

Environmental exclusion list template

Appendix A of the Environmental Policy Template for Financial Service Providers (FSPs)

This appendix provides a **template for an environmental exclusion list** that combines a **general framework** with an **example tailored** to Financial Service Providers, in order to clearly specify the activities that the FSP will not finance. It aims to **reduce environmental risks** while taking into account the realities of **the FSP's clients**, and can be directly applied **to the FSP's credit policy**. To use it: **customize** the list to local law and your portfolio, **integrate it** into analysis procedures and forms, **train** teams, then **monitor and update** regularly based on feedback from the field.

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1. General framework for exclusion lists

In implementing its environmental strategy, [name of the FSP] refrains from financing the following activities:

1. The production or trade of any product or activity deemed illegal under the laws or regulations of the host country or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone-depleting substances, PCBs, wildlife, or products regulated by CITES.
2. Production or trade in weapons and munitions¹.
3. Production, processing, or distribution of illicit drugs;
4. Production or trade in alcoholic beverages (excluding beer and wine)¹.
5. Production or trade in tobacco¹.
6. Gambling, casinos, and similar businesses¹.
7. Production or trade in radioactive materials. This restriction does not apply to the purchase of medical equipment, equipment, quality control (measurement) equipment, and any equipment for which the IFC considers the radioactive source to be insignificant and/or adequately shielded.
8. Production or trade in uncontrolled asbestos fibers. This does not apply to the purchase and use of controlled asbestos-cement sheets with an asbestos content of less than 20%.
9. Products containing polychlorinated biphenyls;
10. Substances that are hazardous to the ozone layer and whose phase-out is required by international authorities;
11. Pesticides and herbicides that are banned or in the process of being phased out internationally;
12. Excessive use of synthetic chemical fertilizers rich in nitrates/phosphates without a sustainable management plan
13. Pharmaceutical products subject to international decisions to phase out or complete ban decisions;
14. Driftnet fishing in marine environments using nets longer than 2.5 km.
15. Fishing in marine protected areas
16. Production or activities involving harmful forms of forced labor² or harmful child labor³.
17. The production, trade, storage, or transport of large volumes of hazardous chemicals, or the commercial use of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
18. Trade of adulterated gasoline.
19. Production and trade of wood and charcoal. Financing of these activities is permitted if the customer has a government license.
20. Production or activities that encroach on lands belonging to indigenous peoples or claimed under an adjudication process, without the full and documented consent of those peoples.
21. Cross-border trade in waste and scrap products, unless it complies with the Basel Convention⁴ and underlying regulations;

¹ This does not apply to project sponsors who do not participate substantially in these activities. "Without substantial participation" means that the activity in question is incidental to the project sponsor's main operations.

² Forced labor means any work or service that is not performed voluntarily, but is extorted from an individual under threat of force or penalty.

³ Harmful child labor refers to the employment of children that constitutes economic exploitation or is likely to be hazardous to the child's education or to interfere with it, or to be prejudicial to the child's health or physical, mental, spiritual, moral, or social development.

⁴ Convention to prohibit the movement of hazardous waste between countries, in force since 1992. Hazardous waste is defined in Annex III (Art. 1 para. 1a) of the Convention.

22. Trade in areas where wildlife is protected by CITES (Convention on International Trade in Endangered Species) / Convention on International Trade in Endangered Species of Wild Fauna and Flora;⁵ destruction of critical habitats ⁶
23. Commercial logging operations targeting primary tropical rainforests;
24. Uncontrolled burning of agricultural or forestry waste
25. Introduction or trade of invasive species
26. Dumping or incineration of hazardous waste without proper treatment.

2. Example of an exclusion list tailored to the context of the FSP

Below is the Exclusion List of [FSP name], along with an explanation of its importance to the microfinance operations that [FSP name] will carry out. This list will be applied as part of the credit policy.

Color code:

- Mainly social aspects
- Mainly Environmental aspects

[Name of the FSP] shall not finance the production or trade of any product or activity deemed illegal under the laws or regulations of the host country or international conventions and agreements.

- Knowledge of and compliance with national laws and regulations is a fundamental principle for [name of the FSP]. However, it should be noted that [name of the FSP] offers its financial services to micro and small enterprises.
- Many of these enterprises may be part of the informal or semi-formal sector: they pay some taxes but not all, they may hold authorizations to carry out their activities, but are not necessarily registered with the competent authorities.
- This situation, which may be considered illegal, is in most cases linked to:
 - Inappropriate regulations on business creation;
 - Inadequate and unenforceable tax systems;
 - Widespread and common practices of corruption.

By offering support and advice as well as access to a formal financial system, [name of the FSP] is helping these businesses move into the formal economy. At the same time, [name of the FSP] agrees to lend money to informal and semi-formal customers as long as their business remains of a reasonable size and the risks associated with commercial operations remain relative.

[Name of the FSP] does not finance the production or trade of products that have a substantial negative impact on health or safety, such as:

⁵ Destruction means the elimination or serious reduction of the integrity of a habitat caused by a major and long-term change in land or water use or by a modification of a habitat such that the habitat's ability to maintain its role is lost.

