

## Annex XVII: Accreditation assessment of Applicant 092 (APL092)

### I. Introduction

1. Applicant 092 (APL092), Finanzas y Negocios Servicios Financieros Limitada (FYNSA), is a national private sector entity based in Chile. Its mission is to provide advisory services and solutions for financial, commercial and investment activities of clients through a deep understanding of the market. As a subsidiary of the financial holding company, the applicant has more than 30 years of financial experience and is structured into four areas: stock market brokerage, wealth management, asset management and financial advisory services, and business consultancy. The applicant has focused on various sectors, such as energy generation and access, energy efficiency, real estate, green buildings, and financial sectors.

2. The applicant submitted its application for accreditation to the Secretariat via the online accreditation system of the GCF on 18 August 2017. Accreditation fees were received from the applicant on 23 January 2018, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 23 November 2018, and the applicant 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 GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority/focal point nomination for its accreditation application from Chile;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** medium;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management;
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

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<sup>1</sup> 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 Fund, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme”.

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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”.

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

## 2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant was registered under Santiago Commerce (Reference No. 13494) and provided a document to demonstrate its legal status.

## 2.2 Institutional presence and relevant networks

5. The applicant has a strong commitment to achieving Chile's nationally determined contribution. It intends to undertake projects or programmes in all areas that would contribute to a 35–45 per cent reduction in carbon emission intensity below 2007 levels in Chile as well as adaptation projects. The applicant aims to work on projects in the following areas:

- (a) Implementing a wastewater reuse system from submarine pipelines, which contributes to the adaptation of agriculture and other activities affected by permanent drought;
- (b) Promoting local action for renewable energy and energy efficiency projects;
- (c) Implementing a programme for the reduction in consumption of moist fuelwood by increasing efficiency in the production and commercialization of the fuel;
- (d) Utilizing financial mechanisms to promote energy technology renovations for existing residential houses, which would allow families to gain access to soft loans for the execution of various energy efficiency projects that generate energy savings in the houses; and
- (e) Developing a project in the Araucanía region to integrate waste management and transform waste to energy.

6. To advance the objectives of GCF, the applicant aims to implement projects that drive a paradigm shift from current business practices by screening projects based on the following criteria:

- (a) Potential for scaling up and replication;
- (b) Potential for knowledge and learning;
- (c) Contribution to the creation of an enabling environment; and
- (d) Contribution to the regulatory framework and policies.

7. In addition, the applicant aims to deploy its financial knowledge and expertise and work with the public sector through public-private partnerships to structure projects. Furthermore, the applicant already considered potential projects against the GCF investment criteria in response to the GCF request for proposals for mobilizing funds at scale, which include potential projects on wetland and resilience, buildings, geothermal projects, solar technology and electric buses.

## 2.3 Track record

8. The applicant has experience in on-lending and blending, such as investing in companies and projects through equity participation, using guarantees in projects and debt through investment funds. In addition, the applicant has experience in the innovative and flexible use of financial instruments to attract finance from private banking and investors as well as to provide finance to projects of small and medium-sized enterprises.
9. The applicant's track record in financing sustainable development and climate change-related projects in Chile to date includes the following:
  - (a) USD 108 million (in loans, equity and guarantees) for the Apoquindo 5400 Project in the areas of energy efficiency and green buildings;
  - (b) USD 34.82 million (in loans and equity) for the Inmobiliaria R3 S.p.A Project in the real estate sector;
  - (c) USD 95 million (in loans, equity and guarantees) for an individual activity within the Anpac and Fondo FYNSA Energia Programme to acquire equity of a medium-sized company and to build and operate run-of-the-river hydroelectric stations that use the natural energy potential of water; and
  - (d) USD 50 million (in loans and guarantees) for the project Fondo de Inversión FYNSA Renta Fija Privada I to provide financial access to micro, small and medium-sized businesses by acquiring private debts.

## III. Stage II accreditation review assessment

10. The applicant applied under the normal track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the accreditation standards of the GCF.
11. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application. The AP also undertook a site visit to the applicant's headquarters in Santiago, Chile. During the site visit, the AP assessed various processes and procedures and conducted a number of interviews with the applicant's staff to determine whether the applicants' system meets the relevant GCF initial fiduciary standards and principles, environmental and social safeguards (ESS) standards and the GCF Gender Policy. During the site visit, the AP also piloted the use of the complimentary guidance for private equity funds developed by the Secretariat in cooperation with the AP.

