Annex XV: Accreditation assessment of Applicant 025 (APL025)

I. Introduction

1. Applicant 025 (APL025), Crédit Agricole Corporate and Investment Bank (Crédit Agricole CIB) headquartered in France, is an international commercial bank headquartered in Europe, with experience in corporate and investment banking and a presence in 33 countries, covering Africa, Latin America and the Asia-Pacific region, among others. The applicant has a well-established track record in implementing private and public sector investment opportunities. Climate change is a key focus of its group policy as it is one of the 10 founding banks of the Equator Principles and one of the four banks that initiated the Green Bond Principles in 2013. In 2014, the applicant committed to arrange more than US$ 20 billion in new structured financing by the end of 2015 to combat climate change, as well as to measure and disclose the carbon footprint of its financing portfolio. In particular, it has financed and managed sustainable development initiatives in the areas of renewable energy, sustainable transport solutions, certified green buildings and water supply. In the past year, the applicant has financed 85 renewable energy projects worth US$ 2.7 billion. The applicant seeks accreditation to the GCF in order to contribute to the objectives of the GCF by mobilizing funds through a variety of instruments, structuring capabilities to explore and develop new schemes facilitating the financing of climate-related projects in developing and vulnerable countries, and ultimately enhancing beneficiary countries' awareness, ownership and implementing capacities.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 30 January 2015. Stage I, institutional assessment and completeness check, and Stage II (Step 1), accreditation review, were concluded. It has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

(a) **Access modality**: international access;

(b) **Track**: normal track;

(c) **Size of an individual project or activity within a programme**: large;[1]

(d) **Fiduciary functions**:[2]

  (i) Basic fiduciary standards;

  (ii) Specialized fiduciary standard for project management; and

  (iii) Specialized fiduciary standard for on-lending and/or blending (for loans, equity, and guarantees); and

(e) **Environmental and social risk category**: high risk (Category A/Intermediation 1 (I-1)[3]).

[1] As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US$ 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 A is defined as "Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented" and intermediation 1 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

II. Accreditation assessment

3. The applicant has been assessed against the standards of the GCF by the Accreditation Panel (AP).

4. As a part of this assessment, the AP has consulted the applicant's website, as well the websites of relevant regulators to complement the information provided by the applicant in its application.

2.1 Fiduciary standards

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

5. The applicant's organizational and corporate governance structure is appropriate for the size and scope of its activities. At the board level, there are three committees: risk, audit and compensation. The applicant's internal control framework is well developed based on the regulatory requirements issued by both banking and market regulators, and the recommendations issued by the Basel Committee on Banking Supervision. Evidence has been provided of an effective internal control framework that defines control responsibilities at the operational level and at the independent oversight level.

6. The applicant has an independent risk management function and an internal audit function that report to corresponding units in the parent company's risk organization.

7. The applicant has the required organizational structure and technological infrastructure to provide timely information for the effective management of risk, and for internal, regulatory and external reporting. This ensures that the applicant has appropriate management oversight and control over its activities.

8. The applicant's external auditors have provided assurance that international financial standards are correctly applied in the preparation of financial statements. Furthermore, the external auditors have issued opinions with no objections regarding the applicant's internal control report and financial statements.

9. The applicant's global procurement department has oversight over all purchasing activities undertaken and has implemented a standardized procurement process. The procurement function has two main objectives: to contribute to the established cost-efficiency targets; and to manage procurement risks. The applicant's procurement policy indicates the ethical standards that must be observed for all procurement activities.

2.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

10. The applicant has a published code of ethics that is communicated throughout the organization, which defines the conduct expectations and applies to every staff member. Furthermore, within the compliance department, there is a unit responsible for ensuring organizational compliance with the expected ethical standards.

11. The applicant has implemented the organizational structure and control framework that demonstrate a zero-tolerance policy towards violations of its code of ethics and of its established control procedures. The applicant has an independent anti-fraud prevention unit that assists the control functions in the performance of their duties. Furthermore, the applicant has a formal procedure for reporting incidents of non-observance of the established operating procedures and breaches of the internal controls. All employees have the responsibility to report any incident they observe; these incidents are recorded in the applicant's incident

reporting tool, are appropriately investigated, and an incident manager is assigned for the implementation of corrective measures.

12. The applicant's anti-money laundering (AML) and countering the financing of terrorism (CFT) policies are based on regulatory requirements as well as international best practice standards, specifically the 40 recommendations of the Financial Action Task Force and the requirements of the regulators in the countries where the applicant operates.

13. The global compliance department is responsible for AML/CFT activities. The applicant has adopted a risk-based approach in which the risk of customers, industries and countries is assessed in determining the scope of the "know-your-customer" (KYC) due diligence and AML/CFT monitoring efforts. The policy provided by the applicant defines the due diligence requirements, both standard and enhanced, depending on the risk criteria. The applicant has implemented a single KYC system that allows for the integration of KYC information on a global group-wide basis. The KYC obligations include ongoing vigilance to monitor business relationships; special attention is given to international flows and compliance with regulations on embargoes, asset freezes and payer information. Further, the applicant applies basic principles regarding SWIFT payment messages adopted by the Wolfsburg Group.

