POLICY ON ENVIRONMENT,SOCIAL & GOVERNANCE SUSTAIANBILITY

SARVODAYA DEVELOPMENT FINANCE PLC

Version 1

Document

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1.0 SDF's history and Contribution towards ESG

ESG stands for Environmental, Social and Governance which are the issues in current business context becoming more attentive and businesses today are taking a stand on. They are a lot more complicated and the companies that can achieve a positive ESG stance have a firm grasp on the risks facing their organizations and earn all the benefits of doing so. It is essentially an indicator of a business's performance and objectives that go beyond monetary metrics.

Being the oldest development finance company in Sri Lanka and highly influenced by the 'Artha Dharma' Principles introduced by the Company's founder late Sri Lankabhimanya Dr. A.T. Ariyaratne, Sarvodaya Development Finance PLC (SDF) believes and always works towards promoting Sustainability in good faith. The Founder highly believed in 'Artha Dharma' which is defined as the scientific value-based transformation of the economy, society and governance.

Drawing inspiration from teachings of the Buddha and Mahatma Gandhi, and based on the principles of Truth (satya), Non-violence (avihimsa) and Selflessness (pararthkami), the founder has formed a philosophy which has helped to shape Lanka Jathika Sarvodaya Shramadana Sangamaya's (LJSSS's) integrated, holistic, and sustainable approach to development, which includes promoting and fulfilling the 'Ten Basic Human Needs of individuals and communities' as identified by the Sri Lankabhimanya Dr. A.T. Ariyaratne way before the Sustainable Development Goals (SDGs) have been introduced which are as follows.

(i) A clean and beautiful environment

(ii) Clean drinking water

(iii) Adequate supplies of clothing

(iv) Adequate and balanced nutrition

(v) Simple housing

(vi) Basic health care

(vii) Basic communication facilities

(viii) A minimal supply of energy

(ix) Holistic education

(x) Satisfaction of spiritual, cultural needs and peace building

These concepts have set the foundation for SDF and is guided by the Sarvodaya philosophy. Sustainability concept has been there since inception of SDF which has been the DNA of the Company and always marked as differentiated and enabled the Company in building a unique business model that is delivered effectively and efficiently with the aim of providing a broader social purpose and making a positive contribution to the environment.

SDF's Vision, Mission and values have been driven and engrafted by the main purpose of the LJSSS which is the Sri Lanka's oldest continuing social movement i.e. to build a just, sustainable,

compassionate social order that fulfils the basic human needs of the community through individual and collective awakening.

2.0 Regulatory Background

The Central Bank of Sri Lanka (CBSL) has recognized the significance of aligning with the United Nations' Sustainable Development Goals and transitioning Sri Lanka towards a green, inclusive, and balanced economy. Accordingly, the CBSL has introduced a Roadmap for Sustainable Development on 10.04.2019 which provides a broader direction to financial regulators and financial institutions in managing environmental, social, and governance (ESG) risks associated with the projects which those institutions providing financial assistance and ultimately promoting businesses that are greener, climate friendly and socially inclusive. Additionally, CBSL has also published the Sri Lanka Green Finance Taxonomy on 06.05.2022, establishing a system for classifying and measuring sustainable finance activities in the country.

In light of these initiatives, guidelines have been issued considering the importance of a sustainable economy and the need for providing with a governance and risk management framework for sustainable finance activities of LFCs with a view to facilitating the sustainable finance initiatives of LFCs in line with the roadmap.

3.0 Objective of the Policy

The prime objective of Sarvodaya Development Finance PLC's (SDF’s) Sustainable Development Policy is the promotion of sustainable development practices. This policy endeavours to align SDF's operations closely with the guiding principles articulated by the Central Bank of Sri Lanka (CBSL).

The Sustainable Development Policy of Sarvodaya Development Finance Company outlines a strategic framework that guides the company's commitment to integrating environmental, social, and governance (ESG) considerations into its business operations. This policy aims to foster sustainable development practices by ensuring responsible financial activities, adherence to ethical standards, and alignment with regulatory guidelines, particularly those set forth by the Central Bank of Sri Lanka. The overarching goal is to balance economic growth with social inclusion and environmental responsibility, contributing to the long-term well-being of both the company and the communities it serves.

2.1 Definition of Sustainable Development

Sustainable development refers to a mode of growth of SDF that meets the needs of the present without compromising the ability of future generations to meet SDF's own needs. It is a holistic and integrated approach that seeks to balance economic, social, and environmental considerations in decision-making processes.

Key principles of sustainable development included Environmental Stewardship, Social Equity, Economic Viability, Inter-generational Equity, Community Engagement and Adaptability.

4.0 Identified Priority Sectors for Sustainable Finance Activities

- The Taxonomy identifies the following priority sectors for sustainable finance activities:

a) forestry and logging;

b) agriculture;

c) manufacturing;

d) electric power generation, transmission and distribution;

e) water supply, sewerage and waste management;

f) construction;

g) transportation and storage;

h) tourism and recreation;

i) information and communication technology;

j) financial services (facilitating provision of affordable insurance products to increase climate resilience of agriculture and tourism activities); and

k) other activities such as, gas, steam, and air conditioning supply, underground permanent geological storage of CO2, Hydrogen storage.

- SDF is requested to utilize the Taxonomy to identify and classify the relevant activities to the above priority sectors, when granting funding and reporting on sustainable finance activities.

- SDF is encouraged to develop sustainable savings products and sustainable loan products, including sustainable leasing products.

- SDF is encouraged to support green and socially inclusive projects and issue guidance and operational tools, as required.

5.0 Governance Structure and Accountability of the Board of Directors and the Senior Management

- Board of Directors (BODs) are encouraged to effectively and efficiently oversee the sustainable finance activities.

- BoDs should approve the Sustainable Finance Policy of the Company.

- The Chief Executive Officer (CEO) and relevant Key Responsible Persons (KRPs) of SDF, under the guidance provided by BODs, are requested to ensure the followings:

- policies, tools, metrics, operational procedures and controls implemented by SDF in respect of sustainable finance activities are reviewed and updated at least annually, and integrated with other relevant policies and procedures of SDF;
- adequate resources, skills and expertise are allocated to the implementation and management of sustainable finance activities;
- clear articulation of roles and responsibilities of business units and functions in managing risks associated with sustainable finance activities;
- BoD should be informed in a timely manner on the progress and material issues, relating to sustainable finance activities;
- utilize the Taxonomy to identify and classify the relevant activities to the above priority sectors, when granting funding and reporting on sustainable finance activities.
- develop sustainable savings products and sustainable loan products, including sustainable leasing products: such as
    - Facilities to install solar power for both residential and commercial purposes.
    - Auto loans for the purchase or lease of hybrid vehicles;
- support green and socially inclusive projects and issue guidance and operational tools, as required.
- identify and manage ESG risks, and risks relating to sustainable finance activities;
- develop parameters and metrics for measuring the progress of sustainable finance activities;

- implement a comprehensive sustainability framework across all organizational divisions, including Head Office, Regions, and entire branch network;
- formulate dedicated sustainability teams at key operational levels to oversee and manage the SDF's environmental and social initiatives;
- implement energy efficiency measures within the Sarvodaya Development Finance PLC, such as:
    - Integration of solar power in selected branches.
    - Adoption of energy-efficient lighting systems like CFL and LED bulbs.
    - Practice of turning off unnecessary lights.
    - Transition to energy-efficient air conditioners with inverter technology.
    - Employee engagement in energy conservation through awareness programs.
    - Introduction of solar-powered solutions in branches;
- reduction of paper waste through strategies including:
    - Encouragement of technology for communication.
    - Double-sided printing and reuse of paper whenever feasible;
- promoting sustainability best practices to a wide audience, particularly the SDF's customers;
- Building capacity and innovation
    - develop ESG risk management skills of its staff members through internal or external trainings;
    - develop internal expertise to implement sustainable finance related activities or hire sustainable finance professional/s as appropriate, for such implementation;
    - develop expertise in environmental stress testing and scenario analyses.
- engagement of stakeholders in the SDF's sustainability commitments through initiatives such as:
    - Advertisements aligned with key environmental conservation days like World Environment Day and Earth Day.
    - Training sessions to educate employees on their role in making the SDF the most environmentally conscious financial institution in Sri Lanka.

- Utilization of social media as an effective platform to communicate the SDF's sustainable agenda, particularly targeting the country's youth.

6.0 Current/ Ongoing Initiatives for Sustainable Development

Sarvodaya Development Finance PLC is actively engaged in various sustainable development initiatives, showcasing a commitment to environmental and social responsibility. Some of the key ongoing initiatives include:

- **Solar Panel Installation:**

  The company has commenced the installation of solar panels at select branches and aims to extend this initiative to all branches, demonstrating a commitment to renewable energy.

- **Special Leasing for Electric Vehicles:**

  Sarvodaya Development Finance PLC offers specialized leasing options for electric vehicles, encouraging the adoption of eco-friendly transportation.

- **Digital Transformation:**

  The organization is progressively transitioning from paper-based to electronic workflows, contributing to a reduction in environmental impact associated with paper usage.

- **Partnership with Experienz:**

  Collaborating with Experienz, the company has implemented a system to monitor and assess its impact on sustainable development, reflecting a proactive approach to accountability.

- **Financial Support for SMEs:**

  Sarvodaya Development Finance PLC is actively supporting small and medium-sized enterprises in Sri Lanka through substantial loans and leasing facilities, with a focus on fostering sustainable development.

- **Fuel Consumption Reduction:**

  In response to the economic crisis in Sri Lanka, the company has provided bicycles to Regional Managers, contributing to a reduction in fuel consumption and promoting cost-effective and sustainable transportation.

- **Annual Paper Recycling:**

  The institution has established an annual paper recycling process, aligning with a commitment to

responsible resource management, typically conducted every five years.

These initiatives collectively demonstrate Sarvodaya Development Finance PLC's multifaceted approach to sustainable development, incorporating environmental conservation, digital innovation, social responsibility, and support for economic resilience in the communities it serves.

7.0 Risk Management of ESG risks and risks relating to sustainable finance activities

- The Risk Management Department of SDF should;
    - identify and evaluate ESG risks, and risks relating to sustainable business activities, considering the nature, scale, complexity and interconnectedness of its operations and assess the magnitude and materiality of such risks.
    - incorporate the identified ESG risks in to the Company's overall risk management framework.
    - implement effective risk management practices and internal controls to mitigate the identified risks, and incorporate ESG risk management to the entire decision-making processes.
    - monitor risks related to project financing, environmental impact assessments, and stakeholder relations and timely report to the BIRMC.
    - develop environmental stress testing and scenario analyses and report to the BIRMC.

8.0 Disclosures and Reporting

- SDF should disclose the following information related to sustainable finance activities in its annual report:

- an overview on sustainable finance policies and activities;
- identified ESG and sustainable finance related risks and associated mitigation measures;
- the environmental and social impact of current and proposed investments and business activities;
- the progress made on sustainable finance related activities including implementation of the Roadmap and the action plan for the next year; and

- the total and annual amounts of sustainable funds raised for and funds allocated to sustainable finance related activities.

- SDF should disclose the environmental and social impact generated from business activities using internationally recognised reporting frameworks, such as Global Reporting Initiative and recommendations of the Task Force on Climate-related Financial Disclosures.
- SDF shall implement transparent regular reporting mechanisms on sustainability performance to update stakeholders on the status of identified risks and mitigation efforts.
- SDF shall outline the key performance indicators (KPIs) and metrics used for assessment.
- SDF shall conduct periodic reviews of the Sustainable Development Policy to ensure its effectiveness in addressing emerging risks.
- SDF shall adjust the policy as needed based on the results of risk assessments and changing business environments.

9.0 Implementation of the Roadmap and reporting to the Director – Department of NBFIs

- SDF is required to implement the Roadmap, following the timelines given in its action plan, or as amended.
- SDF is required to submit information or documents as directed by the Director – Department of NBFIs under the powers vested with the Director by the Section 15 of the Finance Business Act No. 42 of 2011, on its sustainable finance activities in the manner, in such form and at such intervals or at times as shall be specified by the Director- Department of NBFIs.

