

## Annex IV: Accreditation assessment of applicant 104 (APL104)

### I. Introduction

2. Applicant 104 (APL104), KCB Bank Kenya Limited (KCB Kenya), is a national direct access, private sector entity based in Kenya. With its vision to become the preferred financial solutions provider in Africa with global reach, the applicant's holding company (see paragraph 5 below) aims to deliver high-quality services and products to customers and stakeholders through its business model. The applicant's Group strategic framework covering 2015–2019 focused on seven key areas, namely customer experience, network spread, youth agenda, digital payments, new businesses, robust information and technology and strategic partnerships. The applicant's Group has since launched a new strategic framework dubbed "Beyond Banking". The 2020-2022 Strategy commences a new strategic cycle which has been shortened due to dynamism in the market and the speed with which the applicant's environment changes. It is referred to as Beyond Banking because technology and innovation are pushing the boundaries of the applicant's business. The strategic thrusts are centered on customer first with leading value propositions; driving a step change in efficiency and productivity; being the digital leader and digital to the core; and building scale to achieve regional relevance. The thrusts are underpinned by a modern information technology architecture, enhanced credit and risk management and a rigorous performance management and enabling culture. Furthermore, the applicant is committed to the integration of sustainable development into its business and values. It has been undertaking various climate change related activities, mainly focusing on agribusiness development, agricultural adaptation and renewable energy technologies.

3. The applicant submitted its application for accreditation to GCF via the online accreditation system on 1 November 2017. Accreditation fees were received from the applicant on 5 February 2018, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 22 February 2019 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from Kenya;
- (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 and guarantees); and

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

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

- (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

4. The applicant, KCB Kenya, applied and was assessed by the Secretariat during Stage I under the normal track accreditation process in accordance with the following GCF policies and standards:

- (a) “Guiding framework and procedures for accrediting national, regional and international implementing entities and intermediaries, including the Fund’s fiduciary principles and standards and environmental and social safeguards” (decision B.07/02);
- (b) “Guidelines for the operationalization of the fit-for-purpose accreditation approach” (decision B.08/02);
- (c) “Interim Policy on Prohibited Practices” (Exhibit A of the accreditation master agreement considered in decision B.12/31);
- (d) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (AML/CFT Policy) (decision B.18/10);
- (e) “Policy on the Protection of Whistleblowers and Witnesses” (decision B.BM-2018/21);
- (f) “Environmental and social management system: Environmental and Social Policy” (decision B.19/10);
- (g) “Comprehensive information disclosure policy of the Fund” (decision B.12/35) regarding the disclosure of environmental and social (E&S) information; and
- (h) “Gender Policy and Action Plan” (decision B.09/11).

5. In the course of the Stage I institutional assessment and completeness check, the Secretariat identified that the applicant’s systems and track record did not include those for grant award and/or funding allocation mechanisms. The applicant also clarified that the potential projects it intended to implement with GCF funds may not include such mechanisms. Thus, the applicant decided to withdraw its application for accreditation for the specialized fiduciary standard for grant award and/or funding allocation mechanisms.

### 2.1 Legal status, registration, permits and licences

6. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. It is incorporated under the Companies Act (Cap. 486) dated 20 April 2015 (No. CPR/2015/185698). The applicant has held a licence from the Central Bank of Kenya since 1 November 2015, and has been providing banking and financial services since 1 January 2016. The applicant is overseen by its non-operating holding company KCB Group Plc. (formerly Kenya Commercial Bank Limited), hereinafter referred to as the Group. In

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<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”.

addition, the Group transferred all banking and financial services, assets and liabilities to the applicant (Ref. Gazette Notice No. 9652 Cap. 488), taking effect on 31 December 2015.

7. The applicant is a subsidiary that operates solely in Kenya, whereas the Group has offices throughout Africa. The applicant has selected to apply under the direct access modality as a national entity, having been nominated by the national designated authority of Kenya, and as such and in line with its mandate for operations – if accredited – would be undertaking projects within Kenya only.

