

Annex VII: Accreditation assessment of Applicant 044 (APL044)

I. Introduction

1. Applicant 044 (APL044), the Korea Development Bank (KDB), is a national entity that was founded with the purpose of supplying and managing major industrial capital to help develop the economy of the Republic of Korea. Since its establishment, the applicant has been providing financing for the development and promotion of industries, the expansion of social infrastructure development of countries, including that of the Republic of Korea, the stabilization of financial markets and the facilitation of sustainable growth. The applicant has placed climate change and socially responsible investment as policy issues that are addressed in its annual planning.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 28 July 2015. The Stage I institutional assessment and completeness check was completed on 10 February 2016 and was progressed to the Stage II (Step 1) accreditation review, which is 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 nomination for its accreditation application from the Republic of Korea;
- (b) **Track:** normal track;
- (c) **Maximum 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) **Maximum 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 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 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. Stage I institutional assessment and completeness check

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

2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, if any and where relevant, as part of the application. The applicant was founded in 1954 by the Korea Development Bank Act as a government-owned bank.

2.2 Institutional presence and relevant networks

5. KDB has been taking the lead in promoting green finance in local financial industry in line with the policy of the Government of the Republic of Korea through a variety of financings to support environmental and climate protection. The applicant has evolved to become a player in the global financial market, particularly participating in financial transactions with multilateral financial institutions and multilateral development banks. Since 2006, the applicant has closed over 50 overseas project financing transactions, and in the last five years the applicant's project finance arm has set up offices in Singapore, New York and, more recently, London and Beijing.

6. As a member of the International Development Finance Club, KDB is reinforcing its partnership with other financial institutions to collaboratively address international development issues such as green and environment-friendly infrastructure development and climate finance.

7. The applicant seeks accreditation to the GCF in order to:

- (a) Scale up project financing for both climate change adaptation and mitigation towards sustainable development, promoting public and private partnerships in practice, based on these various experiences and its expertise of green project financing;
- (b) Offer its know-how and expertise on low-carbon and green-growth financing to promote green industries for developing countries, critical to planning pilot projects in a partnership with a partner country;
- (c) Build an open knowledge platform to share such knowledge on climate change mitigation and adaptation with partners and borrowers in developing countries who need technical and financial advice to combat climate change in an efficient and practical manner; and
- (d) Make a direct contribution to help developing countries to succeed in the paradigm shift towards low-emission and climate-resilient development pathways, based on its experience and know-how.

2.3 Track record

8. KDB funds various sectors such as plants, railways, roads, environment-friendly infrastructure, power generation and manufacturing, among others. As at the end of 2014, the applicant maintained a loan portfolio of USD 104.5 billion and payment guarantees of USD 10.5 billion in both the public and private sectors, with the goals of stabilizing the economic development of the Republic of Korea, providing sustainable policy-based finance, and becoming a global leading bank.

9. In the field of climate change regarding environmental technology and green industry and business, the mandate of KDB includes expanding and supplying new renewable energy businesses, and developing businesses for developing, disposing and managing water resources, green information technology utilizing and supplying businesses, green vehicles, green buildings and city infrastructure, among others.

10. Regarding climate and green finance, KDB continues to expand its business of green growth finance and creative economy finance; the KDB annual performance review includes an evaluation of the volume of funding it provides for green businesses. In particular, KDB provides support to the following four different categories of green financing:

- (a) Funds for promoting green industries;
- (b) Low-carbon project financing;
- (c) The carbon emissions permit trading market; and
- (d) Knowledge management and analysis of green industry markets, both in developing and developed countries.

11. Activities related to climate change financed by KDB include:

- (a) USD 59 million of USD 329 million total project cost for the Community Energy System project;
- (b) USD 50 million of USD 1.8 billion total project cost for freshwater development for enhancing livelihoods and providing health and well-being, and food and water security;
- (c) USD 312 million for the Energy Usage Rationalization Funds for energy efficiency;
- (d) USD 134 million for the Energy Service Company Loan Funds to promote energy generation and energy efficiency; and
- (e) USD 96 million for the Environmental Policy Fund for institutional and regulatory systems.

III. Stage II accreditation assessment

12. The applicant applied under the normal track accreditation process, and was assessed against the standards of the GCF by the Accreditation Panel (AP) during Stage II (Step 1).

13. 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

14. The applicant has an established organizational structure and oversight bodies which are appropriate for its size and scope of operations. Its main internal oversight bodies are its board of directors, risk management committee and executive committee and, as a State-owned financial institution, it is subject to the oversight of the national audit board and is supervised by the national financial authorities.

