentive or support structures to those companies while considering them as reliable partners. The respondents mentioned four possible incentive structures: provision of tax benefits (57%), facilitation of relations with state bodies (44%) (for example, in the processes of state registration, issuance of permits), facilitation of inspections (41%), consideration of good corporate governance practices as an advantage in the public procurement process (29%) (Figure 11).

FIGURE 12: GOVERNMENT STRUCTURES AIMED AT PROMOTING GOOD CORPORATE GOVERNANCE (N=63)

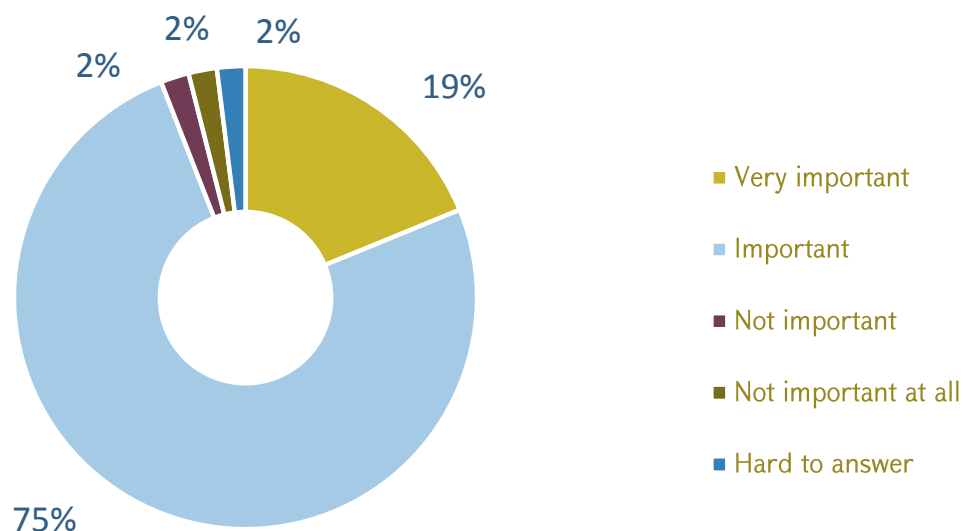


Ensuring the impartiality and targeting of the choice is essential in the application of state incentive schemes. In this regard, the state can be supported by business associations, as well as business collective initiatives.

Taking into account that a Business Integrity Club has been established in Armenia, which is the first collective initiative of the Armenian business community and aims to promote the collective action of Armenian businessmen on issues related to corporate governance, the respondents were asked to assess the importance of business collective action to improve the corporate governance environment. By the way, 13 participants of the Business Integrity Club took part in the survey.

95% of the respondents stressed the need for such an initiative, with 76% of the respondents considering it important and 19% - extremely important (Figure 13).

FIGURE 13: IMPORTANCE OF BUSINESS COLLECTIVE ACTIONS TO SUPPORT GOOD CORPORATE GOVERNANCE (N=63)



MAIN CONCLUSIONS OF THE RESEARCH

The respondents stressed the role of constructive capital oriented to transparency, accountability and integrity, and perceived those benefits in terms of both the overall economy and their own company.

Along with the failures of the state policy, the respondents singled out the issues of inefficient corporate governance environment as investment barriers.

All in all, the respondents' approaches towards the benefits of corporate governance were strongly positive.

Although the respondents have highlighted the ability of companies to achieve their social, environmental and good governance goals, the results of a survey showing their practical progress in this area raise some doubts, especially conditioned with the lack of knowledge on good governance in the companies.

In the improvement of their own corporate governance system the respondents relied more on the incentive and supporting policies by the state, than on their own efforts, that is making a firm and clear commitment to corporate governance and its targeted implementation.

The respondents stressed the collective actions of the business aimed at improving the corporate governance system, which indicates the need for the Business Integrity Club and expansion of its activities.

