

# **Sustainable Bond Framework of Commercial Bank of Ceylon PLC**



 **COMMERCIAL BANK**

**July 2024**

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# 1. Introduction

## 1.1 Overview of the Bank

**The Commercial Bank of Ceylon PLC (“CBC” or “the Bank”)** operates a network of 272 branches and over 950 automated machines in Sri Lanka. The Bank has won multiple awards for their Environmental, Social and Governance (ESG) and Corporate Social Responsibility (CSR), achievements. The most prominent were the overall award for the Best Sustainability Report (2021) at the ACCA Sustainability Reporting Awards, the Best Corporate Citizen Sustainability award (2021) by the Ceylon Chamber of Commerce, and the Best Green Bank in Sri Lanka (2022) by the UK Global Banking and Finance Review.

CBC has also won multiple awards as Sri Lanka’s Best Bank, Best Trade Bank, Strongest Bank, Most Respected Bank, Most Responsible Bank from a number of local and international institutions and publications over the years.

Commercial Bank accounts for the largest Market Capitalization among all listed banks in Sri Lanka today and was placed at 9<sup>th</sup> position overall as at end of 2023.

The Bank exhibits proficiency in both Corporate and Retail banking domains, through a range of products and service offerings, which include Trade Finance, Leasing, Savings, Credit and Debit cards, SME and micro financing, Investment Banking and Islamic Banking.

The Bank has also introduced a multitude of innovative digital banking solutions. These range from Online Banking to Mobile Banking, along with SMS Banking, Mobile Phone Cash Top Up facility and overseas SWIFT Money Remittance Services through which Commercial Bank has improved “Banking Convenience” in the country. The innovative Automated Banking Centres, Self-service Touch Screens in Branches and Automated Instant Cash and Cheque Deposit Machines along with ATMs which offer utility bill payment facilities in addition to cash withdrawals have enhanced customer convenience and experience.

The CBC's Corporate Social Responsibility Trust is designed to improve community conditions all around the nation. Understanding that the smallest actions if done with purpose and dedication have the potential to bring about monumental change, Commercial Bank’s commitment goes well beyond the financial domain. The Bank annually allocates up to 1% of its profits to the CSR Trust of the Bank.

Commercial Bank’s overseas operations encompass Bangladesh, where the Bank operates 20 Branches; Myanmar, where it operates a Microfinance company in Nay Pyi Taw; and the Maldives, where the Bank has a fully-fledged Tier I Bank with a majority stake.

## 1.2 Corporate Information

Name	: Commercial Bank of Ceylon PLC
Legal Status	: A public limited liability company incorporated in Sri Lanka on June 25, 1969 under the Companies Ordinance No. 51 of 1938 and quoted on the Colombo Stock Exchange in January 1970. The Company was re-registered on January 23, 2008 under the Companies Act No. 07 of 2007 (as amended). A Licensed Commercial Bank under the Banking Act No. 30 of 1988 (as amended).
Company Registration No.	: PQ 116
Place of Incorporation	: Colombo, Sri Lanka
Registered Office	: Commercial Bank of Ceylon PLC “Commercial House” No. 21, Sir Razik Fareed Mawatha, P.O. Box 856, Colombo 01, Sri Lanka.
Ratings	: A (lka)/ Stable by Fitch Ratings Lanka Limited

The Bank’s vision is **to be the most technologically advanced, innovative and customer friendly financial services organization in Sri Lanka, poised for further expansion in South Asia.**

The mission of the Bank is **providing reliable, innovative, customer friendly financial services, utilising cutting edge technology and focusing continuously on productivity improvement whilst developing our staff and acquiring necessary expertise to expand locally and regionally**

The Bank is dedicated to providing financing solutions that promote growth, positive stakeholder interactions and minimized risk to create environmentally responsible, socially inclusive and economically enriching outcomes through a well-resourced team.

The Bank prioritizes sustainability in its business model and has a three-pillar approach to Sustainability, which are Sustainable Banking, Responsible Organization and Community Engagement.

