

Annex XIX: Accreditation assessment of applicant 094 (APL094)

I. Introduction

1. Applicant 094 (APL094), Yes Bank Limited (Yes Bank), is a national private sector financial institute based in India. The applicant commits to contribute to the fulfilment of India's nationally determined contributions for climate change by mobilizing USD 5 billion by 2020 for climate action through lending, investing and raising capital for mitigation, adaptation and resilience efforts
2. It has geographical reach across all Indian states and is partnered with various international organizations to catalyse climate finance, such as the International Finance Corporation (IFC), the United Nations Environment Programme Finance Initiative and the United Nations Global Compact.
3. In order to advance the objectives of GCF, the applicant intends to mobilize finance towards renewable energy, energy efficiency, clean drinking water, green buildings, sustainable livelihoods and agriculture projects. It also intends to create a carbon sink by planting two million saplings and to offset carbon emission from its operations. In addition, it has developed processes and platforms to incorporate local knowledge at the community level into the implementation of its projects.

II. Stage I institutional assessment and completeness check

4. 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

5. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. Yes Bank was established in 2004 and is registered under the Reserve Bank of India, 1934, and the Banking Regulation Act, 1949.

2.2 Institutional presence and relevant networks

6. With a mission to create a commercially viable financial institution that incorporates sustainability within its core business focus, Yes Bank undertakes a "responsible banking" strategy and focuses on sustainable finance, innovative projects that address environmental and social concerns, and proactive investments for projects that have positive environmental and social impacts.
7. Yes Bank has undertaken its role in mainstreaming the 2030 Agenda for Sustainable Development and innovative climate finance at the global level. It has geographical reach across all Indian states and is partnered with various international organizations to catalyse climate finance, such as the International Finance Corporation (IFC), the United Nations Environment Programme Finance Initiative and the United Nations Global Compact.
8. In order to advance the objectives of GCF, the applicant intends to mobilize finance towards renewable energy, energy efficiency, clean drinking water, green buildings, sustainable livelihoods and agriculture projects. It also intends to create a carbon sink by planting two million saplings and to offset carbon emission from its operations. In addition, it has developed

processes and platforms to incorporate local knowledge at the community level into the implementation of its projects.

2.3 Track record

9. Yes Bank has been working with diverse stakeholders from the government, non-governmental organizations, enterprises and international organizations and has shown expertise in various sectors for projects of different sizes and duration, in both adaptation and mitigation. Such activities typically fall within the GCF environmental and social (E&S) category A/I-1 or lower E&S risk levels.
10. The applicant's track record in financing climate change-related projects includes the following, which fall within the GCF medium-size categories:
 - (a) USD 4.4 million (loans and equity) for a Rural Housing and Infrastructure Project;
 - (b) USD 9.4 million (loans and equity) for the development and operation of storage food grain silo complexes;
 - (c) USD 125 million (loans and equity) for the 100-megawatt (MW) Solar Power Project in West India; and
 - (d) USD 187.4 million (loans and equity) for a 170 MW Wind Farm Project.

III. Stage II accreditation review assessment

11. 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 standards of GCF.
12. 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

13. The applicant has a clearly defined governance and oversight structure that formally defines the roles, responsibilities and assigned authority for each functional area and individual in the organization. The applicant's Board of Directors has several subcommittees with defined tasks, and their terms of reference, membership and attendance record are made public through the applicant's 2018–2019 Annual Report. There are also senior management committees, such as the Executive Credit Committee, the Asset Liability Management Committee and the Operational Risk Management Committee.
14. The applicant has a consistent and formal process to set objectives and ensure that the chosen objectives support and align with the mission of the applicant. The applicant's strategic plan has growth targets relating to total assets, advances, deposits, banking ratios, number of branches, customer allocation, staff numbers and return on capital. The strategic plan is the basis for the applicant's annual plans and budgets. A management committee meets on a quarterly basis and has oversight of the applicant's five-year strategic plan, including the key performance indicators, the risk profile of the applicant and the annual plans of the applicant's units.