⁶ Critical habitat is a subset of natural and modified habitat that warrants special attention. Critical habitats include areas of high biodiversity value that meet the criteria of the International Union for Conservation of Nature (IUCN) classification, including habitat necessary for the survival of critically endangered or endangered species as defined by the IUCN Red List, threatened species, or as defined in any national legislation; areas of particular importance for endemic or restricted-range species; sites that are essential for the survival of migratory species, areas with globally significant concentrations or numbers of individuals of gregarious species, areas with a unique assemblage of species or that are associated with key evolutionary processes or provide key ecosystem services; and areas with biodiversity of significant social, economic, or cultural importance to local communities. Primary forests or forests of high conservation value will be considered essential habitats.

- Uncontrolled asbestos fibers (this does not apply to the purchase or use of controlled asbestos-cement fibers when the content is less than 20%);
- Products containing polychlorinated biphenyls;
- Pesticides and herbicides that are banned or being phased out internationally;
- Radioactive materials (this does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment where a supranational investor considers the radioactive source to be insignificant and/or adequately protected);
- Pharmaceutical products subject to international decisions to phase out or outright ban them;
 - [Name of the FSP] will sometimes be approached by potential clients who run small shops selling, among other things, very small quantities of medicines. The medicines handled by these small traders may be expired or counterfeit, making the consumption of these medicines potentially dangerous to the health of their customers.
 - [Name of the FSP] will not finance any pharmaceutical retailers or stores that sell medicines without the appropriate legal authorization, and credit officers will be mindful of this specific risk when conducting credit assessments.
- Sale of alcoholic beverages (except beer and wine), tobacco production and trade.

Lending to individuals engaged in large-scale activities solely devoted to the trade of cigarettes and alcohol would support business models with questionable social impacts.

- However, [name of the FSP] sometimes offers its financial services to restaurant or small shop owners who, among other things, sell cigarettes, tobacco, and alcoholic beverages. Specific eligibility criteria have been defined for this specific issue:
 - Under no circumstances may the loan be used to finance the sale of the above-mentioned products.
 - The sale of these products must not constitute more than 50% of the customer's sales volume. Subsidiaries are free to set a lower percentage.

[Name of the FSP] must not finance activities that threaten the health or safety of workers or violate their fundamental human rights.

- Production or activities that encroach on land owned or claimed under arbitration by indigenous peoples, without the full documented consent of these peoples;
- Activities involving prostitution, forced labor⁷, hazardous work⁸ or hazardous child labor⁹.

[Name of the FSP] will offer financial services to populations facing significant economic and social hardship. Among the clients of these services are very small family businesses in which children often work, either to learn a trade or to help their families earn a living. The high prevalence of child labor in some developing countries is linked to economic and social realities that must be taken into account.

⁷ Forced labor refers to any work or service demanded from an individual under threat of punishment and for which the individual has not offered themselves voluntarily. It refers to situations in which people are forced to work through the use of violence or intimidation or through more subtle means such as debt manipulation, withholding identity papers, or threats of denunciation to immigration authorities. Please refer to the ILO Convention on Forced Labor, 1930, and the 2014 Protocol to the Convention on Forced Labor, 1930.

⁸ Hazardous work refers to work that is mentally, physically, socially, or morally hazardous and harmful to workers.

⁹ Hazardous child labor refers to work that is mentally, physically, socially, or morally hazardous and harmful to children; and interferes with their schooling by depriving them of the opportunity to attend school, forcing them to leave school prematurely, or forcing them to try to combine school attendance with excessively long and arduous work. For further information, please refer to ILO Conventions No. 182 and No. 138.

[Name of the FSP] employees will ensure that children are not below the minimum age required for each type of work, as detailed below, and will ensure that all children of school age are enrolled in full-time education. Any light work must not prevent children from attending school or concentrating at school:

	Age limit
Hazardous work ¹⁰	18 (16 under strict conditions)
Basic minimum age <i>The minimum age for working should not be lower than the age at which compulsory schooling ends.</i>	14
Light work ¹¹ of less than 14 hours per week <i>Provided that it does not threaten the health and safety of children or interfere with their education or vocational guidance and training.</i>	12-14

When it comes to potentially dangerous work, [name of the FSP] will ensure that health and safety issues are checked for each client. In case of doubt, [name of the FSP] will decide, depending on the severity of the issues, whether to offer support measures to the client (mandatory for obtaining credit) or not to finance their activity.

[Name of the FSP] must not finance the production or trade of activities that have a substantial negative social impact, such as:

- Production, processing, or distribution of illicit drugs; Weapons and munitions;
- Manufacture of equipment (including nuclear products) primarily designed or intended for military purposes;
- Pornography or the provision of products or services of a substantially similar nature;
- Gambling, casinos, and equivalent businesses;
- Production and distribution of racist, anti-democratic, and/or neo-Nazi media.