10.0 References

- Roadmap for Sustainable Finance in Sri Lanka issued by the CBSL on 10th April 2019 (Annexure 1)
- Sri Lanka Green Finance Taxonomy published by the CBSL on 06th May 2022 (Annexure 2)

11.0 Amendments to this Policy

The policy will be reviewed by the BIRMC and approved by the Board of Directors in every 3 years or as mandated by a sudden change in the business, legal, regulatory or other compliance requirements.

12.0 Annexures

12.1 Annexure 1 - Roadmap for Sustainable Finance in Sri Lanka

Roadmap for Sustainable Finance in Sri Lanka

Central Bank of Sri Lanka (CBSL)

April 2019

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United Nations Development Programme (UNDP) provided funding support to the development of the Roadmap through the Biodiversity Finance Initiative (BIOFIN).

The CBSL would also like to thank the International Finance Corporation (IFC) for technical support and thank stakeholders for contributions to consultation process. These stakeholders include (in alphabetical order): The Finance Houses Association of Sri Lanka (FHA), The Insurance Regulatory Commission of Sri Lanka (IRCSL), Securities and Exchange Commission of Sri Lanka (SEC) and Sri Lanka Banks' Association (Guarantee) Ltd. (SLBA).

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Abbreviations and Acronyms

ABS	Asset Backed Securities
BIOFIN	The Biodiversity Finance Initiative
CBI	Climate Bonds Initiative
CBSL	Central Bank of Sri Lanka
CSE	Colombo Stock Exchange
ESG	Environmental Social and Governance
FHA	The Finance Houses Association of Sri Lanka
FI	Financial Institution
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
ICMA	International Capital Market Association
IFC	International Finance Corporation
IPCC	The Intergovernmental Panel on Climate Change
IRCSL	The Insurance Regulatory Commission of Sri Lanka
KPI	Key Performance Indicator
MSME	Micro, Small and Medium Enterprises
NBFI	Non-Bank Financial Institution
PAED	Publicly Available Environmental Data
PE	Private Equity
PRB	Principles for Responsible Banking
PRI	Principles for Responsible Investment
PSI	Principles for Sustainable Insurance
FC4S	International Network of Financial Centers for Sustainability
SBI	Sustainable Banking Initiative
SBN	Sustainable Banking Network
SDGs	Sustainable Development Goals
SEC	Securities and Exchange Commission of Sri Lanka
SLBA	The Sri Lanka Banks' Association (Guarantee) Ltd.
SSE	Sustainable Stock Exchange
TCFD	Task Force on Climate-related Financial Disclosures
UN	United Nations
UNDP	United Nations Development Programme
VC	Venture Capital

Part 1 Background

1.1 Global Context

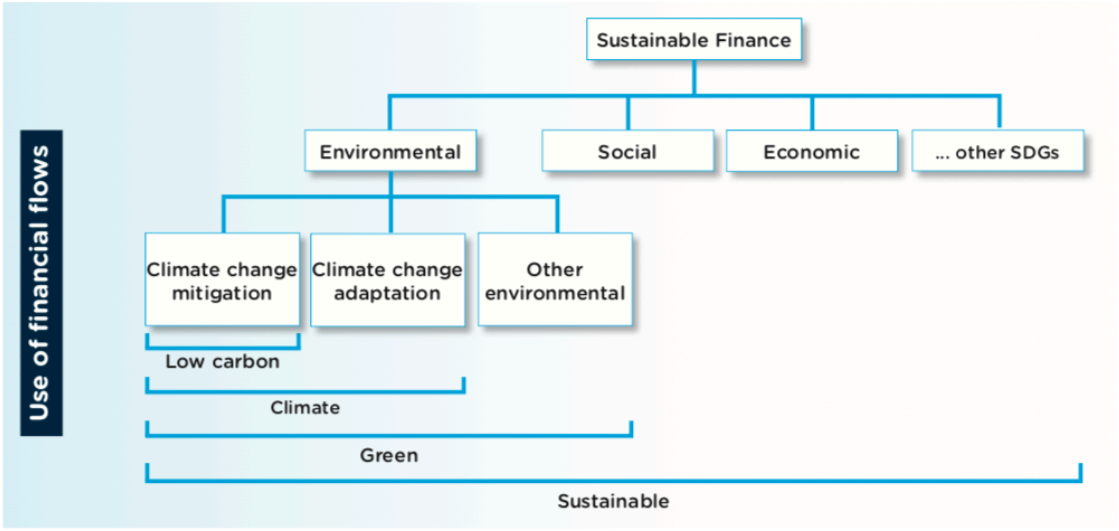
As consequences of unsustainable economic and population growth, the world is facing challenges including those related to environmental degradation, climate change, poverty and inequality. In 2015, the United Nations (UN) introduced the Sustainable Development Goals (SDGs) to address these challenges and to call for action by all countries to promote prosperity while protecting the planet. The recently released Special Report of the Intergovernmental Panel on Climate Change (IPCC)[1] further highlighted the urgency of meeting the goals set by the Paris Agreement and limiting global warming to 1.5 degrees Celsius.

Implementing the SDGs and the Paris Agreement on climate change requires a substantial mobilization of public and private finance towards sustainability. International initiatives, principles and standards such as the Sustainable Banking Network (SBN), the Equator Principles, International Finance Corporation (IFC) Environmental and Social Performance Standards and World Bank Environmental, Health and Safety Guidelines have been launched to support sustainable finance transition. Countries also have developed national sustainable finance policies and principles tailored to local context. Among SBN member countries, 17 have launched national policies, guidelines, principles or roadmaps by far.

As illustrated in the UN Environment and World Bank Group's Roadmap for a Sustainable Financial System (Figure 1), sustainable finance takes a broad approach concerning environmental, social economic and other SDGs aspects, supporting investment across a broad set of sectors required to build an inclusive, economically, socially, and environmentally sustainable world.

[1] IPCC, 2018. Global Warming of 1.5 ºC.

Figure 1 Elements of Sustainable Finance



Source: UN Environment & World Bank Group, 2017. Roadmap for A Sustainable Financial System. Adapted from UN Environment Inquiry, 2016. Definitions and Concepts: Background Note.

1.2 National Context

Sri Lanka is facing increasing environmental and climate challenges. Frequent natural disasters, deforestation and forest degradation, degradation of coastal and marine ecosystems, climate change and extreme weather, air and water pollution and loss of biodiversity hinder its sustainable economic growth. Sri Lanka may face a 1.2 percent loss of annual GDP by 2050 if measures are not taken to address climate change.[2] Sri Lanka is also one of the biodiversity hotspots in the world and it is estimated that additional investment of Sri Lankan Rupees 30 billion within next five years is needed to achieve national biodiversity targets and to avoid future expenses related to biodiversity restoration and management.[3]

Sri Lanka is the first country to appoint a Parliamentary Select Committee on Sustainable Development. It established the Sustainable Development Council to ensure that the country's growth is sustainable. The Sustainable Development

[2] Ahmed, M., and S. Suphachalasai. 2014. Assessing the Costs of Climate Change and Adaptation in South Asia. Asian Development Bank. http://hdl.handle.net/11540/46. License: CC BY 3.0 IGO.

[3] Assessment conducted by UNDP Biodiversity Financial Initiative (BIOFIN).

Act No. 19 of 2017 enacted by the Parliament provides the legal framework and the national policy for implementing the SDGs. Additionally, the Sustainable Sri Lanka Vision and Strategic Path 2030 identifies the need of a balanced, inclusive and green growth path to facilitate a transition from "Conventional Sri Lanka 2018" to "Sustainable Sri Lanka 2030".

During the Sustainable Finance Workshop held by the Central Bank of Sri Lanka (CBSL) and IFC/SBN in 2017, His Excellency President Maithripala Sirisena stressed the important role that the financial sector can play to help Sri Lanka tackle the most urgent development challenges—from environmental conservation to poverty—and to help finance the SDGs. His presence demonstrated a strong political will to advance sustainable finance as a long-term priority for the country. Following the workshop, the CBSL initiated the process of developing a Roadmap for Sustainable Finance in Sri Lanka to facilitate and promote sustainable finance practices in consultation with relevant government agencies, the industry and a wide range of financial sector stakeholders.

The IFC provided technical support, while the UNDP BIOFIN provided the financial support to the development of this Roadmap.

1.3 Existing Market and Policy Actions in the Financial Sector

In Sri Lanka, voluntary, industry-led initiatives have been implemented to promote sustainable finance. Early in 2015, the Sri Lanka Banks' Association (SLBA) launched the Sri Lanka Sustainable Banking Initiative (SL-SBI) with the aim to jointly agree upon minimal standards or principles for integrating environmental and social considerations into operations and to implement these standards among the signatory banks. Under the Initiative, SLBA issued voluntary Sustainable Banking Principles, setting a general framework on how the Sri Lankan banking sector can conduct business to facilitate more sustainable economic growth locally. Eighteen banks have signed up, committing to mainstream environmental and social consideration into operation.

In the same year, the Colombo Stock Exchange (CSE) joined the UN Sustainable Stock Exchanges (SSE) Initiative. In 2018, the CSE provided guidance to its

market on sustainability reporting by launching a publication titled "Communicating Sustainability".

In parallel, financial regulators started to take the lead through policy-based initiatives for sustainable finance. In 2016, the CBSL joined the IFC-supported SBN, which consists of central banks, banking regulators and banking associations from 36 member countries, representing 85 percent of banking assets in emerging markets. As an SBN member, the CBSL announced in the "*Roadmap 2017-Monetary and Financial Sector Policies for 2017 and Beyond"* that it would focus on sustainable finance practices to help financial institutions effectively manage environmental and social risks in the project they finance and support businesses that are greener, climate friendly and socially inclusive, promoting sustainable finance in Sri Lanka. The CBSL has appointed a steering committee to facilitate developing the Sustainable Finance Roadmap for the financial sector in Sri Lanka through an inclusive and multi-stakeholder process.

Part 2 Objectives

This Roadmap sets out plans to develop sustainable finance in Sri Lanka, aiming to provide guidance and support to financial institutions to effectively managing environmental, social and governance (ESG) risks associated with projects they finance and increase support to businesses that are greener, climate-friendly and socially inclusive.

The specific objectives of the Roadmap are to:

(1) Bring policy cohesiveness across ministries, the Central Bank, other financial regulators, and financial sector participants and address specific ESG issues.

(2) Enhance resilience of financial institutions and enable them to grow and develop in a sustainable manner through effective ESG risk management.

(3) Facilitate green/climate finance products and services innovation to mobilize predominantly private capital for sustainable investment, making available the financial resources required for Sri Lanka to achieve the SDGs.

While focusing on banks and non-bank financial institutions (NBFIs) regulated by the CBSL, the Roadmap reflects commitment and aspirations of the entire financial market toward sustainability, including banking, capital market and insurance industry. Other financial institutions can refer to this Roadmap and develop strategic activities that fit their businesses.

The Roadmap shall be reviewed and adjusted in due course to be in line with market developments.

Part 3 Core Pillars

The Roadmap proposes a series of strategic activities to implement sustainable finance in Sri Lanka. These activities revolve around six focus areas:

- Financing VISION 2030
- ESG Integration into Financial Market
- Financial Inclusion
- Capacity Building
- International Cooperation
- Measurement and Reporting

3.1 Financing VISION 2030

The Sustainable Sri Lanka Vision and Strategies 2030 sets out short-, medium- and long-term economic, social and environmental goals. Achieving these goals to transit towards a green, inclusive and balanced economy in Sri Lanka requires large investments from the financial sector. The Sustainable Sri Lanka Vision and Strategies 2030 identifies the investment needs in eight sectors: agriculture and food, education, energy, health, marine resources, transport, urban development and physical planning, and water. There is a need to facilitate financial institutions in developing innovative sustainable finance products and services to implement the country's sustainable development agenda, which at the same time reveals new business opportunities for financial institutions and creates business drivers for sustainable finance.

