

## EFQM Internal Rules

### 1. PURPOSE OF THE THESE INTERNAL RULES

- 1.1 The present Internal Rules implement article 17 of the by-laws of EFQM and intend to elaborate and specify these by-laws. All Affiliates agree to be bound by these rules as from the date of entry into force of the Affiliation Agreement entered into in the manner described in article 2.3 of these Internal Rules.
- 1.2 The present Internal Rules remain in force until revoked or amended by decision of the Board of Directors.
- 1.3 The present Internal Rules govern the contractual relationship resulting from the conclusion, in accordance with article 2.3 of these Internal Rules, of Affiliation Agreements between EFQM and each present or future Affiliate of EFQM, hereinafter referred to as the Affiliate, and together the Affiliates. All Affiliates agree to be bound by these rules as from the date of entry into force of the Affiliation Agreement entered into in the manner described in article 2.3 of these Internal Rules.
- 1.4 For continuity purposes, internal and external documents of EFQM may use the terms "member" and "membership" in relation to the Affiliates and their affiliation. This however does not imply that the Affiliates would at any point become a "member" of EFQM within the legal meaning of the term or that they would benefit from any rights or have any obligations other than the Affiliation rights and obligations described in these Internal Rules.

### 2 AFFILIATION

#### 2.1 Specific requirements applicable to the Affiliates

The statutory purpose of the Foundation, as described in Article 3 of its by-laws, allows for the conclusion of Affiliation Agreements with organisations that undertake to intellectually and financially participate in and contribute to the community of excellence established by the foundation (the "EFQM" community).

The conclusion of such Affiliation Agreements is, however, limited to the following categories of organisations, as established by the Foundation, each with different duties, rights and Affiliation contributions:

- 2.1.1 The business enterprises or public sector organisations, hereinafter referred to as "**Member Category**", which category consists of 4 subcategories based on the annual subscription fee (**Member Category A, B, C and D**);
- 2.1.2 Educational institutions, such as universities and schools, hereinafter referred to as the "**Associate Members**";
- 2.1.3 Consultancy organisations or divisions, hereinafter referred to as the "**Consultant Members**", which category consists of 3 subcategories (**Consultant, Licensed Consultant and Premium Consultant Members**) that are each in their turn subdivided into 4 categories based on the annual subscription fee (**A, B, C and D**);

The Affiliates acknowledge specifically that the use of the term 'member' in this article and in other internal and external documents does not imply that they would have any type of membership rights or obligations other than the rights and obligations enumerated in article 2.2 and that the term member as used in these documents should not be interpreted within the legal meaning of the word "member".

#### 2.2 Affiliation rights and obligations

The major purpose of EFQM as a membership organisation is to share best practices, networking and benchmarking between members through mutual assessment.

- 2.2.1 During the term of this agreement, the affiliate shall be entitled to the following Affiliation rights (part of the "**EFQM Membership Package**"):
- a) Have the possibility to connect with peers within the EFQM Community for **benchmarking**, sharing best practices and networking;
  - b) Have access to the online Knowledge Base for News, Learning and Networking about management practices, useful articles, tools and resources for Self-Assessment, Benchmarking, Process Improvement, Innovation, and a host of other business topics, EFQM presentations, Benchmarking Study Reports, downloadable EFQM logos, Member contacts;
  - c) Receive the **monthly EFQM News** with the possibility to distribute it to its team;
  - d) Profit from the exclusive opportunity to become an official "**EFQM Excellence Award Assessor**";
  - e) Have the possibility to identify good practices of our EFQM Excellence Award applicants
  - f) Have the possibility to join the "**Communities of Practices**";
  - g) Have the right to **use the EFQM logo** on stationery and marketing materials to highlight its EFQM Membership;
  - h) Participate in the EFQM "**Excellence Model Development**" work and contribute to the development of the latest business topics;
  - i) **Contact the EFQM Team** at any time to find out how to network with another organisation in the Affiliates industry or field of interest.
  - j) Participate in **EFQM activities**: How-to Workshops, Self-Assessment Trainings, European Assessor Trainings, EFQM Forum, Learning Edge; Community of Practices
  - k) Make use of preferential rates for **publications, EFQM training** courses and **events**; and
  - l) If applicable, exercise the rights accorded to it by the present Internal Rules of EFQM

- 2.2.2 During the term of this agreement, the affiliate shall
- a) provide EFQM with its views on and help drive the latest knowledge of business in the field of sustainable excellence.
  - b) **Appoint a Representative** with whom the Foundation can maintain contact. It will be expected that this Representative is a highly placed officer who can play a leadership role in activities in the domain of organizational excellence.
  - c) Pay **annual Affiliation fees** in accordance with article 2.3.1, in consideration for the Affiliation Rights as well as annual license fees in consideration for the License (see article 3).

### 2.3 Conclusion of Affiliation Agreements

An Affiliation Agreement is concluded between the Parties, either as a result of the payment of the annual Affiliation fee into the bank account of EFQM PRS (Private Stichtung), which results in the automatic adherence to these Internal Rules and in the conclusion of the Affiliation Agreement.