15. The applicant's risk management framework defines the roles and responsibilities at each level of the organization, including the role of its board of directors and committees, and the responsibilities of the executive team. The applicant does not have an audit committee; however, the head of the internal audit department is named by the national financial regulator and reports regularly to the board of directors. Furthermore, the national audit and inspection board assesses, on an annual basis, the effectiveness of the applicant's internal audit function.

16. The applicant demonstrated that it has a well-established information and reporting system, including appropriate risk management information, which generates timely and accurate information required for managerial decisions and regulatory reporting.

17. The applicant's internal control structure is clearly documented and the following responsibilities are defined: the applicant's board of directors oversees the internal control framework and promotes the internal control environment required of financial entities; the president is responsible for the internal control policy; the internal audit department periodically reviews observance of the internal controls; and the compliance department is responsible for ensuring observance of the applicable laws and regulations.

18. The applicant's procurement activities are regulated by internal regulation and by the national regulations applicable to contracts to which the State is a party. Its procurement policy establishes the mechanisms that provide reasonable assurance that the vendor selection process is appropriate, that procurement is conducted in a transparent manner and that all suppliers are treated in an equitable manner. For procurement activities that are undertaken using competitive bidding, the terms and conditions of the public notice are published on the applicant's website or using the national electronic bidding system managed by the national procurement authorities.

3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

19. The applicant's code of ethics, which is communicated to all employees, establishes the standards of conduct that are to be observed when performing activities on behalf of the applicant. In addition to the code of ethics, the applicant complies with the ethical guidelines and requirements established in the national regulations for public sector entities.

20. The function of an ethics committee is undertaken by the applicant's board of directors, supported by the compliance and internal audit departments, which have the designated authority to ensure that all the actions undertaken by the applicant's employees while fulfilling their professional duties comply with the applicant's ethical standards defined in its internal code of ethics and the applicable national regulations.

21. The applicant's investigation function is performed by the compliance department and the internal audit department. The national regulations and the applicant's internal guidelines provide the framework for the applicant's investigation function. The framework for the investigation function is based on appropriate internal regulations, the guidelines of the national anti-corruption commission and the national banking regulations.
22. The applicant has an anti-money laundering (AML) and countering the financing of terrorism (CFT) programme that is appropriate to the type of financial transactions it executes as a part of its regular operations. The applicant's AML/CFT policies and procedures are developed based on international guidelines such as those established by the Financial Action Task Force and in national regulations, including regular reporting to the financial intelligence unit of its country.
23. In order to comply with local regulations regarding AML/CFT, the applicant has appropriate 'know-your-customer' due diligence processes and an automated system to monitor suspicious transactions, including wire transfer transactions. These automated systems include verifying international lists regarding specially designated individuals and sanctioned jurisdictions.
24. The applicant provided evidence that demonstrates the adequacy of its AML/CFT reporting system. The applicant has implemented the processes and technology required to effectively monitor its transactions and generate the required cash transaction reports and suspicious transaction reports, as well as for monitoring its international wire transfer operations.
- 3.1.3 **Section 5.1: Specialized fiduciary standard for project management**
25. The applicant demonstrates an established track record and experience in project finance, with expertise in assessing project viability and monitoring project performance during the development and operational stages.
26. For the assessment of projects, the applicant undertakes due diligence following established guidelines. The project assessment and approval guidelines include clearly defined tasks to be completed and the recording of information in the credit support systems.
27. As a financial institution, the applicant frames its project assessment and management procedures within the credit approval process, which includes the appropriate financial, 'know-your-customer' and technical analysis.
28. The following main activities are included in the applicant's loan approval system:
- (a) Corporate credit assessment using the assessment system;
 - (b) Preparation of a report on credit investigation recorded in the application and loan agreement system; and
 - (c) Preparation of a financial requirements report recorded in the technology inspection system.
29. As an output of the assessment, the applicant delivers a report to the appropriate departments for project approval.

30. The applicant's procedures to monitor projects ensure that appropriate oversight is exercised and that project risks are appropriately managed. Periodic reviews aimed at identifying resource inputs, the relevance of project activities and the achievement of project performance indicators are periodically undertaken. Responsibility for monitoring projects is assigned to the organizational unit which, currently, is the same as the project origination team.

31. The applicant's project management policies and procedures include at-risk project management tasks that allow for the identification of early warning signs and effective corrective actions.

