



STAFF MANAGEMENT (HR) POLICY

30.12.2016 Decision No. _____

Approved by

30.12.2016 Decision No. _____

of the Board of Mellat Bank CJSC

of the Chief Executive Officer of Mellat Bank
CJSC

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STAFF MANAGEMENT (HR) POLICY

1. OBJECTIVE

The purpose of this Policy is to define the main tasks and realization principles of Mellat Bank CJSC (hereinafter – the Bank) HR Policy, the issues related to the organization of staff management, recruitment, remuneration, motivation, dismissal, code of conduct and internal discipline, organization and holding of attestation, training and qualification raising, authorities of the Bank’s management bodies and managers in the implementation of the HR Policy.

2. SCOPE

The provisions of this Policy shall apply and shall be subject to implementation by the Bank’s management bodies, the Heads of the Departments and employees.

3. RESPONSIBILITY CENTERS

The Bank’s CEO’s Staff shall be responsible for the implementation of this Policy.

4. RELATED DOCUMENTS

- 4.1. ISO 27001:2005,
- 4.2. The RA Law on Banks and Banking,
- 4.3. The RA Labour Code and other legal acts.

5. GENERAL DEFINITIONS AND ABBREVIATIONS

- 5.1. **Bank:** Mellat Bank CJSC.
- 5.2. **Policy:** Mellat Bank CJSC Staff Management (HR) Policy.
- 5.3. **CEO:** The Bank’s Chief Executive Officer.
- 5.4. **Responsible Department:** the CEO’s Staff:
- 5.5. **Employee:** a physical person in employment contract with the Bank, according to the RA legislation, performing a certain work for the Bank’s benefit based on an employment contract.
- 5.6. **Employment contract:** an agreement between the employee and the Bank, according to which the employee shall be obliged to perform work with a certain speciality, qualification, observing working discipline established in the workplace, and the Bank shall be obliged to provide the employee with the work defined by the contract, pay the salary under the contract for the work done by him/her and provide with working conditions prescribed for by the RA legislation, other normative legal acts and on the parties agreement.
- 5.7. **Job description:** a document, describing the employee’s main duties, requirements and the essence of the job.
- 5.8. **Salary:** the sum of monthly wage, as well as additional payments, financial assistance, premiums, assignment and vacation pays paid by the bank.
- 5.9. **Vacancy:** not occupied workplace designated by the Bank’s staff list and the Policy.



5.10. Temporary vacancy: an unoccupied job as a result of the employee's pregnancy and maternity leave, conscription (compulsory military service) or temporary incapacity to perform his/her duties.

5.11. Committee: a working group established by the CEO's order for holding competitions for recruitment for the Banks vacancies and temporary vacancies.

5.12. Transferred employee: by the CEO's order, transfer of the banks' Department employee to another Department or to other job.

5.13. Heads: The Heads of the Bank's Departments, their Deputies, as well as the Heads of the Divisions included in the Departments.

6. APPENDICES

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7. GENERAL PROVISIONS

The components of this Policy shall be the principles and procedures of employees' appointment and dismissal, the process of employees' performance evaluation, their reward, promotion, education, training and etc.

8. MAIN TASKS OF THE POLICY AND PRINCIPLES FOR THEIR REALIZATION

8.1. The main tasks of the Policy shall be:

- a) Stemming from the workload and necessity of the Department activities, determination of the number of employees,
- b) Observance of the Bank employees' performance and work discipline,
- c) Development and installation of effective system of incentives (motivation) for the Bank employees,
- d) Establishment and development of system of training and qualification raising of the Bank employees,
- e) Formation of corporate business culture of the Bank.

8.2. Determination of the number of the Bank employees:

8.2.1. The determination of the number of the Bank's Departments employees shall assume review of employees' positions (jobs), dismissal of the employees whose personal qualities and professional qualifications do not correspond to the requirements of work in that position (jobs).

8.2.2. The examination of the employee's professional qualifications shall be carried out on the basis of the evaluation of the Bank's employees, in accordance with the Bank's Procedure of HR Management.

8.2.3. The determination of the number of employees shall be carried out as follows:

- a) necessary and sufficient number of the Departments employees shall be defined, based on the functional tasks and scope of work,
- b) requirements to the employee's professional qualifications, job description and each employee's job duties shall be defined for working in that position or job,



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c) in accordance with regulations adopted by the Bank, the Bank employees' performance evaluation shall be conducted.

8.2.4. Requirements to the employee's professional qualifications, job description and job duties of each employee shall be defined in accordance with the Rules of Procedures of the relevant Department and job descriptions.