3.1.1 Sustainable/green loan

The banking sector plays a critical role in Sri Lanka's financial system and is regarded with high capacity to mobilize financial resources to support sustainable development. Activities that could further the greening of the banking sector include:

For regulators:

- Develop specific sustainable loan guidelines or standards that guide sustainable loans.
- Encourage banks to develop specific sustainable loan products and sustainable saving products dedicated to financing sustainable/green projects.
- Introduce incentive mechanism to promote sustainable loan and saving, such as differentiated reserve requirements, differentiated risk weighting, interest subsidies, tax preferences, etc.

For banks:

- Innovate loan/saving products for energy efficiency, green building, green urban infrastructure, water saving and efficiency, and climate-smart agriculture through project loans, corporate loans, green mortgage loans, etc.
- Develop sustainable saving products to mobilize small savings for sustainable activities and at the same time raise the public's awareness on sustainable finance.

3.1.2 Sustainable/green leasing

Leasing is an effective way to enable sustainable businesses by reducing upfront costs and to some extent encourages the design and production of sustainable products. Sustainable leasing could focus on funding sustainable projects and funding in a sustainable way.

For regulators:

- Encourage companies engaged in leasing business to develop sustainable/green leasing framework, guidance and operational tools that guide sustainable leasing. Such guidance could cover funding on residential, industrial and transportation energy efficiency, supporting the development of green building and the application of energy-efficient facilities and vehicles.

For Financial Institutions engaged in leasing business:

- Support green and socially inclusive projects through leasing business.
- Explore a sustainable model of leasing that could extend the lifecycle of equipment, machinery and appliances to promote a circular economy and sustainability.

3.1.3 Sustainable/green bond

The global green bond market has grown rapidly in the past years and provides investors a new way to meet green investment goals.

For regulators and stock exchange:

- Adopt international standards on sustainable bonds and develop necessary domestic guidance and operational tools to enable sustainable bond issuance, including taxonomy, methods to quantify the sustainable impacts of bonds and guidance on reporting. Such guidance and tools could cover sustainable financial bonds, sustainable corporate bonds, sustainable Asset Backed Securities (ABS) and other financial products. Such guidance and tools should take into account both local sustainable development needs and international standards and principles such as those by Climate Bonds Initiative (CBI) and International Capital Market Association (ICMA).
- Encourage the adoption of external verification, which could benefit green bond issuance by increasing investor confidence in the environmental credentials of the market.
- Explore potential incentive schemes to encourage the issuance of sustainable bonds. Potential sustainable bond issuers would face the additional expense and administrative burden brought by external verification, managing and monitoring the proceeds, and meeting reporting requirements. Incentives could help lower initial

hurdles for new issuers and absorb additional costs of an environmentally robust issuance.

For financial institutions:

- Develop sustainable bond products.
- Support the issuance of sustainable bonds by acting as underwriters.
- Consider allocating a portion of savings or funding to invest in sustainable bonds.

3.1.4 Sustainable/green public equity

For regulators and stock exchange:

- Encourage managed funds to direct savings and funding towards environmentally friendly and socially inclusive companies.
- Support the development of sustainability-related indices and the establishment of sustainable public equity funds to attract both public and private capital to green industries and to raise investors' awareness on sustainability.

3.1.5 Other sustainable/green products

For regulators:

- Support and encourage industry players towards innovation on climate and disaster insurance products, specially focusing on the sectors vulnerable to such risks, through developing regulatory guidance and tools where feasible.
- Encourage the establishment of green funds leveraging private capital and forming public-private partnerships towards sustainability. These funds could be sustainable private equity (PE) funds and sustainable venture capital (VC) funds which are uniquely suited to financing sustainable projects that are risky,

innovative, relatively small and at the early stage of the project cycle.

For financial institutions:

- Explore specialized investment instruments to mobilize savings/assets and catalyze them towards sustainable investments.

For insurance companies:

- Explore insurance solutions for environmental risks and social inclusion. These could include climate and disaster insurance, crop insurance and home insurance to protect farmers and homeowners especially against the loss of crops and damage to property due to natural disasters. Pollution liability insurance could also be developed to better manage environmental risks and reduce losses from environmental pollution.

3.2 ESG Integration into Financial Market

Financial institutions face technical barriers when implementing sustainable finance. It is critical to provide operational tools to strengthen ESG disclosure and mainstream ESG issues throughout financial institutions' risk management and decision-making processes.

3.2.1 ESG disclosure

ESG data act as a fundamental of sustainable finance. Information asymmetry is one of the main obstacles to develop and implement a sustainable financial system. Limited disclosure from companies and regulators in a comparable format makes it difficult for financial institutions to assess the materiality of ESG risks involved in their investment and product design.

For regulators:

- Improve availability and accessibility of publicly available environmental data (PAED)[4] from non-corporate entities, such as government agencies, international organizations and non-governmental organizations. Information technologies such as online database and fintech can be applied to help improve availability and accessibility of such data.

- Cooperate with other government departments to improve corporate-level ESG disclosure by introducing ESG disclosure guidelines. A list of key indicators that need to be disclosed can be developed. Mandatory and/or voluntary reporting requirements can be identified.

- Require financial institutions to disclose their sustainable finance strategies and ESG data at corporate level or asset level on regular basis, which could in turn encourage their clients to improve ESG management and disclosure quality.

For financial institutions:

- Disclose both positive and negative environmental and social impacts generated through investment; disclose sustainability policies and programs implemented within the organization. Internationally recognized reporting frameworks, such as Global Reporting Initiative (GRI) and CDP reporting frameworks and Task Force on Climate-related Financial Disclosures (TCFD) recommendations could be references.

- Actively engage with clients on ESG disclosure and management issues.

4 According to the background paper *Improving the Availability and Usefulness of Publicly Available Environmental Data for Financial Analysis*, prepared for the G20 Green Finance Study Group in 2017, PEAD are defined as environmental data that are reported by non-corporate entities and that are useful for financial analysis. Examples of useful PEAD are: costs of air pollution, costs of land contamination, facility level emission data and corporate level environmental violation data, etc.

3.2.2 ESG risk management

ESG risk management is a system that helps financial institutions identify, assess and manage ESG related risks through financial institutions' entire decision-making processes to enhance ESG integration. It includes governance for environmental and social risks, risk management practices as well as an enforcement mechanism.

For regulators:

- Develop specific guidance and operational tools that are in line with relevant national standards, regulations and international good practices for financial institutions to identify, assess and manage ESG risks in their portfolios as well as new business. Global standards and guidelines such as IFC Performance Standards can serve as a reference to assess ESG risk at the project level. Sector-specific ESG checklists can be developed in collaboration with other government departments, such as the Central Environmental Authority. Environmental stress testing, through which financial institutions can quantify and assess the potential impact of environmental issues on the performance of their businesses, can be applied at the asset level in the insurance and banking sectors.

- Encourage financial institutions to develop their own ESG risk management strategies and methods tailored to their specific needs within the overall risk management framework.

- Conduct country-level climate and disaster risk assessments for financial institutions.

For financial institutions:

- Incorporate ESG risk management to entire decision-making processes, including environmental and social policies, risk assessment, environmental and social covenant (in loan

agreements or other financial legal documents), project supervision and portfolio review, training, external communication and reporting. Risk assessment should consider full lifecycle and value chain of projects.

- Incorporate ESG to corporate governance especially by defining roles and responsibilities of the board and senior management with regard to ESG issue.

3.3 Financial Inclusion

Sri Lanka has identified financial inclusion as one of the priorities to achieve sustainable economic development. The country has made considerable progress in financial inclusion as there is high level of physical access to financial institutions with more branches opening up in rural areas. However, there remain challenges in increasing the financial literacy and financial awareness to enable clients to use financial services effectively and in improving payments and settlement systems. Limited or no access to the formal financial sector is still faced by micro, small and medium enterprises (MSMEs), low-income households, youth and women.

This pillar can be combined with Sri Lanka's National Financial Inclusion Strategy, which is under development and aims to further enhance financial inclusion.

For regulators:

- Develop and implement the National Financial Inclusion Strategy coordinating efforts with major stakeholders from the government, financial industry and civil society.

- Introduce grants and risk-sharing facilities to support sustainable start-ups.

- Coordinate with government departments to provide technical assistance for green project development and investor pitches.

- Support fintech companies and the development of digital tools,

providing them with a regulatory sandbox to test fintech solutions towards financial inclusion.

For banks and finance companies:

- Develop more accessible, affordable and efficient financial products and services tailored for individual and communities that traditionally have had limited or no access to financial services. Explore the application of fintech and digital tools.
- Improve access to essential financial products and services.

For insurance companies:

- Develop accessible, affordable and effective insurance products tailored to low-income households and MSMEs to offer protection against climate change and natural disasters.

3.4 Capacity Building

Adequate expertise and capacity is needed by all, including the regulator, to ensure the implementation of sustainable finance. On the one hand, there is a need to facilitate technical training and capacity building among key stakeholders on ESG risk management and opportunities. On the other hand, new green products and technologies evolve quickly and expertise is needed to assess their viability.

3.4.1 Capacity building for regulators

For regulators:

- Internal capacity development to strengthen regulators' ability to develop relevant sustainable finance standards and to track and measure progress on sustainable finance.

3.4.2 Capacity building for financial institutions

For regulators:

- Support capacity-building activities for financial institutions to understand, identify, assess and manage ESG risks and opportunities.
- Support capacity-building activities for financial institutions to develop internal sustainable finance-related policies, manuals and procedures.
- Support knowledge-sharing activities among financial institutions to provide opportunities to exchange sustainable finance-related experience and learn from each other.
- Support capacity-building activities for financial institutions to take measures for the internal management in a more sustainable way, such as the introduction of green procurement and green buildings.
- Develop or support financial institutions to develop a pool of specialists that have expertise on environmental or social issues.

For financial institutions:

- Develop internal training programs to enhance capacity of identifying and quantifying the credit and market risks that may arise from environmental and social exposure.
- Hire professionals that have sustainable finance-related work experiences to help them gain a better understanding of ESG risks, develop tools that fit their existing procedures and processes to better-mitigate and -manage risks and to better-grasp green investment opportunities.
- Develop a pool of in-house or external specialists that have expertise on environmental or social issues.

3.4.3 Development of service providers

Professional service providers are important forces to facilitate the implementation of the Sustainable Finance Roadmap. They are more familiar with green technologies and environmental impact assessment, which usually hinder financial institutions from effectively implementing sustainable finance-related policies and/or guidelines.

For regulators:

- Encourage the development of domestic service providers in the field of sustainable finance.
- Encourage the collaboration with international and domestic sustainable finance service providers.
- Support training programs for service providers-related to sustainable finance. Such training programs could cover topics from sustainable project and/or sustainable finance product verification, ESG risk management to green technologies.

3.4.4 Development of professionals

For regulators:

- Introduce sustainable finance-related courses into university education and financial professional certificate programs. Equip the professionals with knowledge and skills on sustainable finance.

3.4.5 Public awareness-raising

For regulators:

- Develop and execute national awareness-raising programs to increase public understanding of environmentally friendly and socially inclusive finance so as to increase demand for sustainable finance products.
- Encourage media coverage on sustainable finance issues and facilitate professional sustainable finance media development.

For financial institutions:

- Support the implementation of sustainable finance awareness-raising programs at local level.

3.5 International Cooperation

Leveraging international partnerships could help accelerate collective progress of sustainable finance in Sri Lanka, in line with international practices and Sri Lanka's development needs.

3.5.1 Cooperation on knowledge and capacity

For regulators and financial institutions:

- Participate in and learn from international collaboration platforms such as Sustainable Banking Network (SBN), Principles for Responsible Banking (PRB), Principles for Responsible Investment (PRI), Principles for Sustainable Insurance (PSI), Sustainable Stock Exchanges (SSE) Initiative, International Network of Financial Centers for Sustainability (FC4S), etc.
- Expand and deepen the international cooperation and coordination on knowledge sharing and capacity building, such as through joint training, research projects and tools development.

