

COMMERCIAL BANK OF CEYLON PLC
GROUP ENVIRONMENTAL AND SOCIAL RISK
MANAGEMENT POLICY

Version 3.0

January 2025

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ACRONYMS

BII	British International Investment
BOD	Board of Directors
CBSL	Central Bank of Sri Lanka
CITES	Convention on International Trade in Endangered species
D-SIB	Domestic Systemically Important Bank
GHG	Green House Gases
GRI	Global Reporting Initiative
IFC	International Finance Corporation
ILO	International Labour Organization
IRMD	Integrated Risk Management Department
ODS	Ozone Depleting Substances
PCM	Project Complaint Mechanism
SAARC	South Asian Association for Regional Cooperation
ESMS	Environmental and Social Management System
UNGC	United Nations Global Compact
WHO	World Health Organization

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1.0 INTRODUCTION

This policy document applies to the operations of the Commercial Bank of Ceylon PLC in Sri Lanka and Bangladesh (referred to as the Bank) and its subsidiaries, including those in the Maldives, Myanmar, and CBC Finance, collectively referred to as the 'Group'^a.

The Group recognizes the Environmental and Social (E&S) risks^b and opportunities that arise from its activities, which can significantly impact the economies, communities, and environments in which it operates, either directly or indirectly. Anticipating and effectively managing these E&S risks and opportunities is essential to avoid potential financial, operational, and reputational consequences that could affect individual operations or the entire Group.

To address these needs, the Group has established an Environmental and Social Risk Management System (ESRMS), which provides a comprehensive framework for the systematic assessment and management of E&S risks and opportunities.

The Environmental and Social Risk Management Policy is the overarching structure of the Group's ESRMS.

Each of the Group's operations and subsidiaries is responsible for developing and implementing tailored procedures and tools that align with local regulations, the scale of activities, and the nature of financial services provided, ensuring a robust approach to E&S risks and opportunities management at all levels.

The Group's approach to Environmental and Social Risk Management focuses on two key areas:

- **Environmental and Social Risk Management within Internal Operations:** The Group is committed to a proactive Environmental and Social Risk Management approach within its internal operations, focused on identifying, assessing, and mitigating Environmental and Social risks. This approach aims to minimize potential negative impacts on the environment, reduce the Group's overall environmental footprint, and safeguard social value for stakeholders. By systematically addressing these risks, the Group enhances the resilience and sustainability of its operations.
- **Environmental and Social Risk Management in Lending:** The Group's financial services prioritize supporting projects that are environmentally sustainable, socially responsible, and economically viable. This commitment ensures that the Group's lending practices align with broader sustainability objectives, fostering positive Environmental and Social impacts through its support for responsible projects^c and initiatives.

^aCommercial Bank of Ceylon PLC and its financial subsidiaries have grown beyond the territories of Sri Lanka and provide core banking and affiliated services to several jurisdictions in the SAARC/ South East region via;