QUESTIONNAIRE

1. PLEASE DESCRIBE THE INVESTMENTS THAT YOU THINK THE ARMENIAN ECONOMY CURRENTLY NEEDS (UP TO THREE ANSWERS ARE POSSIBLE):

- Long-term, patient capital
- Aimed at formation of public goods
- Providing income for a particular group of people
- Promoting inclusive economic growth
- Providing results in the short-term without worrying about long-term effects
- Aimed at increasing the transparency and accountability of the business environment
- Encouraging a culture of governance integrity
- Other (please specify)

2. PLEASE INDICATE THE FACTORS THAT HINDER THE INFLOW OF INVESTMENTS INTO THE ARMENIAN ECONOMY (UP TO THREE ANSWERS ARE POSSIBLE):

- Political instability
- Economic instability
- Lack of social solidarity
- Lack of knowledge on corporate governance
- Promises to make Armenia attractive for investors are not kept
- Non-transparent and non-accountable practices of businessmen
- Lack of integrity culture in the business environment
- Other (please specify)

3. PLEASE INDICATE WHO MAY BE INTERESTED IN INVESTING IN THE ARMENIAN ECONOMY (UP TO THREE ANSWERS ARE POSSIBLE):

- Local investors
- Foreign investors of Armenian origin
- Transnational companies
- Fast growing foreign medium-sized companies
- Institutional investors
- Development Financial Institutions
- Other (please specify)

4. PLEASE DESCRIBE THE INVESTMENTS YOUR COMPANY NEEDS (UP TO THREE ANSWERS ARE POSSIBLE):

- Long-term, patient capital
- Aimed at formation of public goods
- Providing income for a particular group of people
- Promoting inclusive economic growth
- Providing results in the short-term without worrying about long-term effects
- Aimed at increasing the transparency and accountability of the business environment
- Encouraging a culture of governance integrity
- Other (please specify)

5. THE 2020 MANIFESTO OF THE WORLD ECONOMIC FORUM STATES:

“A company is more than an economic unit generating wealth. Performance must be measured not only on the return to shareholders, but also on how it achieves its environmental, social and good governance objectives”.

Please express your approach to the above mentioned formulation:

- Completely agree
- Agree
- Disagree
- Completely disagree
- Hard to answer

6. PLEASE INDICATE WHETHER YOU ARE AWARE OF THE UN SUSTAINABLE DEVELOPMENT GOALS:

- Yes (go to the 7th question)
- No (go to the 8th question)

7. PLEASE INDICATE WHICH OF THE UN SUSTAINABLE DEVELOPMENT GOALS YOUR COMPANY’S ACTIVITIES ARE MOST AIMED AT ACHIEVING:

- No poverty
- Zero hunger
- Good health and wellbeing
- Quality education
- Gender equality
- Clean water and sanitation
- Affordable and clean energy

- Decent work and economic growth
- Industry, innovation and infrastructure
- Reduced inequalities
- Sustainable cities and communities
- Responsible consumption and production
- Climate action
- Life below water
- Life on land
- Peace, justice and strong institutions
- Partnerships for the goals
- All together
- We do not work in this direction yet

8. IN YOUR OPINION, WHAT ARE THE ADVANTAGES OF AN EFFECTIVE CORPORATE GOVERNANCE SYSTEM? (UP TO THREE ANSWERS ARE POSSIBLE):

- Investment attractiveness
- Efficiency of activity and high performance
- Strengthening corporate reputation
- Increase in business value
- Reducing the likelihood of possible crises situations
- Business viability and long-term development
- It does not provide with anything, it is an additional headache
- Hard to answer
- Other (please specify)

9. PLEASE INDICATE THE MEASURES YOU THINK ARE IMPORTANT TO IMPROVE YOUR COMPANY'S CORPORATE GOVERNANCE SYSTEM (UP TO THREE ANSWERS ARE POSSIBLE):

- Ensuring the protection of the rights of the controlling shareholder
- Equal treatment for all shareholders
- Separation and clear definition of powers of the company's governing bodies (general meeting, board of directors, director/department)
- Insertion of risk management system
- Ensuring the ethical and legal compliance of the company
- Measures aimed at the loyalty of the company's employees
- Measures aimed at the customer loyalty

- Ensuring mutually beneficial relations with partners
- Adoption of a long-term company development strategy
- Undertaking the commitment of senior management to improve the governance system
- Following up on the company's financial discipline
- Other (please specify)

10. PLEASE INDICATE WHO SHOULD LEAD THE PROCESS OF IMPROVING THE CORPORATE GOVERNANCE SYSTEM IN YOUR COMPANY (ONLY ONE ANSWER IS POSSIBLE):

