

approved by the Board, taking into account any condition approved by the Board in this decision and in the decision accrediting the relevant accredited entity; and

- (v) Authorizes the Secretariat to disburse fees for each funded project/programme approved by the Board as per the disbursement schedule to be agreed in the funded activity agreement in accordance with the policy on fees and the general principles and indicative list of eligible costs covered under GCF fees and project management costs adopted by the Board pursuant to decision B.19/09.

Agenda item 17: Consideration of accreditation proposals

53. The Board took note of the document GCF/B.21/17 and its limited distribution addenda Add.01, Add.02, Add.03, and Add.04 titled “Consideration of accreditation proposals”.

54. The Board adopted the following decision:

DECISION B.21/16

The Board, having considered document GCF/B.21/17 and its limited distribution addenda Add.01, Add.02, Add.03 and Add.04 titled “Consideration of accreditation proposals”:

- (a) Takes note with appreciation of the assessments conducted by the Secretariat and the Accreditation Panel contained within the relevant annexes for the following applicants:
- (i) Applicant 061 (APL061) is Caixa Economica Federal (CEF) based in Brazil, as contained in annex V in document GCF/B.21/17;
 - (ii) Applicant 062 (APL062) is the Fondo para la Acción Ambiental y la Niñez (Fondo Acción) based in Colombia, as contained in annex VI in document GCF/B.21/17;
 - (iii) Applicant 063 (APL063) is IDFC Bank Limited (IDFC Bank) based in India, as contained in annex VII in document GCF/B.21/17;
 - (iv) Applicant 064 (APL064) is the Ministry of Finance and Economic Management (MFEM) based in the Cook Islands, as contained in annex VIII in document GCF/B.21/17;
 - (v) Applicant 065 (APL065) is the National Rural Support Programme (NRSP) based in Pakistan, as contained in annex IX in document GCF/B.21/17;
 - (vi) Applicant 066 (APL066) is the Nordic Environment Finance Corporation (NEFCO) based in Finland, as contained in annex X in document GCF/B.21/17;
 - (vii) Applicant 067 (APL067) is Pegasus Capital Advisors (PCA) based in the United States of America, as contained in annex XI in document GCF/B.21/17;
 - (viii) Applicant 068 (APL068) is the Austrian Development Agency (ADA) based in Austria, as contained in annex XII in document GCF/B.21/17;
 - (ix) Applicant 069 (APL069) is the Compañía Española de Financiación del Desarrollo S.A. S.M.E. (COFIDES) based in Spain, as contained in annex XIII in document GCF/B.21/17;
 - (x) Applicant 070 (APL070) is the Financiera De Desarrollo Territorial S.A. (Findeter) based in Colombia, as contained in annex XIV in document GCF/B.21/17;
 - (xi) Applicant 071 (APL071) is the Fundo Brasileiro para a Biodiversidade (Funbio) based in Brazil, as contained in annex XV in document GCF/B.21/17;
 - (xii) Applicant 072 (APL072) is the LandBank of the Philippines (LandBank) based in the Philippines, as contained in annex XVI in document GCF/B.21/17;