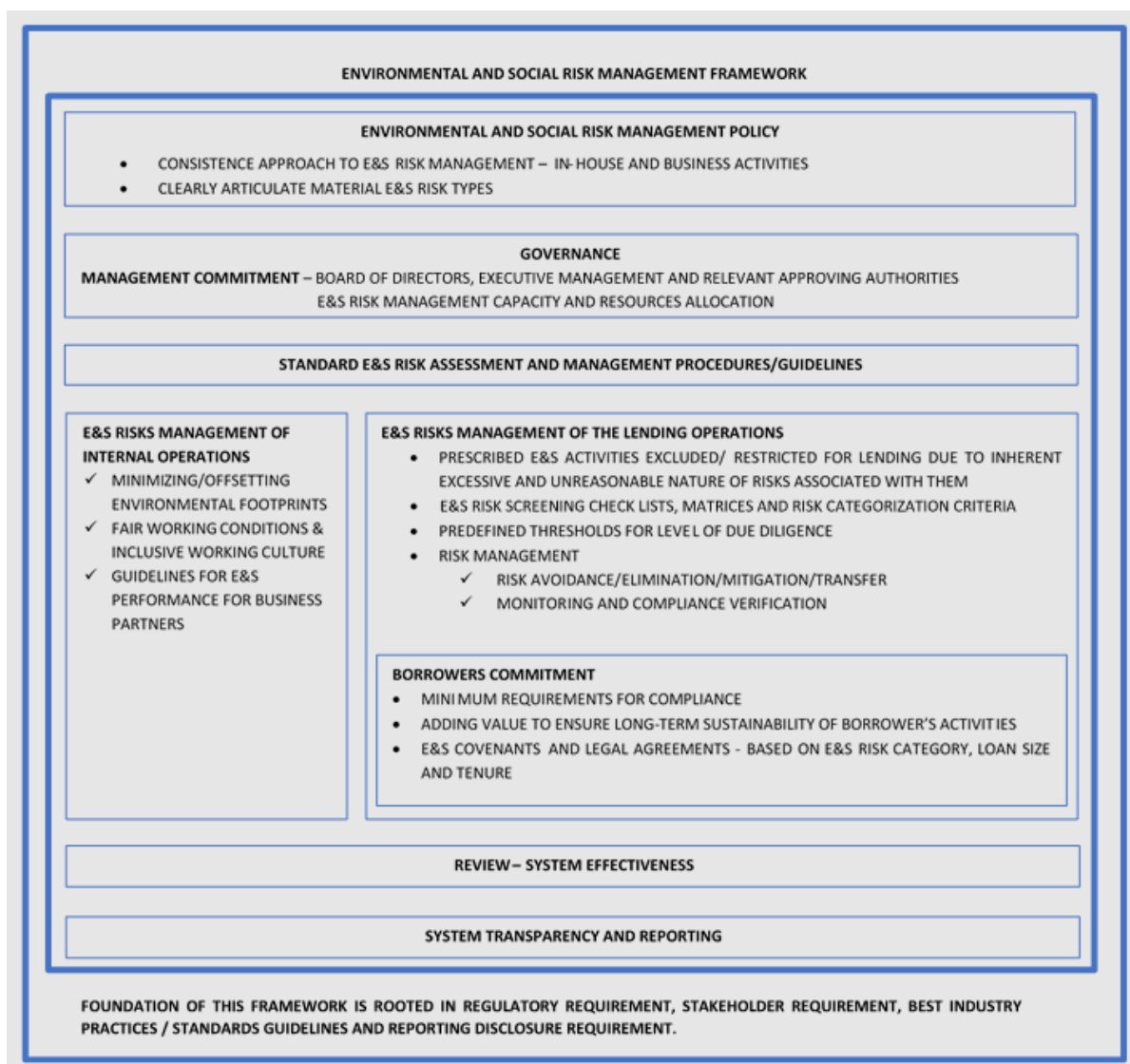
- ✓ The Bank's Branch/unit operations in Bangladesh (herein referred as the Bank's Bangladesh Operation)
- ✓ Commercial Bank of Maldives - Subsidiary of the Bank and joint venture with Tree Top Investment Maldives (here in referred as Maldives Operation)
- ✓ CBC Myanmar Microfinance Co. Ltd - Fully owned subsidiary of the Bank in Myanmar (here in referred as Myanmar Operation)

In addition, CBC Finance Ltd, a licensed finance company operating in Sri Lanka, is a fully owned subsidiary of the Bank. (Herein referred as CBC Finance)

All the Branches and Departments of the Bank operate within Sri Lankan territories is herein referred as Sri Lankan Operation.

^bEnvironmental and Social risk is a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence.

^cIn this policy, the term "project" refers to the defined set of business activities for which the Bank/ subsidiary financing is sought by the customer or the set of business activities defined in the loan agreement where the Bank/ subsidiary financing has already been committed.



2.0 SCOPE

“Group Environmental and Social Risk Management Policy” (herein referred to as the Policy) encompasses the overall business activities of the Group and shall apply to all the Branches and Departments regardless of their geographic location.

3.0 GUIDING PRINCIPLES AND STANDARDS

3.1 The Bank leverages the “Roadmap for Sustainable Finance in Sri Lanka (Central Bank of Sri Lanka, 2019)”, “Banking Act Directions No. 05 of 2022 on Sustainable Finance Activities of Licensed Banks”, “Sri Lanka Green Finance Taxonomy 2022 in developing its Sustainable Banking strategies”, “Banking Act No. 05 of 2024 on Corporate Governance and Licensed Banks” and “IFRS/SLFRS S1 and S2”^d. These frameworks not only guide the Bank’s approach but also enable them to effectively manage Social, Environmental and

^dStandards issued by the International Financial Reporting Standards (IFRS) Foundation through the International Sustainability Standards Board (ISSB). These standards focus on sustainability-related financial disclosures:

IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S2: Climate-related Disclosures

Governance Risks associated with the Bank's internal operations and project financing, ultimately enabling Bank's as well as customer's business operations to be greener, climate friendly and socially inclusive.