3.5.2 Cooperation on funding and resources

For regulators and financial institutions:

- Mobilize international, regional and local resources and funding to accelerate the implementation of the Roadmap in a coordinated and efficient manner.

3.6 Measurement and Reporting

Tools and mechanism to tag sustainable assets could help track the total public and private sustainable finance flows in the country, monitor and evaluate effectiveness of measures that have been introduced, and identify areas for market and regulatory improvement.

3.6.1 Taxonomy and statistics

Lack of clear definition of green and social project makes it difficult for banks, institutional investors and other key stakeholders to identify eligible sustainable projects and then allocate capital towards sustainable, and to measure sustainable stocks, flows and performance.

For regulators:

- Establish a clear and detailed taxonomy for sustainable activities to create a common language for all actors in the financial sector. Such taxonomy could be in the form of sector guidelines, catalogue and/or standard criteria for sustainable activities/projects, checklists and/or exclusion lists to guide green and social finance flows. Such taxonomy could refer to international examples and address the local sustainable development needs and priorities of the country.
- Introduce a statistics system to track sustainable finance flows and impacts.

3.6.2 For regulators to measure progress and impacts

A statistics system could help measure progress of the Sustainable Finance Roadmap and calculate environmental and social impacts to evaluate policy effectiveness, adjust and/or improve policies and achieve sustainability goals.

For regulators:

- Develop key performance indicators (KPIs) to capture both qualitative and quantitative data to measure the effectiveness of the implementation of the Roadmap.
- Require financial institutions to annually report the progress made on sustainable finance related activities along with an action plan for the next financial year.

3.6.3 For financial institutions to measure progress and impacts

For financial institutions:

- Encourage the establishment of monitoring and evaluation mechanism of sustainable finance progress and impacts within financial institutions.
- Encourage financial institutions to include ESG factors in their internal rating system and to publicly disclose their environmental and social performances and both positive and negative impacts.

Part 4 Proposed Action Plan

Sector	Key Actions	Timeline		
		Short-term (2019-2020)	Mid-term (2021-2025)	Long-term (2026-2030)
Pillar 1: Financing VISION 2030				
Banking	For regulators: • Develop specific sustainable loan guidelines or standards • Introduce incentive mechanism to promote sustainable loan and saving For banks: • Innovate sustainable loan products • Develop sustainable saving products	 √ √	 √ √ √ √	
Leasing	For regulators: • Encourage companies engaged in leasing business to develop sustainable leasing (and non-bank finance) framework, guidance and operational tools For FIs **engaged in leasing business**: • Support green and socially inclusive projects through leasing (and non-bank finance) business • Explore sustainable model of leasing (and non-bank finance)		 √ √ √	 √
Insurance	For regulators: • Support development and provision of climate and disaster insurance products For insurance companies: • Explore insurance solutions for	 √	 √ √	

	environmental risks and social inclusion			
Capital Market	For regulators: • Adopt international standards on sustainable bond and develop necessary domestic guidance and operational tools • Encourage the adoption of external verification • Explore potential incentive schemes sustainable bond issuance • Support the development of sustainability related indices • Support the establishment of sustainable funds For FIs: • Develop sustainable bond product • Support issuance of sustainable bonds by acting as underwriters • Allocate a portion of savings or funding to investment of sustainable bonds	✓ ✓ ✓ ✓ ✓ ✓	 ✓ ✓ ✓ 	 ✓
Pillar 2: ESG Integration into Financial Market				
Cross sectoral	For regulators: • Improve availability and accessibility of publicly available environmental data from non-corporate entities • Introduce ESG disclosure guidelines • Develop specific ESG risk management guidance and operational tools • Require FIs to disclose their sustainable finance strategies and ESG	 ✓ ✓ 	 ✓ ✓ ✓ ✓	 ✓

	data at corporate level or asset level on regular basis • Conduct country-level climate and disaster risk assessment for FIs For FIs: • Develop internal ESG risk management strategies and methods • Disclose both positive and negative environmental and social impacts generated through investment • Disclose sustainable finance policies and programs	 ✓ ✓	 ✓ ✓ ✓ ✓	 ✓ ✓
Pillar 3: Financial Inclusion				
Cross sectoral	For regulators: • Develop and implement the National Financial Inclusion Strategy • Introduce grants and risk sharing facilities to support sustainable start-ups • Provide technical assistance for green project development and investor pitches • Support fintech companies and the development of digital tools For FIs: • Develop more accessible, affordable and efficient financial products and services	 ✓ ✓	 ✓ ✓ ✓ ✓ ✓	 ✓ ✓
Banking	For banks and finance companies: • Improve access to essential financial products and services • Explore the application of fintech and digital tools	 ✓ ✓	 ✓ ✓	

Pillar 4: Capacity Building				
Cross sectoral	For regulators: • Internal capacity development for regulators	✓	✓	
	• Support capacity building activities for FIs	✓	✓	
	• Encourage the development of domestic green finance service providers		✓	✓
	• Encourage international collaboration	✓	✓	
	• Support training programs for service providers		✓	✓
	• Introduce sustainable finance related courses into university and professional education		✓	✓
	• Develop and execute national level campaign programs		✓	✓
	• Encourage media coverage on sustainable finance issues and facilitate professional sustainable finance media development	✓	✓	✓
	For FIs: • Develop internal ESG risk management training programs	✓	✓	
	• Hire sustainable finance professionals		✓	✓
	• Support the implementation of sustainable finance campaign programs at local level		✓	✓
Pillar 5: International Cooperation				
Cross sectoral	For regulators & FIs: • Participate in and learn from international collaboration platforms	✓	✓	

	• Expand and deepen the international cooperation and coordination on knowledge sharing and capacity building	✓	✓	
	• Mobilize international resources and funding		✓	✓
Pillar 6: Measurement and Reporting				
Cross sectoral	For regulators: • Establish a clear and detailed taxonomy for sustainable activities	✓		
	• Introduce a statistics system to track sustainable finance flows and impacts	✓	✓	
	• Develop KPIs to measure the effectiveness of the implementation of the Roadmap	✓	✓	
	• Require FIs to annually report the progress made on sustainable finance related activities along with an action plan for the next year	✓		
	For FIs: • Establish monitoring and evaluation mechanism		✓	✓
	• Include ESG factors in internal rating system and publicly disclose ESG performance and impact		✓	

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12.2 Annexure 2 - Sri Lanka Green Finance Taxonomy

Sri Lanka Green Finance Taxonomy

May 2022

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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Environmental Objectives and Guiding Principles for Developing the Sri Lanka Green Finance Taxonomy

Environmental Objectives	1. Climate change mitigation 2. Climate change adaptation 3. Pollution prevention and control 4. Ecological conservation and resource efficiency
Guiding Principles	1. Substantial contribution 2. Do no significant harm (DNSH) 3. Respect Sri Lanka's green development priorities 4. Science-based screening 5. Compatible with international standards and practices 6. Dynamic adjustment

Tab Description and Benchmarks

Tab Description	**Benchmarks**
Climate Change Mitigation	• IPSF Common Ground Taxonomy - Climate Change Mitigation (2021) • Sri Lanka updated NDCs (2021) • EU Taxonomy - Climate Delegated Act (2021) • China Green Bond Endorsed Project Catalogue (2021)
Climate Change Adaptation	• Sri Lanka updated NDCs (2021) • National Adaptation Plan for Climate Change in Sri Lanka 2016-2025 • IFC Climate Smart Agriculture Financing Opportunities in Sri Lanka (2021)
Other Green Objectives (covering environmental objectives 3 and 4)	• Green Bond Endorsed Project Catalogue (2021) • Colombia Green Taxonomy (draft 2021) • IFC Guidelines for Blue Finance (2022)

Column Description	
Number	Number of the activity in this document
Macro-sector	High-level sector classification
Activity	Activity
Description	Description of activity
Metric & Threshold for Sri Lanka	Metric to be met to be aligned with the taxonomy

Sri Lanka Green Finance Taxonomy - Mitigation

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
M1.1	Forest and Logging	Afforestation	Establishment of forest through planting, deliberate seeding or natural regeneration on land that, until then, was under a different land use or not used. Afforestation implies a transformation of land use from non-forest to forest, in accordance with the Food and Agriculture Organization of the United Nations (FAO) definition of afforestation, where forest means a land matching the forest definition as set out in national law, or where not available, is in accordance with the FAO definition of forest. Afforestation may cover past afforestation as long as it takes place in the period between the planting of the trees and the time when the land use is recognized as a forest.	Apply Climate Bonds Criteria: https://www.climatebonds.net/standard/forestry Or the local criteria can be applied for: 1. Afforestation plan and subsequent forest management plan or equivalent instrument 2. Climate benefit analysis 3. Guarantee of permanence 4. Audit 5. Group assessment
M1.2	Forest and Logging	Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event	Rehabilitation and restoration of forests as defined by national law. Where national law does not contain such a definition, rehabilitation and restoration corresponds to a definition with broad agreement in the peer-reviewed scientific literature for specific countries or a definition in line with the FAO concept of forest restoration or a definition in line with one of the definitions of ecological restoration applied to forest, or forest rehabilitation under the Convention on Biological Diversity. The economic activities in this category also include forest activities in line with the FAO definition of “reforestation” and “naturally regenerating forest” after an extreme event, where extreme event is defined by national law, and where national law does not contain such a definition, is in line with the IPCC definition of extreme weather event; or after a wildfire, where wildfire is defined by national law, and where national law does not contain such a definition, as defined in the European Glossary for wildfires and forest fires. The economic activities in this category imply no change of land use and occurs on degraded land matching the forest definition as set out in national law, or where not available, in accordance with the FAO definition of forest.	Apply Climate Bonds Criteria: https://www.climatebonds.net/standard/forestry Or the local criteria can be applied for: 1. Afforestation plan and subsequent forest management plan or equivalent instrument 2. Climate benefit analysis 3. Guarantee of permanence 4. Audit 5. Group assessment

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
M1.3	Forest and Logging	Forest management	Forest management as defined by national law. Where national law does not contain such a definition, forest management corresponds to any economic activity resulting from a system applicable to a forest that influences the ecological, economic or social functions of the forest. Forest management assumes no change in land use and occurs on land matching the definition of forest as set out in national law, or where not available, in accordance with the FAO definition of forest.	Apply Climate Bonds Criteria: https://www.climatebonds.net/standard/forestry Or the local criteria can be applied for: 1. Afforestation plan and subsequent forest management plan or equivalent instrument 2. Climate benefit analysis 3. Guarantee of permanence 4. Audit 5. Group assessment
M1.4	Forest and Logging	Conservation forestry	Forest management activities with the objective of preserving one or more habitats or species. Conservation forestry assumes no change in land category and occurs on land matching the forest definition as set out in national law, or where not available, in accordance with the FAO definition of forest.	Apply Climate Bonds Criteria: https://www.climatebonds.net/standard/forestry Or the local criteria can be applied for: 1. Afforestation plan and subsequent forest management plan or equivalent instrument 2. Climate benefit analysis 3. Guarantee of permanence 4. Audit 5. Group assessment
M2.1	Agriculture	Certified agriculture projects	Agriculture projects utilising international certification schemes which have climate change mitigation components.	Eligible certifications schemes include: • Climate Bonds certification (bond certification) • Crop certification • Global GAP • Roundtable on Sustainable Soy • Bonsucro (sugar) • Better Cotton Initiative • Roundtable on Sustainable Biomaterials
M2.2	Agriculture	Management of soil and biomass for net carbon sequestration	Transition from temporary crops or pastures to agroforestry systems (e.g., cocoa, fruit trees or forestry) and agrosilvopastoral system. Change land use towards systems with greater carbon sequestration (such as agroforestry systems), which have better soil protection and are consistent with their vocation. Conserve water resources.	• Project length of at least five years • Reduced tillage • Avoided erosion • No open burning • Evidence that soil carbon sequestration is likely to be maintained for 20 years or more (secure land rights, low threat of conversion, contractual commitments) or demonstrate 50% higher level of sequestration
M2.3	Agriculture	Other agricultural practices: Introduction of polycultures or associated crops in permanent crops	Introducing polycultures or crops associated with compatible species (preferably native timber or fruit trees) protects the soil, increases carbon and nitrogen fixation, diversifies production and increases resilience to climate variability.	Direct eligibility