- (xiii) *Applicant 073 (APL073) is the Protected Areas Conservation Trust (PACT), based in Belize, as contained in annex XVII in document GCF/B.21/17;*
- (xiv) *Applicant 074 (APL074) is BNP Paribas S.A. (BNP Paribas), based in France, as contained in annex XVIII in document GCF/B.21/17;*
- (xv) *Applicant 075 (APL075) is the Consortium of International Agricultural Research Centers (CGIAR), based in France, as contained in annex XIX in document GCF/B.21/17; and*
- (xvi) *Applicant 076 (APL076) is the Inter-American Investment Corporation (IDB Invest), based in the United States of America, as contained in annex XX in document GCF/B.21/17;*
- (b) *Accredits applicants APL061, APL062, APL063, APL064, APL065, APL066, APL067, APL068, APL069, APL070, APL071, APL072, APL073, APL074, APL075 and APL076 pursuant to paragraph 45 of the Governing Instrument for the Green Climate Fund, and subject to, and in accordance with, the assessments by the Accreditation Panel contained in the relevant annexes for each of the applicants;*
- (c) *Takes note with appreciation of the assessment conducted by the Secretariat and the Accreditation Panel contained within the relevant annex for the following applicant seeking to upgrade its accreditation type:*
- (i) *Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE), based in Peru, as contained in annex XXI in document GCF/B.21/17;*
- (d) *Agrees to upgrade the accreditation type of Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE) as contained in decision B.09/07, paragraph (b), subject to, and in accordance with, the assessment by the Accreditation Panel contained in annex XXI in document GCF/B.21/17; and*
- (e) *Recalling decision B.14/08, paragraph (d)(i), decision B.18/04, paragraph (c), and decision B.19/13, paragraph (c), decides that future accreditation decisions by the Board should aim to bring forward accredited entities that fulfil the mandate on balance, diversity and coverage and advance the objectives of GCF and, to that end, decides to prioritize up to the end of the twenty-third meeting of the Board the following, not listed in order of priority:*
- (i) *National direct access entities nominated for accreditation by national designated authorities or focal points of countries that do not have an accredited direct access national entity;*
- (ii) *Private sector entities, in particular those in developing countries, seeking a balance of diversity of entities in line with decision B.09/07, paragraph (g) and decision B.10/06, paragraph (h);*
- (iii) *Entities responding to requests for proposals issued by the Green Climate Fund, for example, including a pilot phase for enhancing direct access; a pilot programme to support micro, small, and medium-sized enterprises; and a pilot programme to mobilize resources at scale in order to address adaptation and mitigation;*
- (iv) *Accredited entities seeking fulfilment of their conditions for accreditation; and*
- (v) *Accredited entities requesting upgrades in their accreditation scope.*

Agenda item 18: Performance review of the GCF for the initial resource mobilization period

Annex VII: Accreditation assessment of Applicant 063 (APL063)

I. Introduction

1. Applicant 063 (APL063), IDFC Bank Limited (IDFC Bank), is a national entity headquartered in India. The applicant is a banking company that is part of the Infrastructure Development Finance Company Limited (IDFC). In 2014, IDFC transferred through a demerger operation, its lending and financing business to the applicant. The applicant is now a licensed Indian private sector banking company that has a project portfolio that focuses on infrastructure, transportation and energy production, including solar and wind energy investments.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 18 April 2015. Accreditation fees were received from the applicant on 4 June 2015, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 31 January 2018 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from India;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** medium;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards; and
 - (ii) Specialized fiduciary standard for on-lending and/or blending (for loans); and
- (e) **Maximum environmental and social risk category:** medium risk (Intermediation 2 (I-2)).³

II. Stage I institutional assessment and completeness check

3. The applicant applied under the normal track and was assessed by the Secretariat during Stage I.

2.1 Legal status, registration, permits and licences

¹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "medium" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme".

² Decision B.07/02.

³ As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant received a universal banking license from the Reserve Bank of India (RBI) by section 22(1) of the Banking Regulation Act (1949) on 23 July 2015, and became operational on 1 October 2015.

2.2 Institutional presence and relevant networks

5. The applicant is a knowledge-based, diversified, financial services company with a focus on private infrastructure sector projects in India. Its primary business is lending to infrastructure projects, and in addition the applicant's business lines include corporate and investment banking, alternative asset management and public markets asset management. The applicant has been in the infrastructure space in India for over a decade and half and has developed a deep understanding of the various issues and risks involved in private sector and public private partnership infrastructure projects in India. The applicant's core sectors of investment are:

- (a) Energy;
- (b) Transportation;
- (c) Telecom; and
- (d) Commercial and Industrial Infrastructure.

6. In addition to infrastructure financing, the applicant is also seeking to finance low carbon growth in the large corporate; mid-market; micro-, small- and medium-sized enterprises (MSMEs); rural banking and micro finance sectors across a wide geographical spread across India.