### 3.1 Fiduciary standards

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

12. The applicant entity (FYNSA Financial Services) is a 100%-owned subsidiary of FYNSA group (FYNSA Holding or FYN S.A.). The governance structure of FYNSA Holding is based on the requirements of Chilean financial regulations. The main governing body of the group is the FYN S.A. Board (FYNSA Holding). It has seven directors who are the seven founders of the company. The group has four business areas: stock market brokerage; investment banking; wealth management and asset management. In addition, FYNSA Holding has a subsidiary in Peru that provides wealth management services to Peruvian clients. As a requirement of Chilean law, there is a firewall between the brokerage business and the asset management business. The companies FYNSA Brokerage (Finanzas y Negocios S.A. Corredores de Bolsa) and FYNSA Asset Management (FYNSA Administradora General de Fondos S.A.) are subsidiaries of FYNSA

Holding and have separate boards. The Board of FYNSA Brokerage has three members from the Board of FYNSA Holding plus one independent member, and the Board of FYNSA Asset Management has five members from the Board of FYNSA Holding plus two independent members.

13. All the overarching fiduciary, as well as ESS and Gender policies and procedures that are applicable to the applicant (FYNSA Financial Services) are approved at the FYNSA Holding Board level and are also applicable to FYNSA Asset Management Company and FYNSA Brokerage according to internal legal agreement. In the course of the AP assessment the applicant has developed several policies specifically for the GCF-funded projects: Ethics committee statutes, Investment Committee Statutes of GCF projects, Management Manual for GCF-funded projects, E&S Project management manual, E&S Safeguards Policy, Gender Policy. For the GCF-funding projects the applicant is planning to engage both with the FYNSA Asset management company and FYNSA Brokerage depending on the financial instruments (equity, loans or guarantees) used for the specific project and capacity required.

14. The brokerage operations are regulated by the Bolsa de Comercio (a stock exchange) and the Chilean financial regulator, La Comisión para el Mercado Financiero (CMF). The asset management business is also regulated by CMF and is a member of the Asociación Chilena de Administradores de Fondos de Inversión, which is the Chilean association of investment fund managers. These regulators play an active role in the oversight of FYNSA operations.

15. Internal oversight of FYNSA is managed by four principal subcommittees of the Board: a new products committee; a vigilance committee, responsible for risk and external and internal audit; an investment committee; and a newly formed ethics committee. Each of these committees has both members from the Board of FYNSA Holding and independent members. In addition, each of the existing funds managed by the asset management arm has its own investment committee. FYNSA will create a separate investment committee within the three main subsidiaries: FYNSA Brokerage, FYNSA Asset Management, and FYNSA Financial Services for projects with GCF.

16. Under Chilean law, investment funds are required to have a tripartite oversight structure consisting of a management company, an Oversight Committee and an investors assembly, all of which report regularly to CMF. The management company must report to CMF, directly and periodically, all activities of the investment funds under its administration, providing financial and regulatory information on such funds. The Oversight Committee must report directly to CMF whenever requested to do so. It must have an odd number of members (at least three) who are independent of the management of the fund. The Oversight Committee must report to the investors assembly on the fulfilment of the investment policies of the fund, the internal statutes and the Chilean law applicable to the fund. The Oversight Committee also acts on behalf of investors and makes decisions in their best interests. The investor assembly must report to the CMF whenever requested to do so. FYNSA currently manages eight public investment funds.

17. FYNSA has a yearly cycle of setting objectives and key performance indicators, with associated budgets, for all business areas. The 2017–2019 business plan has been provided, together with updated budgets for 2018–2019. Financial statements are prepared using the International Financial Reporting Standards, and audited statements for 2014–2018 have been provided. FYNSA has a policy of changing its external auditor every two years. FYNSA management acknowledges there are trade-offs to changing auditors so regularly but value the greater oversight afforded by an auditor that is not relying on its familiarity with the business. Comprehensive financial statements are produced quarterly using an effective management information system.

18. Records of meetings of the Vigilance Committee have been provided together with the accounting manual and the internal audit manual. These demonstrate strong financial controls

and frequent and extensive oversight of both external and internal audit functions. The internal audit function follows international internal audit standards, with findings and recommendations reviewed and followed up on by the FYNSA Holding Board. Examples of internal audit reports have been provided as well as annual internal audit plans. The effectiveness of the internal audit function is monitored by both the external auditor and the stock exchange regulator. Examples of external auditors' management letters have been provided. They are addressed to the Chief Executive of FYNSA but are also sent to CMF, which requires progress reports on actions resulting from auditors' findings and recommendations. Overall, FYNSA has a robust and well-documented control framework as a result of its own internal policies and procedures and extensive external oversight from the financial regulators in Chile.