[Name of the FSP] shall not finance the production or trade of activities with a substantial negative environmental impact, such as:

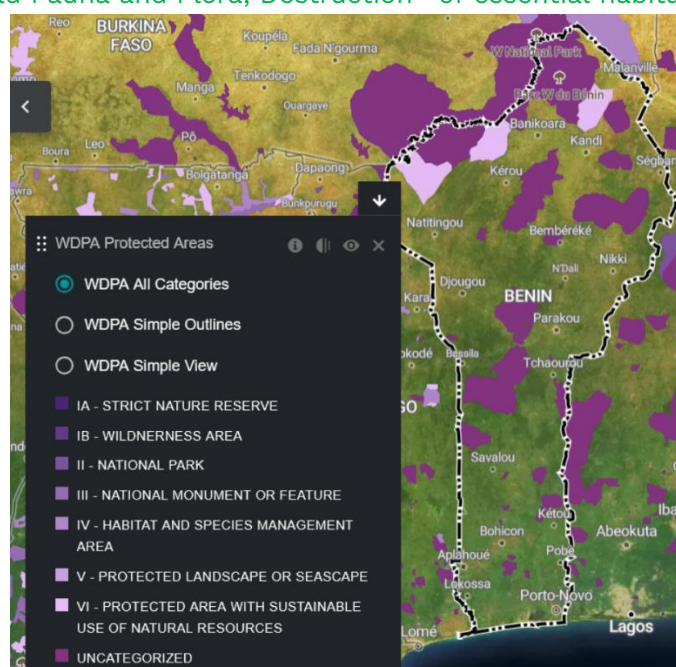
- Substances that are harmful to the ozone layer and whose phase-out is required by international bodies;
- Drift net fishing using nets longer than 2.5 km;
- Cross-border trade in waste and scrap, unless it complies with the Basel Convention¹² and underlying regulations;
- Production, trade, storage, or transport of significant quantities of hazardous chemicals, or commercial use of hazardous chemicals (hazardous chemicals include gasoline, kerosene, and other petroleum products);

¹⁰ Hazardous child labor includes: working underground, underwater, at dangerous heights, or in confined spaces; working with dangerous machinery, equipment, and tools, or involving the manual handling or transport of heavy loads; working in an unhealthy environment that may, for example, expose children to dangerous substances, agents, or processes, or to temperatures, noise levels, or vibrations that are harmful to their health; working in particularly difficult conditions, such as working long hours or at night, or working where the child is unreasonably confined to the employer's premises; using, recruiting, or offering a child for illicit activities, in particular for the production and trafficking of narcotics as defined in relevant international treaties.

¹¹ Light work includes all activities such as small tasks, errands, helping a family member at a market stall or in a restaurant.

¹² Convention to prohibit the movement of hazardous waste between countries, in force since 1992. Hazardous waste is defined in Annex III (Art. 1 para. 1a) of the Convention.

- Trade in areas where wildlife is protected by CITES (Convention on International Trade in Endangered Species) / Convention on International Trade in Endangered Species of Wild Fauna and Flora; Destruction¹³ of essential habitats¹⁴



Source:

https://map.unbiodiversitylab.org/earth?basemap=satellite&coordinates=20,0,2&layers=UNBL.layer.wdpa-protected-areas_100

- Commercial logging operations targeting primary tropical rainforests;
- Wood or other forest products not sourced from sustainably managed forests. As potential customers will sometimes be involved in small-scale trade in wood or charcoal, and as some customers will be carpenters, [name of the FSP] will pay particular attention to applicable national laws on forest management.
 - When working in rural areas, [name of the FSP] employees will ensure that timber or charcoal comes from sustainably managed forests by verifying any evidence of the customer's rights/certificates.

When financing significant agricultural projects (such as value chain financing), [name of the FSP] is committed to **financing only activities certified** by a locally or internationally recognized Certification Body.

[Name of the FSP] will ensure that certifications are authentic and have been obtained legally. In addition, [name of the FSP] will partner with these Certification Bodies to ensure that cooperatives or employees of producer groups are paid decently and treated with respect, that land is managed sustainably, and that the use of chemicals is reasonable and has no impact on populations living near the land.

¹³ Destruction means the elimination or severe reduction of the integrity of a habitat caused by a major and long-term change in land or water use or by a modification of a habitat such that the habitat's ability to maintain its role is lost.

¹⁴ Critical habitat is a subset of natural and modified habitat that warrants special attention. Critical habitats include areas of high biodiversity value that meet the criteria of the International Union for Conservation of Nature (IUCN) classification, including habitat necessary for the survival of critically endangered or endangered species as defined by the IUCN Red List, threatened species, or as defined in any national legislation; areas of particular importance for endemic or restricted-range species; sites that are essential for the survival of migratory species, areas with globally significant concentrations or numbers of individuals of gregarious species, areas with a unique assemblage of species or that are associated with key evolutionary processes or provide key ecosystem services; and areas with biodiversity of significant social, economic, or cultural importance to local communities. Primary forests or forests of high conservation value will be considered essential habitats.