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
M2.4	Agriculture	Other agricultural practices: Implementation of clean energy and energy efficiency measure	Install equipment to save energy and take advantage of its renewable sources, including methane gas and solar energy. Equipment maintenance and improving fuel saving routines.	Direct eligibility for renewable energy and methane gas. Fuel saving subject to % criteria. For tea production - baselines form: http://www.energy.gov.lk/images/energy-management/energy-consumption-benchmark-analysis.pdf
M2.5	Agriculture	Other agricultural practices: biodigesters	Incorporate biodigesters (organic fertilizer and methane). Biogas can be used as fuel in kitchens, for heating and lighting, or to power an engine that generates electricity. There is also the fertilizer called biol.	Direct eligibility
M3.1	Manufacturing	Manufacture of organic basic chemicals	Manufacture of: (a)high value chemicals (HVC): (i) acetylene; (ii) ethylene; (iii) propylene; (iv) butadiene; (b) Aromatics: (i) mixed alkylbenzenes, mixed alkylnaphthalenes other than HS 2707 or 2902; (ii) cyclohexane; (iii) benzene; (iv) toluene; (v) o-Xylene; (vi) p-Xylene; (vii) m-Xylene and mixed xylene isomers; (viii) ethylbenzene; (ix) cumene; (x) biphenyl, terphenyls, vinyltoluenes, other cyclic hydrocarbons excluding cyclanes, cyclenes, cycloterpenes, benzene, toluene, xylenes, styrene, ethylbenzene, cumene, naphthalene, anthracene; (xi) benzol (benzene), toluol (toluene) and xylol (xylenes); (xii) naphthalene and other aromatic hydrocarbon mixtures (excluding benzole, toluole, xylole); (c) vinyl chloride; (d) styrene; (e) ethylene oxide; (f) monoethylene glycol; (g) adipic acid.	GHG emissions from the organic basic chemicals production processes are lower than: (a) for HVC: 0,693 tCO2e/t of HVC; (b) for aromatics: 0,0072 tCO2e/t of complex weighted throughput; (c) for vinyl chloride: 0,171 tCO2e/t of vinyl chloride; (d) for styrene: 0,419 tCO2e/t of styrene; (e) for ethylene oxide/ethylene glycols: 0,314 tCO2e/t of ethylene oxide/glycol; (f) for adipic acid: 0,32 tCO2e /t of adipic acid. Where the organic chemicals in scope are produced wholly or partially from renewable feedstock, the life-cycle GHG emissions of the manufactured chemical, manufactured wholly or partially from renewable feedstock, are lower than the life-cycle GHG emissions of the equivalent chemical manufactured from fossil fuel feedstock. Life-cycle GHG emissions are calculated using ISO 14067:2018 or ISO 14064-1:2018. Quantified life-cycle GHG emissions are verified by an independent third party. Agricultural biomass used for the manufacture of organic basic chemicals complies with the criteria laid down in Article 29, paragraphs 2 to 5 of Directive (EU) 2018/2001. Forest biomass used for the manufacture of organic basic chemicals complies with the criteria laid down in Article 29, paragraphs 6 and 7 of that Directive.

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
M3.2	Manufacturing	Manufacture of iron and steel	Manufacture of iron and steel products with significantly reduced GHG emissions in the manufacturing process by using advanced technologies. Steel scrap can be recycled in electric arc furnaces (EAFs) producing EAF carbon steel or EAF high alloy steel.	The activity manufactures one of the following: (a) iron and steel where GHG emissions do not exceed the following values applied to the different Manufacture process steps: (i) hot metal = 1,331 tCO2e/t product; (ii) sintered ore = 0,163 tCO2e/t product; (iii) coke (excluding lignite coke) = 0,144 tCO2e/t product; (iv) iron casting = 0,299 tCO2e/t product; (v) electric Arc Furnace (EAF) high alloy steel = 0,266 tCO2e/t product; (vi) electric Arc Furnace (EAF) carbon steel = 0,209 tCO2e/t product. (b) steel in electric arc furnaces (EAFs) producing EAF carbon steel or EAF high alloy steel, where the steel scrap input relative to product output is not lower than: (i) 70 % for the production of high alloy steel; (ii) 90 % for the production of carbon steel. Where the CO2 that would otherwise be emitted from the Manufacture process is captured for the purpose of underground storage, the CO2 is transported and stored underground, in accordance with the metric and shreshhod set out in Sections M8.1 of this document.
M3.3	Manufacturing	Manufacture of liquid biofuel for use in transport	Manufacture of liquid biofuel for use in transport with significantly reduced GHG emissions by using advanced technologies.	Scope: Agriculture/forest waste and food waste only Bio-liquids only Operation/Manufacture process only Criteria: 1. Agricultural biomass used for the manufacture of liquid biofuel for use in transport, such as fuel ethanol and biodiesel, shall: (a) have monitoring or management plans in place in order to address the impacts on soil quality and soil carbon. (b) not be made from raw material obtained from land with a high biodiversity value (e.g. primary forest, highly biodiverse forest, land protected by law, biodiverse grassland etc.) (c) shall not be made from raw material obtained from land with high-carbon stock - e.g. wetlands. (d) shall not be made from raw material obtained from land that was peatland in January 2020 unless evidence is provided that the cultivation and harvesting of that raw material does not involve drainage of previously undrained soil. Food-and feed crops are not used for the manufacture of biofuels for use in transport. 2. The GHG savings from the manufacture of liquid biofuel for use in transport are at least 65 % in relation to the GHG saving methodology and the relative fossil fuel comparator.

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
M3.4	Manufacturing	Manufacture of batteries	Manufacture of rechargeable batteries, battery packs and accumulators for transport, stationary and off-grid energy storage and other industrial applications. Manufacture of respective components (battery active materials, battery cells, casings and electronic components). Recycling of end-of-life batteries.	The economic activity manufactures rechargeable batteries, battery packs and accumulators (and their respective components), including from secondary raw materials, that result in substantial GHG emission reductions in transport, stationary and off-grid energy storage and other industrial applications. The economic activity recycles end-of-life batteries.
M3.5	Manufacturing	Production of wind generators	Manufacture of onshore and offshore wind turbines, wind turbine generators, wind turbine blades, bearings, cables, gearboxes, towers and other key components of 3MW and above wind turbines for plateau, low-temperature, low wind speed environments, and wind farm-related systems and equipment.	Direct eligibility
M3.6	Manufacturing	Production of solar generators	Manufacture of photovoltaic (PV) power generators and solar thermoelectric equipment.	Direct eligibility
M3.7	Manufacturing	Production of biomass energy utilization equipment	Manufacture of collection, crushing, transportation, and storage equipment for agricultural by-products such as straw and rice husk; Manufacture of biomass-power generators and heating equipment, marsh gas and biogas production equipment, biomass solid and liquid fuel production equipment, and other equipment making use of biomass energy.	Direct eligibility
M3.8	Manufacturing	Production of hydropower generators and pumped-storage equipment	Manufacture of high-performance and large-capacity hydropower generators, high-head and large-capacity pumped storage equipment, thousand-megawatt large hydraulic turbine generators, variable-speed pumped storage equipment, ultra-high-head large-impact hydraulic turbine generators, seawater pumped storage equipment, and other relevant hydropower generators and pumped storage equipment.	Direct eligibility
M3.9	Manufacturing	Production of geothermal energy utilization equipment	Manufacture of ground source heat pumps, high-temperature geothermal heat pumps, key equipment of geothermal absorption refrigeration systems, medium and low-temperature geothermal power generation systems and geothermal drying and hot water supply systems, and anti-corrosion and anti-incrustation equipment for geothermal energy utilization.	Direct eligibility
M3.10	Manufacturing	Production of marine energy utilization equipment	Manufacture of marine energy utilization equipment that generates electricity from resources, such as marine tidal energy, tidal current energy, wave energy, temperature difference energy, and salt difference energy.	Direct eligibility

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
M3.11	Manufacturing	Manufacture of hydrogen	Manufacture of hydrogen and hydrogen-based synthetic fuels.	Green hydrogen is directly eligible. Other Hydrogen may be eligible if it meets the condition to be he life-cycle GHG emissions savings requirement of 73.4% for hydrogen [resulting in 3tCO2eq/tH2] and 70% for hydrogen-based synthetic fuels relative to a fossil fuel comparator of 94g CO2e/MJ.
M3.12	Manufacturing	Manufacture of low carbon transport fleets and vessels	Manufacture of low carbon transport fleets and vessels which meet the metric and threhold for Sri Lanka.	The economic activity manufactures 1. inland passenger water transport vessels that: (a) have zero direct (tailpipe) CO2 emissions; (b) until 31 December 2025, are hybrid and dual fuel vessels using at least 50 % of their energy from zero direct (tailpipe) CO2 emission fuels or plug-in power for their normal operation; 2. inland freight water transport vessels, not dedicated to transporting fossil fuels, that: (a) have zero direct (tailpipe) CO2 emission; (b) until 31 December 2025, have direct (tailpipe) emissions of CO2 per tonne kilometre (gCO2/tkm), calculated (or estimated in case of new vessels) using the Energy Efficiency Operational Indicator, 50 % lower than the average reference value for emissions of CO2 defined for heavy duty vehicles; 3. sea and coastal freight water transport vessels, vessels for port operations and auxiliary activities, that are not dedicated to transporting fossil fuels, that: (a) have zero direct (tailpipe) CO2 emissions; (b) until 31 December 2025, are hybrid and dual fuel vessels that derive at least 25 % of their energy from zero direct (tailpipe) CO2 emission fuels or plug-in power for their normal operation at sea and in ports; (c) until 31 December 2025, and only where it can be proved that the vessels are used exclusively for operating coastal and short sea services designed to enable modal shift of freight currently transported by land to sea, the vessels that have direct (tailpipe) CO2 emissions, calculated using the International Maritime Organization (IMO) Energy Efficiency Design Index (EEDI), 50 % lower than the average reference CO2 emissions value.
M3.13	Manufacturing	Manufacture of low-carbon motorcycles	Manufacture of low-carbon motorcycles which meet the metric and threhold for Sri Lanka.	This includes: • manufacture zero tailpipe emissions motorcycles, mopeds • manufacture of motorcycles, mopeds and cycles fitted with an auxiliary engine up to 2025 • manufacture of low emissions engines for motorcycles up to 2025 • manufacture of parts and accessories for zero tailpipe emissions motorcycles
M3.14	Manufacturing	Manufacture of energy-saving furnace/kiln	Manufacture of metallurgical heating furnaces, non-electric metal treatment furnaces, industrial electric furnaces, industrial kiln and other energy-saving furnaces/kiln using high-temperature air combustion, oxygen-enrichment combustion, and waste heat utilization technologies, as well as the equipment like energy-saving furnace burners.	The economic activity manufactures technologies that are aimed at and demonstrate substantial life-cycle GHG emission savings compared to the best performing alternative technology/product/solution available on the market. Life-cycle GHG emission savings are calculated using ISO14067:2018 or ISO 14064-1:2018. Quantified life-cycle GHG emission savings are verified by an independent third party.

