

IFS Environmental and Social Exclusion List

The HKMC will not knowingly finance nor invest in the activities below. For this reason, these activities do not require a screening to confirm their disapproval. Requests for special exceptions shall be made by the IFS Investment Team on a case-by-case basis with strong and valid justifications, for review and approval by IFSIC.

- Production or activities involving forced labour¹ or harmful or exploitative forms of child labour²;
- Production of or trade in any product or any activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
 - ❖ Pharmaceuticals;³
 - ❖ Polychlorinated Biphenyls (PCBs), pesticides/herbicides and other hazardous chemicals;⁴
 - ❖ Ozone depleting substances;⁵
 - ❖ Wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);⁶ and

¹ Forced labour means all work or service not voluntarily performed, that is, extracted from an individual under threat of force or penalty.

² Child labour 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 Labour Organization Minimum Age Convention, 1973 (No. 138) (www.ilo.org). For the purposes of this list, harmful or exploitative forms of 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 harmful to the child's health, or has a negative impact on the child's physical, mental, spiritual, moral, or social development.

³ Information of pharmaceutical products subject to phase-outs or bans is available at www.who.int.

⁴ A list of PCBs, pesticides/herbicides or other hazardous chemicals subject to phase-outs or bans is stipulated in the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (www.pic.int), the United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or Not Approved by Governments, and/or the Stockholm Convention on Persistent Organic Pollutants (www.pops.int).

⁵ A list of ozone depletion substances, together with target reduction and phase-out dates, is stipulated under The Montreal Protocol on Substances that Deplete the Ozone Layer.

⁶ A list of concerned species is available at www.cites.org.

- ❖ Transboundary movements of hazardous wastes or other wastes in violation of the Basel Convention;⁷
- Activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritages;⁸
- Production of or trade in or use of radioactive materials;⁹
- Production of, trade in, or use of asbestos fibers, whether or not bonded;¹⁰
- Activities that directly affect primary tropical moist forests or old-growth forests or critical habitats, where significant degradation or conversion is involved;¹¹
- Shipment of oil or other hazardous substances in tankers which do not comply with the requirements stipulated by the International Maritime Organization;¹²

⁷ Information of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal is available at www.basel.int.

⁸ Relevant treaties in force and applicable to HKSAR include: Convention on the Conservation of Migratory Species of Wild Animals (www.cms.int); Convention on Wetlands of International Importance especially as Waterfowl Habitat (www.ramsar.org); Convention on Biological Diversity and Cartagena Protocol on Biosafety (www.cbd.int); International Convention for the Regulation of Whaling (www.iwc.int); Plant Protection Agreement for the Asia and Pacific Region (www.fao.org); and Convention Concerning the Protection of the World Cultural and Natural Heritage (whc.unesco.org/en/convention).

⁹ This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which IFS considers the radioactive source to be trivial and adequately shielded.

¹⁰ In special circumstances, if necessary to enable the borrower to transition from the use of bonded asbestos to alternative materials, the IFS Division may agree with the borrower on a reasonable transition period, provided that the asbestos content of the materials being used is less than 20 percent. Projects involving disposal of asbestos are not prohibited, provided a suitable asbestos management plan is adopted for such disposal.

¹¹ Critical habitat includes areas with high conservation value that meet the criteria of the International Union for Conservation of Nature (IUCN), including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species (www.iucnredlist.org) or as defined in the host country's laws and regulations.

¹² This includes: tankers which do not have all required International Convention for the Prevention of Pollution from Ships (MARPOL) and International Convention for the Safety of Life at Sea (SOLAS) certificates (including, without limitation, International Safety Management (ISM) Code compliance), tankers blacklisted by the European Union or banned by the Paris Memorandum of Understanding on Port State Control and tankers due for phase out under MARPOL regulation 13G.

- Nuclear projects where the host country has not ratified the relevant convention and treaty¹³ or the operations are inconsistent with the International Atomic Energy Agency (IAEA) Safety Standards;¹⁴
- Large dams inconsistent with the World Commission on Dams framework;¹⁵
- Mining of or trade in rough diamonds unless it is Kimberley Process certified;¹⁶
- Production of or trade in or distribution of tobacco products violating the Framework Convention on Tobacco Control by the World Health Organization;
- Production of or trade in weapons and munitions, including paramilitary materials;
- Stand-alone gambling establishments or casinos or equivalent premises;
- Thermal coal mining, coal-fired power and heating plants or Projects that are functionally related to coal.¹⁷
- Production of, or trade in, alcoholic beverages, excluding beer and wine¹⁸
- Production or trade in wood or other forestry products other than from sustainably managed forests; and
- Marine and coastal fishing practices, 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.

¹³ For example the Convention on Nuclear Safety (www-ns.iaea.org/conventions/nuclear-safety.asp) and the Treaty on the Non-Proliferation of Nuclear Weapons (www.un.org/disarmament/wmd/nuclear/npt/).

¹⁴ Further information on the IAEA Safety Standards is available at www-ns.iaea.org/standards/.

¹⁵ The International Commission on Large Dams (www.icold-cigb.net) defined a large dam is a dam with a height of 15 metres or greater from lowest foundation to crest or a dam between 5 metres and 15 metres impounding more than 3 million cubic metres.

¹⁶ Information regarding Kimberley Process is available at www.kimberleyprocess.com.

¹⁷ Projects functionally related to coal means associated facilities that are dedicated to enable the mining and use of coal or projects that would not be carried out without dedicated coal-based power supply. In order to assist reduction of coal use, we may support Projects that aim at early retirement of coal plants, replacement of coal with lower-carbon fuel sources, or Projects for decommissioning, remediation, and redevelopment of affected coal facility sites and communities.

¹⁸ This does not apply to Clients who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the entity's primary operations.