2.3 Track record

7. The applicant has been working and cooperating with partner organizations, private sector entities and people at the local community level. In the last five years, the applicant has strategically focused on clean energy and its associated infrastructure projects that are critical to meet India's energy demands. The applicant's focus on renewable energy has enabled it to reach out to a new committed group of project promoters in the renewable energy space. The applicant has been able to influence its clients to adopt good construction and labour practices in renewable energy projects and initiate community welfare activities in the project areas. The applicant's environment and social management system and procedures, which have been refined over the years, aim to safeguard its activities from environmental and social risks associated with projects by identifying them early on at the project appraisal stage. This enables the applicant to engage with the project proponents and address and mitigate identified environmental and social risks through appropriate action plans and measures.

8. The applicant's track record in financing climate change-related projects includes the following:

- (a) USD 118 million of USD 147.24 million (loans) for the Bindu Vayu Urja Pvt. Ltd. project (wind energy sector) in India;
- (b) USD 86 million of USD 126.52 million (loans) for the Rayala Wind Power Company Limited project in India;
- (c) USD 59 million (loans) for the Green Infra Wind Energy Projects Limited project in India;
- (d) USD 48 million of USD 63.56 million (loans) for the Clean Wind Power Devgarh Private Limited project in India;

- (e) USD 30 million of USD 40.42 million (loans) for the AES Solar Energy Gujarat Private Limited project in India; and
- (f) USD 22 million of USD 71.92 million (loans) for the GMR Gujarat Solar Power Private Limited project in India.

III. Stage II accreditation review assessment

9. The applicant applied under the normal-track accreditation process. Its application has been assessed against by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the accreditation requirements.
10. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

3.1 Fiduciary standards

3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

11. The applicant has an organizational and corporate governance and oversight structure that is appropriate for the size and scope of its activities. As of May 2018, the applicant had eight board-level committees: Audit Committee; Nomination and Remuneration Committee; Stakeholder Relationships and Customer Service Committee; Corporate and Social Responsibility Committee; Risk Committee; Credit Committee; Allotment and Share Transfer Committee; and Ethics and Culture Committee. In addition, there is an Information and Technology Governance and Infrastructure Committee that reports to the Audit Committee. The majority of the members of these committees are independent members, serving for terms of up to three years.
12. The Company Secretary and Chief Compliance Officer is the Secretary to all the oversight committees and ensures adherence to all laws and regulations for conducting committee meetings. The composition and terms of reference of these committees, together with the appointment and remuneration of their members is disclosed in the 2016-2017 Audit Report and in the Investor Relations section of the applicant's website. The number of meetings and attendance records are also disclosed.
13. To support the applicant's board-level committees highlighted above, a Management Committee framework has been established to enhance governance and strengthen oversight and compliance. The key Management Committees are: Credit and Market Risk (including Investments) Committee; Operations and Information Security Committee; Risk (including Fraud Risk Management) Committee; Business Planning and Strategic Initiatives Committee; Product and Process Approval Committee; Internal Audit and Controls Committee; Premises and Outsourcing Committee; Brand and Public Relations Committee; Human Resources Committee. These committees ensure that the various submissions to the applicant's board and its sub-committees are first reviewed, approved and recommended by management.
14. The applicant has a well-established procurement policy, which the AP has reviewed and found to be appropriate for its activities. The procurement function is established under the Chief Operations Officer of the applicant and the external auditor conducts regular spot checks to ensure that procurement activities comply with the corresponding procurement policy. The applicant is committed to implement a procurement oversight function for projects and programmes supported by GCF funds where the applicant would be the intermediary, as well for the executing entities that are overseen by the applicant. A condition will be added that this oversight function should also be applicable to third party executing entities and project developers that benefit from GCF funds through the applicant.