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
M3.15	Manufacturing	Manufacture of high-efficient energy-saving household appliances	Manufacture of household appliances such as energy-saving air conditioners, air-conditioning units, refrigerators, electric washing machines, flat-screen TVs, electric fans, etc.	Household appliances falling into the highest two populated classes of energy efficiency in accordance with relevant local or international labelling scheme. Cooling and ventilation systems rated in the highest two populated classes of energy efficiency in accordance with relevant local or international labelling scheme. The energy efficiency of the energy-saving products should meet or exceed Level 1 of relevant local or international labelling scheme.
M3.16	Manufacturing	Manufacture of energy efficiency equipment for buildings	Manufacture of energy efficiency equipment for buildings.	The economic activity manufactures one or more of the following products and their key components: (a) windows with U-value lower or equal to 1,0 W/m2K; (b) doors with U-value lower or equal to 1,2 W/m2K; (c) external wall systems with U-value lower or equal to 0,5 W/m2K; (d) roofing systems with U-value lower or equal to 0,3 W/m2K; (e) insulating products with a lambda value lower or equal to 0,06 W/mK; (f) household appliances falling into the highest two populated classes of energy efficiency in accordance with relevant international or local labelling schemes; (g) light sources rated in the highest two populated classes of energy efficiency in accordance with relevant international or local labelling schemes; (h) space heating and domestic hot water systems rated in the highest two populated classes of energy efficiency in accordance with relevant international or local labelling schemes; (i) cooling and ventilation systems rated in the highest two populated classes of energy efficiency in accordance with relevant international or local labelling schemes; (j) presence and daylight controls for lighting systems; (k) heat pumps that meet thresholds defined in M4.12 of this document; (l) façade and roofing elements with a solar shading or solar control function, including those that support the growing of vegetation; (m) energy-efficient building automation and control systems for residential and non-residential buildings; (n) zoned thermostats and devices for the smart monitoring of the main electricity loads or heat loads for buildings, and sensoring equipment; (o) products for heat metering and thermostatic controls for individual homes connected to district heating systems, for individual flats connected to central heating systems serving a whole building, and for central heating systems; (p) district heating exchangers and substations compliant with the district heating/cooling distribution activity set out in Section M4.11 of this document; (q) products for smart monitoring and regulating of heating system, and sensoring equipment.

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
M4.1	Electric power generation, transmission and distribution	Electricity generation using solar photovoltaic technology	Construction or operation of electricity generation facilities that produce electricity using solar photovoltaic (PV) technology.	The component products selected for solar photovoltaic power generation facilities should meet the following requirements: 1) The minimum photoelectric conversion efficiency of polycrystalline silicon cells and monocrystalline silicon cells shall not be less than 19% and 21% respectively; 2) The minimum photoelectric conversion efficiency of polycrystalline silicon cell modules and single crystal silicon battery modules shall not be less than 17% and 17.8% respectively; 3) The minimum photoelectric conversion efficiency of silicon-based, CIGS, CdTe and other thin-film battery modules shall not be less than 12%, 14% , 14% , 12% ; 4) The decay rates of polycrystalline silicon battery modules and monocrystalline silicon battery modules shall not be higher than 2.5% and 3% in the first year, and not higher than 0.7% per year, and not higher than 20% within the period of 25 years; the attenuation rate of thin-film battery module shall not be more than 5% in the first year, no more than 0.4% per year in the following year, no more than 15% within the period of 25 years.
M4.2	Electric power generation, transmission and distribution	Electricity generation using concentrated solar power (CSP) technology	Construction and operation of facilities using solar thermal power to generate electricity.	Direct eligibility
M4.3	Electric power generation, transmission and distribution	Electricity generation from wind power	Construction or operation of electricity generation facilities that produce electricity from wind power.	Direct eligibility
M4.4	Electric power generation, transmission and distribution	Electricity generation from ocean energy technologies	Construction or operation of electricity generation facilities that produce electricity from ocean energy including g marine tidal energy, wave energy, tidal current energy, temperature difference energy, salt difference energy and other resources.	Direct eligibility
M4.5	Electric power generation, transmission and distribution	Electricity generation from hydropower	Construction or operation of electricity generation facilities that produce electricity from hydropower.	The activity complies with either of the following criteria: (a) the electricity generation facility is a run-of-river plant and does not have an artificial reservoir; (b) the power density of the electricity generation facility is above 5 W/m2; (c) the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100gCO2e/kWh. The life-cycle GHG emissions are calculated using ISO 14067:2018, ISO 14064-1:2018 or the G-res tool. Quantified life-cycle GHG emissions are verified by an independent third party.
M4.6	Electric power generation, transmission and distribution	Electricity generation from bio-energy	Construction and operation of electricity generation installations that produce electricity exclusively from biomass, biogas or bioliquids wastes, excluding electricity generation from blending of renewable fuels with biogas or bioliquids.	Total rated thermal input less than 2 MW. The greenhouse gas emission savings from the use of biomass are at least 80 % in relation to the GHG saving methodology and the relative fossil fuel comparator.

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
M4.7	Electric power generation, transmission and distribution	Electricity generation from geothermal energy	Construction or operation of electricity generation facilities that produce electricity from geothermal energy.	Life-cycle GHG emissions from the generation of electricity from geothermal energy are lower than 100gCO2e/kWh. Life-cycle GHG emission savings are calculated using ISO 14067:2018 or ISO 14064-1:2018. Quantified life-cycle GHG emissions are verified by an independent third party.
M4.8	Electric power generation, transmission and distribution	Electricity generation from natural gas-fired power plants	Construction or operation of electricity generation facilities that produce electricity from natural gas.	Life-cycle GHG emissions from the generation of electricity from gas-fired power, are lower than 100gCO2e/kWh. The life-cycle GHG emissions are calculated using ISO 14067:20181
M4.9	Electric power generation, transmission and distribution	Storage of electricity	Construction and operation of facilities that store electricity and return it at a later time in the form of electricity. The activity includes pumped hydropower storage.	Direct eligibility except for: (a) Chemical energy storage: medium of storage (such as ammonia) complies with the criteria for Manufacture of the corresponding product specified. Hydrogen electricity storage: hydrogen meets the screening criteria specified in M3.11
M4.10	Gas, steam and air conditioning supply	Construction and operation of natural gas transmission, storage, and peak load regulation facilities	Construction and operation of natural gas transmission, storage and transportation peak shaving facilities, such as long-distance natural gas pipelines, gas storage, branch pipelines, regional pipeline networks, and liquefied natural gas (LNG) receiving stations.	1. The activity consists of one of the following: (a) retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases in the network, including any gas transmission or distribution network activity that enables the increase of the blend of hydrogen or other low carbon gasses in the gas system; construction or operation of new transmission and distribution networks dedicated to hydrogen or other low-carbon gases; (b) conversion/repurposing of existing natural gas networks to 100% hydrogen; (c) construction or operation of new transmission and distribution networks dedicated to hydrogen or other low-carbon gases. 2. The activity includes leak detection and repair of existing gas pipelines and other network elements to reduce methane leakage.
M4.11	Gas, steam and air conditioning supply	District heating and cooling	Construction of urban centralized heating facilities using low-grade industrial waste heat sources or other clean heat sources; and energy-saving and environmentally friendly technological renovation activities of urban centralized heating boilers, heating pipe networks and other centralized heating facilities. Construction, refurbishment and operation of pipelines and associated infrastructure for distribution of heating and cooling, ending at the sub-station or heat exchanger.	(a) construction and operation of pipelines and associated infrastructure for distributing heating and cooling, that are using at least 50 % renewable energy, 50 % waste heat, 75% cogenerated heat or 50 % of a combination of such energy and heat. (b) refurbishment of pipelines and associated infrastructure for distributing heating and cooling, where the investment that makes the system use at least 50 % renewable energy, 50 % waste heat, 75 % cogenerated heat or 50 % of a combination of such energy and heat within a three-year period.
M4.12	Gas, steam and air conditioning supply	Construction, installation and operation of heat pump facilities	Installation and operation of electric heat pumps.	The installation and operation of electric heat pumps complies with both of the following criteria: (a) refrigerant threshold: Global Warming Potential does not exceed 675; (b) energy efficiency requirements are best in class.

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
M4.13	Gas, steam and air conditioning supply	Production of heat/cool from solar thermal heating	Construction and operation of facilities producing heat/cool from solar thermal heating technology.	Direct eligibility
M4.14	Gas, steam and air conditioning supply	Cogeneration of heat/cool and power from solar energy	Construction and operation of facilities co-generating electricity and heat/cool from solar energy.	Direct eligibility
M4.15	Gas, steam and air conditioning supply	Cogeneration of heat/cool and power from geothermal energy (Production of heat/cool from geothermal energy)	Construction and operation of facilities co-generating heat/cool and power from geothermal energy.	Meet all requirements: (a) Life cycle emissions from the combined generation of heat/cool and power from geothermal energy <100g (b) Life cycle emissions should be calculated using ISO 14067:2018 or ISO 14064-1:2018. (c)Mandatory third-party verification of life cycle emissions.
M4.16	Gas, steam and air conditioning supply	Cogeneration of heat/cool and power from renewable non-fossil gaseous and liquid fuels (Production of heat/cool from renewable non-fossil gaseous and liquid fuels)	Construction and operation of combined heat/cool and power generation facilities using gaseous and liquid fuels of renewable origin.	1. Meet all of (a) Life-cycle GHG emissions from the co-generation of heat/cool and power are lower than 100gCO2e per 1 kWh of energy output to the co-generation. (b) Life-cycle GHG emissions are calculated based on project-specific data, where available, using ISO 14067:2018 or ISO 14064-1:2018. (c) Quantified life-cycle GHG emissions are verified by an independent third party. 2. In addition, if facilities incorporate any abatement (e.g., carbon capture or decarbonized fuels) (a) Where the CO2 that would otherwise be emitted from the cogeneration process is captured for the purpose of underground storage, the CO2 is transported and stored underground, in accordance with the criteria set out in Section M8.1 of this document. 3. The activity meets either of the following criteria: (a) at construction, measurement equipment for monitoring of physical emissions, such as methane leakage is installed or a leak detection and repair program is introduced; (b) at operation, physical measurement of methane emissions are reported and leak is eliminated. 4. Where the activity blends renewable gaseous or liquid fuels with biogas or bioliquids, the agricultural biomass used for the production of the biogas or bioliquids complies with the criteria laid down in M3.3 of this document.

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
M4.17	Gas, steam and air conditioning supply	Cogeneration of heat/cool and power from bioenergy (Production of heat/cool from bioenergy)	Construction and operation of installations used for cogeneration of heat/cool and power exclusively from biomass, biogas or bioliquids, and excluding cogeneration from blending of renewable fuels with biogas or bioliquids.	1. Agricultural and forest biomass used in the activity complies with the criteria laid down in M3.3. 2. The greenhouse gas emission savings from the use of biomass in cogeneration installations are at least 80 % in relation to the GHG emission saving methodology and fossil fuel comparator. 3. Where the cogeneration installations rely on anaerobic digestion of organic material, the production of the digestate meets the criteria in M5.5 of this document, as applicable. 4. Points 1 and 2 do not apply to cogeneration installations with a total rated thermal input below 2 MW and using gaseous biomass fuels.
M4.18	Gas, steam and air conditioning supply	Production of heat/cool using waste heat	Construction and operation of facilities that produce heat/cool using waste heat.	Direct eligibility
M5.1	Water supply, sewerage and waste management	Sewage sludge treatment – anaerobic digestion	Construction and operation of facilities for the treatment of sewage sludge by anaerobic digestion with the resulting production and utilisation of biogas or chemicals.	Scope: Anaerobic digestion only. Construction and operation of facilities for the treatment of sewage sludge by anaerobic digestion with the resulting production and utilisation of biogas or chemicals. Criteria 1. A monitoring and contingency plan is in place in order to minimize methane leakage at the facility. 2. The produced biogas is used directly for the generation of electricity or heat, or upgraded to bio-methane for injection in the natural gas grid, or used as vehicle fuel or as feedstock in chemical industry.
M5.2	Water supply, sewerage and waste management	Collection and transport of non-hazardous waste in source segregated fractions	Separate collection and transport of non-hazardous waste in single or comingled fractions aimed at preparing for reuse or recycling.	All separately collected and transported non-hazardous waste that is segregated at source is intended for preparation for reuse or recycling operations.
M5.3	Water supply, sewerage and waste management	Recycling non-hazardous waste	Construction and operation of facilities for the sorting and processing of separately collected non-hazardous waste streams into secondary raw materials involving mechanical reprocessing, except for backfilling purposes.	At least 50% of the weight of collected materials is converted into secondary raw materials.
M5.4	Water supply, sewerage and waste management	Composting of domestic and agricultural bio-waste	Construction and operation of dedicated facilities for the treatment of separately collected bio- waste through composting (aerobic digestion) with the resulting production and utilisation of compost.	Scope: composting agricultural and bio-waste Criteria: 1. The bio-waste that is composted is sourced, segregated and collected separately. 2. The compost produced is used as fertiliser or soil improver and meets national rules on fertilisers or soil improvers for agricultural use.