- Controlling shareholder/s
- Board of Directors
- Executive body
- Advisory Board
- Corporate secretary
- Internal auditor
- Compliance manager /seeks to ensure that the company operates within the law/
- Risk manager
- Hard to answer
- Other (please specify)

11. PLEASE INDICATE THE FACTORS THAT CAN CONTRIBUTE TO THE IMPROVEMENT OF YOUR COMPANY'S CORPORATE GOVERNANCE SYSTEM (UP TO THREE ANSWERS ARE POSSIBLE):

- Legislative changes to increase the transparency of companies
- Tightening legal enforcement /Strict monitoring by state bodies of the law implementation, application of sanctions if necessary/
- Socio-economic situation of the country
- Adoption of a policy encouraging the improvement of the companies' governance quality by the state
- Undertaking commitment of good corporate governance by companies
- Foreign investors
- Development financial institutions
- Reputational risk
- Other (please specify)

12. ARE YOU READY TO ACCEPT THE RULES OF THE GAME OFFERED BY INVESTORS, WHICH ARE RELATED TO IMPROVING YOUR GOVERNANCE SYSTEM AND STRENGTHENING THE CORPORATE CULTURE OF INTEGRITY?

- Yes
- No

13. IN YOUR OPINION, WHAT STEPS SHOULD THE STATE TAKE TO IMPROVE THE COUNTRY'S BUSINESS ENVIRONMENT AND ENSURE THE INFLOW OF LONG-TERM INVESTMENTS? (UP TO THREE ANSWERS ARE POSSIBLE):

- Encourage companies with an effective governance system
- Building partnerships with businesses
- Capital market development
- Ensuring equal rules of the game in the business environment
- Insertion of tax incentive system
- Ensuring communication between foreign investors and local companies
- Other

14. PLEASE INDICATE THE MECHANISMS ENCOURAGING THE QUALITY OF THE GOVERNANCE SYSTEM OF ARMENIAN COMPANIES BY THE STATE (UP TO THREE ANSWERS ARE POSSIBLE):

- Provision of tax benefits
- Facilitation of relations with state bodies
- Provision of benefits in the procurement process
- Facilitation of the inspection process
- Other (please specify)

15. PLEASE ASSESS THE NEED FOR COLLECTIVE BUSINESS ACTIONS AIMED AT IMPROVING THE CORPORATE GOVERNANCE SYSTEM OF COMPANIES:

- Very important
- Important
- Not important
- Not important at all
- Hard to answer

THANK YOU!