## 2. Sustainability Framework



The core of the CBC's ethos is to play a leading role in enabling and facilitating sustainable growth across the Bank's business undertakings, operations, stakeholder engagements and the markets they serve.

The **Executive Sustainability Committee (ESC)** provides guidance and direction for the sustainability initiatives while the **Sustainability Working Group (SWG)** supports the ESC in execution of the sustainability initiatives and strategies. The ESC is chaired by the Managing Director/Chief Executive Officer. The other members are the Chief Operating Officer, Deputy General Manager - Retail Banking & Marketing, Chief Risk Officer, Deputy General Manager – Finance, Assistant General Manager - Services, Assistant General Manager - Corporate Banking, Assistant General Manager-Personal Banking, Head of Human Resources, Head of Investment Banking, Senior Manager – Social and Environment Risk Management and Senior Manager – Sustainability. SWG is represented by the Bank's Deputy General Manager - Retail Banking & Marketing (Chairman), Chief Risk Officer, Assistant General Manager-Premises as well as senior executives across all key business and support units of the Bank.

The Bank is a founding member of the Sri Lanka Banks’ Association -Sustainable Banking Initiative and has contributed to shaping the sustainability landscape of Sri Lanka. In formulating and strengthening the Bank’s strategy and direction on sustainability, several recognised guiding principles and standards as undermentioned have been considered.

- Central Bank of Sri Lanka (CBSL) roadmap for sustainable finance in Sri Lanka
- CBSL Direction on Sustainable Finance Activities,
- The Sustainable Banking Principles of Sri Lanka Banks’ Association,
- The United Nations Global Compact Principles
- The United Nations Sustainable Development Goals (SDGs).
- International Finance Corporation’s (IFC) performance standards

CBC is also a member and affiliate of the previously mentioned organizations, as well as Biodiversity Sri Lanka; a national platform owned and driven by companies from Sri Lanka’s private sector, to support raise awareness on biodiversity and sustainability issues amongst the Sri Lankan business community.

In its journey, the Bank is committed to the following UN SDGs.



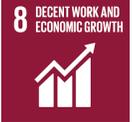
Moving forward, CBC proposes to make best efforts in aligning its sustainability strategies with the nationally determined contributions (NDCs) of the country and those of Central Bank of Sri Lanka, towards a NetZero Sri Lankan economy by 2050.

To do so, the following strategies have been established:

ESG Strategies	
<p>Commitment of Green financing activities up to Rs.50Bn by 2030</p> <p>Advocating for Green loans and leases, including initiatives such as rooftop solar power generation, hydro power generation and wind power generation schemes, to foster sustainable practices.</p>	
<p>Ensuring regulatory compliance concerning environmental and social risk management, disclosures and reporting.</p>	
<p>Realising growth targets within the Bank’s WSME portfolio.</p>	

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Enhancing the product range & expanding offerings to attract investments in sustainability sphere.



Introducing novel strategies and services tailored to support MSMEs.

Innovating loan products aligning with the Bank's commitment to environmental sustainability.

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Supporting financing for export-oriented projects import substitution initiatives.

Advancing sustainable digital development initiatives.

Incorporating Social and Environmental risk assessment into the Bank's lending cycle and decision-making processes.

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Establishing robust monitoring and evaluation mechanisms.



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Ensuring prompt and accurate submission of mandatory reports to regulatory authorities.

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Conducting training sessions for staff to enhance awareness of sustainable finance principles.

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Promoting responsible consumption within the Bank.

- Managing and reducing the Bank's energy consumption.
- Fostering a culture of sustainability throughout the Bank.
- Adopting renewable energy sources and green building practices with regard to Bank's own operations.
- Implementing measures to reduce paper usage in the Bank's operations and marketing.
- Implementing energy-savings practices in IT operations adhering to the "Energy Star" standard for IT equipment.