3.2 As a signatory to the "Sustainable Banking Principles of Sri Lanka", the Bank shall work together with other local banks in promoting the adoption of the same.

3.3 The Bank's Bangladesh Operations has adopted the "Guidelines on Environmental and Social Risk Management for Banks and Financial Institutions in Bangladesh (Bangladesh Bank, 2022)", "Sustainable Finance Policy for Banks and Financial Institutions issued by Bangladesh Bank, 2022" and Guideline on Sustainability and Climate related financial disclosures, 2023".

4.0 ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT POLICY STATEMENT

Aligned with its core value of sustainability and the enterprise risk management, the Group is committed to embedding Environmental and Social risk management into its overall lending framework. The Group recognizes that, without proper oversight, internal operations and lending activities can contribute to negative Environmental and Social impacts, including environmental degradation, labor standards issues, and climate change. Although the impact from lending activities is not direct, their associated Environmental and Social footprint is significantly greater than that of internal operations.

To address this, the Group shall identify, assess, and mitigate Environmental and Social risks linked to both internal operations and lending activities. Additionally, the Group shall ensure that all financed projects are structured to comply with this policy and align with the Group's Environmental and Social objectives.

4.1 Managing the Direct Environmental and Social Risks of the Group's Internal Operational Impacts:

Environmental Risk Management:

4.1.1 The Group is dedicated to identifying and managing risks tied to its direct environmental impacts^e. This commitment encompasses activities such as monitoring, evaluating, setting reduction targets, and reporting on carbon emissions, resource use, and waste production across all operations.

4.1.2 The Group is dedicated to promoting environmental stewardship within workplace practices and processes, prioritizing eco-efficiency and implementing measures to mitigate environmental risks.

Social Risk Management:

4.1.3 The Group is guided by a commitment to uphold internationally recognized standards and principles, including the International Labour Organization (ILO) Fundamental Conventions^f, International Finance Corporation (IFC) Performance Standard-2 on Labor and Working Conditions, and the United Nations Global Compact (UNGC) Principles. These frameworks support the continuous assessment of social impact risks related to safe and fair working conditions and foster a responsible and inclusive workplace culture.

^eDirect environmental impacts from organizational activities, including those of banks, are the immediate and tangible effects that an organization's own operations have on the environment. These impacts result directly from activities undertaken to sustain its operations, facilities, and services. Common areas of direct impact include energy consumption, water usage, waste production, greenhouse gas (GHG) emissions from office buildings, and resource consumption from paper usage and electronic waste etc.

^fThe ILO Declaration on Fundamental Principles and Rights at Work

- Forced Labour Convention, 1930 (No. 29)
- Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)
- Right to Organize and Collective Bargaining Convention, 1949 (No. 98)
- Equal Remuneration Convention, 1951 (No. 100)
- Abolition of Forced Labour Convention, 1957 (No. 105)
- Discrimination (Employment and Occupation) Convention, 1958 (No. 111)
- Minimum Age Convention, 1973 (No. 138)
- Worst Forms of Child Labour Convention, 1999 (No. 182)

4.1.4 The Group extends its commitment to social responsibility beyond its own operations by setting clear performance expectations for stakeholders, including suppliers. The Group actively monitors adherence to its standards of conduct to mitigate social impact risks.

4.2 Managing Environmental and Social Risks Associated with Lending/Financial Services.

4.2.1 The Group clearly understands that in the absence of proper screening, greater Environmental and Social impact could arise indirectly from their lending/financial services. Given the Group's ability to influence society and the broad role to play, all projects financed by the Group should be structured to meet the requirement of this policy.

4.2.2 The Group recognizes the international Environmental and Social agreements, treaties and conventions to which the countries of operation are signatory/ ratified. The Group will not knowingly finance projects that contravene the obligations of the countries under relevant agreements/ treaties /conventions.

4.2.3 The Group shall ensure that the Environmental and Social performance of the projects they finance within the territory of Sri Lanka, comply with country laws and regulations.