15. The annual audited financial statements are consistent with the International Financial Reporting Standards and meet the requirements of the country's banking authority. The applicant's accounts are kept in Oracle FLEXCUBE, which is used by several other banks in the country.
16. The applicant has a robust internal control framework. Each department of the applicant has its procedures documented by way of a self-assessment matrix, and these are tested on a sampling basis through the operational risk management function. There is an authority matrix that applies throughout Yes Bank. There is a strong Operational Risk Management Policy that is consistent with the country's Companies Act.
17. The Audit Committee is a subcommittee of the Board of Directors. It met nine times in 12 months for the period ending 31 March 2019, and its five members attended all the meetings. The Audit Committee reviews and monitors the adequacy of the internal audit function. The AP's review of documents indicates that there is a strong internal audit unit with over 100 staff with an International Organization for Standardization 9001:2015 certification as a Quality Management System. These observations are consistent with documents and audit reports seen by the AP.
18. The applicant's internal audit approach is risk based and consists of extensive branch audits and headquarter audits, of which the AP reviewed a sample of internal audit reports covering areas of cash management, which include disbursements, and audits of the control department, which include procurement and aspects of information technology security. The internal audits are compliance oriented, and their reports are clear and have a high implementation rate for the recommendations.
19. The procurement system is guided by a clear policy that establishes a fair and transparent set of procurement rules with proper oversight. A policy for controlling the procurement procedures of GCF executing entities has recently been established. However, the applicant has provided ample examples of how it monitors its projects on a monthly and bi-monthly basis and frequently uses independent engineers to do so. These examples demonstrate that the applicant has the mechanisms in place and will be effective in controlling the procurements of projects financed by GCF.
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. The applicant has several policies relating to transparency and accountability, including: a code of conduct with wide applicability; a conflict of interest policy; an insider trading policy; a whistle-blower policy; and a vigilance policy. These policies have a clear tone from the top that financial mismanagement and other forms of malpractice, such as those listed in the GCF Policy on Prohibited Practices, are not tolerated. The applicant's policies are compliant with the requirement of the country's banking authority. The application of these policies is under the oversight of the Audit Committee.
22. The Fraud Investigation Unit, headed by the Chief of Internal Vigilance, has the required independence and operates under two committees of top managers, the Fraud Control and Suspicious Transaction Monitoring Committee and the Fraud Monitoring Committee of the Board of Directors. Complaints can be submitted through a web-based platform operated by an independent third party that is bound by the whistle-blower policy.
23. The applicant provided sufficient documentation, including evidence of the oversight activity, to demonstrate that the policies and practices described in the two paragraphs above are consistently applied.

24. The applicant has policies and procedures in place against money laundering and terrorist financing that are in line with the country's banking authority requirements and meet GCF requirements. Its "know your customer" due diligence process involves the scrutiny of the relationship manager, branch operations and central operations team. Criminal and terrorist databases are checked as part of the "know-your-customer" review, and anti-money-laundering software warns of potential violations based on a predefined logical algorithm. The related systems, policies and procedures have been demonstrated to the AP, and they are regularly reviewed by internal audit. They are also overseen by the Audit Committee and reviewed on behalf of the country's banking authority.

25. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully comply with the GCF basic fiduciary standards on transparency and accountability as well as the GCF Policy on the Protection of Whistleblowers and Witnesses,¹ its Policy on Prohibited Practices² and its Anti-Money Laundering and Countering the Financing of Terrorism Policy.³

3.1.3 Section 5.1: Specialized fiduciary standard for project management

26. The applicant's project management process is guided by two main operational policies: a Credit Policy that provides guidance on the identification, formulation and appraisal of projects; and a Project Oversight Policy, which was recently adopted to meet GCF fiduciary standards. The Project Oversight Policy provides guidance for overall project management, from project conceptualization to closure, particularly in relation to projects that would be financed by GCF either through grants or loans. The applicant provided examples of projects it has financed, which show that the project management process complies with its Credit Policy.

27. Projects financed by the applicant are appraised based on project reports prepared by the borrowers' staff or external consultants. As part of the project appraisal process, the applicant ensures that all the projects under review comply with the Reserve Bank of India's asset classification and reporting requirements, as well as the country's labour laws, such as the Workmen's Compensation Act 1923, Minimum Wages Act 1948, Equal Remuneration Act 1976, and Child Labour (Prohibition and Abolition) Act 1986.