32. The applicant has amended its current project finance guidelines and has developed additional guideline documents, in order to comply with the GCF specialized fiduciary standard for project management. The amendments include guidelines for independent project evaluation, procurement activities undertaken by sponsors in project execution and information disclosure, as follows:

- (a) The amended guidelines assign the evaluation responsibility to an independent organizational unit that will perform project evaluation based on relevance, effectiveness, sustainability, and environmental and social (E&S) impact. The independent unit will define the criteria for project selection and will undertake an evaluation at least once a year;
- (b) The amended project procurement guidelines establish the requirement that the project finance teams review the project sponsors' procurement practices and ensure that the appropriate competitive procurement practices are followed; and
- (c) In terms of information disclosure, in addition to the amendments to the project finance guidelines, the applicant issued guidelines for information disclosure contained in its recently issued public communications policy.

33. The amendments to the applicant's project finance guidelines became effective in September and October 2016 and will apply to GCF-funded projects only; therefore, the functional implementation of the above-mentioned guidelines will occur at the time of the first GCF-funded project.

34. Throughout the assessment process, the applicant has incorporated several enhancements to the above-mentioned guidelines, thus indicating its willingness to adapt to the requirements of the GCF standards.

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

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

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

36. The applicant has established policies and procedures for managing lending activities through financial intermediaries. The applicant's guidelines for evaluating financial intermediaries include performance indicators, and the applicant evaluates intermediaries on an annual basis.

37. The applicant provided evidence of its experience as arranger of and participant in credit facilities that include the involvement of international and regional multilateral development banks, as well as private commercial banks.
38. The applicant provided detailed information regarding the specific risk metrics it calculates to assess, monitor and evaluate its risk exposures. The availability of the appropriate information, the independence of the internal auditor and the supervision of the national financial regulators provide assurance of the adequacy of the applicant's risk management environment.
39. The applicant provided project examples that demonstrate its capacity to structure project finance facilities that include loans and guarantees as the investment instrument. Furthermore, the applicant provided information on the projects (loan syndications) in which it has acted as lead arranger. The evidence provided demonstrates that the applicant is active in financing projects in non-Organisation for Economic Co-operation and Development countries, projects in collaboration with multilateral development banks, and international commercial (private sector) projects with no limitations or specific provisions regarding the country of origin of the goods and services procured during project execution.
40. The applicant has also provided extensive evidence of its track record and has demonstrated that it has access to an array of potential funding sources, including equity from private investors. The following is noted regarding the assessment of the applicant's capacity to deploy equity as a source of capital:
- (a) The information provided by the applicant demonstrates its capacity to appropriately evaluate projects for which equity is required;
 - (b) The applicant has a track record in developing and managing private equity funds; and
 - (c) The applicant has developed the mechanisms required to raise equity funds in its local market.
41. Based on the applicant's track record and the equity funding sources it has developed, the AP recommends that, for projects that include equity funding, the applicant be required to disclose information regarding the equity exit strategy, including information regarding the intended purchasers of the equity participation upon the applicant's exit. This recommendation is contained as a condition of accreditation in section IV below.
42. Based on the information provided at this time, the AP recommends that the applicant be accredited to deploy equity in project proposals only in the form of direct equity investment in the proposed project, and that the applicant not be accredited to present proposals for equity funds or projects that are funded with equity components provided by third parties such as private equity funds or the applicant's subsidiaries. This recommendation is also contained as a condition of accreditation in section IV below.

3.2 Environmental and social safeguards

3.2.1 Section 6.1: Policy

43. Prior to 2015, the applicant approached E&S risk management across a number of policies and procedures, including its credit policy, business investigation regulations and project finance guidelines, and had experience in identifying and managing varying levels of E&S risks and impacts in projects both in the Republic of Korea and internationally. To match the applicant's operations, which are expanding globally, the applicant adopted in June 2015 a new set of policies that demonstrates its commitment to applying international standards and practices. Among the policies adopted is an environmental and social management framework (ESMF) with an integrated and strategic approach to risk management, strengthening the applicant's previous approach. The ESMF establishes E&S standards aligned with the GCF interim environmental and social safeguards (ESS) and builds on the applicant's experience in implementing international E&S standards in its international projects.

44. Domestic operations are guided by the legislation of the Government of the Republic of Korea on environmental and infrastructure development; the Republic of Korea is considered by the Equator Principles as a 'designated country', one of the 32 countries deemed to have robust E&S governance, legislation systems and institutional capacity designed to protect the country's people and the natural environment.⁴ The applicant's international operations follow the regulations of the host country, which are supplemented by international E&S standards using the Performance Standards of the International Finance Corporation, the Equator Principles and/or the World Bank safeguard policies and guidelines.