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
M5.5	Water supply, sewerage and waste management	Utilization/ treatment of domestic waste – anaerobic digestion	Construction and operation of dedicated facilities for the treatment of separately collected bio- waste through anaerobic digestion with the resulting production and utilisation of biogas and digestate and/or chemicals.	Scope: Anaerobic digestion of bio-waste only Criteria: 1. A monitoring and contingency plan is in place in order to minimize methane leakage at the facility. 2. The produced biogas is used directly for the generation of electricity or heat, or upgraded to bio-methane for injection in the natural gas grid, or used as vehicle fuel or as feedstock in chemical industry. 3. The bio-waste that is used for anaerobic digestion is source segregated and collected separately. 4. The produced digestate is used as fertiliser or soil improver, either directly or after composting or any other treatment. 5. In the dedicated bio-waste treatment plants, the share of food and feed crops used as input feedstock, measured in weight, as an annual average, is less than or equal to 10% of the input feedstock.
M5.6	Water supply, sewerage and waste management	Recycling of agricultural waste	Construction and operation of resource utilization facilities for agricultural wastes such as crop stalks, livestock and poultry manure, tail vegetables, and primary processing residues of agricultural products. For example, of construction and operation of crop straw biomass fuel facilities, livestock and poultry manure biogas facilities and other related facilities.	Scope: Anaerobic digestion of bio-waste only Criteria: 1. A monitoring and contingency plan is in place in order to minimize methane leakage at the facility. 2. The produced biogas is used directly for the generation of electricity or heat, or upgraded to bio-methane for injection in the natural gas grid, or used as vehicle fuel or as feedstock in chemical industry. 3. The bio-waste that is used for anaerobic digestion is source segregated and collected separately. 4. The produced digestate is used as fertiliser or soil improver, either directly or after composting or any other treatment. 5. In the dedicated bio-waste treatment plants, the share of food and feed crops used as input feedstock, measured in weight, as an annual average, is less than or equal to 10% of the input feedstock.
M6.1	Construction	Renovation of existing buildings	Energy-saving renovation of existing buildings and energy-use systems of buildings.	The building renovation leads to a reduction of primary energy demand (PED)/energy consumption/ GHG emissions of at least 30%.
M6.2	Construction	Acquisition and ownership of buildings	Buying real estate and exercising ownership of that real estate.	Green SL Rated buildings: Gold and Platinum.
M6.3	Construction	Construction of new buildings	Construction of new buildings	The GHG emissions/ energy consumption/Primary Energy Demand (PED) of the building resulting from the construction, is at least 10 % lower than the threshold set by a relevant national/international nearly zero-energy building requirements.

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
M6.4	Construction	Infrastructure enabling low-carbon road transport	Construction and operation of electric vehicle battery charging and charging service facilities, new energy vehicle hydrogenation and other clean energy vehicle-related infrastructure.	Scope: EV and hydrogen vehicle infrastructure only Criteria 1. The activity complies with one or more of the following criteria: (a) the infrastructure is dedicated to the operation of vehicles with zero tailpipe CO2 emissions: electric charging points, electricity grid connection upgrades, hydrogen fueling stations or electric road systems (ERS); 2. The infrastructure is not dedicated to the transport or storage of fossil fuels.
M6.5	Construction	Infrastructure enabling low carbon water transport	Construction, modernization, operation and maintenance of infrastructure that is required for zero tailpipe CO2 operation of vessels or the port's own operations.	1. The activity complies with one or more of the following criteria: (a) the infrastructure is dedicated to the operation of vessels with zero direct (tailpipe) CO2 emissions: electricity charging, hydrogen- based refuelling; (b) the infrastructure is dedicated to the provision of shore-side electrical power to vessels at berth; (c) the infrastructure is dedicated to the performance of the port's own operations with zero direct (tailpipe) CO2 emissions; (d) the infrastructure and installations are dedicated to transshipping freight between the modes: terminal infrastructure and superstructures for loading, unloading and transshipment of goods. 2. The infrastructure is not dedicated to the transport or storage of fossil fuels.
M6.6	Construction	Low carbon airport infrastructure	Construction, modernization, maintenance and operation of infrastructure that is required for zero tailpipe CO2 operation of aircraft or the airport's own operations, as well as for provision of fixed electrical ground power and preconditioned air to stationary aircraft.	1. The activity complies with one or more of the following criteria: (a) the infrastructure is dedicated to the operation of aircraft with zero tailpipe CO2 emissions: electricity charging and hydrogen refuelling; (b) the infrastructure is dedicated to the provision of fixed electrical ground power and preconditioned air to stationary aircrafts; (c) the infrastructure is dedicated to the zero direct emissions performance of the airport's own operations: electric charging points, electricity grid connection upgrades, hydrogen refuelling stations. 2. The infrastructure is not dedicated to the transport or storage of fossil fuels.
M6.7	Construction	Infrastructure for electric rail transport	Construction, modernization, operation and maintenance of railways and subways as well as bridges and tunnels, stations, terminals etc.	Scope: electrified rail only Criteria: 1. The infrastructure is either: (a) electrified trackside infrastructure and associated subsystems: infrastructure, energy, on-board control-command and signalling, and trackside control- command and signalling subsystems; (b) new and existing trackside infrastructure and associated subsystems where there is a plan for electrification as regards line tracks, and, to the extent necessary for electric train operations, as regards sidings, or where the infrastructure will be fit for use by zero tailpipe CO2 emission trains within 10 years from the beginning of the activity: infrastructure, energy, on-board control- command and signalling, and trackside control-command and signalling subsystems; 2. The infrastructure is not dedicated to the transport or storage of fossil fuels.

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
M6.8	Construction	Green lighting upgrades	Energy-saving technology upgrading of high-efficient lighting product.	Scope: LED lighting upgrades
M6.9	Construction	Installation, maintenance and repair of renewable energy technologies in buildings	Installation, maintenance and repair of renewable energy technologies, on-site. The Application of Renewable Energy in Buildings.	Design and construction of renewable energy application systems for buildings using solar photovoltaic power generation devices installed on the roofs and walls of buildings to provide electricity to buildings, and the use of heat pumps and other facilities to provide cooling and heating to buildings, as well as renewable energy building application renovation activities. The activity consists in one of the following individual measures, if installed on-site as technical building systems: (a) installation, maintenance and repair of solar photovoltaic systems and the ancillary technical equipment; (b) installation, maintenance and repair of solar hot water panels and the ancillary technical equipment; (c) installation, maintenance, repair and upgrade of heat pumps contributing to the targets for renewable energy in heat and cool (d) installation, maintenance and repair of wind turbines and the ancillary technical equipment; (e) installation, maintenance and repair of solar transpired collectors and the ancillary technical equipment (f) installation, maintenance and repair of thermal or electric energy storage units and the ancillary technical equipment; (g) installation, maintenance and repair of high efficiency micro CHP (combined heat and power) plant; (h) installation, maintenance and repair of heat exchanger/recovery systems.
M7.1	Transportation and storage	Construction and operation of public transportation system in urban and rural areas	Construction and operation of subways, light railways, tram and other urban rail transportation facilities; construction and operation of high-capacity public transportation facilities, such as BRT bus stations, lines and other facilities construction and operation; purchase of public transportation vehicles, etc.	Scope: passenger public transport The activity complies with one of the following criteria: (a) the trains and passenger coaches have zero direct (tailpipe) CO2 emissions.
M7.2	Transportation and storage	Construction and operation of rail freight transport and upgrade of existing railways	Construction and operation of freight railway facilities such as freight railway routes, yards and stations, and special power substations; construction and operation of existing railway electrification, yards and stations and relevant energy-saving and environmental protection renovation projects.	1. The activity complies with one or both of the following criteria: (a) the trains and wagons have zero direct tailpipe CO2 emission; (b) the trains and wagons have zero direct tailpipe CO2 emission when operated on a track with necessary infrastructure, and use a conventional engine where such infrastructure is not available (bimode). 2. The trains and wagons are not dedicated to the transport of fossil fuels.

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
M7.3	Transportation and storage	Construction and operation of facilities for shared transport, including motorbikes, passenger cars and light commercial vehicles	Construction and operation of shared transportation infrastructure, such as systems for public rental bicycles, online bicycle rental, online electric bicycle rental, online car rental, car sharing, parking facilities and equipment, and bicycle parking facilities.	Scope: Shared private transport The activity complies with the following criteria: For Motor vehicles having at least four wheels: (a) until end 2028, specific emissions of CO2 are lower than 50gCO2/km (low- and zero-emission light-duty vehicles); (b) from 1 January 2029, specific emissions of CO2 are zero. For Mopeds, Motorcycles, Motor Tricycles and Quadricycles: the tailpipe CO2 emissions equal to 0g CO2e/km.
M7.4	Transportation and storage	Passenger interurban rail transport	Purchase, financing, rental, leasing and operation of passenger transport using railway rolling stock on mainline networks, spread over an extensive geographic area, passenger transport by interurban railways and operation of sleeping cars or dining cars as an integrated operation of railway companies.	The activity complies with one of the following criteria: (a) the trains and passenger coaches have zero direct (tailpipe) CO2 emissions; (b) the trains and passenger coaches have zero direct (tailpipe) CO2 emission when operated on a track with necessary infrastructure, and use a conventional engine where such infrastructure is not available (bimode).
M7.5	Transportation and storage	Construction and operation of shared personal mobility devices, cycle logistics	Construction, leasing, renting and operation of personal mobility or transport devices where the propulsion comes from the physical activity of the user, from a zero- emissions motor, or a mix of zero-emissions motor and physical activity. This includes the provision of freight transport services by (cargo) bicycles.	1. The propulsion of personal mobility devices comes from the physical activity of the user, from a zero-emissions motor, or a mix of zero-emissions motor and physical activity. 2. The personal mobility devices are allowed to be operated on the same public infrastructure as bikes or pedestrians.
M8.1	Others	Underground permanent geological storage of CO2	Permanent storage and operation of captured CO2 in appropriate underground geological formations.	Scope: storage and operation Criteria 1. Characterisation and assessment of the potential storage complex and surrounding area, or exploration il is carried out in order to establish whether the geological formation is suitable for use as a CO2 storage site. 2. For operation of underground geological CO2 storage sites, including closure and post-closure obligations: (a) appropriate leakage detection systems are implemented to prevent release during operation; (b) a monitoring plan of the injection facilities, the storage complex, and, where appropriate, the surrounding environment is in place, with the regular reports checked by the competent national authority. 3. The activity complies with ISO 27914:2017 for geological storage of CO2.
M8.2	Others	Hydrogen storage	Construction and operation of facilities that store hydrogen and return it at a later time.	The activity is one of the following: (a) construction of hydrogen storage facilities; (b) conversion of existing underground gas storage facilities into storage facilities dedicated to hydrogen-storage; (c) operation of hydrogen storage facilities where the hydrogen stored in the facility meets the criteria for manufacture of hydrogen set out in hydrogen Manufacture in Section M3.11.