28. To ensure project quality at entry, a project proposal goes through a multi-tiered scrutiny process of quality checks until it is approved by the Head of the Risk Management Team and ultimately by the Managing Director/Chief Executive Officer, depending on the size of the project.

29. Being a commercial bank, the applicant does not implement projects, and, as such, it does not prepare project implementation plans, including project budgets. However, as a best practice, it requires borrowers to prepare and provide such project implementation plans, including budgets, before applications for financing are approved.

30. The applicant has a comprehensive process for monitoring the projects it finances:

- (a) The applicant appoints a Lender's Independent Engineer to carry out continuous oversight of the projects, including monitoring of project expenditure against the budget, and to highlight the results achieved and lessons learned at the end of the project implementation period;
- (b) Site visits are undertaken where necessary to monitor project status and help address any emerging problems;

¹ Decision B.BM-2018/21 and its annex I.

² Decision B.22/19 and its annex XIV.

³ Decision B.18/10 and its annex XIV.

- (c) Specific teams comprised of sectoral experts monitor the projects on a regular basis while relationship teams liaise with clients to receive updates on project progress; and
- (d) A management committee reviews project progress at the time of the annual renewal of loan facilities and may, on a case-by-case basis, increase project monitoring, impose new covenants or demand additional security in the event of unsatisfactory project progress.

31. The applicant has a well-established risk management function carried out by a Credit Risk Management Team comprised of credit risk professionals. The team operates independently and does not have business targets. It undertakes due diligence of project proposals with an emphasis on the identification of project risks and putting in place appropriate mitigation measures; it also monitors project progress on an ongoing basis. The Credit Risk Management Team also manages the applicant's project-at-risk system, which uses risk filters to identify/flag project problems at an early stage to ensure appropriate remedial actions are taken in a timely manner. The work of the Credit Risk Management Team is overseen by the Risk Monitoring Committee of the applicant's Board of Directors; this committee is responsible for overall risk governance and oversight.

32. To ensure transparency in the use of funds provided by GCF, the applicant has recently put in place an Information Disclosure Policy with provisions for the publication of project monitoring and evaluation reports, project results and beneficiaries. However, the effective implementation of the Information Disclosure Policy can only be demonstrated during and at the end of the implementation of a GCF-funded project/programme.

33. As the country's fourth largest private sector bank with a wide range of financial products and a network of over 1,000 branches, the applicant has a sound track record in project management guided by a set of mature policies and procedures. The applicant has financed several climate-related projects. Examples include:

- (a) A wind power project with an aggregate capacity of over 200 MW spread across various locations;
- (b) A 100 MW solar power project sponsored by one of the country's leading renewable energy groups; and
- (c) A residential and commercial real estate project with a focus on the country's Green Development and Responsible Urbanization Programme.

34. The AP finds that the applicant's policies, procedures and capacity, including its track record, do not fully meet the GCF specialized fiduciary standard on project management. The gap identified in paragraph 32 above is addressed by the corresponding condition for accreditation in section 3.2.

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

35. The applicant provides grants to various entities/beneficiaries who meet specific eligibility criteria under its corporate social responsibility programme. The grant award programme is guided by four major policies:

- (a) Its Corporate Social Responsibility Policy, which lays out guidelines for the selection of potential partners in executing grant-funded projects/programmes. The policy is posted on the applicant's website and publicized in its annual reports along with summaries of grant activities financed by the applicant;
- (b) Its Corporate Social Responsibility Implementation Policy, which aims at ensuring that grant awards are implemented as planned. It also serves as a standard operating