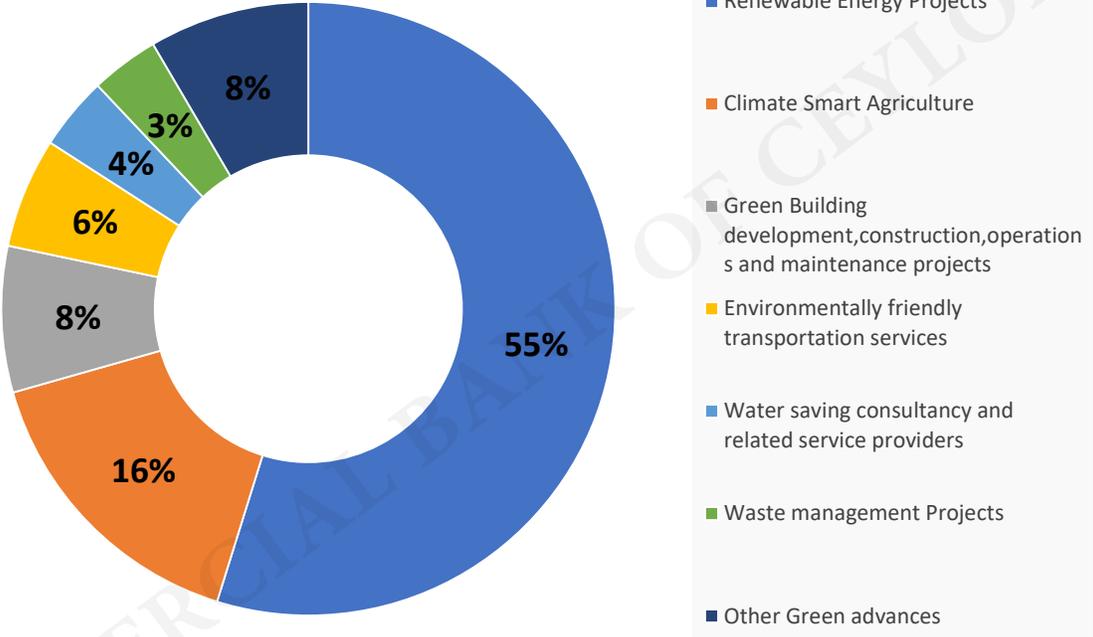
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Engaging in international collaborations, platforms and partnerships



By prioritizing sustainability long before the competition, CBC has made numerous ESG advancements to foster a greener future for Sri Lanka. The Bank implemented and applied the Social and Environmental Risk Assessment System in Sri Lanka to screen lending projects that could pose harm to the environment. CBC offers Green loans and Leases and women banking products to support a diverse range of sustainable financing activities.

The Bank has been engaged in the space of Green Financing for many years and has also part financed Sri Lanka’s first commercial wind power project and solar power project, which were significant milestones in its Green Financing journey, further emphasising the Bank’s commitment to this space. As of 2023, the Bank hosts a diverse green financing portfolio as follows.



**In furthering its journey in Sustainability, the Bank has progressed towards developing this Sustainable Bond Framework.** All future updates to the Sustainable Bond Framework will be under the purview of the ESC.

### 3. Purpose

The Sustainable Bond Framework aims to outline a roadmap for issuing Sustainable bonds by CBC and using the proceeds to fund green, blue, or social projects. This Framework establishes the foundation for identifying, selecting, verifying, and reporting eligible sustainable financing opportunities that can be directly or indirectly financed through CBC's Sustainable bonds, as well as managing the associated proceeds.

CBC's Sustainable Bond Framework is based on the Green Bond Principles 2021<sup>1</sup> ("GBP") and Social Bond Principles (SBP) 2021<sup>2</sup> and Sustainability Bond Guidelines 2021<sup>3</sup> published by the International Capital Markets Association ("ICMA"), which provide guidelines in the following four key areas:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting and External Review

The Sustainable Bond Framework may be further updated and expanded as the GBP and SBP market practices evolve. This framework will be applied to any Sustainable bond issued by CBC.