## 2.2 Institutional presence and relevant networks

8. The applicant, as a commercial bank, offers a wide range of traditional and innovative financial services to its clients. Such services include personal banking and financial services, insurance, retail, microfinance, corporate business, agribusiness and small and medium-sized enterprises. In addition, the applicant, driven by the Group's strategic framework, aims to deliver high-quality services to stakeholders and customers, employing diverse channels and mechanisms to regularly communicate and engage with investors, customers, regulators, government, civil society and communities.

9. The applicant is committed to sustainable development and social responsibility. It has engaged with policymakers to influence policies and regulatory outcomes, which helps to encourage greater participation from the finance industry in the transition to a low-carbon, climate-resilient economy. In addition, the applicant has cooperated with various companies to improve transparency on corporate reporting and measurement of carbon emissions.

10. In order to help Kenya to achieve its nationally determined contributions, the applicant intends to undertake the following activities after becoming accredited to GCF:

- (a) Partner with government entities, development banks and financial institutions to finance renewable energy and energy efficiency projects in emerging markets;
- (b) Grow the green bonds market and increase green bonds for opportunities that promote the transition to a low-carbon economy;
- (c) Allocate pension funds to low-carbon and energy-efficiency assets;
- (d) Develop smart agriculture through the implementation of Mifugo ni Mali (Livestock is Wealth) projects and hydroponic farming; and
- (e) Implement projects involving electronic motorcycles, waste management and green and intelligent buildings.

## 2.3 Track record

11. The applicant has track record in financing various sectors, including agriculture, renewable energy, energy efficiency, health, real estate and manufacturing. The applicant's track record in financing sustainable development and climate change related projects to date includes the following:

- (a) USD 350 million (loans) for the Livestock Programme in Kenya dubbed mifugo ni mali for the arid and semi-arid lands regions in Kenya;
- (b) USD 154 million (loans) for a power distribution company project to transmit, distribute and retail electricity throughout Kenya. Further, a performance guarantee worth USD 20.26 million was issued renewable annually and valid until 26 March 2022;

- (c) USD 62 million (loans) for the for a hospitality investment company project to eradicate poverty in Kenya;
- (d) USD 13.4 million out of USD 28.8 million (loans) for the KCB and global financial institution foundation partnership for small holder farmers project in Kenya; and
- (e) KES 1 million (bank guarantee) to flour and animal feeds processing company to support livestock production within the country valid until 31 October 2020.

### III. Stage II accreditation review assessment

12. 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 in accordance with the following accreditation requirements:

- (a) The GCF policies and standards identified in paragraph 3 above;
- (b) “Policy on Prohibited Practices” (decision B.22/19); and
- (c) “Updated Gender Policy and Action Plan 2020–2023” (decision B.24/12).

13. As part of this assessment, the AP consulted the applicant’s website to complement the information provided in the application.

#### 3.1 Fiduciary standards

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

14. The applicant’s governance structure is designed to conform to the country’s central bank regulations. The Board of Directors has several committees which exercise oversight of the institution’s key functions: risk management, human resources, ethics, finance and strategy, supply chain (procurement), information technology and innovation, and internal audit. The Audit Committee plays a key role in assisting the Board in carrying out its oversight role with regard to financial reporting, internal control, internal and external audits and regulatory compliance. The terms of reference of the Audit Committee and sample minutes of its meetings that were provided by the applicant show that it carries out its function effectively and in accordance with its mandate.

15. The applicant has a process for setting its short- and long-term operational objectives, which are approved by the applicant’s Board and cascaded by the Chief Executive Officer to various departments at the beginning of the year. Achievement of departmental objectives is supported by action plans whose implementation is monitored through individual staff balanced scorecards. Progress in achieving organizational objectives is communicated to stakeholders through published quarterly financial results, copies of which were provided by the applicant and reviewed by the AP. The information provided shows that the applicant’s objectives generally support and align with its overall mission.

16. The applicant’s financial statements are prepared in accordance with the requirements of the International Financial Reporting System and aim primarily at ensuring that the information accurately represents the applicant’s financial results and position and are prudent and complete in all material respects. The annual financial statements are audited by KPMG. External audit reports examined by the AP include:

- (a) Assertions by the external auditor that the financial statements are audited in accordance with the International Standards on Auditing; and

(b) Information on the status of management responses to external audit observations/recommendations of previous years.