- procedure for grant awards and lays out the framework/process for due diligence, monitoring and evaluation of grant award activities;
- (c) Its Project Oversight Policy to guide overall management of projects from conceptualization to closure. This policy was designed to meet GCF standards on project management and would apply to all GCF-financed projects; and
- (d) Its Information Disclosure Policy, which would apply specifically to projects/programmes financed by GCF either through grants and/or loans.
36. Responsibilities/authorities for the award of grants are clearly defined in the Corporate Social Responsibility Implementation Policy. Decisions on grant awards of up to INR 1,000,000 are made by the applicant's Internal Corporate Social Responsibility Committee. Decisions on grant awards exceeding this limit are made by the applicant's Managing Director/Chief Executive Officer on the basis of key focus areas approved by the Corporate Social Responsibility Board Committee.
37. The applicant has a number of focus areas to which grant funding is targeted. The focus areas, approved by the applicant's Corporate Social Responsibility Board Committee, include: livelihood security and enhancement, education and skills training, healthcare and social welfare, and environment sustainability. In line with these focus areas, the applicant identifies potential partners through market research. In this context, it looks at the capabilities, experience/track record and potential synergies. Potential partners are then invited to submit project proposals for which due diligence is carried out either internally or by an appointed third party. The grant proposals are then presented to the Internal Corporate Social Responsibility Committee for evaluation and final decision for grant amounts of up to INR 1,000,000. Approval of the Managing Director/Chief Executive Officer is required for grants exceeding this threshold.
38. The criteria for the selection of grant-funded project/programme partners include:
- (a) Number of operational years of the partner organization;
- (b) Details of projects of comparable scale in the key focus areas financed by the partner organization in last five years; and
- (c) Registration certificates under applicable laws.
39. A legally binding memorandum of understanding is to be signed with every grant implementing/executing partner before the disbursement of a grant award. The memorandum of understanding has adequate provisions for:
- (a) The grant awarding entity's right to visit partners' premises and have access to financial and other project records for the purpose of the applicant ensuring, for itself, its auditors and regulators, that the partners are complying with the terms and conditions of grant awards;
- (b) Disbursement of grants in tranches based on agreed milestones;
- (c) Ensuring that no grant is awarded retrospectively for activities already started or completed at the time of the application;
- (d) Suspension, reduction or termination of the grant in the event of the beneficiary failing to comply with its obligations;
- (e) An annual, periodic independent review and external audit of its grant award activities;
- (f) Recovery of funds paid to the grantees with regard to expenditures that are unauthorized or fall outside the scope of the funding for the project; and
- (g) A requirement to follow the grant awarding entity's procurement rules and procedures.

40. To ensure transparency in the use of funds that would be provided by GCF, the applicant has recently put in place an Information Disclosure Policy with provisions for providing access to the public to information on grant activities, including information on the periodic progress of individual projects and budget utilization. However, the effective implementation of the policy can only be demonstrated during the implementation of a GCF-funded project.

41. Upon completion of a project, a detailed project completion report (covering all aspects of project implementation from inception to completion) is prepared by the implementing agency in consultation with the applicant's Corporate Social Responsibility Core Team. The project completion report highlights lessons learned that inform the design and implementation of future projects.

42. The applicant has provided sufficient information, which demonstrates a sound track record of effectiveness and consistency in the implementation of its grant award policies, procedures and process. However, the AP finds that the applicant's policies, procedures and capacity do not fully meet the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms. A relevant gap is identified in paragraph 40 above and addressed by the corresponding condition for accreditation in section 3.2 .

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

43. The applicant has policies that guide its on-lending, blending, equity and guarantee operations. The policies include procedures and guidelines for undertaking due diligence with clearly defined roles and responsibilities and appropriate formats/templates for assessing the capabilities of individuals or corporate bodies applying for financing for loans, equity and guarantees. Sample due diligence reports reviewed by the AP indicate that the applicant's framework/guidelines for undertaking due diligence are effectively implemented.

44. The applicant has recently adopted Information Disclosure Policy with provisions for providing information to the public regarding its decisions on on-lending and/or blending operations that would be funded by GCF as well as the beneficiaries and results of GCF-funded projects. However, the applicant has not demonstrated effective implementation of this policy as required by the GCF specialized fiduciary standard for on-lending, blending, equity investments and provision of guarantees as no GCF-funded projects have been approved and implemented.

45. The applicant has a proven track record, institutional experience and capacities in on-lending and blending of funds from different international and multilateral funding sources, such as IFC and the Deutsche Investitions- und Entwicklungsgesellschaft, a German development finance institution. The credit lines from IFC and Deutsche Investitions- und Entwicklungsgesellschaft are blended with the applicant's own resources to support the financing of small and medium-sized enterprises.