4.2.4 Projects operating outside Sri Lanka financed by the Group shall comply with the regulations of the host country, in addition to falling in line with the core principals of the Environmental and Social Policy of the Group.

4.2.5 The Group shall strive to ensure that the projects they finance are designed, operated and maintained avoiding/controlling Environmental and Social impacts and adhering to the best industrial practices⁸. This is done through a systematic project assessment on its Environmental and Social risks.

4.2.6 The Group shall ensure that projects financed align with external standards and guidelines (benchmarks) to which the Bank and its subsidiaries have committed, such as IFC Performance Standards. The primary objective of these standards is to identify and apply the mitigation hierarchy to manage Environmental and Social risks and impacts associated with financed business activities.

4.2.7 External standards and guidelines from international financing organizations or agencies, similar to IFC Performance Standards, shall be incorporated into this policy and the Group's operating procedures as necessary, depending on future engagements with such organizations.

4.2.8 The Group shall implement mitigation strategies for identified Environmental and Social risks. Projects with gaps in Environmental and Social risk management will be revamped to meet applicable regulatory requirements and best industry practices, applying the mitigation hierarchy before or in conjunction with financing. Particular attention should be given to high-risk financing of business activities that may involve:

- a) Involuntary Resettlement,
- b) Risks of Adverse Impacts on Indigenous Peoples,
- c) Significant Risks to or Impacts on the Environment, Community Health and Safety, Biodiversity, Cultural Heritage, or
- d) Significant Occupational Health and Safety risks.

⁸A best practice is a method or technique that has consistently shown results superior to those achieved with other means, and that is used as a benchmark.

4.2.9 To address Environmental and Social risks, the Group implements a strategy to avoid financing certain activities:

- The Group strictly adheres to a pre-identified list of banned or illegal practices (Annex I: "Banned/Illegal List"). This list ensures compliance with regulations and prevents the Group from engaging in harmful activities.
- Additionally, while certain project types or activities listed in Annex I (E&S Negative List) may be legal, they carry the potential for significant environmental harm or social conflict. Due to the Group's low risk appetite for such activities, lending to these projects is restricted whenever possible.
- Furthermore, the Bank's operations in Bangladesh are subject to sectors and activities listed in the "Exclusion List" of the "Guidelines on Environmental and Social Risk Management (ESRM) for Banks and Financial Institutions in Bangladesh (June, 2022)." This is in addition to the restrictions outlined in Annex I of this policy.

4.2.10 The Group shall assess and promote good industrial practices and resource efficiency strategies to mitigate environmental risks. Emphasis will be placed on projects designed to deliver significant environmental or social benefits. Additionally, the Group shall develop lending schemes or products aimed at supporting customers in managing and reducing their environmental risk exposure.

4.2.11 The Group shall commit to upholding labor rights in alignment with the eight fundamental conventions of the International Labour Organization (ILO). Consequently, all projects financed by the Group will be mandated to respect labor rights, specifically avoiding forced labor and child labor in their operations. The Group shall continuously enhance its risk assessment and management tools to effectively identify and mitigate labor-related risks associated with these projects.

4.2.12 The Group recognizes that gender equality is essential for a democratic society and is committed to preventing gender discrimination. In the evaluation and monitoring of projects, potential gender-specific risks will be identified, and appropriate preventive and corrective measures will be proposed and implemented to mitigate risks related to gender-based violence, abuse, and exploitation.

4.2.13 From a risk management perspective, the Group is committed to mitigating environmental and resource-related risks by promoting a transition to a circular economy^h. This includes (i) prioritizing design and production practices that minimize reliance on virgin materials and reduce waste, (ii) encouraging business models that improve resource efficiency and extend the lifecycle of products and assets, and (iii) closing resource loops through effective recycling of end-of-life products and materials.

The Environmental and Social risk assessment process will identify opportunities for resource efficiency in projects, aligning with good industrial practices. Customers will be encouraged to adopt feasible, cost-effective measures to reduce resource consumption, enhance energy and water efficiency, and recover, reuse, or repurpose materials throughout project implementation.

4.2.14 The Group is committed to effectively managing health, safety, and security risks to workers, project-affected communities, and consumers associated with project activities. This commitment aligns with the hierarchy of risk control and reflects dedication to fostering safe and secure working environments.