19. The FYNSA procurement manual has been provided together with details of two recent procurements. The manual was updated this year and is consistent with global standards for procurement and supply. It includes satisfactory oversight of executing entities and a procedure to capture and handle complaints. FYNSA has not to date had any complaints regarding procurements.

20. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on key administrative and financial capacities.

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

21. FYNSA has provided its code of ethics, which promotes a culture of fairness, accountability and transparency throughout the company. Staff are required to agree to the code of ethics as part of signing their contract of employment. The employment contract also requires staff to agree to the FYNSA crime prevention procedure manual, which has been provided and which demonstrates a policy of zero tolerance for fraud and corruption.

22. The robust procedures for reporting, reviewing and resolving potential conflicts of interest are addressed in the the FYNSA "Manual de Buenas Practicas Corporativo 2016" (manual of good corporate practices 2016). FYNSA has confirmed that it has not had any cases of serious conflicts of interest or breaches of its code of ethics in the last two years. Nevertheless, as a result of the GCF accreditation process, FYNSA has established an Ethics Committee to meet GCF standards and to follow best international corporate governance practices.

23. The investigation function is headed by a dedicated Crime Prevention Officer who has to report at least twice per year to the FYNSA Holding Board and to the regulatory authorities. Procedures are in place for whistle-blowers to report possible financial mismanagement. These reports can be made anonymously and only go to the company's compliance officer. The identity of the whistle-blower can only be disclosed if required by law. Just as with conflicts of interest, FYNSA has confirmed that there have been no cases of fraud or financial mismanagement in the last two years.

24. Chilean law and regulations on preventing money laundering and the financing of terrorism follow best international practice. FYNSA has provided its guide to detecting signs of possible money laundering and terrorist financing, and the external regulator plays an active role in monitoring and ensuring compliance with the law. The regulator also requires financial entities to meet strict "know-your-customer" procedures. FYNSA has provided its manual for opening accounts and vetting new customers. Two recent "know-your-customer" reports have also been provided as well as electronic funds transfer records.

25. In summary, FYNSA is a well-managed, closely held financial sector company with robust internal controls and a strong ethical culture. This, combined with Chile's very strong

regulatory environment, which involves not just strict laws and rules but also active and frequent external monitoring from various regulatory bodies, ensures the strength and stability of the financial sector and the companies that operate within it. It also contributes to the growth and track record of FYNSA, which has had no serious cases of fraud or financial mismanagement in its 35-year history.

26. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on transparency and accountability, as well as the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices and the GCF Anti-money Laundering and Countering the Financing of Terrorism Policy.

### 3.1.3 Section 5.1: Specialized fiduciary standard for project management

27. FYNSA also has provided examples of mature and well-documented operational procedures (statutes) for several investment funds, including a description of the process for selecting financial instruments, due diligence of the potential project development partner, risk management of the projects, continuous monitoring of the project activities, and financial assets evaluation. The investment opportunities defined by the applicant include stand-alone project or programme activities, investment funds that finance individual projects and programmes, as well as acquisition of the companies that develop multiple projects/programmes.

28. The applicant has developed a comprehensive management manual for developing of the GCF-funded projects/programmes. The manual contains procedures for project selection and preparation, project approval, project implementation, monitoring and evaluation guidelines, as well as procedures for the public disclosure of project related information. The project appraisal guidelines incorporate detailed criteria for the projects' screening and selection. The market, legal and technical analysis define the selection of the investment opportunity. The applicant appraises the project cost and key financial indicators, undertakes an evaluation of the project's financial projections and builds up a project financial model taking into account sources of financing and financial instruments applied.

29. The management manual defines clear roles and responsibilities at each of the project development stages. The investment committee of the management company of a particular fund(s) screen(s) the investment opportunities, prepare(s) the initial investment proposal and undertake(s) project(s) or fund appraisal according to the specific criteria. Investment analysis, including risk, environmental, legal and financial considerations for a potential investment opportunity, are presented to the Oversight Committee prior to its endorsement. The Oversight Committee of the particular fund or business area considers the prepared project appraisals and hands them over to the investors' assembly for final approval.

30. Some of the FYNSA investment funds are specialized in providing loans to real estate project companies (Leadership in Energy and Environmental Design buildings). Others were set up to provide equity investments in the energy generation business. Depending on the investment focus of the particular fund, the applicant develops a specific strategy supported by corresponding objectives and targets, operational guidelines, and risk management procedures applicable to the type and focus of the business. For example, for the funds specializing in real estate businesses, the number of special purpose vehicles are allocated to a specific fund that manages separate buildings. The applicant also provides financial guarantees to the infrastructure and water management projects and companies in cooperation with the national government.

