

**APPENDIX**  
**Approved by**  
**Resolution N 008L of 22 April 2014**  
**The board of “National Mortgage Company” RCO CJSC**

**"NATIONAL MORTGAGE COMPANY"**  
**REFINANCING CREDIT ORGANIZATION**  
**A closed joint-stock company**

**CORPORATE SOCIAL RESPONSIBILITY POLICY**

**YEREVAN – 2014**

## ***Preamble***

As in many countries, mortgage lending is viewed as a key tool for improving housing conditions for a large part of population. At the same time, current social and economic situation as well as undeveloped financial markets make it difficult for most of them to become a beneficiary. Thus, by official statistics mortgage lending to GDP ratio in 2012 was only around 4%. To promote the mortgage market development and to make mortgage lending more affordable, the Central Bank of the Republic of Armenia initiated the establishment of a mortgage refinancing company - National Mortgage Company (hereinafter also referred to as NMC). The Company was established in June 2009 and started operating in July 2009. Since July 2009 the Company has refinanced more than 4200 loans totaling around 35.0 billion AMD.

The mission of NMC is set as follows:

- To operate as a secondary market institution aimed at providing long-term funding to banks and mortgage lenders thereby increasing the availability and affordability of housing finance for low and middle income families.
- To promote high origination, underwriting and servicing standards for mortgage loans.
- To contribute to the development of the local capital markets.

The long-term vision of NMC is to provide refinancing resources for mortgage lending in the Republic of Armenia (hereinafter referred to as RA) mostly by mobilizing financial resources through the capital markets. This way NMC will play a particular role in the active promotion of mortgage market development as well as the development of capital markets in RA.

Currently, NMC cooperates with 20 Armenian Partner Financial Institutions (hereinafter referred to as PFIs) providing them with long term loans by refinancing PFIs' mortgage loans complying with mortgage lending Minimum Quality Standards and NMC other requirements.

## ***CSR policy***

NMC seeks to be a good corporate citizen in all aspects of its operations and activities. To this end we have brought together a series of operating principles under the broad heading of Corporate Social Responsibility (hereinafter referred to as CSR) to serve as a guide to employees in all aspects of their work for the company. The CSR policy has been developed taking into consideration the peculiarities of NMC as a mortgage refinancing company. In case of changes in the business model and/or enlarging operations NMC will review the CSR policy to respond to these changes.

With increasing its business activities and enlarging its role in the mortgage market NMC announces its adherence to high ethical standards in dealing with all stakeholders as well as its

commitment to follow high environmental standards. The objective is to manage business processes in a way to produce an overall positive impact on society.

We value the principles of accountability, honesty and integrity in all aspects of our business. Our policy is to conduct our business in a manner which ensures:

- fair treatment of all employees and clients,
- transparency of our business policies and practices,
- high standards in all matters relating to health, safety and the environment,
- ethical business practices throughout our operations.

To fulfill our mission and in coherence with our main values our CSR policy is divided into three main areas:

#### **Operational CSR**

- Social performance and social risk management
- Environmental performance and environmental risk management

#### **Internal CSR**

- Internal social responsibility
- Internal environmental responsibility

#### **Governance**

### **1. Operational CSR**

*To contribute to the human right respect, NMC supports the Universal Declaration of Human Rights in all of its spheres of influence.*

#### **a. – Social performance and social risk management**

*The social mission is increasing availability and affordability of housing loans for low and middle income population in a responsible and transparent way. To ensure implementation of the mission:*

- NMC believes that keeping interest margin at lower level is a way to bring mortgage products to large groups of population on the entire territory of RA.
- NMC believes that competition among lenders brings to lending terms improvement thus increasing affordability.
- NMC promotes regional lending and encourages PFIs to enlarge their activities in regions, especially in rural areas.

- NMC initiates as well as supports other stakeholders' initiatives in implementation of new housing finance programs, designing and introducing new housing finance products.
- NMC supports housing microfinance programs that will allow microfinance institutions to get involved to address housing needs of low income population in the more inhabited regions.
- NMC considers energy efficient mortgage lending as a priority from both social and environmental points of view.
- NMC ensures client protection and requires PFIs to ensure transparency by disclosing to the borrowers all costs associated with lending, to take measures for preventing the borrowers' over-indebtedness and to ensure the clients' privacy.
- NMC encourages PFIs to work with borrowers that have temporary financial difficulties rather than to start foreclosure process immediately.
- NMC ensures transparency of requirements and standards applicable for borrowers.
- NMC requires PFIs to ensure equality between men and women during applicants'/borrowers' underwriting process.
- NMC ensures that the refinanced loans are used for their intended purpose.
- NMC ensures the quality and security of the building regarding as well purchasing, renovation and construction loans.
- NMC makes sure that public infrastructures are available when financing mortgage lending.
- NMC requires of PFIs to comply with applicable national laws on environment, health, safety and social issues and any standards established therein and International Labour Organisation (ILO) conventions ratified by Armenia.