By ensuring safe and secure conditions for workers, the Group supports its customers in achieving tangible benefits, including enhanced operational efficiency and productivity. As part of the Bank's risk management approach, customers are required to implement comprehensive measures aimed at

^hA circular economy is an economic model designed to minimize waste and make the most of available resources. Unlike the traditional linear economy, which follows a "take, make, dispose" approach, the circular economy emphasizes the continual use, reuse, refurbishment, and recycling of products and materials.

identifying, preventing, and mitigating accidents, injuries, and health risks affecting both workers and project-affected communities.

To fulfill this commitment, customers must prepare and implement preventive and protective plans to address health and safety risks. These plans should adhere to the hierarchy of risk control and align with recognized good international practices.

- 4.2.15** The Group is committed to protecting, conserving, and responsibly managing both living and non-living natural resources. Projects financed by the Group must implement measures to minimize environmental risks and mitigate impacts on these resources across their life cycle, contributing to the preservation of healthy ecosystems and biodiversity where feasible. Biodiversityⁱ conservation and ecological resource^j management are vital for Environmental and Social stability. Loss of biodiversity and degradation of natural resources threaten economic stability, social well-being, and environmental resilience. This policy underscores the importance of identifying and addressing biodiversity risks associated with the Group's lending activities to preserve essential ecological functions, habitats, and ecosystem services^k.
- 4.2.16** The Group recognizes that project-related land acquisition and restrictions on land use can cause significant impacts, including involuntary resettlement. This may lead to physical displacement, such as relocation or loss of shelter, and economic displacement, affecting income sources and livelihoods. Involuntary resettlement, particularly where affected individuals lack the right to refuse, poses high risks, including reputational damage, community opposition, and operational delays. The Group's approach focuses on proactive risk identification and mitigation measures, such as fair compensation, to manage these impacts, support community relations, and ensure project integrity.
- 4.2.17** From a risk management perspective, the Group is committed to ensuring that projects uphold the dignity, rights, and livelihoods of indigenous communities, protecting them from adverse impacts. This includes anticipating and, where possible, avoiding negative effects on indigenous lives and livelihoods, and when avoidance is unfeasible, minimizing, mitigating, or compensating for such impacts. Sustainable development benefits should be promoted in ways that are accessible, culturally appropriate, and inclusive of indigenous men and women. Maintaining ongoing relationships with affected communities throughout a project's lifecycle, along with involving them in the design of activities and mitigation measures, is essential to manage reputational, operational, and regulatory risks. This approach ensures alignment with the Group's commitment to social stability, regulatory compliance, and long-term project success.
- 4.2.18** With a focus on risk management, the Group recognizes that cultural heritage is an asset for present and future generations. Protecting cultural heritage is essential not only for cultural continuity but also for mitigating risks associated with reputational, social, and regulatory impacts. The Group's objective is to guide customers in avoiding or minimizing adverse effects on cultural heritage in their operations. Customers are expected to adopt a precautionary approach toward managing and sustainably using cultural heritage, recognizing its role in economic and social development, as well as its importance to cultural identity, traditional skills, knowledge, beliefs, and languages. Both tangible and intangible cultural heritage must be preserved to maintain community relations and ensure long-term sustainable growth.

ⁱ Biodiversity is defined in accordance with the Convention on Biological Diversity (UN 1992) as the "variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems."

^j Ecosystems are defined in the Convention on Biological Diversity (UN 1992) as "a dynamic complex of plant, animal and micro-organism communities and their non-living environment interacting as a functional unit."

^k Ecosystem services are defined as the "benefits people obtain from ecosystems". These include provisioning services such as food and water; regulating services such as regulation of floods, drought, land degradation, and disease; supporting services such as soil formation and nutrient cycling; and cultural services such as recreational, spiritual, religious and other non-material benefits.