Under this Framework, the Bank may issue 3 types of bonds:

- Green Bonds where an amount equal to the net proceeds will be exclusively used to finance or refinance eligible expenditure falling within the eligible Green categories,
- Social Bonds including Gender bonds where an amount equal to the net proceeds will be exclusively used to finance or refinance eligible expenditure falling within the eligible Social categories,
- Sustainability Bonds where an amount equal to the net proceeds will be exclusively used to finance or refinance eligible expenditure falling within both eligible Green and Social categories.

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<sup>1</sup><https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

<sup>2</sup>[Social-Bond-Principles\\_June-2022v3-020822.pdf \(icmagroup.org\)](https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2022v3-020822.pdf)

<sup>3</sup>[Sustainability-Bond-Guidelines-June-2021-140621.pdf \(icmagroup.org\)](https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf)

## 4. Use of proceeds

CBC intends to allocate the amount equal to the net proceeds of the Sustainable Bond issued under this framework to finance or refinance new and existing loans to the following categories under an eligible Sustainability Loan Portfolio. The eligible sustainability loans are to be funded in whole or in part by an allocation of the bond proceeds. In addition, the Bank will be able to finance eligible green, blue, and social cross-border portfolio projects through the financial provisions of a Sustainable bond. The use of proceeds categories can be summarised as follows:

### 4.1 Green and Blue Eligible Categories

Eligible Categories		Eligible Project Criteria
Renewable Energy 	Solar projects	<ul style="list-style-type: none"> <li>• Solar energy technologies for buildings (installation, maintenance and repair)</li> <li>• Solar power (photovoltaic technology) plant developments (for electricity generation)</li> <li>• Solar thermal power (concentrated technology) plant developments (for electricity generation)</li> <li>• Construction/operation of facilities producing heat/cool from solar thermal heating technology</li> <li>• Cogeneration of heat/cool and power from solar energy (combined heat and power)</li> <li>• Manufacture of PV power generation and solar thermos electric equipment</li> <li>• Solar power plant retrofits</li> </ul>
	Wind projects	<ul style="list-style-type: none"> <li>• Installation and maintenance of wind energy technologies in buildings</li> <li>• Wind power plant developments</li> <li>• Manufacture of wind generators and other key components</li> <li>• Wind power plant retrofits</li> </ul>
	Biomass generation projects	<ul style="list-style-type: none"> <li>• Installation and maintenance of biomass energy technologies in buildings</li> <li>• Biomass power plant developments</li> <li>• Cogeneration of heat/cool and power from bio mass/bio gas and bioliquid energy</li> <li>• Facilitate collection/transport/storage of bio mass and manufacture of bio mass equipment</li> <li>• Biomass power plant retrofits</li> </ul>

Hydro projects	<ul style="list-style-type: none"> <li>• Hydro power plant developments</li> <li>• Investments in additional turbines, spill way and other plant developments/retrofits</li> <li>• Manufacture of hydropower generators and pumped storage equipment</li> </ul>
Geothermal energy projects	<ul style="list-style-type: none"> <li>• Geothermal energy plant development</li> <li>• Manufacture of geothermal energy utilization equipment</li> <li>• Production of heat/cool from geothermal energy</li> </ul>
Other renewable and clean energy sourcing projects	<ul style="list-style-type: none"> <li>• Ocean power plant developments/retrofits</li> <li>• Manufacture of marine energy utilization equipment</li> <li>• Heat/cool from renewable non-fossil gaseous and liquid fuels</li> </ul>
Storage of electricity	<ul style="list-style-type: none"> <li>• Store energy and return it at a later time in the form of electricity</li> </ul>
Smart grid projects	<ul style="list-style-type: none"> <li>• New/Retrofits of transmission systems and substations</li> <li>• New information and communication technology (smart grid and mini grid)</li> </ul>
<b>Green Buildings</b> 	Greening existing building projects <ul style="list-style-type: none"> <li>• Energy saving renovation of existing buildings</li> </ul>
Green building development, acquisition, construction, operation and maintenance projects	<ul style="list-style-type: none"> <li>• Construction/maintenance of buildings with green certification</li> <li>• Acquisition and ownership of real estate with green certification</li> <li>• Construction of buildings for resale purposes with green certification</li> <li>• Upgrading lighting with energy saving technology (LED)</li> </ul>