31. Throughout the past five years of its operations, the applicant has attracted a considerable number of investment fund management mandates and successfully raised and deployed the acquired capital in the form of loans, equities and guarantees. FYNSA was able to demonstrate to the AP that investors found the applicants' work successful in terms of adding

value to the execution of the projects and improved financial indicators. Positive outcomes of the funds' operation resulted in increasing commitments of capital from the investors and creating new public funds by FYNSA Holding.

32. The effective use of the procedures was demonstrated through sample project appraisals and due diligence reports, periodic quarterly progress reports provided by executing entities (e.g. project development companies), site visit reports, and other supporting documents that the applicant provided. These documents also show that the applicant has the capacity to examine and incorporate the technical, financial, economic, legal and environmental (including climate change mitigation and adaptation) aspects of the project at the appraisal and implementation stages.

33. The applicant provided examples of the mature and well-documented monitoring function undertaken by the project development companies and investment committee. The project monitoring function places emphasis on continuous oversight of the project implementation process and periodic reporting on the project's implementation status and results achieved against the implementation plan and budget. The monitoring function is also performed by the country's financial markets regulator CMF. The quarterly progress reports are also disclosed on the CMF website. The applicant also engages the independent audit firm to undertake the comprehensive financial valuation of all of its funds' assets, taking into account recent acquisitions. The reports of the independent auditor are made publicly available on the regulators' website.

34. The project monitoring and evaluation policy and information disclosure procedures in line with the GCF specialized fiduciary standard for project management were included in the new management manual for GCF-funded projects/programmes. However, the provisions for the independent evaluation of projects/programmes as contained in the monitoring and evaluation procedures have yet to be demonstrated. The investment committee, as an authorized unit independent from the project development function, would present to the investment assembly the comprehensive evaluation reports of the performance of the specific funds and the results of the projects included in the fund against the initial objectives and criteria. The reports will contain a description of lessons learned and a justification of the decision to continue with an investment in a particular fund or such fund's transfer/sale.

35. The applicant has a mature risk identification system at the project implementation stage through continuous monitoring of the activities in cooperation with the project developers and regular site visits undertaken by FYNSA staff members. These close project oversight practices enable FYNSA to address the technical and financial issues in a timely manner and provide efficient preventative measures where required.

36. The applicant has extensive experience in managing projects relating to infrastructure, energy generation, construction, real estate and other aspects of development in Chile through its asset management company and brokerage company. FYNSA mainly works through specialized investment funds with capital raised from institutional investors, where the applicant serves as an investment manager and investments are made in individual projects and/or private companies.

37. The AP finds that the applicant's policies, procedures, capacity and track record do not fully meet the GCF specialized fiduciary standard on project management. The relevant gap identified in paragraph 34 above is addressed by the corresponding condition for accreditation in section 4.2.

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

38. The applicant did not proceed with applying for this standard at this time at the recommendation of the AP. In reviewing the information provided by the applicant, the AP found that the applicant did not have adequate policies and procedures or a sufficient track record for accreditation for this standard at this time. The applicant also confirmed that it has not yet gained sufficient experience in managing grant award mechanisms to demonstrate compliance with this standard.

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

39. The applicant's on-lending and blending operations are supported by a set of well-developed investment management procedures developed for each of the investment funds. The policies relate to funds management, identification of projects at risk, counterparty monitoring, and funds allocation, which together form the end-to-end process of making an investment, including sourcing, screening, due diligence, execution and ongoing monitoring. These are well aligned with the GCF specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees.

40. Example due diligence guidelines for several of the applicants' investment funds provide a comprehensive analysis with regard to the underlying project company or beneficiary and also include due diligence checks on other counterparties involved, such as developers, contractors and workers. The due diligence reports support the decision-making process of the investment committee with regard to the provision of equity and loan financing or financial guarantee to the project beneficiary. The supporting evidence on the due diligence screening exercises and the corresponding minutes of the investment committee meetings for a number of projects were provided to the AP during its site visit. The records of the meetings demonstrate that decisions on investment are taken in an objective manner based on the full technical, financial and legal assessment and taking into consideration the investors' opinion.