17. The applicant has documented policies and procedures relating to the disbursement of the financing it provides. The procedures have adequate provisions for the segregation of financing approval and disbursement responsibilities/authorities. Periodic audits of loan disbursements and payments for the applicant's own expenditures are carried out. Sample reports of the payment and disbursement system were provided and reviewed by the AP.

18. The applicant's well-established internal audit function is guided by an audit charter which lays out, among others, the responsibilities of the Internal Audit Division and the Board Audit Committee, the accountability of the Director Internal Audit, and the independence and objectivity of the internal audit. Internal audits are carried out based on annual audit plans. Audit reports and findings are routinely disseminated to senior management and business management units, which are responsible for taking action on audit recommendations and observations. There is a process for the periodic assessment of the overall effectiveness of the internal audit function. A report on a recent assessment carried out by the Institute of Internal Auditors was provided by the applicant. The AP concluded that the applicant's Internal Audit Division generally conforms to the standards of the Institute of Internal Auditors and that its work is carried out in accordance with internationally recognized standards.

19. The applicant has a Supply Chain and Procurement Policy whose purpose is to:

- (a) Provide clear and concise guidance and best practice to its staff on managing procurement and supply chain activities;
- (b) Help the various stakeholders to understand the procurement and supply chain processes; and
- (c) Achieve uniformity and order in processing procurement transactions. The policy includes guidelines with respect to different types of procurement, such as consultants, contractors and service providers.

20. The applicant provided documents relating to a sample of major procurement activities undertaken recently which demonstrate compliance with its procurement policies, procedures and guidelines. The Supply Chain and Procurement Policy and its guidelines were recently amended to include a procurement dispute resolution process. However, the policy and guidelines and their implementation do not fully meet the GCF basic fiduciary standards on key administrative and financial capacities relating to procurement for the following reasons:

- (a) The revised Supply Chain and Procurement Policy does not include specific procedures, guidelines and methodologies for overseeing and assessing the procurement procedures and practices of beneficiary institutions, executing entities or project sponsors; and
- (b) The applicant has not demonstrated effective implementation of the revised policy and guidelines. Evidence of (i) assessments of the procurement procedures of beneficiary institutions, executing entities or project sponsors and (ii) public disclosure of the applicant's procurement policies and awards on its website has not been provided.

21. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, partially meet the GCF basic fiduciary standards on key administrative and financial capacities. The relevant gap is identified in paragraph 19(b) above and is reflected by the corresponding condition for accreditation in section 4.2.