DESCRIPTION OF THE SURVEYED COMPANIES

FIGURE 2.1. ORGANIZATIONAL TYPE

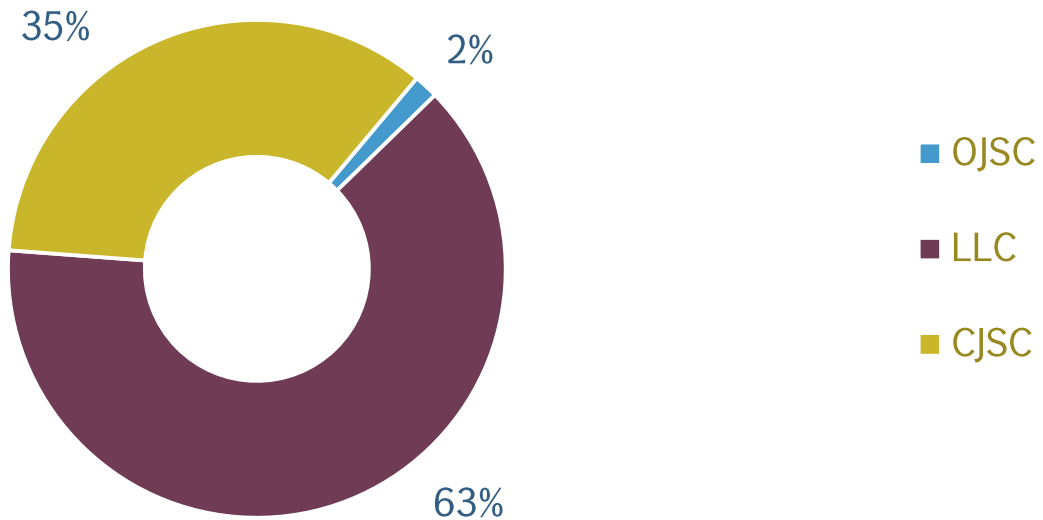


FIGURE 2.2. NUMBER OF EMPLOYEES

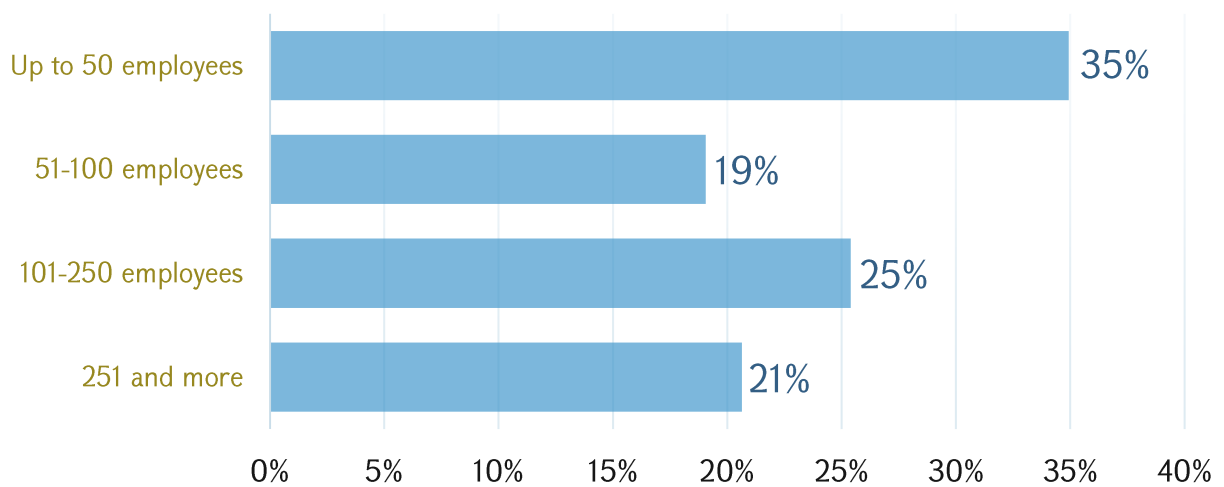


