



**APPROVED**

**By the Business Integrity Club participants**

18 February, 2022

# **BUSINESS INTEGRITY CLUB PARTICIPATION RULES**

**YEREVAN, 2022**

## SECTION 1. GENERAL PROVISIONS

### Rule 1-1. Subject of the Rules, entry into force and basic concepts

- (a) The Rules regulate the relations on becoming a participant of the Business Integrity Club (hereinafter referred to as the Club), on termination of a participation, on formation of a participation committee and on the activities of the Club.
- (b) Entry into force of the Rules and its invalidating is approved by a simple majority of votes of the Club participants present at the Club meeting. Each participant of the Club has one vote. The meeting is valid (has a quorum) if more than 50% of the Club participants take part in it.
- (c) Main concepts used in the Rules are:

<b>Secretariat:</b>	Corporate Governance Center.
<b>Participation Committee:</b>	A committee formed of the participants of the Club, which resolves the issues related to granting, refusing or terminating a participation in the Club.
<b>Declaration:</b>	Anti-Corruption Declaration (Annex 1), which sets out the principles that Club participants must adhere to and spread during their activities and business relations.
<b>Integrity:</b>	Entity's culture of organizing its activities based on the rules of accountability, transparency, responsibility, professionalism and ethics, which excludes corruption.
<b>Attendance policy:</b>	Club policy, which aims to promote the activity of the Club participants and raise their awareness of the Club strategy and its performance, the results of current activities, as well as to stimulate their inclusion in achieving the Club's mission and key performance indicators.
<b>Compliance policy:</b>	Club policy aimed at managing the risk of the Club reputation and promoting ethical and anti-corruption commitment of the Club participants.
<b>Main events of the Club:</b>	Events in which the Club's development directions and programs, internal regulations are discussed, the Club's opinion and approach are formed on the issues being within the framework of the Club's mission and goals.
<b>Additional events of the Club:</b>	Events aimed at raising awareness, coverage, exchange of experience, research. Such events include seminars, roundtables, conferences, courses, trainings, master classes, surveys, focus group discussions, and more. These events also include those organized by the Club partners.
<b>Communication on anti-corruption compliance progress:</b>	Report by which an entity discloses information on its progress in adhering to the principles of the Declaration to its stakeholders.

## SECTION 2. GENERAL PRINCIPLES OF CLUB ACTIVITIES AND PARTICIPATION

### Rule 2-1. Main principles of the Club activities

- (a) The Club is an anti-corruption collective initiative of the Armenian business community appreciating and following the principles of integrity, which unites its participants on corporate governance issues.
- (b) The mission of the Club is to improve the business environment of Armenia by promoting a culture of integrity, to promote its transparency and accountability, to increase confidence in the country's economic system, to support long-term, patient and constructive investments to the economy, and to promote economic development.
- (c) Main objectives of the Club are:
  - (1) spread the culture of integrity and anti-corruption compliance in the business environment of Armenia,
  - (2) raise public and professional awareness of corporate governance, corporate ethics and related issues,
  - (3) contribute to the improvement of the corporate governance systems of the Club participants and the development of their capacities in the corporate governance and related fields,
  - (4) participate in the development of legislative acts and come up with legislative initiatives,
  - (5) cooperate with foreign and local organizations having a corporate governance mission,
  - (6) expand and ensure a positive impact on the business environment in Armenia,
  - (7) contribute to increasing the attractiveness of Armenia's economic system among potential foreign partners and investors.
- (d) Main principles of the Club activities are:
  - (1) **Inclusion:** Emphasizing the contribution of the Club and its participants in improving the corporate governance environment in Armenia, the participation and involvement of the participants in the Club's activities is encouraged, regardless of their size, stage of development, field of activity, period of participation in the Club, organizational structure and legal status and other criteria.
  - (2) **Diversity:** In order to provide an opportunity to consider alternative approaches for solving the objectives set by the Club the diversity and inclusion of the participants is encouraged.
  - (3) **Transparency:** In order to ensure the visibility, predictability and comprehensibility of the Club's activities for its stakeholders, it is encouraged to disclose essential and complete information about the results of the Club's activities on a regular basis through various channels, including the Internet.
  - (4) **Responsibility:** The Club bears collective responsibility towards the realization of its mission and goals. Behavior of mutual responsibility is encouraged in the Club.
  - (5) **Cooperation:** The Club encourages cooperation between not only the Club and its participants but also between other stakeholders with the aim to spread a culture of integrity.
- (e) An entity adhering to the culture of integrity, the principles of corporate governance in practice, advocating for their dissemination, which adopts the Declaration, meets the requirements of the Rules, and communicates about its anti-corruption compliance progress with stakeholders, may be a participant of the Club.
- (f) Advantages of being a participant of the Club are:
  - (1) being a participant of a network wishing to spread standards of integrity and corporate governance best practices in the Armenian business environment,
  - (2) being informed and aware of the latest developments in corporate governance and other related fields,
  - (3) being able to continually improve own corporate governance system,