### 3.1.2 **Basic fiduciary standards: transparency and accountability**

22. The applicant has a comprehensive set of measures for the promotion of transparency and accountability in its operations and the prevention of financial mismanagement and other malpractices. These are covered in several policies and procedures, including:
- (a) A policy on zero tolerance of fraud, corruption and other forms of misconduct;
  - (b) A Code of Ethical Conduct that lays out the expected conduct of the applicant's management and staff and all individuals with whom it has a functional and/or contractual relationship. Evidence of communicating the Code of Ethical Conduct to all parties concerned was provided. An Ethics Committee, which comes under the Board's Reputational and Risk Committee, exercises oversight over the ethics function;
  - (c) Avenues for reporting violations of the Code of Ethical Conduct and other malpractices. The main avenue is the applicant's whistle-blowing mechanism, through which violations can be reported using either email or a tip-off portal published on the applicant's website;
  - (d) Mechanism\_ for protecting whistle-blowers and witnesses;
  - (e) Conflict of interest procedures, which include a Financial Disclosure Policy. The applicant provided an example of practice where a conflict of interest has been reviewed and resolved that demonstrates effective implementation of the conflict of interest review and resolution procedures; and
  - (f) An independent function for investigation by the applicant's Group Designated Shared Service Centre of cases of alleged or suspected fraud and corruption. The function has adequate provisions for preparing periodic reports for the Group Risk Management Committee which has responsibility for oversight of the ethics function.
23. The applicant has a comprehensive Anti-money Laundering and Countering the Financing of Terrorism Policy (AML/CFT Policy), which is set out in an Anti-money Laundering (AML) Compliance Policy Manual. The manual is supplemented by an AML policy statement issued by the applicant's Board of Directors. The AML/CFT Policy is guided by the regulations, guidelines and directives issued by the country's central bank and the provisions of the United Nations Security Council Sanctions Committee. The AML/CFT Policy prohibits the applicant from engaging in business with shell banks and requires the applicant to ensure that its correspondent banks and other counterparties maintain a physical presence and are subject to AML/CFT regulations in the jurisdictions where they operate.
24. To ensure compliance with the AML/CFT Policy, the applicant's Board set up an independent compliance function reporting to its Risk Committee through the Chief Risk Officer. The function identifies, assesses, monitors and reports on the applicant's AML/CFT compliance risk. The Board reviews the applicant's AML/CFT compliance at regular intervals.
25. Sound 'know-your-customer' (KYC) due diligence procedures are in place to combat money laundering and financing of terrorism. The KYC due diligence process requires:
- (a) Obtaining full particulars of the customer's identity;
  - (b) Gaining a sound knowledge of the purpose for which the customer is seeking to establish a business relationship with the applicant; and
  - (c) Reporting of suspicious and unusual transactions to the central bank.
26. The applicant regularly monitors electronic funds transfers to ensure that funds are received from bona fide sources and paid to the intended beneficiaries. Samples of reports on KYC due diligence carried out and monitoring reports on electronic fund transfers were provided by the applicant and reviewed by the AP.

27. 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, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices and the GCF AML/CFT Policy.

### 3.1.3 Specialized fiduciary standard for project management

28. The applicant has detailed project appraisal procedures and guidelines contained in three key documents: a project management handbook, a project financials prerequisite checklist, and business case templates that were reviewed by the AP on a confidential basis. The documents also include procedures and guidelines for undertaking quality review during the project appraisal process. Sample project appraisal documents and quality review reports provided by the applicant demonstrate its capacity to effectively use the appraisal guidelines and assess project risks and integrate corresponding mitigation strategies during the project appraisal process.

29. The applicant has a monitoring and evaluation function with well-defined roles and responsibilities that is independent of the project appraisal function. The function includes appropriate procedures for periodic monitoring and reporting on the status of projects under implementation. The applicant provided reports on the status of sample projects currently under implementation, which show that these procedures are effectively used. The applicant's policies and procedures relating to project closure are detailed in a project closure template. The applicant provided evidence showing that reports on results achieved and lessons learned are made available to the public through various media, including print and online publications, as well as teleconferencing and investor workshops.

30. The applicant has recently revised its Group Project Management Policy to incorporate a specific policy for the independent evaluation of projects that could be financed by GCF. It includes clear terms of reference for the independent evaluation exercise. The terms of reference are designed to ensure that the evaluation function follows impartial, widely recognized, documented and professional standards and methods. However, implementation of the revised policy can be demonstrated only upon completion of a GCF-funded project/programme.

31. To ensure transparency in the use of funds provided by GCF, the applicant has recently revised its Communications Policy and included provisions for public disclosure of project monitoring and evaluation reports on projects that could be funded by GCF. However, public disclosure of this information can be demonstrated only during and at the end of implementation of GCF-funded projects/programmes.

32. As part of its overall risk management function, the applicant has a project-at-risk system for monitoring projects to detect potential project problems at an early stage in order to ensure that appropriate remedial actions are taken in a timely manner. The system is independent of the project implementation and project supervision functions. Examples of project problems identified and remedial actions taken that demonstrate the effectiveness of the applicant's risk management function and the project-at-risk system were provided.

33. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, partially meet the GCF specialized fiduciary standard for project management. The relevant gap is identified in paragraphs 29 and 30 above and is reflected by the corresponding conditions for accreditation in section 4.2.

### 3.1.4 Specialized fiduciary standard for grant award and/or funding allocation mechanisms

34. The applicant did not apply for accreditation for this standard at this time.

3.1.5 **Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees)**

35. The applicant's lending, on-lending and blending operations are guided by a set of policies and procedures contained in two main documents: Group Credit Policy and Group Credit Manual. The applicant also uses an international accredited credit processing software in analysing the credit quality of loan applicants. The software includes a credit manager module, which enables the applicant to efficiently manage its relationship with clients and to improve the efficiency of credit operations from origination to disbursement.