41. The applicant has segregated functions for payment approval (treasury) and the operations functions in carrying out the transactions for the beneficiaries. Every transaction is reviewed and approved by the compliance team supporting the applicants' "know-your-customer" requirements. FYNSA performs ongoing monitoring on all payments and transactions in support of their "know-your-customer" and anti-money-laundering obligations. Responsibility in monitoring transactions is assigned to specific individuals to ensure that the payment controls are in place and that any control breakdowns are prevented.

42. FYNSA provided the investment portfolios for several investment funds, including the status of all projects and associated financial information. The copies of the agreements and legal statutes for the various investment funds, which indicate the choice of appropriate financial instruments for the projects, including equity, loans (debts) and guarantees and corresponding lending conditions, were provided. The financial agreements are valid for a defined period of time after which the investors assembly can take a decision to change or modify the legal statutes of a particular fund or investment.

43. The applicant provided evidence of its financial control system, including the preparation of financial statements and the engagement of the independent auditor of the financial statements and the country regulator. The evidence provided by the applicant shows that all the checks and balances were completed regularly by the applicant's controller with regard to the financial status of the applicant.

44. The applicant raises capital on the financial markets or from institutional investors. In line with the mandate given by investors, the applicant searches for the appropriate investment opportunities and further deployments of funds in the various businesses/companies, projects and programmes. Currently FYNSA manages USD 500 million of assets for third-party investors.



45. FYNOSA has a solid track record of working with various large family investors, institutional investors and pension funds, as well as the Government of Chile. The applicant has provided reports from independent auditors that include the evaluation of the performance of the investment funds, supported by graphs and information showing the project results and future projections, the funds' credit ratings and increases in fundraising.
46. The applicant intends to set up a separate fund or funds for the existing and potential project activities to be developed in cooperation with GCF.
47. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees.

## 3.2 Environmental and social safeguards standards

### 3.2.1 Section 6.1: Environmental and social policy

48. The applicant's environmental and social safeguards (abbreviated as SSA as by the applicant) comprise the Environmental and Social Safeguards (ESS) Policy and Environmental and Social Project Management Manual (E&S management manual), which were approved at the FYNOSA Holding Board level. The applicant indicated that the SSA will apply exclusively to GCF funded projects. Those projects that are not funded by GCF will need to comply with the applicant's current national environmental and social impacts assessment system and related regulations. The ESS Policy commits the applicant to oversee and supervise its clients' compliance with the SSA to avoid or mitigate the adverse effects of projects on people and the environment. The applicant's clients can include project developers, project originators or project executing entities, and the applicant can also assume the role of project developer. The applicant's clients have the primary responsibility for the development of the project and for providing the applicant with the necessary E&S assessment information needed to perform its supervisory tasks.

49. The SSA requires the applicant to adhere to Performance Standards 1 to 8 (PS 1–8) of the International Finance Corporation, as well as the applicant's national E&S laws and regulations. The E&S management manual includes an equivalent comparison between PS 1–8 and the corresponding applicable national E&S laws and regulations. The Manager of the Asset Management Unit of FYNOSA Holding is responsible for ensuring applicant's and its client's conformance with the execution of the SSA. The ESS policy has been approved by the FYNOSA Holding chief executive officer. The ESS policy and the E&S management manual have been disclosed within the FYNOSA Holding, in particular within the applicant's organisation and the team responsible for the execution of the policy and the manual have already familiarized itself with the application of the policy.

50. The AP finds that the applicant's ESS Policy, SSA, E&S management manual and related documents, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy<sup>4</sup> and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to PS 1–8.

### 3.2.2 Section 6.2: Identification of risks and impacts

51. The E&S management manual describes the applicant's institutional process for the identification of E&S risks and impacts of projects/programmes. At the inception of the project preparation phase, the project developer prepares and submits a socio-environmental pre-

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<sup>4</sup> Decision B.19/06 and annex X thereto.

feasibility study to the applicant. The pre-feasibility study defines the baseline information for the project site consisting of a description and analysis of the ambient E&S conditions. This information, together with the nature and scale of the project, including the sensitivity of receiving environments and communities, allows for a preliminary determination of the E&S risk category. The pre-feasibility study is then used by the applicant's E&S experts to screen the project and propose a preliminary E&S risk category (A/I-1, B/I-2 or C/I-3). For the GCF-funded projects, this would be done in line with the PS 1–8 and the applicable equivalent E&S national laws and regulations.