2.1.3 Section 5.1: Specialized fiduciary standard for project management

14. The applicant demonstrates a long track record and experience in project finance, with demonstrated expertise in assessing project viability, developing the appropriate financial structure and monitoring project performance during the development and operational stages. The applicant has co-financed projects with private and public sector co-investors, as well as with regional and international development entities.

15. The applicant has well-developed processes to identify potential projects, identify and evaluate project risks, develop the appropriate financial structure and attract co-investors to secure the GCFs required for a given project.

16. The evaluation of project finance transactions involves the participation of the business lines as well as the independent opinion of the risk department. The project evaluation is summarized in a credit request that includes a detailed description of the project and its main risks, as well as the assignment of a risk rating. Based on the information contained in the credit request document and the independent opinion of the risk department, the appropriate credit committee is responsible for approving the transaction.

17. The applicant's procedures to monitor projects during the development phase, as well as during the operational phase, ensure that appropriate oversight is exercised and that project risks are appropriately managed. Responsibility for monitoring projects is assigned to the business lines and the independent risk department. The main mechanisms used by the applicant to monitor projects are:

(a) Project annual reviews that include the assessment of project status and compliance with project finance covenants and key performance indicators (the business lines and the risk department participate in each annual review);

(b) During the annual review or if significant events occur, the risk rating of the project may be re-evaluated;

(c) Independent technical project assessments are commissioned when required;

(d) Software tools are used to manage compliance with project reporting requirements and financial covenants; and

(e) In addition, the applicant's risk department undertakes annual loan portfolio reviews, including reviews of the project finance portfolio.

18. The applicant has noted that its project financing operations are subject to confidentiality clauses and project details are not publicly disclosed. The applicant further states that all public disclosures are managed by the project sponsor, and in special cases where the applicant itself publishes project details, it does so with the express consent of the project sponsor.

2.1.4 Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms

19. The applicant did not apply for assessment against this standard at this time.

2.1.5 Section 5.3: Specialized fiduciary standard for on-lending and/or blending

20. The applicant is a global financial institution that is subject to regulation in several jurisdictions. Additionally, the applicant has implemented risk management policies aligned with the recommendations of the Basel Committee on Banking Supervision. The regulatory requirements, as well as the adoption of international best practices, provide assurance that the applicant has effective controls over the third-party funds it manages.

21. The applicant's processes for financial and risk management policies are well-developed and supported by both the independence of the risk management and the internal audit functions. Furthermore, the applicant has an established unit that specializes in fraud prevention.

22. The applicant's on-lending operations for project finance consist of preparing and presenting proposals to potential investors, and based on the information provided, each investor is responsible for making a decision to participate or not. Each investor that participates in the project finance transaction assumes the project risk: the applicant does not record the GCFs it receives as a liability in its balance sheet.

23. The applicant provided ample evidence of its expertise in successfully structuring and closing project finance transactions. These transactions require securing funds from various sources and the use of a variety of instruments (loans, guarantees and equity investments). The applicant's credibility to attract investors to co-finance the transactions it structures is demonstrated by the global market leadership position it has attained.

24. The applicant has been rated with an investment grade rating by all three major rating agencies (Moody's, Standard & Poor's and Fitch).

2.2 Environmental and social safeguards

2.2.1 Section 6.1: Policy

25. The applicant's environmental policy is included in its public register, which provides financial analysts, institutional investors and shareholders with information to make an informed judgment about the company. The register contains its overall environmental and social (E&S) objectives and principles and its requirements to adhere to the Equator Principles III. This is further underpinned in the register with policy statements on various E&S thematic areas such as climate change, including tracking carbon footprints, biodiversity protection, relationship with civil society organizations, human rights, green and sustainable bonds and corporate social responsibility. The applicant is one of 10 founding banks of the Equator Principles, adopted in June 2003, and one of the five financial institutions to have launched the Climate Principles in June 2014. The applicant has demonstrated experience in implementing the environmental and social safeguards (ESS) of the GCF on a variety of projects.

2.2.2 Section 6.2: Identification of risks and impacts

26. The applicant's E&S risk categorization system is based on the Equator Principles and is consistent with the ESS of the GCF. Its 2014 register document describes this procedure based on the application of the three-tier Equator Principles (E&S risk Categories A, B and C). Samples of Equator Principles categorization and assessment against the performance standards have been provided for a natural gas cogeneration plant and a transmission line project. The E&S due diligence reports for these projects are also provided, which show conformance with the Equator Principles. Responsibility for the identification of E&S risks lies with the applicant's E&S risks evaluation committee (ESRE), which passes on its recommendation to the credit committee.