Clean transportation	Passenger and commercial vehicles with low carbon emissions	<ul style="list-style-type: none"> <li>• Manufacture of low carbon waterway transport fleets and vessels</li> <li>• Manufacture of low carbon motor cycles</li> <li>• Manufacture of passenger vehicles with low carbon emissions</li> <li>• Purchase and usage of passenger vehicles with low carbon emissions</li> </ul>
	Development of cleaner public transport infrastructure (Urban/Rural)	<ul style="list-style-type: none"> <li>• Construction and operation of public transportation systems</li> <li>• Development of electric vehicle battery charging and service facilities</li> <li>• Development of shared transport infrastructure systems</li> <li>• Construction/operations of shared personal mobility devices</li> <li>• New rail freight transport and upgrade of existing railways</li> <li>• Development of infrastructure for electric rail transport</li> <li>• Development of passenger inter-urban rail transport with zero direct CO2 emissions</li> <li>• Development and upgrading low carbon air way transport services</li> <li>• Development and upgrading low carbon water transport services</li> </ul>
Environmentally sustainable management of living natural resources and land use		<ul style="list-style-type: none"> <li>• Environmentally sustainable agriculture/</li> <li>• Preservation/restoration of natural landscapes</li> <li>• Climate smart agriculture inputs</li> <li>• Green forestry development and management projects</li> </ul>
	Sustainable water and wastewater management	<ul style="list-style-type: none"> <li>• Development of drinking water storage, treatment and supply infrastructure</li> <li>• Retrofit of existing water supply infrastructure</li> <li>• Treatment of wastewater from vessels, shipping yards and ports</li> <li>• Waste water treatment of major industries</li> </ul>
	Water supply, sewage and waste water management	

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Climate change adaptation



- Efforts to make infrastructure more resilient to climate change impacts.
- Investments in information support systems such as climate observation and early warning systems.

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Energy efficiency



- Energy/resource efficiency improvements in existing facilities (Eg:Installation/replacement of machinery and equipment that reduction)

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Pollution prevention control



- Collection and transport of waste for reuse/recycling
- Recycling of waste
- Waste to energy
- Reduction of air emission & controlling greenhouse gases

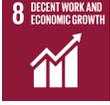
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Circular economy adapted products, production technologies and processes



- Development of Manufacturing processes with lower GHG emission/good international industrial practices
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## 4.2 Social Eligible Categories

Eligible Categories	Eligible Project Criteria
<p>Affordable Basic Infrastructure</p> 	<p>Clean drinking water Sewers Sanitation Transport Energy</p>
<p>Access to essential services</p> 	<p>Health and medical services Education and vocational training Healthcare Financing and financial services.</p>
<p>Assistance for Housing needs</p> 	<p>Financial assistance for housing needs</p>
<p>Employment generation and unemployment alleviation</p> 	<p>Programs designed to prevent and/or alleviate unemployment. stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance. Entrepreneurship support (especially for youth and women). Gender base financing for women’s empowerment</p>
<p>Food security and sustainable food systems</p> 	<p>Physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements Resilient agricultural practices Reduction of food loss and waste Improved productivity of small-scale producers Promote agricultural innovation Support improve infrastructure Diversify food sources</p>

Apart from the above criteria, the Bank understands that there are social and environmental risks and opportunities associated with its activities which can create impact on economies, communities and environment in which it operates directly or indirectly. The Bank has established a Social and Environmental Management (SEMS) framework to assess and manage social and environmental risks and opportunities systematically. The Bank has adopted IFC's Performance Standards on Environmental and Social Sustainability published by IFC, a member of the World Bank Group, in its SEMS framework and Group Social and Environmental policy (S&E Policy).