46. In addition to lines of credit from international and multilateral funding sources, the applicant has raised resources through the issue of green bonds for on-lending to green infrastructure projects. These bonds are guided by an internal green bond framework that has emphasis on natural resources conservation, biodiversity conservation, renewable energy, energy efficiency, sustainable waste management, sustainable land use, clean transportation, sustainable water management and climate change adaptation.

47. The applicant provided sufficient evidence, including annual accounts, reports on internal audits of key risk areas and external annual audits of its financial statements, to show that it has adequate procedures for ensuring that the funds it provides are channelled transparently and used effectively. Based on the information provided, the AP has found that

the applicant has demonstrated its capacity to effectively and transparently channel funds that could be provided by GCF through an on-lending, blending, equity or guarantee structure.

48. The AP finds that the applicant's policies, procedures and capacity meet the GCF specialized fiduciary standard for on-lending, blending, making equity investments and providing guarantees. However, the applicant does not have a sufficient track record to meet this standard. The gap identified in paragraph 44 above is addressed by the corresponding condition for accreditation in section 3.2.

3.2 Environmental and social safeguards standards

3.2.1 Section 6.1: Environmental and social policy

49. The applicant decided in August 2017 to revise its application to apply for a maximum E&S risk category B/intermediation 2 (I-2)⁴ rather than E&S risk category A/1-1. The applicant's E&S Policy was approved in 2013, replacing the 2005 version. The E&S Policy outlines the E&S responsibilities and a summary is available on the applicant's web page. It refers to national laws and country obligations under international laws, the Equator Principles and the Performance Standards 1 to 8 of IFC. The E&S Policy refers to an environmental and social impact assessment (ESIA) process aligned with Performance Standard 1. This process involves the assessment of the impacts of associated facilities and cumulative impacts and the application of a mitigation hierarchy to manage the impacts. An addendum to the E&S Policy, approved by senior management in July 2019 provides for GCF-specific requirements (e.g. it includes an indigenous peoples policy/guideline) and applies to any GCF-funded project/programme.

50. The applicant has signed relevant international initiatives, including the United Nations Environment Programme Finance Initiative, the Global Reporting Initiative and the Climate Disclosure Project, and developed national voluntary guidelines on responsible financing with its partners. It has been listed on the Dow Jones Sustainability Emerging Markets Index since 2015 until 2018.

51. The AP finds that the applicant's E&S Policy and addendum, supported by evidence of its track record, meet the GCF Environmental and Social Policy⁵ and interim environmental and social safeguards (ESS) standards for maximum E&S risk category B/I-2 projects/programmes with respect to Performance Standards 1 to 8.

3.2.2 Section 6.2: Identification of risks and impacts

52. The E&S policy has an exclusion list to screen out certain types of projects (e.g. projects that use child labour). Projects/programmes are screened for impacts using IFC guidance and the project/programme documents (e.g. the ESIA report) are then categorized as A/I-1, B/I-2 or C/intermediation 3 (I-3). The addendum to the E&S policy provides additional guidance on how to categorize projects/programmes. The applicant provided a list of projects/programmes that

⁴ 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".

⁵ Decision B.19/06 and its annex X.

were categorized using IFC guidance, demonstrating an adequate track record of screening and categorizing its projects/programmes as A/I-1, B/I-2 or C/I-3.

53. The AP finds that the applicant's system of identifying E&S risks and impacts, 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.

3.2.3 Section 6.3: Management programme

54. The E&S policy and its addendum provide the institutional process, tools, checklists and templates to manage mitigation measures, check compliance, develop corrective action plans and develop E&S covenants. A process flowchart shows how E&S management is integrated into all investment steps (e.g. pre-investment, pre-disbursement and post-disbursement). The identified E&S risks and covenants are captured in the loan documentation. Sanctions can then be applied in the case of non-compliance, including the withholding of further disbursement. The applicant provided a sufficient track record showing application of its E&S management system over the project/programme cycle (e.g. the applicant's port project and wind energy and solar energy projects).

55. The applicant conducts internal and external third-party audits of its environmental and social management system (ESMS) and its annual sustainability report. Examples of its ESMS performance reports and examples showing that the ESMS was improved over time based on the performance reviews were provided and reviewed by the AP.

