



**PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED**

# **Summary of Environmental and Social Policy Requirements**

## 1. Introduction

Environmental and social (E&S) sustainability is a core part of PMRC's commitment to responsible finance. This ESRM Policy and Procedures of PMRC stipulates guiding principles and underlying processes for effective implementation of PMRC's commitment to E&S sustainability. It covers the integration of ESRM practices in its financing activities. PMRC is a private-sector driven Company with the public purpose of bridging the funding cost of residential mortgages and promoting the availability and affordability of good housing in Pakistan by providing its Customers (primary mortgage lending institutions) including conventional and Islamic financial institutions, with increased access to liquidity and longer term funds in the mortgage market in its role as an intermediary between capital markets and mortgage lending institutions.

As part of the eligibility criteria as given in the Credit Policy and Master Refinance Agreement, mortgage loan acceptable to PMRC should have a property title in the name of the borrower(s) and fully disbursed to or for the account of the Mortgagor and there is no obligation for the Customer to advance additional funds thereunder. Furthermore, PMRC will not take any construction risk nor will it be involved in direct developer financing. Individual mortgage loan that are fully disbursed have immaterial E&S risk to the Customers therefore PMRC's E&S risk will be very low. However, E&S risks arise when financing is supported/guaranteed by mortgage portfolios where they were originated for properties constructed in an environmentally and socially unsustainable way that translates into either credit or reputational risks to Customers and PMRC (for example, where properties are built without a proper environmental assessment can become lost collateral if they are located in landslide-prone areas). It should be noted that PMRC and Customers have limited leverage over the supply side of the market and the risk management approach is, therefore, focused on an exclusion-based model.

This document is also aligned with PMRC's mandate to provide financial solutions that are creative and responsible and as such, forms an integral part of PMRC's overall Risk Management Framework.

PMRC endeavors to assist its customers in maintaining the relevant environmental and social standards. PMRC's core benchmarks of this policy:

- Environmental and Social laws as applicable in Pakistan.
- The E&S Policies and Guidelines of lenders, including World Bank OP/BP4.03 (Performance Standards for Private Sector Activities and relevant WBG EHS Guidelines).

E&S Policy underscores PMRC's commitment to sustainable finance in its business relationships and sets the pace for suitable procedures and workflows that will ensure PMRC's compliance with applicable E&S legislation and regulatory requirements, as well as those of international financial institutions providing support to PMRC.