2.2.3 Section 6.3: Management programme

27. At the institutional level, E&S risk management is embedded in the applicant's overall risk management function. The applicant relies on independent external consultants for conducting the E&S due diligence of projects it intends to invest in and the findings are forwarded to the ESRE committee for endorsement and/or to extend the mitigation measures where necessary. After the project closing stage, the applicant's business unit sends the information to the sustainable development unit to capture the E&S findings on a portfolio basis in its annual report as part of monitoring and reporting.

2.2.4 Section 6.4: Organizational capacity and competency

28. The applicant regularly carries out sustainability training for all its business unit staff who are in charge of the applicant's environmental and social management system at the investment level. The business unit staff are supported by external E&S consultants who carry out E&S due diligence and report to the ESRE committee to validate their recommendations and onwards to the sustainable development department, which is headed by a competent and highly experienced person with long-standing experience with application of the Equator Principles. Further training on the Equator Principles and on corporate and social responsibility are planned as a high-priority programme in 2015.

2.2.5 Section 6.5: Monitoring and review

29. The applicant tracks its borrowers' compliance with respect to E&S covenants using a dedicated monitoring tool. All projects, regardless of their E&S risk category, are reviewed by the ESRE committee. High E&S risk Category A projects are reviewed by the ESRE committee at least twice per year. The monitoring and evaluation findings are communicated to all investors, on pre-agreed dates, and also reported in its annual environmental report. A sample of annual environmental reports was provided, which include all aspects of the transaction, including E&S issues and actions for follow-up.

2.2.6 Section 6.6: External communications

30. The applicant has a system to manage comments and complaints received from its clients. The applicant has an external ombudsman, whose information and contact details are publicly available on the applicant's website. The applicant uses its annual register for its external communications to report any updates to its E&S policy, emerging trends and carbon footprints of its investments. However, the applicant does not have a tracking system or register to document questions or complaints received from the general public and from clients, or responses to them.

31. Going beyond the interim ESS of the GCF related to accreditation (performance standard 1), the applicant additionally provided project-level information indicating that E&S consultants have responsibility for operating the grievance mechanism, and that this responsibility is included in the scope of work of the E&S consultants and included in the set of conditions in the loan agreement. At the project level, all complaints are reported in the E&S

quarterly reports addressed by the E&S consultants to the lenders. Any issues that directly involve the applicant on an E&S matter are brought to the attention of their chief executive officer and the sustainable development department, which incorporates them in either the semi-annual or annual project review reports.

2.3 Gender

32. The applicant does not have a specific gender policy. At the institutional level, its commitment to gender-related matters is captured in its annual register that includes its diversity guidelines and hiring policy. At the investment level, the applicant applies gender mainstreaming through the application of the Equator Principles policy related to "vulnerable" groups. The applicant has not identified any individual(s) who may have competency to implement a gender policy. Limited and insufficient information on samples of projects that specifically target women, data on lending to women in its overall lending and information on projects in which men and women have benefited from climate change projects were provided. The head of sustainable development confirmed that the applicant is committed to formalizing the requirements of the GCF in its gender policy in a dedicated gender policy to be issued and made public by the end of 2015 or the beginning of 2016.

III. Conclusions and recommendation

3.1 Conclusions

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

(a) The applicant meets the requirements of the GCF basic fiduciary standards and specialized fiduciary standard for project management. The applicant partially meets the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees because the standard requires a process for publically disclosing information on beneficiaries and results of projects;

(b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to the high E&S risk, Category A/I-1 because of the requirement to have an external communications mechanism, which provides a system to receive, document and respond to questions or complaints from the general public and from clients; and

(c) The applicant has not demonstrated policies, procedures and competencies by which to implement the GCF gender policy, and has also not demonstrated that it has experience with gender and climate change.

3.2 Recommendation on accreditation

34. The AP recommends, for consideration by the Board, applicant APL025 for accreditation as follows:

(a) **Accreditation type:**

(i) **Size of an individual project or activity within a programme**: large (including micro,[4] small[5] and medium[6]);

(ii) **Fiduciary functions**:

1. Basic fiduciary standards;

2. Specialized fiduciary standard for project management; and

3. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and

(iii) **Environmental and social risk category:** high risk (Category A/I-1) (including lower risk (Category B/I-2[7] and Category C/I-3[8])).

(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) Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:

1. Develop a process for publicly disclosing information on beneficiaries and results of projects and programmes that are financed by the GCF. This process should be aligned with the requirements of the GCF regarding disclosure of project information;

2. Develop a tracking system or register within the external communications mechanism to document questions or complaints received from the general public and from clients, as well as responses to them, for projects and programmes financed by the GCF; and

3. Develop a gender policy or approach in line with the gender policy of the GCF and obtain gender competencies to implement the policy/approach on projects and programmes funded by the GCF.

[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 US$ 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 US$ 10 million and up to and including US$ 50 million for an individual project or an activity within a programme".

[6] As per annex I to decision B.08/02, "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 US$ 50 million and up to and including US$ 250 million for an individual project or an activity within a programme".

[7] As per annex I to decision B.07/02, 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".

[8] 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".

35. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 34 above, and agrees to the recommendation.