56. The AP finds that the applicant's management programme, 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.

3.2.4 Section 6.5: Monitoring and review

57. The applicant's E&S monitoring framework and procedures, E&S Policy and addendum to the E&S Policy require that compliance with project/programme-level E&S commitments and mitigation measures be monitored and linked to the disbursement of funds. The applicant's risk management framework requires an annual independent review to track E&S risks and the effectiveness of the mitigation measures. The applicant provided various types of E&S monitoring reports, including government monitoring reports, client reports and annual monitoring reports of its projects to show its track record of monitoring E&S against IFC Performance Standards 1 to 8. The applicant also demonstrated an adequate track record of reporting the monitoring and review findings to its senior management.

58. 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

59. The applicant is committed to E&S knowledge dissemination, specifically publishing reports on its E&S performance and carbon emissions. The applicant is required to comply with national requirements related to consultation. The addendum to the E&S Policy requires the applicant's executing entities to engage in inclusive, meaningful consultation with stakeholders during project/programme preparation and implementation. The applicant facilitates compliance with national requirements related to disclosure of E&S documents. The addendum to the E&S Policy specifically addresses the requirements for the disclosure of E&S information contained in the GCF Information Disclosure Policy.

60. The applicant's whistle-blower policy, 2017 Complaints Management Procedures and 2019 Grievance Redressal Policy (which includes the applicant's Grievance Redressal Mechanism) outline the procedures and timelines to address inquiries and complaints. The policies and procedures allow for confidentiality and the escalation of a concern, where needed. Several internal and external channels can receive inquiries and complaints (e.g. in person, by telephone, mail or email, or through social media e.g. Facebook). Also, the website provides a general contact button, an outline of the procedure to submit inquiries and complaints, an online complaints form and a whistle-blower portal and platform with an email address. Complainants can also opt to use the national banking ombudsman.

61. Inquiries/complaints, including any E&S inquiry/complaint, are managed at the lowest possible level, typically at branch level (level 1) through a designated officer or branch manager. Complaints that escalate to levels 2 and 3 are managed at headquarters by the Complaints Management Team (a Grievance Redressal Officer for level 2 complaints and a Principal Nodal Officer for level 3) within the Retail Service Excellence and Quality Assurance Unit of the Risk Management Department. There are also regional nodal officers. All complaints received by telephone, email or letter are recorded and tracked in a database. The Complaints Management Team maintains the register and status of resolution of the inquiries and grievances. The Team also analyses the complaints to report to the Standing Committee, the Customer Service Committee and the applicant's Board of Directors, who together will consider unresolved complaints and the effectiveness of the redress mechanism. The complaints management process is audited by the Internal Audit Team; complaints received through the whistle-blower portal are presented to the Audit Committee. The applicant shared a register of external inquiries and complaints covering 2015 to 2018. There has not been any project-level E&S complaint submitted to the institutional-level system to date.

62. The addendum to the E&S policy requires the applicant's executing entities to establish a project/programme-level grievance mechanism (i.e. a mechanism that is understandable, transparent, gender-sensitive, culturally appropriate and easily accessible). The addendum specifies that project/programme stakeholders could also submit grievances through the institutional-level system.

63. The AP finds that the applicant's system of external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its track record, meet the requirements of the GCF Environmental and Social Policy, interim ESS standards and the GCF Information Disclosure Policy requirements on 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

64. The applicant provided an organizational chart and a flow chart to show the E&S reporting lines, responsibilities and roles. The applicant's Board of Directors and Risk Monitoring Committee provide oversight on E&S matters. The responsible banking division at headquarters implements the E&S Policy, supported by project/programme teams and the risk management department. The E&S Risk Analyst screens projects/programmes and recommends E&S covenants. The project/programme team incorporates the E&S covenants into the loan conditions. The loan management team, the E&S staff and the monitoring team monitor E&S compliance during implementation.

65. The curriculum vitae of the Chief Sustainability Officer and the three staff that identify E&S risks and implement the E&S Policy were provided. The applicant uses reputable external firms to conduct ESAs. The applicant provided a copy of its three E&S courses, showing routine and relevant internal E&S training from a basic to advanced level. The E&S courses are available on the applicant's online learning portal, with the basic course being mandatory for all employees. Evidence was provided to show that E&S staff attend external trainings, as needed.