- (4) having access to the Secretariat's consulting support under differentiated terms and conditions, which includes, but is not limited to, clarifications on corporate governance and corporate law issues, corporate governance analysis and evaluations, draft of corporate regulations, conducting trainings on corporate governance and anti-corruption issues for the staff of the Club participants, supporting the setting of an ethics and anti-corruption compliance program,
  - (5) using the Club logos in accordance with the terms set by the Club,
  - (6) having privileged access to participate in the events of the Club and its partners,
  - (7) being considered as a clear and preferred partner by foreign partners and investors, as well as international organizations.
- (g) The term for participation in the Club is not limited, except for the cases provided in the Rules.

## **2-2. Participation process**

- (a) The decision to join the Club should be made by a potential participant on the basis of being fully informed. For this purpose, the potential participant of the Club should get acquainted with the Declaration, the Rules, watch the video about the Club in advance, and if necessary, contact the Secretariat in case of any question about participation.
- (b) A potential participant who is fully informed about the Club submits an application for participation (Annex 2) to the Secretariat via the official website of the Club electronically attaching a copy of the receipt confirming the payment for the Club entrance fee.
- (c) The Secretariat shall address the application to the Participation Committee within one business day.
- (d) The Participation Committee examines the application with due diligence and compares the information contained therein with that obtained from other sources. Within 5 working days from the date of receipt of the application, the Participation Committee may request additional information and documents from the applicant. In that case, the application for participation shall be deemed to have been submitted upon receipt of all additional documents and information required by the Participation Committee.
- (e) The Participation Committee makes a decision on granting or refusing the participation within 15 working days from the day of receiving a participation application.
- (f) The Participation Committee shall refuse the application if:
  - (1) the application for participation does not meet the canons stated in the Rules,
  - (2) the applicant refuses to submit additional information and documents in accordance with Rule 2-2 (d) of this Rules.
  - (3) a proper examination of the applicant reveals information that could have a material adverse effect on the reputation of the Club, and the applicant does not provide the relevant explanations.
- (g) After the first application for participation is refused, the entity has an opportunity to submit a new application six months later, providing explanations that the previously identified issues have been resolved or are in the process of being resolved.
- (h) Upon receiving a positive answer on the participation application, the applicant signs the Declaration and completes the self-assessment checklist to assess its compliance with the principles set out in the Declaration. The results of the self-assessment are not considered a mandatory condition for participation in the Club. It helps the applicant to identify its compliance with the principles of the Declaration and improve its own governance system if necessary.

- (i) After receiving a positive answer on the participation within a month, the participant is obliged to publish the Declaration signed and information about its participation in the Club via its website and / or social networks.
- (j) In case of refusal to publish the Declaration and information within the timeline indicated under 2-2 (i), the participant shall submit the relevant explanations to the Secretariat.

### **SECTION 3. PARTICIPATION COMMITTEE**

#### **3-1. Composition and Formation of the Committee**

- (a) The Participation Committee consists of at least 3 participants of the Club and is formed for a period of three years. The Secretariat has at least one seat on the Participation Committee. Re-election of a Club participant in the Committee is not limited.
- (b) The Secretariat is involved in the Participation Committee without election.
- (c) During the election of the participants for the Participation Committee, each participant of the Club has a right to nominate candidates for the participants of the committee, including self-nomination. The number of nominees may not exceed the number of elected participants of the committee.
- (d) Candidates with the highest number of votes are considered elected in the committee according to the number of participants to be elected.
- (e) The Participation Committee elects the chair of the Committee from among its participants. The chair of the Committee is elected by the participants of the Committee from among the participants of the Committee by the majority of their total number of votes.
- (f) The Committee may re-elect the chair or elect a new chair by a majority vote of the Committee participants at any time.