52. The pre-feasibility study is then submitted to the national regulatory body called the Environmental Assessment Service (SEA as abbreviated by the applicant) to obtain the resolution as to whether the project is admissible for further evaluation by the developer of the project. The admissibility of the project by SEA implies a preparation by the project developer of either an environmental impact statement (EIS), which is equivalent to an environmental and social management plan (ESMP), for an E&S risk category B/I-2, or an environmental impact assessment (EIA), which is equivalent to an environmental and social impacts assessment for risks greater than those included under E&S risk category B/I-2. The E&S management manual provides a guide on which types of projects require an EIS or an EIA, as defined by the local regulation. SEA is then responsible for issuing a formal response called an environmental qualification resolution (RCA as abbreviated by the applicant) as part of its technical verification process of the correct methodological application and the relevance and completeness of the proposed mitigation measures. The project developer, under the supervision of the applicant, is responsible for obtaining the RCA that certifies SEA decisions. Finally, the RCA will serve as a supporting document that the project developer uses to confirm the project risk categorization (A/I-1, B/I-2 or C/I-3).

53. During the site visit, the AP reviewed the EIS for four small run-of-the-river hydroelectric power plants. These EIS identify and describe the E&S risks and impacts of those projects in line with E&S risk category B. The applicant also identified E&S risk and impacts, including categorization of a project comprising two commercially integrated power plants (a 300 MW pumped storage hydroelectric plant and a photovoltaic solar plant) in E&S risk category B.

54. The AP finds that the applicant's system of identifying E&S risks and impacts, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes.

### 3.2.3 Section 6.3: Management programme

55. The E&S management manual describes the applicant's institutional process for managing mitigation measures and actions stemming from the E&S risk identification. The developer of each project is responsible for the design and implementation of an environmental and social management system (ESMS) relevant to its project. The ESMS addresses the E&S risks and impacts associated with the projects as well as the mitigation measures to manage them.

56. In accordance with SEA regulations, the admissibility of the project requires the project developer to prepare either an EIS or an EIA for the project depending on the level and sensitivity of the identified E&S risks. The key outcome in either case (EIS or EIA) is an action plan on mitigation management measures to avoid, minimize or compensate for the E&S risks and impacts identified, including the occurrence of emergencies or unexpected events. The same four projects EIS indicated in paragraph 53 above also include the management of E&S mitigation measures, which were approved by SEA. The applicant also provided an ESMP for a project comprising two commercially integrated power plants (a 300 MW pumped storage hydroelectric plant and a photovoltaic solar plant) in E&S risk category B.

57. The applicant's E&S management manual includes a provision for the applicant to carry out an audit of its SSA for GCF-funded projects. The applicant stated that it currently does not have a sample audit report of the SSA; however, the applicant is willing to prepare an audit report on its institution-wide SSA once accredited.

58. The AP finds that the applicant's management programme, supported by evidence of its track record, meet the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes. However, the applicant has not yet carried out an audit of its SSA. The relevant gap identified in paragraph 57 above is addressed by the corresponding condition for accreditation in Section 4.2.

### 3.2.4 Section 6.5: Monitoring and review

59. The E&S management manual describes the applicant's monitoring/supervision procedure that instructs its staff on how to systematically track the completion of mitigation and performance improvement measures, including their roles and responsibilities. The applicant uses the monitoring plan contained in the EIS and/or EIA action plan to guide the implementation of the mitigation and E&S performance improvement measures. A key aspect of the monitoring plan is the definition of key E&S performance indicators that reflect quantitative and qualitative measures of progress in relation to the established objectives of the mitigation measures. The annex to the E&S management manual contains a guide to the key E&S performance indicators grouped according to PS 1–8 to apply during the monitoring process.

60. The project developer is required to notify the applicant and SEA when there are significant changes in the design and/or execution of the project requiring changes to its ESMS. The applicant also carries out an E&S monitoring and evaluation of the activities of its third parties (e.g. contractors or subcontractors).

61. The EIS of the four small hydroelectric power plants mentioned in sections 3.2.2 and 3.2.3 above also contain E&S monitoring plans. The applicant provided E&S monitoring and evaluation reports for a 40 MW hydroelectric power plant project in E&S risk category B, which also included an external audit report on the E&S matters.

62. The AP finds that the applicant's system of monitoring and review, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes.

### 3.2.5 Section 6.6: External communications, consultations, information disclosure and grievance redress mechanism at the institutional level

63. The applicant provided a corporate website link used to receive and register external communications, including complaints or grievances on E&S matters. The E&S management manual describes the procedures and competencies to screen, assess and address issues raised, in line with the applicant's ESS.