15. The applicant has provided a description of the strategic plans and an overview of its strategic direction over the next four years, and further updated the AP on its strategy in its virtual interview with the applicant. The applicant envisages a move towards becoming a major retail bank in the Indian market with retail loan share growing to 60 per cent of the loan portfolio over the next four years. With regard to this objective, the applicant announced in January 2018 the acquisition of a retail operation called Capital First. The loan portfolio of Capital First is approximately one third the size of the applicant's, but consists of 93 per cent consumer loans, whereas the applicant's portfolio currently consists of 23 per cent consumer loans.

16. The acquisition of Capital First has been approved by the Competition Commission of India, and is expected to be finalized by October 2018. In 2016, the applicant also acquired Grama Vidiyal Micro Finance Limited, one of the largest microfinance institutions in India. It has now been renamed IDFC Bharat Limited, and the applicant intends to increase its microfinance and retail businesses through focusing on hitherto financially excluded groups using innovative digital services and doorstep banking. As such, the applicant is diversifying into corporate and retail loans while reducing exposure to the infrastructure sector. As of financial year 2018, the corporate book grew 38 per cent year-over-year, while the infrastructure book reduced 21 per cent year-over-year.

17. With regard to its activities to be conducted with GCF funds, the applicant informed the AP that it would focus on providing finance for micro-finance programmes, involving both loans and equity financing; projects on solar water pumps for agriculture, smart-grid and metering technologies installation; energy storage solutions; off-grid rooftop photovoltaic-based solar power projects and programmes; renewable energy based mini-grids projects; manufacturing and indigenizing renewable equipment and machinery; financing renewable energy-based cold storage projects in rural areas through the corporate, mid-market, MSME, rural banking and micro-finance sectors; and providing partial risk and credit guarantees for climate change mitigation and adaptation projects, including energy efficiency projects.

18. The applicant's appointment of external auditors is governed by the guidelines prescribed by the RBI. The statutory auditor of the applicant is appointed for a term of one year as per the terms of Section 139 of the Companies Act (2013) read with Companies (Audit & Auditors) Rules (2014), subject to approval of the RBI. The remuneration is decided by the applicant's board or Audit Committee thereof. The Audit Committee recommends to the applicant's board, the appointment, re-appointment, remuneration, terms of appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees. The applicant's Audit Committee also reviews and monitors the auditor's independence and performance, and effectiveness of the audit process. It also approves payment to statutory auditors for any other services rendered by the statutory auditors.

19. The applicant's financial statements have been prepared based on historical cost convention and accrual basis of accounting in accordance with the requirements prescribed under the Indian Banking Regulation Act (1949) and in conformity with Generally Accepted Accounting Principles in India to comply with the statutory requirements prescribed under the circulars and guidelines issued by the RBI from time to time and the Accounting Standards notified under the Indian Companies Act (2013). Management information systems are adequate to monitor ongoing financial performance of the applicant.

3.1.2 **Section 4.2: Basic fiduciary standards: transparency and accountability**

20. The applicant's investigation function provides for the independent and objective investigation of allegations of fraudulent and corrupt practices. The investigation policy framework is based on the applicant's Fraud Risk Management Policy that contains the provisions for the classification of fraud, prevention and detection of fraud, corrective actions, staff accountability, reporting guidelines, violations, training and awareness of employees, customer awareness and monitoring provisions.