36. In addition to its lending, on-lending and blending operations, the applicant provides guarantees to enhance the credit profiles of its clients and/or support their business requirements such as bid, tender, performance and customs bonds. The guarantees issued are backed by security either in the form of cash cover or other appropriate security. Similar to its lending, on-lending and blending operations, guarantee activities are governed by the policies and procedures detailed in the applicant's Group Credit Policy and Group Credit Manual. Examples of guarantees issued by the applicant were provided and were reviewed by the AP.

37. Decisions on financing provided through any of the above-mentioned instruments are taken either by senior staff and managers, who are granted appropriate credit approval authority, or by the Director Credit or the Board Credit Committee, depending on the level of financing required. All applications requiring financing are handled according to discretionary limits specified in the applicant's credit policy.

38. The applicant has appropriate policies and guidelines for providing information to the public regarding its decisions on on-lending, blending and guarantee operations. Information on the projects it finances is disclosed to the public through a quarterly publication (*Venture*), social media channels and publication of the information on its website. The applicant has recently revised its communications policy to include a provision for making available to the public information on the beneficiaries and results of the projects/programmes that could be funded by GCF. However, the applicant has not demonstrated effective implementation of this policy since it is new and applicable only to GCF-funded projects/programmes.

39. The applicant has adequate policies, procedures and guidelines to guide its operations. It provided:

- (a) Sample due diligence reports in respect of its lending and on-lending and guarantee operations;
- (b) A well-defined structure and process for oversight of its operations, including procedures and guidelines for the monitoring and evaluation of the projects/programmes it finances; and
- (c) External annual audits of its financial statements which attest to the applicant's proper deployment of its financial resources.

40. The applicant has an Asset and Liability Management Committee whose main role is to ensure an appropriate match between its assets and liabilities. Sample minutes of the committee meetings provided show that it carries out its responsibilities effectively.

41. The applicant has also demonstrated experience in sourcing funds for its on-lending and blending operations from international and multilateral funding sources. Financing raised from the International Finance Corporation (IFC) and the African Development Bank is used to support its on-lending and blending activities. Based on the information provided, the AP finds that the applicant has demonstrated its capacity to effectively and transparently channel funds that could be provided by GCF.

42. The applicant has been rated by the Global Credit Rating Company and Standard & Poor's. Its long-term and short-term credit and outlook were rated AA, A1+ and Stable, respectively, by the Global Credit Rating Company. Its financial performance resilience and outlook were rated B+ and Stable by Standard & Poor's.

43. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, partially meet the GCF specialized fiduciary standard for on-lending and/or blending for loans and guarantees. The relevant gap is identified in paragraph 37 above and is reflected by the corresponding condition for accreditation in section 4.2.

## 3.2 Environmental and social safeguards

### 3.2.1 Environmental and social policy

44. The applicant's environmental and social management system (ESMS) comprises its Social and Environmental Management System Policy (SEMS Policy), approved by the Group Risk Management Committee of its Board in May 2020. The 2020 SEMS Policy updates and replaces the applicant's 2018 SEMS Policy. The 2020 SEMS Policy is applicable to the Group and all its subsidiaries – including the applicant itself – and for all financing instruments, including loans, guarantees and equities. The SEMS Policy articulates how the Group integrates E&S considerations into its decision-making, operations and investment activities to effectively manage the E&S risks and impacts of its projects/programmes.

45. The 2020 update to the SEMS Policy specifically incorporates the requirements for E&S assessment of financial intermediaries on-lending, guarantees, equity structures, and E&S consultations and disclosure, and grievance redress mechanism at the entity and activity level. The 2020 SEMS Policy has adopted the IFC performance standards (PS) 1–8. The applicant's Group Sustainability Manager is the overall coordinator for ensuring the compliance and implementation of the SEMS Policy. The SEMS Policy has been communicated to all the staff and business units within the Group.