8.2.5. The selection and appointment of employees through competition shall be carried out in accordance with the requirements of the RA Labour Code, as well as the staff list of the Bank.

8.2.6. The determination of the number of the Bank employees shall not impact the quality of customer service.

8.3. Employees' discipline and responsibility:

8.3.1. The main conditions for achieving the strategic objectives of the Bank, shall be the proper fulfillment of the Bank employees' duties, strict observance of discipline, the supervisors' demand on discipline from subordinates, full execution of orders, instructions and assignments by the subordinates.

8.4. The development of an effective system of incentives (motivation) for the Bank employees.

8.3.1. As an important instrument to increase the efficiency of the Bank's activities, incentive (motivation) for the staff shall be applied.

8.3.2. The aim of creation and development of an effective system of motivation shall be to provide of the Bank each employee's interest in increasing the efficiency of his/her own activities.

8.4. The drafting and development of the Bank employees' education and qualification raising system.

8.4.1. The high level of the Bank employees' professional qualifications shall be maintained and developed through trainings and qualification raising.

8.5. The formation of the Bank's corporate business culture.

8.5.1. The formation of corporate culture shall be carried out through general banking measures aimed at the principles of Bank employees' integrity, confidentiality and commitment.

8.6. The main principles of the implementation of HR Policy shall be as follows:

- a) Ensuring the impartiality and objectivity of the staff recruitment process,
- b) Optimal use of human resources,
- c) Provision of the employees' mutual substitutability,
- d) Regular raise of employees' qualifications, recruitment of qualified specialists,
- e) Promotion and transfer of the staff.

9. AUTHORITIES AND RESPONSIBILITIES OF THE DEPARTMENTS (BODIES) PROVIDING THE IMPLEMENTATION OF THE POLICY

9.1. Implementation of HR Policy shall imply precise distribution of authorities and definition of responsibilities for the Bank Board, CEO, the Heads of the Bank Departments in its drafting, approval and implementation.



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9.2. **The Bank Board shall:**

9.2.1. Approve the Bank's internal legal acts on the staff management, within its competence.

9.2.2. Get acquainted with the assessments given on the HR Policy, recommendations and remarks on improvement of the HR Policy by the Bank CEO, as well as the RA Central Bank and internal and external auditors.

9.2.3. Carry out other authorities prescribed by this document, the Bank's other internal regulations on staff management.

9.2.4. Bear responsibility for approval, implementation, control and supervision over the HR Policy.

9.3. **The Bank CEO shall:**

a) approve the Bank's internal legal acts on the staff management, within its competence,
b) make decisions on taking specific measures on the resolution of issues emerging during the implementation of the HR Policy,

c) discuss the drafts of internal documents on the Bank's staff management and submit them for the approval of the Bank Board.

d) discuss the recommendations on revision of the HR Policy from the relevant Committees, Departments or other bodies (external auditing firm, the RA Central Bank, the Labor Inspection, Ministry of Social Security etc.).

e) ensure the observance of requirements of the HR Policy, internal documents on staff management,

f) supervise the activities of the Heads of the Departments,

g) take measures for the employees' regular training and raising of professional qualifications,

h) ensure equal conditions for all the employees for their self-expression during their work activities,

i) carry out other authorities prescribed by this document, the Bank's other internal regulations on staff management,

j) bear responsibility for implementation of the HR Policy approved by the Bank Board.

9.4. **The Chief of Staff shall:**

a) organize the Bank employees' trainings,

b) make up compliance criteria of each employee's professional qualifications,

c) submit recommendations on recruitment,

d) supervise the observance of rules of ethics in the Bank,

e) ensure healthy working atmosphere inside the Department,

f) carry out other functions prescribed by this document, the Bank's other internal regulations on staff management and rules of procedure of the Department activities.

10. RECRUITMENT

10.1. The Bank shall carry out the recruitment and advancement of employees exclusively on the basis of professional knowledge, abilities and skills relevant to the workplace. In this case



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it shall be taken into account the fact how the candidate understands and accepts the Bank's mission and values adopted by it.

10.2. The HR Policy shall imply that recruitment shall be made primarily from internal resources of the Bank.

10.3. The appointment of employees in the Bank shall be carried out in accordance with the employment contract defined in the Labour Code, which shall be concluded in a written form between the employee and the Bank's CEO, except for the Head and members of the Internal Audit. The employment contracts with Deputy CEOs, Chief Accountant, the Head of Legal Compliance Department, the Head of Risk Management Department shall be concluded based on the Bank Board decision.