The Affiliation Agreement will enter into force on the date of receipt by EFQM of the annual Affiliation fee payable by the Affiliate.

- 2.3.1 The amount of the fees to be paid annually by the Affiliate under article 2.2.2 of the Internal Rules, is set forth in Annex 1, depending on the category to which the Affiliate belongs. The Affiliate shall pay all VAT due on these fees as well as all other applicable taxes, if any. The Board of Directors of EFQM may, at its sole discretion, decide to increase the amount of the fees to be paid by the Affiliates if it determines

that such increase is necessary in order to allow EFQM to continue its activities in an appropriate manner.

- 2.3.2 EFQM shall establish an annual invoice per Affiliation year with respect to these fees and shall send it or hand it over to the Affiliate.
- 2.3.3 The invoice is to be paid within 30 (thirty) days upon receipt by bank transfer into account IBAN nbr.: BE25001446103682 – (BIC or SWIFT CODE GEBABEBB) with Fortis Bank NV, Montagne du Parc 3 in Brussels, or into any other account that has been duly and timely communicated to the Affiliate by EFQM for this purpose. In case of late payment of the due prices to EFQM, the client shall pay an interest of 1% per month calculated as from the due dates of the concerned payment, and the client shall compensate all the judiciary and extra-judiciary recovery costs, with a minimum of 250,-Euro.

#### **2.4 Decision to conclude a new Affiliation Agreement**

The decision to accept an organisation, as referred to in article 1, as an affiliate and to determine the category under which it shall be registered, belongs to the Chief Executive Officer of the Foundation. In case of doubt, the Board of directors shall be consulted for advice on action to be taken.

#### **2.5 Decision to terminate an Affiliation Agreement**

- 2.5.1 Each Party shall be entitled to terminate the Affiliation Agreement with 2 (two) months prior written notice to the other Party.
- 2.5.2 The decision to terminate an Affiliation Agreement by the Foundation, in accordance with the Internal Rules, shall belong to the Board of Directors of the Foundation.
- 2.5.3 Notwithstanding article 2.5.1. of these Internal Rules, the Affiliation can be terminated by each Party without notice and by means of a registered letter upon the occurrence of serious cause. The following shall, amongst other, be considered a serious cause:
  - a) A Party commits a substantial breach of the Internal Rules and fails to remedy such breach within a term of 20 business days after receiving written notice from the Party not at fault requiring it to remedy said breach;
  - b) A Party becomes insolvent or experiences serious financial difficulties.
- 2.5.4 The agreement can be terminated by EFQM without notice and by means of a registered letter if the Affiliate no longer complies with the Affiliate specific requirements stated in article 2.1. of the Internal Rules.

### **3 INTELLECTUAL PROPERTY**

- 3.1.1 The Affiliates acknowledge EFQM's exclusive ownership of all intellectual property rights (the **IP Rights**) on the resources, articles, presentations, newsletters and other materials (the **EFQM Materials**) referred to in article 2.2.1. of the present Internal Rules. The IP Rights include, but are not limited to, copyright and neighbouring rights, trade and service marks, trade names, databases, domain names, trade secrets, registered and unregistered designs, know-how (including technical information, methods and formula's) and logos, whether such rights are registered or not.

### **4 CONFIDENTIALITY**

- 4.1.1 Except in the event of a legal or regulatory obligation or pursuant to an administrative or judicial order, each Party (the Receiving Party) shall hold any information disclosed by the other Party (the Disclosing Party) under or pursuant these Internal Rules (hereinafter collectively referred to as *Confidential Information*) in strict confidence, and shall not disclose such confidential information to third parties without the prior written consent of the Disclosing Party, provided, however, that Confidential Information shall not include any such information:
  - a) Which at the time of disclosure is in the public domain;

- b) Which after the disclosure becomes a part of the public domain through no fault of the Receiving Party;
- c) Which prior to receipt from the disclosing Party was already in the possession of the Receiving Party, as proven by its written records;
- d) Which is lawfully and independently obtained by the Receiving Party from a third party having the right to disclose them without secrecy obligation;
- e) Which was independently developed by the Receiving Party, as proven by its written records.

## **5 APPOINTMENT OF DIRECTORS OF EFQM**

### **5.1 Principle**

The directors are appointed by the Board of Directors, in accordance with article 5 of the by-laws of EFQM. They are selected from amongst the persons supported by the organizations that commit themselves to meeting the purpose of the Foundation, that subscribe to and support the objectives of the Foundation and that are based wholly in Europe or carry out significant operations in Europe.

### **5.2 Organizations and persons concerned**

The organizations referred to in article 5.1 are the organizations that have entered into an Affiliation Agreement in accordance with article 2.3 and that have a European turnover superior to EUR 100,000,000 (Member Category A and B).

The persons referred to in article 5.1 are:

- a) The most senior officers involved in the Performance Excellence and quality management activities of the (Member Category A and B, who are defined as Representatives; or
- b) Any other persons supported by the Member Category A and B.

### **5.3 Appointment process**

The directors are appointed by the Board of Directors from the lists of persons submitted to the Board of Directors from the Affiliates A and B.