64. The E&S project management manual describes the applicant's E&S information disclosure and consultation requirements, which the AP found to be in line with the requirements for E&S category B/I-2 in the GCF Information Disclosure Policy. The applicant is committed to follow a free, prior and informed consent process in its consultations with project stakeholders. This commitment will be designed and implemented in accordance with the risks and impacts of the proposed activities and will continue throughout the project life cycle. The consultations will be conducted in a timely and culturally appropriate manner and free of coercion, and will incorporate the views of stakeholders in the decision-making process.

65. The E&S project management manual also describes applicant's grievance redress mechanism (GRM). The GRM process is managed by the applicant's validators, which comprises

the applicant's Investment Committee and members of the applicant's Board. The validators would operate in an independent and transparent manner. The E&S management manual includes a policy statement on the requirement for the applicant's executing entities to include a project-level GRM. The applicant has established a register to record external inquiries/complaints along with responses, which would be also be used for GCF-funded projects/programmes. The applicant indicated that it has not yet received any E&S-related complaints for projects it finances.

66. The AP finds that the applicant's system of external communications, consultations, information disclosure and GRM, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy, interim ESS standards and the GCF Information Disclosure Policy requirements on the disclosure of E&S information for maximum E&S risk category B/I-2 projects/programmes.

### 3.2.6 Section 6.4: Organizational capacity and competency

67. The applicant provided the institutional organisational chart of the Holding that it belongs to that identifies key units, departments, senior and line management personnel who are responsible for implementing the ESMS along with their authority and reporting lines. The CEO of FYNSA Holding is responsible for keeping tracking the status of ESMS or ESAP implementation of the projects and sharing this information with his directorates. The Chief of Investment Banking is responsible for consolidating information on the implementation of ESMP or ESAP by all projects funded by GCF. The Investment Banking Analyst is responsible for updating the monitoring data, including the key performance indicators relating to the implementation of E&S mitigation measures in accordance with the information provided by the project developer. The E&S Coordinator (i) advises the asset management unit on the correct compliance with ESS policy and the E&S management manual; and (ii) produces documentation and carries out field audits or verification processes on the activities of the project developer with the objective of identifying gaps and setting up corrective actions. Finally, the E&S Safeguard Analyst serves as technical support to the coordinator in advisory activities and accompanies the documentary and field auditing procedures and the follow-up to the actions to close gaps detected.

68. The applicant provided the curricula vitae of its E&S Coordinator and E&S Safeguard Analyst, including samples of their work that demonstrate the knowledge, skills and experience necessary to understand and ensure the implementation of PS 1–8. The applicant provided a description of training and development programmes for its E&S staff and other relevant staff.

69. The AP finds that the applicant's organizational capacity and competency, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes.

## 3.3 Gender

70. One of the key aspects of the applicant's Gender Policy that is approved at the Board level of FYNSA Holding is an action-oriented framework on its human resources development to achieve gender equality in all institutional level cross-cutting issues such as staff recruitment, retention of talents, and maintaining a safe working environment. The Gender Policy applies to group companies, as well as to applicant's clients including the project originators, project developers and project executing entities. Furthermore, the applicant adheres to a 2015 national law that created a Ministry of Women and Gender Equity, which is responsible for collaborating with the President of Chile in designing, coordinating and evaluating the policies, plans and programmes destined to promote gender equity and eliminate discrimination against women. The applicant's human resources department is in charge of the application of the

Gender Policy both at the applicant's institutional and project levels. The human resources manager, with the support of an internal joint committee comprising hygiene, safety and project auditors, will monitor and continuously improve the promotion of gender equality and women's empowerment.

71. The Gender Policy requires the applicant to ensure that the concept notes and funding proposals submitted for GCF financing are in compliance with the requirements of the GCF Gender Policy and guidelines and that its clients submit, as part of their funding proposal: (i) a gender assessment along with appropriate environmental and social assessments; and (ii) a project-level gender action plan. The gender assessment shall integrate an analysis of context and sociocultural factors underlying gender inequality exacerbated by climate change and optimize the potential contributions of women and men of all ages to build both individual and collective resilience to climate change. This assessment shall be used to inform project formulation, implementation, and monitoring and evaluation. The project-level gender action plan shall be based on the gender analysis and contain gender-related activities, baselines, sex-disaggregated indicators and targets, roles and responsibilities, and financial and human resources. The Gender Policy requires that consultations with the stakeholders will be carried out in a gender-responsive manner to ensure information is shared equitably with women and men stakeholders and presented in accessible formats across all stakeholder groups.