#### **3-2. Activities of the Committee**

- (a) Functions of the Committee are:
  - (1) discusses the applications to become a participant of the Club, the grounds for termination of participation,
  - (2) makes a decision on granting, refusing or terminating participation.
- (b) The sittings of the Committee are convened by the chair of the Committee on his/her own initiative, at the suggestion of a participant of the Committee and the Secretariat. The Committee can make decisions by absentee ballot (by survey).
- (c) The decisions of the Committee are made by the majority of votes of the participants of the Committee present at the sitting. Each participant of the Committee has only 1 vote during the voting. The transfer of voting rights from one participant of the Committee to another (including any third party) is not allowed. The chair of the Committee does not have a decisive vote.
- (d) The sittings of the Committee are protocolled by the Secretariat. The record of the sitting shall be formed within 10 days after the end of the sitting.
- (e) The record of the Committee sitting is signed by all the participants participating in the sitting.
- (f) The Secretariat shall ensure that the minutes of the Commission meetings are made available to the Club participants by posting them on the Secretariat web page or by sending them to the relevant e-mail address of the Club participant.

## SECTION 4. ASSESSMENT OF CLUB PARTICIPANTS

### 4-1. Policy of attending the Club events

- (a) During the year, the Club participant is obliged to attend at least 50% of the Club events both mandatory and additional.
- (b) The Secretariat is obliged to inform the participants about the Club events at least 7 days before so that they can mind their time.
- (c) In addition to the head of the executive body of the participant and / or the chair of the board, other responsible employees can participate in the meetings of the Club, notifying the Secretariat in advance.
- (d) Events can be held by physical presence or remotely.
- (e) The Club participants can contribute to the Club's activities with both professional and marketing support.
- (f) If the Club participant does not follow the Attendance policy, and is absent from three Club events in a row, the Secretariat shall then notify the participant, warning of setting a probationary period of six months for the latter. If during the probationary period the participant continues not to attend the events of the Club, the Secretariat shall apply to the Participation Committee with a proposal to terminate the participation of the participant.

### 4-2. Compliance policy

- (a) The participants of the Club must make every effort to ensure their compliance to the principles of the Declaration.
- (b) The Secretariat conducts annual reviews of the participants to assess the progress of the participants' corporate governance practices, including adherence to the principles of the Declaration, and to protect the reputation of the Club.
- (c) The reviews are carried out by the Secretariat based on the methodology previously discussed with the participants of the Club.
- (d) During the reviews by the Secretariat, participants are required to cooperate with the Secretariat and to provide the information or data requested by the Secretariat.
- (e) Participants are required to notify the Secretariat of any corruption or unethical concerns, including discrimination (racial, ethnicity, sexual, age, marital status, political preferences and work experience), sexual harassment, bullying or legal charges within three months of their occurrence and to provide a written explanation outlining the steps they have taken to resolve the issue.
- (f) In the event of non-compliance with Rule 4-2 (e) by the participants, the Secretariat shall convene a meeting of the Participation Committee with an agenda for termination of participation.
- (g) The Secretariat examines the substance of the participant's corruption or unethical issue and the proportionality of the explanation and sets a three-month probationary period for the participant.
- (h) A participant may request the professional consultancy of the Secretariat to address a corruption or unethical issue during the probationary period provided for in Rule 4-2 (g).
- (i) If, at the end of the probationary period provided for in Rule 4-2 (g), a participant's corruption or unethical issue persists, the Secretariat shall convene a meeting of the Participation Committee with an agenda to renew or terminate the participation.

## SECTION 5. ACCOUNTABILITY OF THE CLUB PARTICIPANTS

### 5-1. Communication on anti-corruption compliance progress

- (a) The Club participants must develop and publish an annual report on anti-corruption compliance progress for each year.
- (b) The annual Anti-Corruption Compliance Progress Report is developed based on the “Commitment-System-Action-Outcome” approach.
- (c) The components of the Anti-Corruption Compliance Annual Report are:
  - (1) Anti-Corruption Commitment or Commitment Statement derived from the Club participant’s mission and the Declaration,
  - (2) A description of the governance systems aimed at implementing the principles of the Declaration, which helps stakeholders to understand how a participant of the Club integrates the principles of the Declaration into its strategy, current activities and communication process,
  - (3) Description of the activities of the Club participant aimed at implementing the principles of the Declaration during the reporting period,
  - (4) Presentation of qualitative-quantitative results characterizing the activities of the Club participant during the reporting period.
- (d) The Club Participant must ensure that the Annual Report on Anti-Corruption Compliance Progress is published on the Internet by June 30 of the year following the reporting period.
- (e) The Annual Report on Anti-Corruption Compliance Progress of the Club Participant shall also be published on the Secretariat's website.