Upon request of the Board of Directors or on his/her own initiative, the Chairman and/or the Chief Executive Officer may render an advice to the Board of Directors indicating the persons that deserve to be chosen from the lists and the reasons for such choice. This advice serves as a guide to the Board of Directors when appointing the Directors but is not binding.

## **6 ROLE OF THE CHIEF EXECUTIVE OFFICER**

6.1 The Chief Executive Officer is responsible for the day-to-day management of the Foundation. He/she is responsible for the coordination and development of proposals, with reference to the general purpose of the Foundation, for evaluation and modification by the Board of Directors.

The Chief Executive Officer:

- a) Lends support to the President of the Board of Directors with respect to the meetings of the Board of Directors;
- b) Leads the development of operational and business plans and takes care of input on behalf of the Board of Directors with respect to decision making;

- c) Reports to the Board of Directors on the progress on the basis of operational and business plans;
  - d) Represents the Foundation externally, in so far as this is permitted on the basis of the Articles of the Foundation, in coordination with the actions of the President and Members of the Board of Directors;
  - e) Leads the self-assessment process of the Foundation and reports to the Board of Directors on the progress;
  - f) Takes the initiative in the Foundation with respect to ensuring that good policies and processes exist and are put into practice.
- 6.2 The Chief Executive Officer will be appointed or dismissed by the Board of Directors on the recommendation of the President. The Chief Executive Officer is accountable to (the President of) the Board of Directors.
- 6.3 The Chief Executive Officer consults the Board of Directors annually for approval of the following matters
- a) The annual accounts and activity report with reference to the previous financial year;
  - b) The budget and the one-year operational plan for the following financial year as well as a strategic business plan on the basis of the strategy approved by the Board of Directors
  - c) All other matters determined by the Board of Directors.
- 6.4 The Chief Executive Officer organizes the meetings of the Board of Directors as determined in Article 7 of the Articles of the Foundation.

## **7 NOTICES**

All notices required to be given under these Internal Rules shall be in writing and shall be deemed delivered

- a) When delivered by hand,
- b) Two business days after being given to an internationally recognized carrier,
- c) When sent by confirmed facsimile or by any other means of electronic written communication (including email)
- d) Two business days after deposit in the mail by registered or certified mail, and in each case addressed to the Party at the address appearing on the first page of these Internal Rules or at such other address as a Party is notified.

## **8 ENTIRE AFFILIATION AGREEMENT AND REPLACEMENT OF PRIOR AGREEMENTS**

- 8.1 These Internal Rules and the agreements concluded as per these Internal Rules and their annexes constitute the entire agreement regarding the subject matter thereof.
- 8.2 These Internal Rules and the agreements concluded as per these Internal Rules replace all prior agreements relating to the same subject matter between the Parties, both orally as in writing.

## **9 SEVERABILITY**

Should individual provisions of these Internal Rules be invalid or void, the validity of the remaining provisions shall remain unaffected. In such case, the Parties shall replace the invalid and/or void provision by such provision which corresponds closely to the initial intention of the Parties.

**10 APPLICABLE LAW**

The validity, interpretation and performance of these Internal Rules shall be governed by, and construed in accordance with, the material laws of Belgium, at the exclusion of private international law.

**11 DISPUTE RESOLUTION**

In case of disputes arising out of or in connection with these Internal Rules, the Courts of Brussels shall be exclusively competent.

**ANNEX 1: FEES**

In consideration for the Affiliation rights, the Affiliate shall pay an annual fee, dependent on the category to which they are registered based on annual turnover. The same contribution lines apply to Affiliate Members and Consultant and Licensed Consultant Members.

The fees applicable as per the date of the adoption by the Board of Directors of these Internal Rules are as follows:

<b>Annual Turnover (business enterprises) Expense Budget (government) Total Assets (financial/real estate)</b>	<b>Category</b>	<b>Annual Subscription Fee in EUR (€)</b>
More than 1 billion Euros	■ Category A	■ 11,000
Between 1 billion Euro and 100 million Euro	■ Category B	■ 5,500
Between 100 million Euro and 5 million Euro	■ Category C	■ 2,700
Less than 5 million Euro	■ Category D	■ 1,350

For educational institutions (such as universities and schools), EFQM has a special category called **associate category**. In order to fulfil the mission of EFQM, we wish to share our knowledge with future business leaders (in any industry) and, as such, we have created one annual subscription fee of **€1,100** regardless of size.

In consideration for the Licence, Licensed Consultant Members shall pay an annual licence fee of EUR 2000 for the first license and EUR 1500 for every subsequent trainer, every subsequent licence being at 50%.

Premium Consultant Members pay an annual fee, dependent on the category to which they are registered based on annual turnover.

<b>Annual Turnover (business enterprises) Expense Budget (government) Total Assets (financial/real estate)</b>	<b>Category</b>	<b>Annual Subscription Fee in EUR (€)</b>
More than 1 billion Euros	■ Category A	■ 15,000
Between 1 billion Euro and 100 million Euro	■ Category B	■ 8,500
Between 100 million Euro and 5 million Euro	■ Category C	■ 4,700
Less than 5 million Euro	■ Category D	■ 2,350