- 4.2.19** The Group acknowledges the emerging financial risks posed by climate change and is committed to integrating climate risk assessment into its financial decision-making. Recognizing the emerging risks of climate change, the Group is actively developing a framework for climate risk assessment. This policy articulates a key guiding principle of "Green Financing," emphasizing its commitment to exclusively supporting operations that adhere to the principle of "Do No Significant Harm (DNSH) to the Environment"¹ as stated in the "Sri Lanka Green Finance Taxonomy, May 2022" and "Sustainable Finance Policy for Banks and Financial Institutions issued by Bangladesh Bank, 2022"
- 4.2.20** To enhance Environmental and Social sustainability, each financed project shall be subject to environmental, climate, and social risk appraisal and monitoring. The scope of this appraisal and monitoring will be proportionate to the project's nature, scale, and the anticipated significance of its impacts and risks. The customer shall be accountable through a loan covenant for providing sufficient information to enable the Group to conduct its risk appraisal and monitoring in compliance with this Policy.
- 4.2.21** The Group shall continuously monitor and evaluate the performance of financed projects against the objectives of this policy to ensure compliance with local regulatory requirements, Environmental and Social laws, and applicable external standards throughout the duration of the financing.
- 4.2.22** When financing projects in collaboration with peer banks, financial institutions, or multilateral financial institutions, the Group shall work together to establish common Environmental and Social risk assessment and management approaches. However, these approaches must align with the principles of this policy and should not compromise the Group's expected Environmental and Social performance.
- 4.2.23** To facilitate informed decision-making, the results of each risk-based environmental, climate, and social appraisal, along with the necessary monitoring requirements, shall be included in the documentation submitted to the respective approving authority of each entity within the Group. This will be in accordance with their specific Environmental and Social Risk Assessment and Management Procedures.
- 4.2.24** The Group shall disclose management of Environmental and Social risks associated with its own operations as well as lending activities, in the annual reports of Group entities, where applicable, in accordance with Global Reporting Initiative (GRI) standards and IFRS/SLFRS S1 and S2.

5.0 GOVERNANCE

- 5.1** The Board of Directors of Commercial Bank of Ceylon PLC, along with the Boards of each financial subsidiary within the Group, hold ultimate responsibility for overseeing Environmental and Social Risk Management (ESRM) across their operations. Each Board is tasked with adopting the Group-wide ESRM policy and approving customized frameworks to ensure alignment with the Environmental, Social, and Governance (ESG) objectives specific to each entity. They also ensure that ESRM practices align with each entity's unique risk appetite and strategic goals.
- 5.2** Board-level and senior management committees, such as the Board Integrated Risk Management Committee (BIRMC) and the Executive Integrated Risk Management Committee (EIRMC), oversee the development, implementation, and monitoring of the Group's ESRM policy. These committees may also assess significant Environmental and Social risks within high-risk sector financing activities and adjust Environmental and Social risk distribution within the Bank and its financial subsidiaries' portfolios as needed.

¹ DNSH is a safeguard to ensure that activities designed for economic or social benefit do not inadvertently cause environmental damage, fostering a balanced and responsible approach to development and investment.

- 5.3 The senior management team, including the Chief Risk Officer, ensures that ESRM practices are integrated into the Bank's core business strategy and operations. They provide necessary resources and support for the effective implementation of ESRM.
- 5.4 The ESRM team, located within the Bank's risk management department, is responsible for developing and updating ESRM policies, conducting Environmental and Social risk assessments, and training bank staff on ESRM principles and procedures. This team collaborates closely with loan officers and relationship managers to identify potential Environmental and Social risks in lending and investment portfolios. They also engage with external stakeholders, such as regulators and non-governmental organizations, to stay informed on evolving ESG standards and practices.

6.0 IMPLEMENTATION

- 6.1 The Group shall develop, maintain and implement Environmental and Social Risk Assessment and Management Procedures, appropriate guidance notes and tools to assist in implementation of this policy.
- 6.2 The Group shall allocate responsibilities and appropriate resources including staff resources for effective implementation of this policy and in turn to manage Environmental and Social Risk Assessment and Management process to ensure/revamp the projects they financed to be with minimal Environmental and Social impacts.
- 6.3 The Group shall ensure that the staff receives capacity building opportunities, awareness and appropriate training on the requirements of the Environmental and Social policy and procedures.
- 6.4 The Group shall establish and maintain a standard procedure to report accidents and incidents occurred due to unforeseen (not identified during initial screening or monitoring) events related to Environmental and Social issues of the projects financed by the Group. The Bank also maintains a web based project complaint mechanism (PCM) to receive and assess the grievances from external parties. The Corporate Management is informed about such events and grievances in order to take appropriate decisions.