72. As stated in the Gender Policy, the applicant's gender procedure and practices are derived from the guidelines proposed in the GCF publication "Mainstreaming Gender in Green Climate Fund Projects: A practical manual to support the integration of gender equality in climate change interventions and climate finance".<sup>5</sup> Guided by this manual, the applicant's gender consultant was instrumental in the development of the gender assessment and gender action plan for a project comprising two commercially integrated power plants (a 300 MW pumped storage hydroelectric plant and a photovoltaic solar plant, E&S risk category B). The applicant has created a project under its social fund to promote housing for homeless men and women. Both of these projects benefit men and women.

73. The applicant currently does not have a gender expert/consultant on its payroll to help with the implementation of the Gender Policy. The Gender Policy states that a gender expert/consultant shall be engaged for designing, implementing and monitoring the gender-assessment study and related gender action plan for GCF-funded projects/programmes. The manager of the applicant's human resources department has made a commitment to lead the development and delivery of a training programme for the applicant's staff on implementing its Gender Policy, prior to submitting its first funding proposal to GCF.

74. The AP finds that while the applicant's gender policies and procedures meet the requirements of the GCF Gender Policy, the applicant lacks the necessary capacity to implement its Gender Policy for GCF-funded projects/programmes. The relevant gap identified in paragraph 73 above is addressed by the corresponding condition for accreditation in section 4.2.

## IV. Conclusions and recommendation

### 4.1 Conclusions

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

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<sup>5</sup> Available at <[https://www.greenclimate.fund/documents/20182/194568/Guidelines\\_-\\_GCF\\_Toolkit\\_Mainstreaming\\_Gender.pdf/860d1d03-877d-4c64-9a49-c0160c794ca7](https://www.greenclimate.fund/documents/20182/194568/Guidelines_-_GCF_Toolkit_Mainstreaming_Gender.pdf/860d1d03-877d-4c64-9a49-c0160c794ca7)>.

- (a) The applicant fully meets the requirements of the GCF basic fiduciary standards, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy, and the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees. The applicant partially meets the requirements of the specialized fiduciary standard for project management. Although the applicant has developed the procedure on the evaluation of the projects and funds, it has yet to demonstrate its effective implementation. The applicant has agreed to provide the AP with the evaluation report that is to be prepared by the investment committee for the investors assembly in the 2021 fiscal year on the performance of one of the energy funds managed by FYNSA;
- (b) The applicant partially meets the requirements of the GCF Environmental and Social Policy and interim ESS standards, and the GCF Information Disclosure Policy requirements on the disclosure of E&S information in relation to medium E&S risk (category B/I-2). The applicant has demonstrated that it has experience in implementing its E&S safeguards (SSA). However, the SSA system has not undergone an external audit. The applicant has agreed to commission an external audit of its SSA system and provide the audit report to GCF; and
- (c) The applicant's gender policies and procedures are found to be consistent with the GCF Gender Policy. The applicant, with the help of a Gender Consultant, demonstrated its experience with early stage project preparation with gender considerations in the context of climate change. However, since then the applicant has not maintained the competencies required to implement its Gender Policy. The applicant has agreed to recruit a gender expert/consultant for GCF-funded projects and develop and implement a gender training for its staff.

## 4.2 Recommendation on accreditation

76. The AP recommends, for consideration by the Board, applicant APL092 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** medium (including micro<sup>6</sup> and small<sup>7</sup>);
- (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) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/intermediation 3 (I-3)<sup>8</sup>));

<sup>6</sup> 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 Fund, of up to and including US\$ 10 million for an individual project or an activity within a programme".

<sup>7</sup> 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 Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme".

<sup>8</sup> 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

- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes. The conditions are as follows:
- (i) Conditions to be met prior to submission of the first funding proposal to GCF:
    - 1. Provision of evidence by the applicant of the recruitment of a gender expert to help the applicant's Gender Policy focal point to implement the applicant's Gender Policy; and
    - 2. Provision of evidence by the applicant of the development and implementation of training on its Gender Policy for the applicant's staff;
  - (ii) Condition to be met no later than three years following signature of the accreditation master agreement in Stage III of the accreditation process:
    - 1. Provision by the applicant of evidence, in the form of one example, demonstrating that the independent evaluation report for the applicant's investment funds has been prepared in accordance with the evaluation procedure contained in the updated Management Manual for GCF-funded projects and disseminated in accordance with the applicant's Information Disclosure Policy; and
  - (iii) Condition to be met no later than three years of the first disbursement by GCF for the first approved GCF project/programme to be undertaken by the applicant:
    - 1. Provision by the applicant of a report on the audit of the effectiveness of the applicant's environmental and social safeguards (SSA) system.
77. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 76 above, and agrees to the recommendation.