21. In addition to the Fraud Risk Management Policy, the applicant has published guidelines for processing cases, including procedures for receiving and handling complaints, as well as disciplinary actions following the complaints-handling process.
 22. The applicant confirmed that in the past three years there were no instances of violation of code of ethics, fraud or corruption identified.
 23. The applicant has well defined and robust policies on anti-money laundering, countering terrorism financing, whistle-blower, conflict management and comprehensive employee code of conduct. In addition, all these policies are governed by RBI.
 24. The applicant has a comprehensive Code of Conduct which is provided to all employees of the applicant upon appointment. It addresses ethical behaviour, prevention of financial mismanagement, anti-money laundering (AML), countering the financing of terrorism (CFT) and “know-your-customer” (KYC) policies. The applicant’s AML/CFT policy is found by the AP to be appropriate for the applicant’s activities and consistent with the GCF AML/CFT Policy.
 25. The policy contains specific policy and guideline documents for fraud risk, whistle blowing, prevention of sexual harassment, workplace guidelines, conflict management, information security compliance, equal opportunities and diversity guidelines, disciplinary action guidelines and prohibition of insider trading. These policies and guidelines are reviewed and updated periodically by the relevant oversight management and applicant’s board-level committees outlined in paragraphs 12 and 13 above.
 26. Since 2015, all of the applicant’s staff have undergone AML/CFT and KYC training covering the following areas: money laundering and terrorism financing, applicable laws, regulations and authorities; KYC guidelines; monitoring of transactions; and reporting requirements.
 27. The applicant provided copies of comprehensive due diligence reports and supporting documentation on clients and companies that the applicant has approved to work with and provide finance to for renewable energy projects.
 28. The monitoring of wire transfers is governed by the applicant’s AML/CFT policy, which contains the classification of various transaction reports, such as monthly cash transaction reports, cross-border transaction reports and suspicious transaction reports, as well as corresponding regulations on monitoring and record keeping of transactions. As evidence to demonstrate implementation of the AML/CFT procedure, the applicant provided copies of the monitoring reports of the money transfers referring to scheduled project-related payments.
- 3.1.3 **Section 5.1: Specialized fiduciary standard for project management**
29. The applicant did not apply for accreditation for this standard at this time.
- 3.1.4 **Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms**
30. The applicant did not apply for accreditation for this standard at this time.
- 3.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending**
31. The applicant is specialized in providing financial services with a focus on private infrastructure sector projects in India. Besides its primarily lending business to infrastructure projects, it has three other primary businesses: corporate and investment banking, alternative asset management and public markets asset management.
 32. In addition to the on-going infrastructure funding, the applicant also invests in renewable energy projects in India, and is looking for more opportunities in financing other climate change mitigation and adaptation projects through the large corporate, mid-market, MSME, rural banking and micro-finance sectors. The applicant’s geographical spread will ensure significant reach to the underdeveloped areas and underprivileged communities of India.

33. The applicant borrows from multilateral banks and other financial institutions, bond markets and various lines of credit and then on-lends to various projects and borrowers in India. The applicant has a solid track record of working with such multilateral institutions as the International Finance Corporation (IFC), Asian Development Bank, Kreditanstalt für Wiederaufbau Bankengruppe, Overseas Private Investment Corporation on projects for which these institutions provided lines of credit to the applicant. With regard to GCF-funded projects the applicant plans to blend and on-lend its funds raised on its own balance sheet along with the GCF financing for lending to activities that meet GCF criteria.
34. The applicant's on-lending and blending operations are supported by a set of well-developed policies, procedures and guidelines that are well aligned with GCF standards, including micro credit manual, financial management manual and investment policy, as well as specific funding programme manuals. The implementation of on-lending and blending policies is supported by the track record of the funds provided by multilateral institutions for co-financed projects and programmes.
35. The applicant has a robust risk management practice that enables it to book, manage and mitigate risks in its businesses. The applicant has a comprehensive risk management framework that covers all three types of risks: credit, market and operational risks. The risks management function is headed by the chief risk officer.
36. The credit risk management policy sets out the guidelines, principles and approach for credit risk management for the applicant and put in place a framework to identify, assess, measure, monitor and control credit risks in a timely and effective manner. The applicant's designated market risk group monitors the risks on account of interest rate, liquidity, currency and equity price in the trading books.
37. The applicant has also provided information on the specific guidelines it developed to evaluate and monitor the currency exchange risks for the small and medium enterprises, as well as resident individuals, firms, companies and other small banks operating in India and outside the country. To demonstrate the effectiveness of its risk management function, the applicant provided copies of credit due diligence reports for the specific projects, loan agreements and project activity monitoring reports for which it has provided loans. The AP finds the information provided sufficient to address the applicant's track record and demonstration of the effective risk management function and concludes that the risk management practice is consistent with GCF requirements for the specialized fiduciary standard for on-lending and/or blending.
38. The applicant provided comprehensive information regarding its financial management policies and its implementation of the policies. The AP found the applicant's financial management function is aligned with the GCF standards. The applicant's credit policy contains a description of the credit appraisal standards, due diligence process and requirements for potential beneficiaries, and possible restrictions imposed and corresponding authorities with respect to managing the various financial products of the applicant. The examples of the loan agreements containing the conditions of the loans, as well as specific amendment documents on the modification of the loan structure and blending of different loan within the project finance structure were presented to the AP.
39. The applicant provided comprehensive lending portfolio analysis reports containing information on the retail and wholesale operations, income statements, statements on the assets and liabilities of the whole group's operations, information on the shareholders, the new programme of opening the visa card services, as well as information on geographical and regional representation of the applicant's operations in India.
40. The applicant has a well-developed risk management strategy and procedures supported by the methodological tools for defining the risk appetite for investments in specific sectors of economy in India. The applicant also provided analytical reports on defining its risk appetite and effectiveness of the implementation of risk strategies for the years 2016 and 2017.

