

Annex 1: E&S Negative List

Ecofy shall not finance the items listed below which is in line with the reference framework (1)¹:

- a) Production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements subject to international phase outs or bans, such as:
 - polychlorinated biphenyls (i), pharmaceuticals (ii), pesticides, herbicides, and wastes²;
 - ozone depleting substances³;
 - wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora⁴;
 - unsustainable fishing methods⁵;
 - transboundary trade in waste or waste products⁶;
- b) Production of or trade in arms (i.e., weapons, ammunitions, or nuclear products, primarily designated for military purposes, including paramilitary material)*;
- c) Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest or old-growth forests;
- d) Production or trade in wood or other forestry products other than from sustainably managed forests;
- e) Destruction⁷ of High Conservation Value areas⁸
- f) Production or activities involving harmful or exploitative forms of forced labour⁹ and child labour¹⁰;
- g) Production of, use of, or trade in, unbounded asbestos fibres¹¹;

¹ IFC's project exclusion list

(http://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/ifc+projects+database/projects/aips+added+value/ifc_project_exclusion_list).

² As specified in the 2004 Stockholm Convention on Persistent Organic Pollutants ("POPs"), see www.pops.int; the 2004 Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade and list of pesticides and herbicides subject to phaseouts or bans, see www.pic.int; and the 1992 Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, see www.basel.int; as may be amended from time to time

³ A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely publicized ozone holes is specified in the 1999 Montreal Protocol on Substances that Deplete the Ozone Layer, together with target reduction and phaseout dates see www.unep.org/ozone/montreal.shtml, as may be amended from time to time

⁴ As specified in the 1975 Convention on International Trade in Endangered Species or Wild Flora and Fauna ("CITES"), see www.cites.org, as may be amended from time to time

⁵ These will include such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats, and blast fishing.

⁶ As defined by the Basel Convention; see <http://www.basel.int>.

⁷ Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost

⁸ High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (See <http://www.hcvnetwork.org>).

⁹ Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

¹⁰ Child labor means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labor Organization Convention No. 138 "Minimum Age Convention" (www.ilo.org).

¹¹ This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%

- h) Production of or trade in alcoholic beverages (excluding beer and wine) *;
- i) Production of or trade in radioactive materials¹²;
- j) Racist and/or anti-democratic media
- k) Any businesses if any of the following activities represents a substantial portion of such business¹³:
 - Gambling, gaming casinos and equivalent enterprises*;
 - Production of or trade in Tobacco or tobacco related products *¹⁴; or
 - Pornography
- l) Fossil fuel sub-sectors¹⁵ comprising of upstream activities (exploration and production of fossil fuels); midstream (transportation and storage of raw fossil fuels); downstream (refining and distribution of refined fossil fuels); and power generation (defined as grid-connected rather than in captive capacity).

Wide management decision dated October 28, 2023, regarding Green Industry Categorization, it was decided that Ecofy shall lend only to the industries in White and Green categories of industry having Pollution Index below 40 as per computation of the Central Pollution Control Board (CPCB)

Additionally, as per investor requirements, Ecofy will not finance the following industries:

- m) Red Category¹⁶ of industrial sectors as per classification of industrial clusters by Central Pollution Control Board (CPCB)¹⁷. There are a total of 77 industries that have been classified as Red Category.
- n) Out of 13 high energy emission industries viz. Aluminium, Cement, Chlor-alkali, Discom, Fertilisers, Iron & Steel, Petroleum Refinery, Pulp & Paper, Railways, textiles, Thermal Power Plants, Commercial Buildings – Hotels, and Petrochemicals identified by the Bureau of Energy Efficiency (BEE), Ecofy shall not finance any activity other than renewable energy generation equipment.

*Implies that this does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

¹² This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment in which the radioactive source could reasonably be considered to be trivial or adequately shielded

¹³ For companies, "substantial" means more than 10 % of their consolidated balance sheets or earnings. For financial institutions, "substantial" means more than 10% of their underlying portfolio volumes.

¹⁴ Except, in the case of tobacco production only, with an appropriate timeframe for phase out

(i) A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

(ii) A list of pharmaceutical products subject to phaseouts or bans is available at <http://www.who.int>.

¹⁵ This does not include Stand-alone diesel generators, where demonstrated that the option of a renewable generator is technically or commercially not feasible. Also, use of LPG for cooking and heating are an accepted practice.

¹⁶ Industrial sectors having pollution index of 60 and above.

¹⁷ Modified Final List of White and Green category of industries as per CPCB Circular number B-29012/ESS (CPA)/2015-16 dated 07 March 2016

Given below is the list of Red Category¹⁸ of industrial sectors as per classification of industrial clusters by Central Pollution Control Board (CPCB) available at https://cpcb.nic.in/uploads/Latest_Final_Directions.pdf. Ecofy shall not finance under any circumstances.

Notes:

Please find below further explanations to understand some of the sectors highlighted in the exclusion list above in further detail.

Hazardous chemicals, PCB's (Polychlorinated Biphenyl's) and other specific, hazardous pharmaceuticals, pesticides/herbicides, and cross border trade in wastes

As specified in the 2004 Stockholm Convention on Persistent Organic Pollutants ("POPs", see www.pops.int); the 2004 Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (see www.pic.int); the 1992 Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (see www.basel.int) and WHO Recommended Classification of Pesticides by Hazard Class Ia (extremely hazardous); or Ib (highly hazardous): http://www.who.int/ipcs/publications/pesticides_hazard/en/; as may be amended from time to time.