45. The applicant's new ESMF identifies the roles and responsibilities of different units of the organization in implementing the policy at various phases of the project cycle. The ESMF has been communicated in the organization through workshops and lectures.

3.2.2 Section 6.2: Identification of risks and impacts

46. The new ESMF describes a project screening and E&S risk and impacts categorization process and provides tools to assist in project screening, consistent with that of the GCF interim ESS. Project E&S risk identification and categorization is conducted by the applicant's project finance department, with technical support from specialists in the technology evaluation department. Although the ESMF is new, the applicant has presented evidence of a track record in applying international E&S standards when conducting E&S risk categorization for projects in various parts of the world where the applicant is the lead arranger. The applicant has also participated in many international projects led by large multilateral financial institutions, utilizing international E&S standards.

3.2.3 Section 6.3: Management programme

47. The applicant has recently issued E&S guidelines that further elaborate on the provisions in the ESMF, including updated guidelines for project finance and syndication. The new set of guidelines (effective as of September 2016, and further amended on 4 October 2016) will be applied to the project financing side of the operations, with plans to expand them to the entire organization in the future. New guidelines have also been established that would apply

⁴ Equator Principles. 2011. "Designated countries". Available at <<http://www.equator-principles.com/index.php/ep3/designated-countries>>.

specifically to GCF-funded projects, if accredited, and the guidelines ensure compliance with the GCF interim ESS.

48. The applicant has demonstrated a track record in applying international E&S standards up to Category A projects in various countries. For projects located in developing countries, the project documentation shows how the applicant ensures compliance with international E&S standards for items where local regulations are less stringent. The applicant has also provided evidence of leading E&S management for projects in a developed country with a strong environmental regulatory framework and enforcement. However, the applicant still needs to institutionalize the new guidelines throughout the project finance operations to ensure consistent application.

3.2.4 **Section 6.4: Organizational capacity and competency**

49. The applicant has provided an organizational chart that identifies key units that are assigned responsibilities related to the ESMF. To institutionalize the new ESMF, the applicant also provided a road map to strengthen its in-house E&S capacity and has shown progress in its execution. It has recently set up an E&S policy team under its strategy and planning division – this group is small, with recruitment of a dedicated E&S specialist recently finalized. The policy team will be responsible for overseeing the sustainability performance in the organization and building capacity regarding E&S and gender.

50. Furthermore, the applicant has assigned competent staff for E&S tasks in its project finance centre, who will take the lead in applying the new E&S framework and guidelines to project financing. The applicant has provided information on staff experience with E&S management of international projects, where international E&S standards are applied. These staff are located in the applicant's headquarters in the Republic of Korea and offices in New York, Singapore and London.

51. The applicant has conducted workshops to improve awareness among executives and senior managers of the new E&S standards, and has required its E&S staff to participate in safeguards training courses provided by international organizations. However, the applicant has yet to develop and implement specific E&S training courses to support the phasing-in of the new E&S safeguards for project finance operations.

3.2.5 **Section 6.5: Monitoring and review**

52. Among the new set of policies adopted in June 2015 is an upgraded monitoring and evaluation (M&E) policy. The M&E policy introduces a two-tiered approach that involves independent evaluation to assess the development effectiveness and long-term results of the applicant's operations and policies and procedures. The M&E policy is supported by a set of guidelines and a manual for M&E, which indicates the applicant's commitment to align its M&E practices with that of more established international development institutions.

53. Despite the recent adoption of the new M&E policy, the applicant has demonstrated a track record in E&S monitoring of international projects using international E&S standards and procedures. Project documentation showing regular monitoring of mitigation measures and resolution of issues has been provided in this application.

54. The applicant's new ESMF was developed based on an assessment conducted by an external party. This shows the applicant's efforts to improve its E&S performance.

3.2.6 **Section 6.6: External communications**

55. The applicant's public communications channel consists of three components:

- (a) A complaints and financial consumer protection system;
- (b) An information disclosure system; and
- (c) Project-specific E&S information.