## SECTION 6. FUNDING OF THE CLUB

### 6-1. Club participation fee

- (a) Of the sources of funding for the Club are the Club entrance fee and annual participation fee.
- (b) The amounts of the Club entrance fee and Club participation fee are determined and changed by a simple majority of votes of the Club participants present at the Club participants’ meeting.
- (c) Decisions on setting or changing the annual participation fee of the Club enter into force three months after their adoption, unless the participants of the Club participating in the meeting, by a simple majority of their votes, provide for a longer term.
- (d) The Club participants pay the participation fee annually within 10 working days from the moment of notification by the Secretariat. The annual participation fee for a new participant of the Club is calculated from the moment of participation confirmation, and the payment by the Club participant is made within 10 working days from the moment of the participation confirmation by the Secretariat.
- (e) Failure to pay the Club entrance fee may be a basis for rejecting participation application.
- (f) Failure to pay the Club participation fee may be a basis for termination of participation.

### 6-2. Secretarial Consulting Assistance Fee

- (a) The Secretariat provides consulting services to the participants of the Club on a paid basis on different terms and conditions.
- (b) The Secretariat contributes from the proceeds of the consulting services provided to the Club participants to finance the Club activities.

### **6-3. Other sources for funding of the Club**

- (a) Other sources for funding of the Club include:
  - (1) Donation by the participants and those who share the values of the Club, including technical assistance;
  - (2) Grants and other sources not prohibited by the law that do not conflict with the values and principles of the Club.

### **6-4. Management of the Club's financial resources**

- (a) The financial resources of the Club are managed by the Secretariat, on which the latter submits annual reports to the Club participants.

## **SECTION 7. TRANSITIONAL PROVISIONS**

- (a) The reporting period for the Annual Report on the Anti-Corruption Compliance Progress provided in Section 5 of the Rules starts from January 1, 2023.
- (b) For the participants joining the Club after the period referred to in paragraph 7-(a), the first reporting year is the period from the date of participation confirmation to December 31 of the given year.
- (c) By the time referred to in paragraph 7-(a), the Secretariat shall organize a seminar-discussion for the Club participants, as well as develop and publish a material about developing and publishing an annual Anti-Corruption Compliance Progress Report.



## ANNEX 1. ANTI-CORRUPTION DECLARATION

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### DECLARATION OF INTENT FOR BUSINESS ETHICS AND COMPLIANCE INITIATIVE IN ARMENIA

We, as a company operating in Armenia, recognize that corruption is a major handicap to the country's marketplace, as well as the continued success of our companies. We further recognize that transparency, ethics, honesty, and accountability are the means to combating such corruption and ensuring fair opportunities for all to participate in the market. In supporting of the foregoing, we hereby declare our intent to:

- 1) Conduct all company business responsibly and in compliance with internationally recognized anticorruption standards and the laws of Armenia.
- 2) Prohibit all employees from engaging in corrupt, fraudulent, and unethical activities with private and public officials and organizations.
- 3) Introduce a transparent disclosure policy for the company's operations, including transparency about those who are the true owners of the company.
- 4) Treat our employees, customers, partners, and suppliers with honesty and respect.
- 5) Earn a reputation for ethics, competence, and excellence.
- 6) Support a nationwide initiative intended to create fair market conditions, promote transparency in business transactions, and ensure good corporate governance in Armenia.
- 7) Develop practices to disseminate above principles to all parties within our company, as well as our customers, partners, and suppliers.

Company: .....

Position: .....

Signature: .....

Date: .....

## ANNEX 2. APPLICATION FOR THE CLUB PARTICIPATION

I hereby confirm that when submitting the Application I was familiar with the Anti-Corruption Declaration, the Rules, I have watched the video about the Club, and I certify that I submit the Application on the basis of being fully informed about the Club.

<b>Company Name</b>	
<b>Number of employees of the Entity</b>	
<b>Annual revenue of the Entity for the last reporting period</b>	
<b>Field of activity of the Entity</b>	
<b>Location of the Entity</b>	
<b>Date of establishment of the Entity</b>	
<b>Director of the Entity</b>	
<b>Board composition of the Entity</b>	
<b>Corruption incident (s) in which the Entity has been involved in the past or which is being investigated<sup>1</sup></b>	Yes (The Applicant must attach a written explanation to the Application, presenting the essence of the issue, a description of the steps taken by the Entity to resolve it)  No
<b>Main motives for joining the Club and following the requirements for anti-corruption and integrity</b>	
<b>Sources of learning about the Club</b>	

I hereby declare that the information provided by me is true and correct, and I take responsibility for it.

<sup>1</sup> Disclosure of this information is essential for the Club to assess the Applicant's commitment to standards of integrity and to manage the reputational risk to the Club.