7.0 RESPONSIBILITY FOR INTRODUCING AND AMENDING ENVIRONMENTAL AND SOCIAL POLICY

- 7.1 The responsibility for formulating, introducing, reviewing, updating and amending Environmental and Social Policy and recommending the same for approval by the Board of Directors (BOD) is vested in the respective Integrated Risk Management Departments of Group entities.
- 7.2 The Integrated Risk Management Departments of Group entities shall also assist and guide the operating staff in interpreting and clarifying the policy, as and when requested to do so. The BOD of the Bank/subsidiaries should approve all changes to the policies enumerated herein.

8.0 REVIEW

- 8.1 This policy shall be reviewed and updated periodically to reflect evolving best practices and regulatory requirements.
- 8.2 The Policy shall be reviewed annually in accordance with the established practice of the Bank / subsidiaries referring to the applicable /updated local and international guidelines and standards, or at lesser frequencies as directed by the respective BODs.

References

- i. Roadmap for Sustainable Finance in Sri Lanka (April, 2019), Central Bank of Sri Lanka (CBSL)
- ii. Sustainable Banking Principles, Implementation Guide, Sri Lanka Banks' Association
- iii. Guidelines on Environmental and Social Risk Management (ESRM) for Banks and Financial Institutions in Bangladesh (June, 2022), Sustainable Finance Department, Bangladesh Bank
- iv. IFC Performance Standards on Environmental and Social Sustainability (January, 2012), International Finance Corporation, World Bank Group
- v. Sri Lanka Green Finance Taxonomy (May, 2022)
- vi. Banking Act Directions No. 05 of 2022, Central Bank of Sri Lanka
- vii. ILO Convention No. 87 on the Freedom of Association and Protection of the Right to Organize.
- viii. Convention No. 98 on the Right to Organize and Collective Bargaining.

BANNED & ILLEGAL ACTIVITIES

The Group shall not knowingly finance any of the following activities

1. Production or trade in any product or activity deemed illegal under National laws or subjected to International Conventions/Treaties/ Agreements ratified by Sri Lanka or country of operation or subjected to international phase-outs or bans such as
i. Production of or trade in pharmaceuticals subject to international phase-outs or bans ^a
ii. Production of or trade in hazardous chemicals including pesticides and herbicides subject to international phase-outs or bans ^b
iii. Production of or trade in ozone depleting substances subject to international phase-out ^c
iv. Trans-boundary movements of hazardous waste prohibited under Basel Convention ^d
v. Trade in wildlife or production of or trade in wildlife products regulated under national law and international conventions ^e
2. Activities prohibited by National legislation or international conventions relating to the protection of the critical Cultural and Natural Heritage.
3. Production or trade in nuclear and radioactive materials (not applicable to medical, food irradiation, research and quality control (measurement) equipment ^f
4. Unsustainable fishing methods such as blast fishing, cyanide fishing, drift net fishing activities in marine environments using nets more than 2.5 km in length.
5. Production or activities involving forced labour ^g (work is extracted under threat of force or penalty) or harmful child labor (employment of children ^h)
6. Production or trade in any type of weapons primarily designed for military purposes and/or any Chemical, Biological, Nuclear and Radiological weapons.
7. Destruction of Critical Habitat and protected areas ⁱ covered under National laws or clearance of any forest covers for project/s under which no sustainable development and managing plan is carried out.
8. Production or trade in timber or timber products other than from sustainably managed forests.
9. Production or activities that have an impact on the lands owned or claimed under formal judgment by indigenous people ^j without their documented consent.
10. Pornography and/or Prostitution
11. Coal Related Projects ^k
12. Production or trade in un-bonded Asbestos fibers (purchase and use of bonded asbestos cement sheets where asbestos content is less than 20% is excluded ^l)
13. Projects/activities or trading goods from geographies pre-approved by the Board of Directors with credible reports of human right abuses and limited transparency ^m

E&S NEGATIVE LIST (The Group ensure that in all events aggregate funding to the customers engaged in the activities of this list shall not exceed a predefined threshold of the Group's loan portfolio as approved by the Board of Directors)

1. Production, storing and selling of alcoholic beverages excluding beer & wine
2. Cultivating, processing, storing and trading of tobacco
3. Gambling, casinos, horse racing and equivalent enterprises.
4. Production, transport, storage, trade & commercial scale usage of hazardous chemicals including petrol, kerosene, and other petroleum products. (only applicable to micro and small business enterprises ⁿ)