Sri Lanka Green Finance Taxonomy - Adaptation

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
A1.1	Agriculture	Installation and operation of water management system for agricultural use in the fresh water stressed districts	Installation and operation of high-efficiency irrigation measure (e.g. drip irrigation) , rain water collection facilities, water recycling and treatment facilities for agriculture land in the fresh water stressed districts.	Eligible measures list: • Drip irrigation • rain water collection • water recycling • flood proof warehousing • Sustainable drainage systems
A1.2	Agriculture	Construction and operation of climate information communication technology infrastructure for agricultural productivity	Construction and operation of information management and communication infrastructure for early warning of climate-related disasters (such as drought, flooding, hurricane, etc.) that will reduce the agricultural outputs.	Direct eligibility for early warning systems, monitoring, expansion of disaster warning systems from city to farms.
A1.3	Agriculture	Monitoring and treatment services to prevent, monitor and treat the climate-related pathogens and diseases on ruminant livestock, poultry and swine	Monitoring and treatment services to prevent, monitor and treat the presence of pathogens and diseases.	Eligible measures include: - Research and development of seeds and crops that are resilient to drought, heat, flood, pests or soil with increased salinity.
A1.4	Agriculture	Research, development and dissemination of climate-resilient seeds and crops	Research, development and dissemination of seeds and crops that are resilient to drought, heat, flood, pests, disease or soil increased salinity.	Meet local climate-resilient standards
A1.5	Agriculture	Research, development and dissemination of heat-tolerant livestock breeds and aquaculture species	Research, development and dissemination of heat-tolerant livestock breeds and aquaculture species.	Meet local heat-tolerance standards
A1.6	Agriculture	Implementation of smart agriculture systems to increase the climate resilience of agricultural production	Construction and operation of smart agriculture systems (e.g. precision agriculture, sensor controlled pivot "fertigation" and similar) up to local climate resilience standards.	Meet local climate-resilient standards or certification scheme which have climate adaptation components
A2.1	Financial services	Providing affordable insurance products to increase climate resilience of agricultural and tourism activities	Providing affordable insurance products to increase climate resilience: weather insurance products to protect against flooding or extreme weather events; agricultural crop insurance to protect against drought, flood; agricultural asset insurance; livestock insurance; aquaculture production insurance; tourism safety insurance.	Direct eligibility
A3.1	Construction	Construction of climate-resilient warehouse and storage systems for agricultural buffer stocks as a measure to improve disaster risk preparedness and management	Construction and operation flood-proof warehouses and storage systems for agricultural buffer stocks . The warehouse and storage system should be up to local climate resilience standards.	Meet local climate-resilient standards

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
A3.2	Construction	Construct physical structures and install equipment to protect the livestock against heat stress	Construct physical structures and install equipment to protect the livestock against heat stress (e.g. adequate cooling, air flow, evaporative systems, water misting and ventilation); elevated livestock shelters (e.g. raised foundations); protection of livestock against heat stress (e.g. shade screens or shade cloth structures).	Direct eligibility
A3.3	Construction	Construction and maintenance of flood and coastal erosion management measures for existing tourism and agricultural facilities.	Construction and maintenance of flood and coastal erosion management measures for existing tourism and agricultural facilities. (e.g. install flood defenses, increase drainage capacity, diversion of flood flows away from areas at risk, flood resilient building materials, sustainable drainage systems, raise level of structures).	Direct eligibility
A4.1	Tourism and recreation	Construction and operation of climate information communication technology infrastructure for tourists	Construction and operation of information management and communication infrastructure for timely issuing of extreme weather forecasts for tourists through mobile and internet.	Direct eligibility
A4.2	Tourism and recreation	Retrofit the coastal tourism properties to improve climate resilience	Retrofit the coastal tourism properties in the identified vulnerable areas (e.g. low-lying beaches, other disaster prone areas) to improve its climate resilience.	Direct eligibility
A4.3	Tourism and recreation	Construction and operation of certified sustainable tourism destinations	Construction and operation of tourism destinations certified under the National Sustainable Tourism Certification Scheme by Sri Lanka Tourism Development Authority (SLTDA) in collaboration with Global Sustainable Tourism Council (GSTC).	Meet local climate-resilient standards or certification scheme which have climate adaptation components

Sri Lanka Green Finance Taxonomy - Other Green Objectives

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
E1.1	Agriculture	Growing of rice with certification focusing on sustainable land and water management	Growing of rice with sustainability /organic certification.	GAP and Organic certification, Organic Participatory Guarantee System (PGS).
E1.2	Agriculture	Growing of beverage tea with certification focusing on sustainable land and water management	Growing of beverage tea with sustainability /organic certification.	Meet local certification scheme that has ecological conservation and/or resource efficiency components.
E1.3	Agriculture	soil conservation	Carry out a minimum preparation or tillage of the soil, with permanent soil coverage and use of green manures. On sloping soils, plant in contour lines through terraces, deep-rooting plant covers, or other methods. Maintain a biomass coverage of the soil in at least 80% of the property. Activity may also include implementation of technologies related to soil absorption sources and soil management.	Implementing soil testing programs to determine nutrient requirements, training programs on the use of mobile soil testing kits and providing soil recommendations.
E1.4	Agriculture	Pastoral ecological protection and construction	Establish and manage agricultural ecological circular system, such as “rice-fish symbiosis”, “pig- biogas-fruit tree”, “forest economy” and other ecological agricultural circular modes.	Meet local certification scheme that has ecological conservation components.
E1.5	Agriculture	Green animal husbandry	Green animal husbandry projects carried out to promote the efficiency of animal husbandry resources and environmental protection. For example: - harmless treatment systems for sick and dead livestock and poultry; - facility construction for storage, treatment and utilization of waste from livestock and poultry breeding; - construction of environment-friendly breeding facilities, such as elevated beds; - construction of agricultural industrial parks with a circular system between breeding, biogas, planting, and processing.	Meet local certification scheme that has ecological conservation and/or resource efficiency components.
E1.6	Agriculture	Green fishery	Environment-friendly fishery projects such as carbon sink fishery and clean water fishery, rice-fish system and the comprehensive utilization of saline-alkali water for fishery and agriculture, recirculating aquaculture systems, deep-water anti-wind and wave non-bait cage aquaculture, ecological aquaculture, and comprehensive utilization of aquatic by-products. Construction and operation of facilities treating aquaculture wastewater, as well as fishery resource conservation facilities, such as the marine fisheries conservation, etc.	Meet local certification scheme that has ecological conservation and/or resource efficiency components.
E1.7	Agriculture	Replacement of synthetic fertilizers, including organic or green manures (use of vegetable mulches)	Replace synthetic fertilizers with fertilizers prepared from organic material, such as harvest waste, pruning, manure, grass, etc. Introduce green manures, such as beans, crotalia, canavalia, among others.	Replacement of synthetic fertilizers
E1.8	Agriculture	Effective, low-toxicity and low-residue pesticide production and alternatives	Production and application of the state- and industrial- endorsed effective, low-toxicity and low-residue pesticides up to local standard.	Bio pesticide allowed by regulations

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
E1.9	Agriculture	Research and development and application of green prevention/ control products	Research, development, promotion and commercial application of green prevention/control products, including but not limited to: Research, development, promotion and commercial application of green prevention/control products such as green efficient functional fertilisers, biological fertilisers, new soil conditioners, low-risk pesticides, pesticide application agents, and physical and chemical inducements; research, development, promotion and commercial application of emerging products (such as green efficient feed additives, low-toxicity and low drug-resistance veterinary drugs, and efficient and safe vaccines, etc.).	Products allowed by regulations
E2.1	Manufacturing	Manufacture of coconut oil with sustainability/organic certification	Manufacture of coconut oil with sustainable/organic certification.	Organic certification
E2.2	Manufacturing	Manufacture of dairy products with sustainability/organic certification	This activity includes: • manufacture of fresh liquid milk, pasteurized, sterilized, homogenized and/or ultra heat treated • manufacture of milk-based drinks • manufacture of cream from fresh liquid milk, pasteurized, sterilized, homogenized • manufacture of dried or concentrated milk whether or not sweetened • manufacture of milk or cream in solid form • manufacture of butter • manufacture of yoghurt • manufacture of cheese and curd • manufacture of whey • manufacture of casein or lactose • manufacture of ice cream and other edible ice such as sorbet	Organic certification
E2.3	Manufacturing	Production of bio-based fast moving consumer goods from marine resources through bio-technological applications	Production of algae and other marine micro or macro organism to produce food, pharmaceuticals, cosmetics, or other bio-based products through bio-technological applications up to local sustainable production standards or certification scheme.	Meet local certification scheme that has ecological conservation and/or resource efficiency components
E2.4	Manufacturing	Manufacture of textiles with green/sustainability certification	This includes preparation and spinning of textile fibres as well as textile weaving, finishing of textiles and wearing apparel, manufacture of made-up textile articles, except apparel. (It does not include growing of natural fibres or manufacture of synthetic fibres)	Meet local certification scheme that has ecological conservation and/or resource efficiency components
E2.5	Manufacturing	Manufacture of paper with green/sustainability certification	This includes the manufacture of pulp, paper and converted paper products.	Meet local certification scheme that has ecological conservation and/or resource efficiency components

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
E2.6	Manufacturing	Manufacture of rubber products with green/sustainability certification	This includes: • Manufacture of rubber tyres and tubes; retreading and rebuilding of rubber tyres • Manufacture of other rubber products	Meet local certification scheme that has ecological conservation and/or resource efficiency components
E2.7	Manufacturing	Manufacture of ocean-friendly and water-friendly personal sanitation products	Manufacture of biodegradable and phosphate-free detergents, shampoos, shampoo bars, soap bars without plastic packaging; manufacture of microbead-free toothpaste without plastic packaging.	Direct eligibility
E2.8	Manufacturing	Plastic recycling, remanufacturing and repurpose	Establishment and operation of plastic collection and recycling facilities that reuse, remanufacture and repurpose the plastics up to local industrial and environmental standards.	Direct eligibility
E3.1	Water supply, sewerage and waste management	Construction of new drinking water supply infrastructure	Construction and operation of technically-advanced drinking water collection, storage, treatment and supply infrastructure that reaches at least 20% water savings per unit of service compared to a documented local baseline.	Direct eligibility
E3.2	Water supply, sewerage and waste management	Retrofit of existing water supply infrastructure	Retrofit of existing water supply infrastructure that reaches at least 20% water savings per unit of service compared to a documented local baseline.	At least 20% water savings per unit of measure compared to baseline
E3.3	Water supply, sewerage and waste management	Treatment of wastewater from vessels, shipping yards, ports and vessels	Installation of water treatment equipments and facilities for all wastewater (blackwater, greywater, bilge water, etc.) generated from ports, shipping and crusing vessels up to local industrial and environmental standards.	Meet local wastewater treatment standards
E3.4	Water supply, sewerage and waste management	Wastewater treatment of major industries	Construction and operation of wastewater treatment facilities for major water-polluting industries, such as papermaking, coking, nitrogen fertilizers, non-ferrous metals, printing and dyeing, agricultural and sideline food processing, raw pharmaceutical ingredient manufacturing, tanning, pesticides, electroplating;. For example, the treatment of phosphate ore, phosphorus chemical industry, phosphogypsum storages, and comprehensive utilization and trading of phosphogypsum, construction and operation of wastewater facilities in industries containing phosphorus pesticides, etc.	Meet local wastewater treatment standards
E3.5	Water supply, sewerage and waste management	solid waste collection and treatment of garbage generated in shipping vessels, yards and ports	Installation of solid waste collectors, receivers and treatment facilities for ports and marine terminals for the collection of garbage generated in shipping vessels, yards and ports.	Meet local waste treatment standards
E3.6	Water supply, sewerage and waste management	Recycling and treatment of packaging waste	Establishment and operation of recycling and treatment facilities for packaging wastes such as packaging containers and materials made from paper, plastic, metal, glass, wood, or mixed materials that comply with national standards.	Direct eligibility

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
E4.1	Construction	Construction of new green buildings	Development of building projects for residential and non-residential buildings by bringing together financial, technical and physical means to realise the building projects for later sale as well as the construction of complete residential or non-residential buildings, on own account for sale or on a fee or contract basis.	Green SL Rated buildings: Gold and Platinum
E5.1	ICT	Application of information systems, technology, and instruments deployed for measuring, tracking, and reporting physical and chemical indicators of the water body to achieve sustainable fishery and aquaculture management, water-related ecosystem restoration, and disaster resilience.	Application of information systems, technology, and instruments deployed for measuring, tracking, and reporting physical and chemical indicators of the water body to achieve sustainable fishery and aquaculture management, water-related ecosystem restoration, and disaster resilience. This could include systems with drones, autonomous sailing vessels, autonomous underwater vehicles, and ocean buoys, among other technologies.	Direct eligibility

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