56. The first component is well established, while the component on information disclosure largely follows national regulations. The applicant's integrated external communications channel allows stakeholders to file all types of project-related complaints, including those related to E&S issues. Such complaints or queries made via the website are registered by the consumer protection department and then channelled to the relevant department for follow-up and response. Complaints are tracked and the applicant provided evidence that an overview of the complaints received is reported in the annual reports. For international projects, the applicant shows experience with project-level grievance mechanisms and the public consultation requirements of international E&S standards. To strengthen its external communications, the applicant is developing an online grievance system for project-specific E&S complaints.

57. The applicant adopted a new public communications policy in 2015, which requires information disclosure of E&S documents of projects. Under the newly adopted guidance for GCF-funded projects, the applicant will follow the disclosure guidelines for E&S information as required by the GCF information disclosure policy.

3.3 Gender

58. The applicant adopted a gender equality policy and action plan in 2015. Prior to this, the applicant, as a public financial institution, followed the Framework Act on Gender Equality (2007) of the Republic of Korea. The applicant's gender equality policy and action plan are aligned with the GCF gender policy. Furthermore, the applicant's new guidelines for GCF-funded projects address the need for gender mainstreaming in GCF-funded projects, if accredited.

59. The gender policy and guidelines are still new, and the applicant is just beginning to develop its competency in this area. The recent establishment of the E&S policy team is expected to accelerate the development of gender competency in the organization.

60. The applicant has a limited track record in lending directly to women, as it does not operate as a retail bank. It has, however, participated in a venture capital fund set up specifically for women, which has been operating for seven years. Furthermore, since 2006, the applicant's philanthropy arm has managed a micro-credit programme for vulnerable groups, which supports female-headed households to start small businesses. The applicant's gender and climate change portfolio is beginning to be developed.

IV. Conclusions and recommendation

4.1 Conclusions

61. 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 the specialized fiduciary standard for on-lending and/or blending for loans and guarantees. The applicant partially meets the specialized fiduciary standard for project management and the specialized fiduciary standard for on-lending and/or blending for equity;
 - (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); and
 - (c) The applicant has demonstrated that it has a new gender policy and procedures consistent with the GCF gender policy, and that it has some experience with financing for women-owned businesses, though outside the field of climate change. However, it has not demonstrated the necessary competencies to implement its gender policy.

4.2 Recommendation on accreditation

62. The AP recommends, for consideration by the Board, applicant APL044 for accreditation as follows:
- (a) **Accreditation type:**
 - (i) **Maximum size of an individual project or activity within a programme:** medium⁵ (including micro⁶ and small⁷);
 - (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

⁵ 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 USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme”.

⁶ 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”.

⁷ 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”.

- (iii) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2))⁸ (including lower risk (Category C/Intermediation 3⁹)); 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) Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
1. Provide evidence that the applicant has further strengthened its competencies to implement its gender policy; and
- (ii) Additional condition(s): for every GCF funding proposal in which the applicant seeks to provide equity funds, the Secretariat shall ensure that the following conditions are met by the applicant:
1. Disclosure of information regarding the equity exit strategy, including information regarding the intended purchasers of the equity participation upon the applicant's divestment; and
 2. The applicant shall be the equity investor of record in the proposed project; thus, equity investments through funds provided by third parties, such as the applicant's subsidiaries or private equity funds, shall not be accepted.
63. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 62 above, and agrees to the recommendation.

4.3 Remarks

64. Although the applicant has applied for the "large" size category for projects and activities within a programme, it is recommended that the applicant be accredited for the "medium" size category, reflecting the fact that the applicant has only recently developed its project management policies and procedures for GCF-funded projects/programmes, and that these policies and procedures are not yet tried and tested. However, the applicant may wish to

⁸ 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".

⁹ 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".

consider applying for the “large” size category once it has provided evidence of the successful implementation of its project management policies and procedures to be applied in GCF-funded projects/programmes. Specifically, demonstration of the implementation of these policies and procedures should be in terms of:

- (a) Monitoring of the project sponsor’s procurement practices;
- (b) Evaluation of projects/programmes undertaken by the applicant’s independent evaluation unit; and
- (c) Implementation of the applicant’s newly developed public information policy.

The applicant could apply for a size upgrade within the first 5-year accreditation period.

65. Although the applicant has applied for E&S risk Category A/I-1, it is recommended that the applicant be accredited instead for Category B/I-2, reflecting the fact that a large number of the applicant’s new E&S policies and practices are not yet tried and tested. However, the applicant may wish to consider applying for an E&S risk category upgrade if accredited and once it has demonstrated conformance to the GCF interim ESS for a Category B/I-2 project, and has provided further evidence of the execution of its E&S capacity-building programme. This could be within the first 5-year accreditation period.