Notes:

^a *United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, and Severely Restricted or not approved by Governments.*

^b *Convention on the Prior Informed Consent (PIC) Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; World Health Organization Recommended Classification of Pesticides by Hazard.*

^c *Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized 'ozone holes'. The Montreal Protocol on Substances that Deplete the Ozone Layer lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents, together with details of signatory countries and phase out target dates, is available from the United Nations Environment Programme.*

^d *Basel Convention on the Control of Trans-Boundary Movements of Hazardous Wastes and their Disposal*

^e *The Convention on International Trade in Endangered species of wild fauna and flora (CITES)*

^f *This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where radioactive source which is understood to be trivial and/or adequately shielded.*

^g *Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat or force or penalty as defined in ILO conventions*

^h *Employment may only be taken if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art.2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.*

ⁱ *Destruction means the (a) elimination or severe reduction of the integrity of an area caused by a major, long-term change in land or water use or (b) modification of a habitat in such a way that the area's ability to maintain its role is lost. Protected areas are world/National Heritage Wilderness areas/ Conservation Forests/ Forest Reserves/ Other State Forests/Strict Nature Reserves/National Parks/Nature Reserves/Jungle Corridors/Sanctuaries.*

^j *Indigenous people are generally identified as:*

- *Tribal people in independent countries whose social, cultural and economic conditions distinguish them from other sections of the national community, and whose status is regulated wholly or partially by their own customs or traditions or by special laws or regulations.*
- *People in independent countries who are regarded as indigenous on account of their descent from the populations which inhabited the country, or a geographical region to which the country belongs, at the time of conquest or colonization or the establishment of present state boundaries and who, irrespective of their legal status, retain some or all of their own social, economic, cultural and political institutions.*

Note: This definition comes from the ILO Convention 169, 'Indigenous and Tribal Peoples Convention', 1989.

^k *Coal related projects refer to any loan or other facility available to finance or re-finance for the existing or development of new (i) Coal mining, (ii) coal transportation, (iii) power generation from any grid connected fossil fuel power plant, the energy source of which whether in whole or part is coal and (iv) infrastructure services exclusively dedicated to support any of these activities. It excludes captive coal-fired power plants used for industries such as the cement and chemical industries.*

^l *The Rotterdam Convention, which regulates hazardous chemicals in international trade, includes most asbestos types—crocidolite, actinolite, anthophyllite, amosite, and tremolite—due to their significant health risks, such as respiratory diseases and cancer. Through the convention's Prior Informed Consent (PIC) procedure, exporting countries must inform and seek approval from importing countries before trade, allowing countries to make informed decisions to protect public health and the environment. However, chrysotile asbestos remains unlisted in the convention due to ongoing debate, as some member states support its controlled use despite scientific evidence of its dangers. This exclusion permits continued trade of chrysotile asbestos, particularly in countries like Sri Lanka, Bangladesh, the Maldives, and Myanmar, where it is imported and used without local restrictions, such as in the manufacturing of cement roofing sheets.*

^m The Group exercises caution when financing activities or projects in geographies outside Sri Lanka, pre-approved by the Board of Directors – Based on the credible reports, funding to sourcing of products or services from geographies involved in severe human rights abuses (mass detention, forced labor, cultural suppression), and those subject to limited independent evaluation”.

ⁿ micro and small business enterprises definition

Sri Lankan Operations

Micro and Small business enterprises categorization		
Category	No of Employees	Turnover (LKR)
Micro	<10	<15 Mn
Small	<50	<250 Mn

Bangladesh Operations

		SME Code	Total Fixed Assets value excluding land and factory building	Total no. of employees
Small Enterprise	Service Concern	11	BDT 1.0 M to less than BDT 20.00 M	16 to 50 persons
	Trading Concern	12	BDT 1.0 M to BDT 20.00 M (Annual Turnover BDT 20 Mn to BDT 200 Mn)	16 to 50 persons
	Manufacturing Concern	13	BDT 7.5 M to less than BDT 150.00 M	31 to 120 persons

Maldives Operations

SME Categorization			
Category	No of Employees	Turnover (MVR)	Net Profit (MVR)
Micro	0 - 5	Up to 500,000	Up to 75,000
Small	6 - 30	500,001 - 5,000,000	75,001 - 750,000

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