41. The applicant also provided copies of the minutes of its asset and liability management committee, which validate the effective functioning of this committee, and copies of its investment policy and its asset and liability management policy.
42. The applicant's investment policy contains the provisions for the classification of the investments and eligible products and securities that it works with, including equity shares, bonds, treasury bills, investments in venture capital and mutual funds and money market dealings. The policy also defines the scope and authority of the investment committee that undertakes the supervision of the investment activities, approves the investments, and reviews the investment portfolio on a bi-annual basis. Comprehensive annual investment reports have been provided.
43. With regard to the public availability of loan-specific information, the applicant has stated that at the moment the applicants' project finance business is bound by confidentiality clauses and proprietary requirements. Presently there is no system established to provide information to the public on specific project induced benefits accruing to the community at large. However, the applicant is willing to establish a procedure and designated website to make the information about the loan beneficiaries and projects co-financed by GCF publicly available. The corresponding condition is placed in this recommendation.
44. The applicant has received a rating of "BBB-" from the credit rating agencies Standard and Poors and Fitch, and a "AAA" rating with a stable outlook by the rating agency ICRA Limited, stating that the applicant has the highest degree of safety regarding timely servicing of financial obligations and implementing the instruments carrying the lowest credit risk.
45. In particular, the Standard and Poor rating agency confirms that the applicant has a sound capital and earnings profile, strong management and adequate risk management. The higher market risk is stemming from the equity investments; however, it is noted by the AP that the applicant did not apply for equity instruments under this application.

3.2 Environmental and social safeguards

3.2.1 Section 6.1: Policy

46. The applicant's environmental and social management system (ESMS) comprises its environmental and social (E&S) policy and environmental management system and procedures (ESM&P). The applicant's E&S policy and ESM&P include an overarching statement of the E&S objectives and principles which guide the applicant's institution. The E&S standards adhered by the applicant conforms to the Equator Principles III and are consistent with the performance standards 1 to 8 of the GCF interim environmental and social safeguards (ESS). The E&S policy and ESM&P are endorsed by the applicant's management and are available on the applicant's intranet for access to all its staff. The AP found the ESMS policy and ESM&P are suitable for the maximum level for the GCF E&S risk I-2 that the applicant is seeking accreditation for.
47. The ESM&P does not reflect the requirements related to assessment of cumulative impact, associated facility impacts, analysis of alternatives, baseline data standards and mitigation hierarchy in projects it oversees executed by executing entities. However, the applicant is willing to invoke assessment of these elements in projects financed by the GCF resources.