CBC also commits that the net proceeds of any CBC Sustainable Bond shall not be used towards the financing of products and services designated in the “**Banned/Illegal list**” (Annexure I) of the Bank's S&E Policy and any subsequent amendments pertaining to the activities.

In addition, the Bank has low interest to engage in type of projects/activities in the “**S&E Negative list**” identified in Bank's S&E Policy and any subsequent amendments (Annexure II), that are not illegal yet possess significant environmental impact and/or contrary to the social values. The Bank endeavours to restrict financing to the activities in S&E Negative list at all time.

## **5. Process for evaluation and selection of eligible projects**

### **5.1 Evaluation Process**

The potential borrowers/projects would be identified by the key Business units; Personal Banking and Corporate Banking. Evaluation of these facilities is handled by the business units as per the prevailing Credit Policy and Lending Guidelines of the Bank. The Social and Environment screening is embedded into the credit evaluation process and is detailed in the Banks S&E Policy and procedure. The Bank's S&E Policy has adopted IFC's Performance Standards as its core principles.

Given below is the procedure of typical financing proposition

- The Business unit interacts with the customer to understand the overall aspects of the project. If the facility is identified as Green, it is tagged with the appropriate purpose codes in the Loan Originating System (LOS). Clarification on selection of Green purpose code as necessary will be in consultation with Sustainability, Women Banking and CSR Unit.
- To prepare the facility paper for approval through the LOS, the Branch interviews the customer to collect essential details for the initial stage. The information required from the borrowers may vary depending on the complexity of the proposal in terms of purpose, size, tenor and risks.
- Facility papers are routed through LOS for approval. Depending on the size of the facility, same will be reviewed and approved by the relevant delegated authority as per the facility approval process of the Bank.

- Once the facility is approved, the required security documentation for the facility will be duly prepared and executed
- Thereafter the facility will be granted once all relevant pre-disbursement conditions have been fulfilled
- Once facility is granted, Sustainability, Women Banking and CSR Unit conduct a further screening process, which checks the tagged green facilities and verifies the accuracy of the eligible Green Portfolio. Furthermore, the Bank has implemented a mechanism to monitor facilities granted for social aspects too.
- The non-financial climate impact of relevant sustainable projects is computed through the web-based tool Climate Assessment for Financial Institutions (CAFI) developed and maintained by the IFC.

## **5.2 Selection of Eligible Projects**

Projects financed and/or refinanced through sustainable bond proceeds are evaluated and selected based on compliance with the eligibility criteria as indicated in Section 3.

CBC ensures that all eligible loans comply with official national environmental and social standards and local laws and regulations and wherever possible international environmental and social standards on a best-efforts basis. CBC's S&E policy as mentioned earlier has adopted IFC's Performance Standards as its core principles.

## **6. Management of Proceeds**

### **6.1 Proceeds Management and Allocation**

The proceeds raised via the each Bond will be allocated to eligible projects as defined in the Sustainability Bond Framework of the Bank. The proceeds will be allocated to refinance and finance identified eligible projects.

Refinancing of Eligible Projects will have a look-back period of no longer than 3 years from the time of issuance of each bond.

Until such time as the funds are allocated to other eligible projects, the Management of the Unallocated Funds will be under the purview of the Treasury Department and will be utilised in the interim as described in the section 5.2 on "Management of Unallocated Proceeds".

CBC will maintain a register which records on asset allocations relevant to each bond issuance. The details of the Bond proceeds allocation will be published quarterly within 45 days after the end of each quarter as described in the Section 6 on "Reporting" below. Annually the published details relating to the use of proceeds will be certified until full allocation of proceeds is determined.