In addition, the applicant's sustainable investment banking team provides advisory services for clean renewable energy (e.g. solar), showing climate-relevant technical capacity and competency.

66. 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

67. The addendum to the E&S Policy provides the applicant's Gender Policy/Guidelines, committing the applicant to gender equality and equity. The addendum provides a gender action plan template and a list of questions to guide a gender analysis; it requires gender-sensitive stakeholder engagement, project/programme-specific gender analysis and a gender action plan, allocation of a gender budget, gender-sensitive data collection, gender-aware monitoring, evaluation and reporting, and a gender-sensitive grievance mechanism. The Gender Policy/Guidelines apply to all clients, projects/programmes and beneficiaries of future GCF project/programmes. The E&S policy includes gender requirements in line with the GCF Gender Policy. However, the applicant's capacity for gender risk assessment is currently limited (e.g. capacity to conduct or oversee gender assessments and gender analyses); it will continue to hire external gender consultants to implement its Gender Policy and to guide gender assessment and analysis for projects, until it has developed the capacities of its own in-house gender experts.

68. The applicant's annual reports, in line with the Global Reporting Initiative requirements, provide some gender-disaggregated data. For instance, the breakdown of employees by category, pay scale and gender is provided, demonstrating the applicant's application of its non-discrimination remuneration policy. The applicant has experience with developing special bank branches focused on serving women customers; it also has experience with projects that focus on lending to women-owned businesses.

69. The AP finds that the applicant's gender policies, procedures and capacity do not fully meet the GCF Gender Policy. The relevant gap related to capacity and competency for gender mainstreaming is identified in paragraph 67 above and is addressed in the corresponding condition for accreditation in section 3.2 of this document.

IV. Conclusions and recommendation

4.1 Conclusions

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

- (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 and the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy. The applicant partially meets the specialized fiduciary standard for project management, the specialized fiduciary standard for grant award and/or funding allocation mechanisms, and the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees. Relevant gaps are identified in paragraphs 32, 40 and 44 above. The gaps arise as the applicant has not demonstrated effective implementation of its recently approved Information Disclosure Policy. The gaps are addressed through the corresponding conditions for accreditation in section 3.2;

- (b) The applicant meets the requirements of the GCF Environmental and Social Policy, interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to the medium E&S risk (category B/I-2); and
- (c) The applicant partially meets the requirements of the GCF Gender Policy. The relevant gap is identified in paragraph 67 above. The gap arises as the applicant has not demonstrated in-house gender mainstreaming capacity and experience. The gap is addressed through the corresponding condition for accreditation in section 4.2.

4.2 Recommendation on accreditation

71. The AP recommends, for consideration by the Board, applicant APL094 for accreditation as follows:

- (a) **Accreditation type:**
 - (i) **Maximum size of an individual project or activity within a programme:** medium (including micro⁶ and small⁷);
 - (ii) **Fiduciary functions:**
 1. Basic fiduciary standards;
 2. Specialized fiduciary standard for project management;
 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 4. 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/ I-3⁸));
- (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:
 - (i) Conditions to be met with the submission of the first funding proposal to GCF:
 1. Provision of evidence by the applicant that it has strengthened the capacities of its gender expert to lead the implementation of its Gender Policy (e.g., the designated expert has received a certificate of professional development in gender from a reputable organization, e.g., United Nation Women’s Training Centre);

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 Fund, of up to and including US\$ 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 Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme”.

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”.

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2. Provision of evidence by the applicant of the development and implementation of gender training to the applicant's staff on the applicant's Gender Policy;
 - (ii) Condition to be met on an annual basis for two consecutive years, starting from the date of the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant:
 1. Provision of evidence by the applicant of the publication on the applicant's website of information on the periodic progress of the first approved GCF project/programme, including budget utilization; and
 - (iii) Condition to be met within one year of the closure of the first GCF-funded project/programme to be undertaken by the applicant:
 1. Provision of evidence by the applicant of the publication on the applicant's website of the final evaluation report, including information on project results and beneficiaries, for the first GCF-funded project/programme.
72. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 71 above, and agrees to the recommendation.