10.4. The CEO's Staff shall organize and provide the process of appointment.

10.5. The Bank's HR selection process shall be carried out based on the requirements of the Bank's existing staff list.

10.6. The criteria of selection of employees shall be as follows:

- a) relevant professional educational level of the proposed position,
- b) work experience by the profession,
- c) knowledge of the necessary legal acts,
- d) stainless work biography,
- e) adoption of relations obligatory for the Bank employee, principles, work style and objectives,
- f) a certain level of foreign languages (English, Persian), computer skills ,
- g) ability of communications , communication style, creativity,
- h) ability to take initiatives and bear responsibility during fulfillment of his/her duties,
- i) physiological readiness.

10.7. Recruitment in the Bank shall be carried out first from internal labor resources; and in the absence of a candidate among internal labor resources - from external labor resources.

10.8. The selection from internal labour resources shall be done through internal competition (including through interview with them).

10.9. The Bank shall appoint the candidates from external labour resource based on the employment contract. The Bank's CEO shall make the final decision on appointment.

10.10. The candidate shall submit the package of documents set by the Bank to the Responsible Department for the appointment.

11. EMPLOYEES' TRAINING, RAISING OF QUALIFICATIONS AND ATTESTATION

11.1. The important component of the HR Policy shall be the organization of seminars and short-term courses for the Bank employees' training and raising of professional qualifications. The given process shall be regulated by the Bank's Procedure of Human Resource Management.

11.2. The process of education and training shall be carried out in line with the requirements arising from issues designated by the Bank's long-term development program, through internal and external training programs.

11.3. The normal functioning of the Bank's activities shall not be disturbed during the



training period of the employees.

11.4. The Bank shall allow the employees to take training courses during work hours if it is not possible to organize them out of work hours.

11.5. The evaluation of the employees' performance, audit of qualifications may be carried out in the Bank, in accordance with the Bank's Procedure of Human Resource Management.

12. REMUNERATION AND PROMOTION

12.1. The salary may not be smaller than the minimum wage defined by law.

12.2. The estimate of costs of the Bank's remuneration for work (salary and other equivalents) shall provide the average salary in line with average remuneration amount in the RA bank system to the employees with necessary qualification to fulfill the Bank's tasks.

12.3. The remuneration amount of each employee shall be defined by final work outcome adequate to the employee's personal work contribution.

12.4. The remuneration of the employee shall be carried out through wage rates. Besides rated wages, the employee may be granted additional payments or premiums.

12.5. Salaries shall be usually paid on a monthly basis, unless the employee is in the office, regardless of the status or availability of profit.

12.6. By the order of the Bank's CEO, employees may be paid premiums according to annual outcome of the Bank's activity, as well as in case of high performance.

12.7. Premiums payable to employees may be decreased, due to being late for no reason, nonperformance or improper performance of assignments, in case of receiving reprimand, severe reprimand.

12.8. Positive performance of the Bank employees may be appreciated not only through monetary reward, but also oral encouragements, Letters of appreciation, Diplomas, promotion and other means.

13. PROCEDURE OF GRANTING OF LEAVE

13.1. The procedure of granting a leave shall be regulated by the RA Labour Code.

13.2. Granting of a leave shall be carried out on the schedule of vacations established beforehand.

13.3. Annual leave is a period calculated in working days, which is provided to employees for rest and for recovering their working capacity. During this time, his or her workplace (position) shall be retained, and average salary shall be paid.

13.4. Annual leave in the Bank shall be minimum and additional. The duration of minimum leave shall be 20 working days, and duration of additional leave – 4 days, according to the list of employees of a specific category established by the RA Government.

13.5. Additional annual leave shall be granted together with minimum annual leave or separately.

13.6. Upon the consent of the employee, the annual leave may be granted in parts.

13.7. Each year, the Heads of the Departments upon the agreement with the employees, shall draft a schedule of minimum and additional leaves of the Department managed by them.



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13.8. At least 3 working days prior to the beginning of the leave established by the schedule, the employee shall be obliged to submit an application to the CEO requesting a leave. The application shall have been agreed with relevant Head of the Department.

13.9. The vacation pay shall be calculated and transferred onto the employees account 3 days prior to the beginning of the leave.

13.10. Each annual leave shall be granted for the given working year.

13.11. For the first year of work, the annual leave may be granted after the expiration of six months of continual work, except for women; upon their request, a leave may be granted within the first six months of work, before pregnancy leave or immediately after maternity leave.