#### ***b. Environmental performance and environmental risk management***

*To contribute to environment protection NMC will not either directly or indirectly finance projects that may have damaging impact on the environment. The environmental mission is to minimize the negative environmental impacts of our existing products and ensure that the*

*negative environmental impacts of new products are fully assessed and minimized prior to their introduction. To ensure the implementation of the mission:*

- NMC promotes usage of energy efficient technologies and healthy materials by mortgage borrowers' in house construction and renovation works.
- NMC ensures that no hazardous materials are used by mortgage borrowers' in house construction and renovation works, including, asbestos, polychlorinated biphenyls ("PCB's").
- NMC encourages PFIs to expand the share of green/energy efficient mortgages in their loan portfolios.
- NMC seeks to provide assistance to PFIs in developing and implementing energy efficiency assessment tools.
- NMC promotes the sustainable consumption of materials in all operations, the reuse rather than the dispose of materials where possible, as well as the recycling and the use of recycled materials.
- NMC seeks to ensure balance between constructed and green areas during house construction and renovation works.
- NMC requires PFIs to respect applicable national laws on environment, health, safety and social issues and any standards established therein and International Labour Organisation (ILO) conventions ratified by Armenia.
- NMC promotes the ownership and control of environmental issues at business level and works with suppliers to minimize the impact of their operations on the environment through a quality purchasing policy

## **2. Internal CSR**

### **a. Internal social responsibility**

*The Company recognizes the value of its employees and has identified and assessed their long term retention as key to the short and long term value of the Company.*

- NMC respects applicable national laws on environment, health, safety and social issues and any standards established therein and International Labour Organization (ILO) conventions and codes of practice ratified by RA.
- NMC provides each employee with workplace safety. All workplaces are required to abide by local health and safety regulations and conform to norms on hygiene, safety and health at work.
- NMC offers its full time staff a range of benefits, including a social package at set amount, medical insurance, maternity and paternity leave and generous holiday allotment.
- NMC is committed to providing equal opportunities to all employees and job applicants. It aims to ensure that no job applicant receives less favorable treatment on the grounds of sex, marital status, sexual orientation, race, color, religion or belief, nationality or ethnic or national origin.
- NMC will take all reasonably practicable steps to ensure that disabled applicants or employees are able to participate in business activities on an equal basis with other employees.
- NMC fights direct or indirect discrimination, victimization and harassment at workplace as a serious matter.
- NMC encourages employees to participate in trainings and courses provided by both local and foreign specialized training providers. All such trainings and courses shall relate directly to the specific role of the individual within the company and are linked closely with his/her annual performance review.
- NMC operates a remuneration strategy that recognizes both corporate and individual performance.

#### ***b. Internal environmental responsibility***

*NMC recognizes its activities' possible negative impact on the environment and the communities in which it operates. To that end NMC seeks to identify and manage these impacts as effectively as possible.*

- NMC aims to reduce the energy consumption and strives to ensure that energy use in the office is as efficient as possible regarding lighting, heating, air conditioning and kitchen appliances.

- NMC seeks to reduce the amount of water used by the employees and to that end has installed sensor water taps and water meters to monitor the use and the cost of the water used.
- NMC seeks to reduce the amount of paper used by the employees encouraging staff to reuse or recycle paper.
- NMC promotes the recycling of waste and redundant equipment, which is not sold or given to charity. Company's waste and redundant equipment is collected by an approved third party company and is disposed/recycled in an environmentally friendly manner.
- NMC seeks to reduce the environmental impact of transport by encouraging employees to use public transport wherever possible, by promoting car sharing and by organizing conference calls and video-conference calls where possible.
- NMC deals with environmental issues at business level and works with suppliers to minimize the impact of their operations on the environment through a quality purchasing policy. To this end NMC will inform all its suppliers of the Environmental Policy it operates and that companies with established environmental policies and practices will be favored. NMC will also aim to use local suppliers and local goods and services, where practicable.

### **3. Governance**

*With expanding its business and enlarging its role in the mortgage market, NMC announces its adherence to high ethical standards in dealing with Employees, Customers, Stakeholder and External Parties. To that end:*

- NMC will nominate someone responsible for CSR policy and action plan monitoring.
- NMC continually monitors refinanced loans portfolio statistics and characteristics of beneficiaries. Detailed reports are prepared on weekly basis and submitted to both executive management and the Board. Performance of special projects is reported to other stakeholders.
- NMC will adopt a Code of Conduct/Ethics and will ensure that all the employees familiarize themselves with it.

- NMC is committed to the provision of accurate information and fairness in all its dealings with customers, stakeholders, officials and any other external party having direct business with NMC.
- NMC actively works to deter malpractice at workplace, with specific attention to activities involving bribery and corruption, fraud, money laundering and , based on international FATF recommendations.
- NMC promotes charity supporting a variety of organizations involved in different social activities.
- NMC believes that implementation of CSR policies by PFIs will have synergy effect for all stakeholders and NMC will encourage PFIs to develop a CSR policy.
- NMC makes an annual progress report regarding the implementation of CSR policy and CSR action plan together with the next year CSR action plan.

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NMC will communicate this CSR Policy to its clients and all the staff, and will make sure that they are actively involved in the implementation of NMC's Policy through appropriate training and information sharing. This CSR policy will be revised as far as needed in case of evolution of NMC's business lines.