3.2.2 Section 6.2: Identification of risks and impacts

48. The applicant's ESM&P describes its institutional procedure which guides its staff in identifying the E&S risks and impacts of projects/programmes. The EMS&P was developed based on the IFC Performance Standards on Environmental and Social Sustainability and its engagement with other multilateral financial institutions and has been integrated into the applicant's credit appraisal framework. The EMS&P manual describes the applicant's procedure

for categorization of projects and programmes and the AP found it to be in line with performance standards of the GCF interim ESS. The applicant's environmental risk group (ERG) conducts an environment risk assessment of E&S risk Intermediation I-2 projects/programmes. The applicant provided a list of illustrative projects implemented by it in the past three years including their E&S risk categories. The AP found the E&S risk identification and categorization system to meet the GCF requirements for I-2 projects/programmes, including for performance standards 1 to 8 of the GCF interim ESS.

3.2.3 Section 6.3: Management programme

49. The applicant's EMS&P describes its institutional process for managing E&S risk mitigation measures and actions stemming from the E&S risk identification process. The applicant provided a sample of E&S due diligence reports for projects financed by itself, which indicate applicant's track record and competency of its E&S staff in managing E&S mitigation measures and actions stemming from the E&S risk identification. The E&S due diligence reports undertaken for I-1 and I-2 projects also include E&S action plans. The applicant commits to carry out an external evaluation of the effectiveness of its ESMS for projects financed by GCF resources. The E&S risk management process is found by the AP to meet GCF requirements for I-2 projects/programmes.

3.2.4 Section 6.4: Organizational capacity and competency

50. The applicant provided an organizational structure that identifies key units, departments, senior and line management personnel who are responsible for implementing the applicant's EMS&P along with their authority and reporting lines. The applicant's ERG has the primary responsibility for ensuring adherence to environment and social policy by various business verticals of its institution including large corporates, mid-market and MSME business banking. The head of the ERG is responsible for ensuring that the EMS&P is implemented for each project and that records of environmental reviews are maintained. The applicant provided bio-data of the E&S experts in the ERG and a sample of their work done as evidence of their competency in performance standards 1 of 8 of the GCF interim ESS. The applicant also provided information on the trainings undertaken by the applicant's staff on environmental appraisal process. The AP has found that the applicant's organizational capacities and competencies are sufficient to manage I-2 projects/programmes.

3.2.5 Section 6.5: Monitoring and review

51. The applicant's EMS&P describe its monitoring and supervision procedure that instructs its staff on how to systematically track completion of E&S risk mitigation and performance improvement measures, including roles and responsibilities. The applicant's ERG undertakes E&S monitoring and review of I-2 portfolio projects/programmes after sanction to monitor and ensure compliances to the requirements of applicable national and Equator Principles and E&S-related loan covenants on an ongoing basis. The applicant provided a sample of E&S monitoring and review reports prepared for international financiers addressing performance standards 1 to 8. The applicant also provided a sample of annual environmental performance reports for its board and shareholders. The applicant also provided evidence of the periodic performance reviews of its ESMS reported to its senior management, and how the lessons learned based on the its senior management reviews are reflected in the update of its ESMS. The AP has found that the applicant's monitoring and review system and procedures and capacities are sufficient to manage I-2 projects/programmes.

3.2.6 Section 6.6: External communications

52. The applicant has indicated that it currently does not, but is willing to develop if accredited to the GCF, an external communication system that includes methods to:

- (a) Receive and register external communications from the public;
- (b) Screen and assess the issues raised and determine how to address them;

- (c) Provide, track and document responses, if any; and
- (d) Adjust the management programme, as appropriate.

53. The applicant also does not have a policy nor the track record on disclosure and public consultation of E&S information in line with the GCF Information Disclosure Policy (IDP), but is willing to develop such a system post-accreditation. The applicant also does not have a policy or practice but is willing to develop, if accredited to the GCF, a policy and practice on project-level grievance mechanisms to be followed by executing entities that it oversees.

3.3 Gender

54. The applicant does not have a gender policy, procedures nor competencies in line with the Gender Policy of the GCF and has not demonstrated that it has experience with gender consideration in the context of climate change. The applicant is willing to develop its gender policy, procedures and competencies in line with the GCF Gender Policy, if accredited to the GCF.