13.12. Transfer of annual leave shall be allowed only upon the employee's application or consent. Annual leave shall be transferred by the procedure and cases stipulated by the RA Labour Code.

13.13. Transferred annual leave shall be granted in the same working year. Upon the employee's application and consent, the unused part of the annual leave may be transferred and added to the annual leave of the next year.

13.14. Based on work needs, the employee may be recalled from annual leave only upon the latter's consent. The employee may use his/her unused days of annual leave by the procedure defined by the RA Labour Code.

13.15. Besides regular minimum and additional leaves, in cases defined by the the RA Labour Code, the employee may also be granted special purpose leaves, in particular:

- 1) pregnancy and maternity leave,
- 2) leave granted for taking care of a child under the age of three;,,
- 3) study leave,
- 4) leave being granted for fulfillment of state or social duties,
- 5) unpaid leave.

13.16. In case of not returning to work after the leave, the employee shall be obliged to give written explanations.

13.17. In case the Head of the Department goes on a vacation, his/her Deputy shall assume his/her duties, and in case of the latter's absence – anyone under his/her supervision or another Head of other Department, upon mutual consent, by the order of the Bank's CEO.

13.18. In case the Bank's CEO goes on vacation, one of his/her Deputies shall assume his/her duties.

14. RULES OF ETHICS

14.1. The Bank's rules of ethics shall be the indispensable part of the HR Policy.

14.2. Each employee on the first day of his/her work shall get acquainted with the Bank's rules of ethics and sign commitment to work discipline.

14.3. The Bank's rules of ethics shall be the norms regulating the Employee's behavior, conduct, relations with the Bank's clients, management and other employees based on universal morality principles, as well as the proper fulfillment of the employee's duties.

14.4. The Bank's rules of ethics shall regulate the employees' obedience to the requirements of the Bank and RA legislation, keeping privacy and information containing banking secrecy,



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exclusion of conflict of interests, political and social activity, the policy of equal opportunities, safety rules and other provisions.

14.5. The Bank management shall bear responsibility for shaping such atmosphere of transparency and responsibility in the Bank system, in the conditions of which the whole staff should refrain from illegal and doubtful from morality perspectives actions, quickly should respond against such actions.

14.6. The Heads of Departments shall bear responsibility both for efficiency of performed transactions and shaping of healthy working environment in the Department.

14.7. The Bank, according to the requirements of existing legislation, shall organize its activities so as to exclude conflict of interests in business conditions, which implies a disregard of personal and family interests when making decisions.

14.8. The Bank joins the fight against bribery and corruption, which means that the Bank shall react to bribery and corruption in all spheres of business, aspirations of both partners and own employees.

14.9. The Bank joins the struggle against money laundering and terrorism financing.

15. SUBMISSION OF EMPLOYEES' COMPLAINTS AND PROPOSALS

15.1. The Bank's each employee shall have the right to raise his/her justified complaints and proposals to the Bank management.

15.2. The Bank's each employee shall have the opportunity to report to the Bank management about the facts of violations, illegal actions and / or actions threatening the Bank's reputation by his/her colleagues and / or supervisors that he/she has noticed, and submit justified complaints.

15.3. The complaints by the Bank employees to the Bank management shall not arise any negative consequences for the employees and hinder their promotion.

15.4. The Bank employees may report about violations and illegal actions noticed by him/her orally or in writing in the form of an application, letter, report, email, as well as during various discussions, business meetings, sittings, events and simply meetings.

15.5. The responsible Department shall record the Bank employees' complaints, as well as the violations and illegal actions by them.

15.6. Relevant official procedures may be designated in the Bank for the resolution of issues raised by the employees.

15.7. The Bank management shall be obliged to ensure the privacy of justified complaints by the employees.

16. EMPLOYEE'S DISMISSAL

16.1. The Bank employee may be dismissed (termination of employment contract) in the following cases:

- a) upon parties' consent,
- b) expiration of contract term,
- c) at his/her own initiative,
- d) at the Bank's initiative.



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e) other cases stipulated by the RA legislation.

16.2. Termination of employment contract (dismissal) shall be regulated by the RA Labour Code, this Policy, as well as the Bank's internal code of conduct and discipline and other legal acts.

17. FINAL PROVISIONS

17.1 This Policy shall enter into force after the approval of the Bank Board and may be repealed only by the appropriate decision of the Bank Board.

17.2 Control over the requirements of this Policy shall be carried out by the CEO; Supervision – by Internal Audit.