FIGURE 2.3. LOCATION

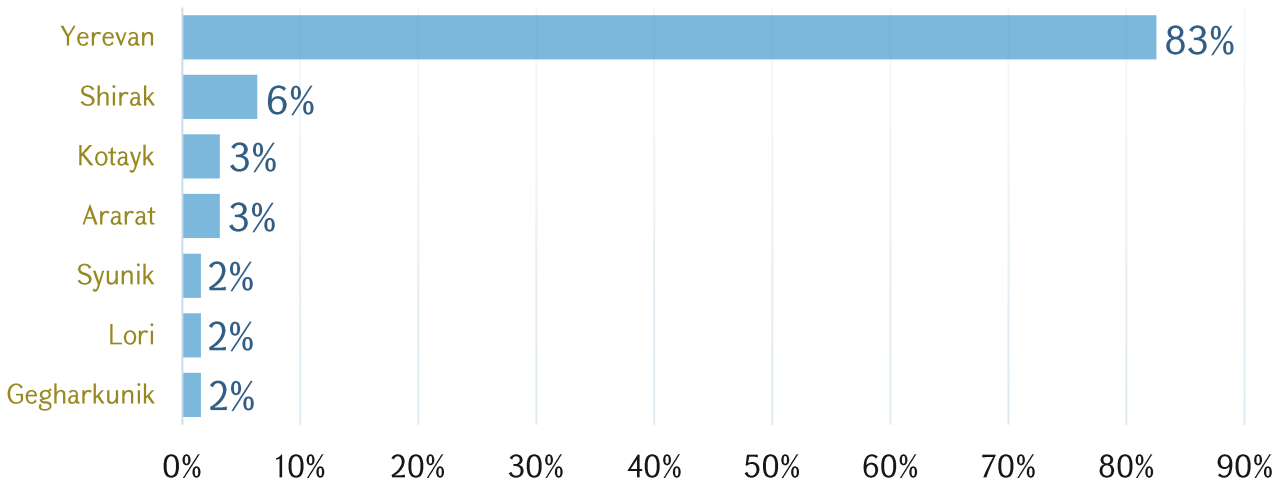
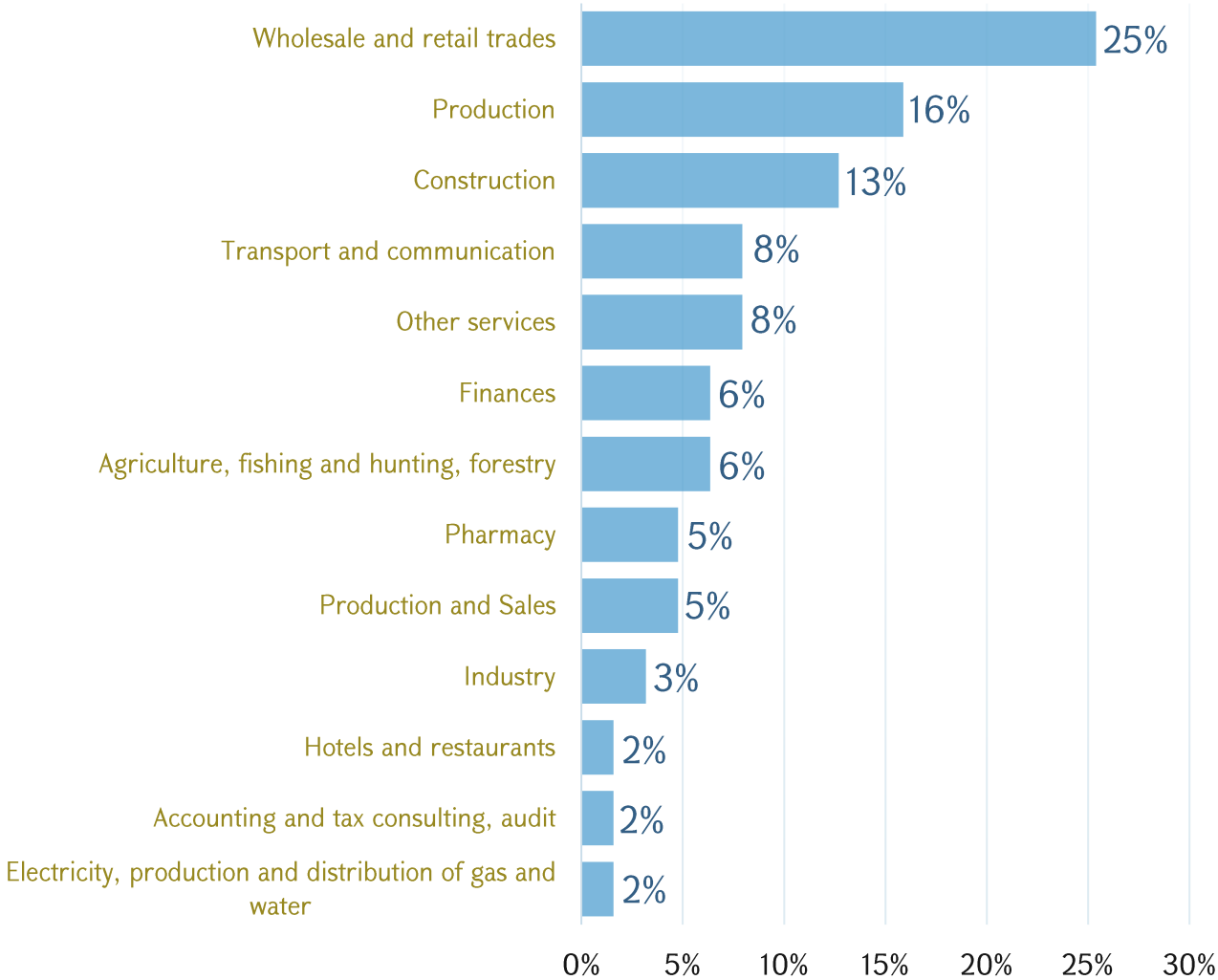


FIGURE 2.4. FIELD OF ACTIVITY



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