IV. Conclusions and recommendation

4.1 Conclusions

55. Following its assessment, the AP concludes the following in relation to the application:

- (a) The applicant partially meets the requirements of the GCF basic fiduciary standards and specialized fiduciary standard for on-lending and/or blending (for loans):
 - (i) The applicant does not have in place a procedure for overseeing the procurement process of the executing entities that develop the projects that the applicant oversees and finances. However, the applicant is willing to develop the procedure for overseeing procurement process of the executing entities that would develop GCF-funded projects/programmes; and
 - (ii) The applicant also does not have a mechanism to publicly disclose information on loan beneficiaries and results of financed projects. However, the applicant is willing to establish this procedure and a dedicated website to disclose this information for GCF-funded projects/programmes;
- (b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk (I-2):
 - (i) The applicant does not have an external communication system for E&S related information that includes methods to:
 1. Receive and register external communications from the public;
 2. Screen and assess the issues raised and determine how to address them; and
 3. Provide, track and document responses, if any;
 - (ii) The applicant also does not have a policy nor the track record on the disclosure and public consultation of E&S information on projects it finances in line with the GCF IDP for E&S risk I-2 projects/programmes; and
 - (iii) The applicant further does not have a policy or practice on project-level grievance mechanisms to be followed by its executing entities that it oversees, in line with performance standards 1 of the GCF interim ESS. The applicant is willing to develop such mechanisms for GCF-funded projects/programmes; and

- (c) The applicant does not have a gender policy, procedures nor competencies in line with the Gender Policy of the GCF, and has not demonstrated that it has experience with gender consideration in the context of climate change. The applicant is willing to develop its gender policy, procedures and competencies in line with the Gender Policy of the GCF, if accredited to the GCF.

4.2 Recommendation on accreditation

56. The AP recommends, for consideration by the Board, applicant APL063 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** medium (including micro⁴ and small⁵);
 - (ii) **Fiduciary functions:**
 - 1. Basic fiduciary standards; and
 - 2. Specialized fiduciary standard for on-lending and/or blending (for loans); and
 - (iii) **Maximum environmental and social risk category:** medium risk (I-2) (including lower risk (Intermediation 3 (I-3)⁶)); and
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
- (i) Conditions to be met prior to the submission of the first funding proposal to the Board:
 - 1. Provision of evidence from the applicant of the establishment of its oversight procurement function and the procurement procedures that it and entities who receive GCF funds from the applicant will be required to comply with;
 - 2. Provision of evidence from the applicant of the establishment of its external communication system for environmental and social-related information that includes methods to (i) receive and register external communications from the public; (ii) screen and assess the issues raised and determine how to address them; (iii) provide, track and document responses, if any;
 - 3. Approval by the applicant of a consultation and information disclosure policy consistent with the requirements of the GCF IDP for I-2 projects/programmes;

⁴ As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including USD 10 million for an individual project or an activity within a programme”.

⁵ As per annex I to decision B.08/02, “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme”.

⁶ As per annex I to decision B.07/02, category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

4. Provision of evidence from the applicant of the establishment of its policy on project-level grievance mechanisms to be established by executing entities; and
 5. Provision of evidence from the applicant of the adoption of a gender policy and procedures consistent with the Gender Policy of the GCF, and the curriculum vitae of a gender expert responsible for implementing the gender policy; and
- (ii) Conditions to be met prior to the first disbursement by the GCF for the first GCF-funded project/programme to be undertaken by the applicant:
1. Provision of evidence from the applicant of the establishment of a policy or guideline for providing information to the public regarding the applicant's decisions on on-lending and/or blending operations; and
 2. Provision of evidence from the applicant of the creation of a webpage on the applicant's website for disclosing information on beneficiaries and results from GCF-funded projects/programmes.
57. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 56 above, and agrees to the recommendation.

4.3 Remarks

58. The AP recommends that the applicant seek support through the GCF Readiness and Preparatory Support Programme with regard to building up the competence of its E&S risks management to address the conditions in paragraph 56(b) above.