## **6.2 Management of Unallocated Proceeds**

While any Sustainable bond net proceeds remain unallocated, CBC will hold and/or invest, at its own discretion, in its treasury liquidity portfolio, in cash or other short term and liquid instruments. To a possible extent CBC will fully allocate the Bond proceeds within 12-24 months of issuance of the Bond. The details of such interim, short-term investments will be made available in the report described in the Section 6 on “Reporting” below.

## **6.3 Sustainability Loan Portfolio Maintenance**

It is CBC’s intention on a best efforts basis to maintain an aggregate amount of assets in the Sustainable Loan Portfolio that is equal to the aggregate net proceeds of all of CBC’s Sustainable Bonds that are concurrently outstanding.

# **7. Reporting**

## **7.1 Allocation reporting**

CBC intends to make and keep readily available sustainable bond reporting after a year from the issuance, to be renewed annually until full allocation. CBC intends to report the allocation of the sustainable bond proceeds to the sustainable loan portfolio, at least at the category level and on an aggregated basis for all of CBC’s sustainable bonds and also the impact created by sustainable bond proceeds. The CBC will publish a Green/Sustainable bond report on Bank’s website and the Bank may aim at aligning the timing of Sustainable Bond report/information with other investor directed publications such as the Annual Report.

The Sustainable bond report will include (but not limited to) the following:

- (a) The amount of net proceeds allocated to each green project/Social project either individually or by category, subject to confidentiality consideration.
- (b) Expected impact metrics, where feasible
- (c) The outstanding amount of net proceeds to be allocated to eligible green projects/Social project at the end of the reporting period
- (d) Types of temporary investment instruments for the balance of unallocated proceeds

## 7.2 Impact reporting

Wherever applicable for impact reporting, this framework will be guided by the ICMA handbook on ‘Harmonized Framework for Impact Reporting’. The handbook outlines general core principles and recommendations for reporting to provide issuers with a reference as they develop their own reporting. In addition, the handbook will suggest impact reporting metrics and sector specific guidance for selected project categories. An indicative list of impact indicators is depicted below.

Potential impact metrics

Project Category	Example: metrics
Renewable Energy	Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent
Clean Transportation	Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent  Number of low carbon emission vehicles deployed
Green Buildings	Number of buildings funded  Levels of certifications by buildings funded
Environmental Infrastructure & Services	Number of water treatment services funded  Number of transportation systems funded
Assistance for Housing needs	Number of units funded
Essential Services	Number of healthcare facilities funded  Number of education institutions funded

## 8. External Review

This Sustainable Bond framework has been reviewed by Sustainable Fitch. The external review and this Sustainable Bond framework will be made available to the Sustainable Bond investors at [www.combank.lk](http://www.combank.lk)

## Annexures

### Annex I

#### Banned/Illegal Activities

(The Bank will not knowingly finance any of the under mentioned activities)

1	Production or trade in any products 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 ii. Production of or trade in hazardous chemicals including pesticides and herbicides subject to international phase-outs or bans. iii. Production of or trade in ozone depleting substances subject to international phase out. iv. Trans-boundary movements of hazardous waste prohibited under Basel Convention v. Trade in wildlife or production of or trade in wildlife products regulated under national law and international conventions.
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.
4	Unsustainable fishing methods such as blast fishing, cyanide fishing, drift net fishing activities in marine environments using nets in excess of 2.5Km in length.
5	Production or activities involving forced labour (work is extracted under threat of force or penalty) or harmful child labour(employment of children)
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 covered under national laws or clearance of any forest covers for project/s under which no sustainable development and managing plan carried out.
8	Production or trade in timber or timber products other than from sustainably managed forest.
9	Production or activities that have an impact on the lands owned, or claimed under formal judgment by indigenous people without their documented consent.
10	Pornography and/or prostitution
11	Coal related projects
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)

## Annex II

### S&E Negative List

(The Bank ensures that in all events, the aggregate funding to customers engaged in the activities of this list, shall not exceed 3% of the Bank's loan portfolio)

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)