Ozone Depleting Substances

Man-made ozone-depleting substances destroy the protective ozone layer, and the international community established the Montreal Protocol in 1987 to cut their consumption and production. Main substances include chlorofluorocarbons (CFCs - Group I: Chlorofluorocarbons (CFC-11, CFC-12, CFC-113, CFC-114 and CFC-115; Other fully halogenated CFCs (CFC-13, CFC-111, CFC-112, CFC-211, CFC-212, CFC-213, CFC-214, CFC-215, CFC-216, CFC-217)), hydrochlorofluorocarbons (HCFCs), halons (Group II: Halons (halon-1211, halon-1301 and halon-2402), carbon tetrachloride, methyl chloroform, Bromochloromethane and methyl bromide. The damage to the ozone layer caused by each of these substances is expressed as their ozone depletion potential (ODP).

For more information, click [here](#)

Radioactive Materials

Radioactive materials are a class of chemicals where the nucleus of the atom is unstable. They achieve stability through changes in the nucleus (spontaneous fission, emission of alpha particles, or conversion of neutrons to protons or the reverse). This process is called radioactive decay or transformation, and often is followed by the release of ionizing radiation (beta particles, neutrons, or gamma rays). These include:

- Cesium
- Cobalt
- Iodine
- Ionizing Radiation
- Plutonium
- Radium
- Radon
- Strontium
- Thorium
- Uranium

¹⁸ Industrial sectors having pollution index of 60 and above.

Forced Labour / Harmful Child Labour

Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

Not all work done by children should be classified as child labour. According to the International Labour Organization (ILO), Child Labour refers to work that deprives children (any person under 18) of their childhood, their potential, and their dignity, and that is harmful to their physical and/or mental development. In India, it refers to work that:

- is mentally, physically, socially, or morally dangerous and harmful to children; and/or
- interferes with a child's ability to attend and participate in school fully by obliging them to leave school prematurely; or requiring them to attempt to combine school attendance with excessively long and heavy work.

Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

In India, hiring children below the age of 14 years for any kind of work, other than in certain family-based work, is a cognizable offence and will attract a jail term of up to 2 years. Adolescents between the age of 14 – 18 years cannot be employed in any hazardous occupation. Under the Child Labour (Prohibition and Regulation) Amendment Bill, 2012, the parents of the underage child employed can be penalized as well.

Children under the age of 14 years cannot be employed or permitted to work in any occupation or process. **However, this restriction will not apply if a child helps his/her family or family enterprise (which is not a hazardous occupation), after his/her school hours or during vacation.** Family in relation to a child means his/her father, mother, brother, sister and father's sister and brother and mother's sister and brother.

The Child Labour (Prevention and Regulation) Amendment Act allows adolescents (14 – 18 years) to work in **non-hazardous** occupations and processes.

The following occupations and processes have been listed as hazardous under Section 3 of the Child and Adolescent Labour (Prohibition and Regulation) Act. Hence, any child below the age of 18 cannot be employed for any of the following:

Occupation

An occupation connected with:

1. Transport of passengers, goods, or mails by railway;
2. Cinder picking, clearing of an ash pit or building operation in the railway premises;
3. Work in a catering establishment at a railway station, involving the movement of a vendor or any other employee of the establishment from one platform to another or into or cut off a moving train;
4. Work relating to the construction of a railway station or with any other work where such work is done close to or between the railway lines;
5. A port authority within the limits of any port;
6. Work relating to the selling of crackers and fireworks in shops with temporary licences;
7. Abattoirs/ slaughterhouses;
8. Automobile workshop and garages;
9. Foundries;
10. Handling of toxic or inflammable substances or explosives;
11. Handloom and power loom industry;
12. Mines (underground and underwater) and collieries;
13. Plastic units and fibreglass workshops;
14. Employment of children and domestic workers or servants;

15. Employment of children in Dhaba (roadside eateries), restaurants, hotels, motels, tea shops, resorts, spas, or other recreational centres;
16. Diving;
17. Circus;
18. Caring for Elephants.

Processes

Any of the following processes (curtailed list):

1. Bidi- making;
2. Carpet-weaving including preparatory and incidental process thereof;
3. Cement manufacture, including bagging of cement;
4. Textiles dying and printing, including processes, preparatory and incidental to it;
5. Manufacture of matches, explosives, and fireworks;
6. Mica-cutting and splitting;
7. Tanning;
8. Wool- cleaning;
9. Building and construction industry including processing and polishing of granite stones;
10. Automobile repairs and maintenance including processes incidental to it, namely, welding, lathe work, dent beating and painting;
11. Brick kilns and roof tiles units;
12. Gem cutting and polishing;
13. Manufacturing processes having exposure to lead such as primary and secondary smelting, welding and cutting of lead-painted metal construction, welding of galvanized or zinc silicate, polyvinyl chloride, mixing (by hand) of crystal glass mass, sanding or scraping lead paint, burning of lead in enamelling workshops, lead mining, plumbing cable making, wire patenting, lead casting, type founding in printing shops, Store typesetting, assembling of cars, shot-making and lead glass blowing;
14. Manufacture of dyes and dyestuff;
15. Manufacturing or handling of pesticides and insecticides;
16. Manufacturing or processing and handling of corrosive and toxic substances, metal cleaning and photoengraving and soldering processes in the electronic industry;
17. Stone breaking and stone crushing;
18. Tobacco process hag including manufacturing of tobacco, tobacco paste and handling of tobacco in any form;
19. Tyre making, repairing, re-treading and graphite beneficiation;
20. Utensils making, polishing and metal buffing;
21. Zari making (all processes);
22. Electroplating;