46. The AP finds that the applicant's ESMS, comprising the 2020 SEMS Policy, supported by evidence of its track record, fully meets the requirements of the GCF Environmental and Social Policy and GCF interim environmental and social safeguards (ESS) standards for a maximum E&S risk category B/I-2 projects/programmes with respect to GCF PS 1–8.

### 3.2.2 Identification of E&S risks and impacts

47. The 2020 SEMS Policy describes the applicant's institutional procedure to guide its staff in identifying the E&S risks and impacts of projects/programmes as they evolve over the project life. At the initial stage of inquiry with a client, the applicant's Corporate Relationship Manager or the Small and Medium-sized Enterprise Relationship Manager, and the designated Project Loan Officer screen the client's proposed project activities against the applicant's Exclusion List (which is similar to the IFC Exclusion List<sup>4</sup>), contained in an annex to the SEMS Policy. If the project involves an excluded activity, the prospective client is informed of the applicant's decision to decline and further consideration of financing for the project is terminated. The respective Relationship Manager provisionally assigns an E&S risk category as per the guidance on E&S risk categorization and social and environmental due diligence procedure, provided in annexes to the SEMS Policy. The projects/programmes are classified into one of the following three E&S risk categories: A/I-1, B/I-2 and C/I-3, which are consistent with the corresponding E&S risk category definitions in the GCF Environmental and Social Policy.

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<sup>4</sup> Available at <<http://www.ifc.org/exclusionlist>>.

48. The applicant provided a sample of E&S risk and impacts screening templates for its loans for projects/programmes in E&S risk category B/I-2 comprising a cement grinding plant, a steel mill and a sugar manufacturing mill. The applicant also provided an E&S risk and impacts template for a category B/I-2 project/programme involving a loan and a guarantee for a road project.

49. The AP finds that the applicant's system of identification of E&S risks and impacts, supported by evidence of its track record, fully meets the requirements of the GCF Environmental and Social Policy and GCF interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes with respect to GCF PS 1–8.

### 3.2.3 Management programme

50. The 2020 SEMS Policy describes the applicant's institutional process for managing mitigation measures and actions stemming from the E&S risk identification process. Once a client's proposed project passes the applicant's Exclusion List review, the respective Relationship Manager or the designated Project Loan Officer proceeds to conduct project appraisal, which also includes E&S due diligence using the applicant's social and environmental due diligence tool provided in the SEMS Policy. The Relationship Manager also reviews the client's E&S assessment documents, such as the environmental and social impact assessment (ESIA) and environmental and social management plan (ESMP) reports for greenfield projects, and also an Environmental Audit (EA) report if an existing project involves expansion or extension. It is mandatory for the Relationship Manager to conduct a site visit for all projects and programmes categorized in E&S risk category A/I-1 or B/I-2 to verify the potential E&S issues identified in the client's ESIA/ESMP/EA reports. All outstanding E&S issues are included as E&S covenants by the applicant's credit analyst in the legal agreement with the client. The E&S covenants are monitored by the Relationship Manager during the project life cycle.

51. The applicant provided evidence of its track record for E&S risk and impacts mitigation management in the form of a sample of ESIA, ESMP and EA for projects/programmes in E&S risk category B/I-2 for the projects/programmes mentioned in paragraph 47 above.

52. As the applicant's 2020 SEMS Policy has not undergone an external audit owing to its recent adoption, the applicant has agreed to commission an external audit of its entity-level ESMS within the three years of the first disbursement for its first GCF-funded project/programme.

53. The AP finds that the applicant's ESMP, supported by evidence of its track record, partially meets the requirements of the GCF Environmental and Social Policy and GCF interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes with respect to GCF PS 1–8. The applicant has not conducted an external audit of its ESMS since the adoption of the 2020 SEMS policy. The relevant gap is identified in paragraph 51 above and is reflected by the corresponding condition for accreditation in section 4.2.

### 3.2.4 Monitoring and review

54. The 2020 SEMS Policy describes the applicant's E&S monitoring and reporting system, including the related respective responsibilities of a client and the applicant itself. The E&S monitoring of projects/programmes verifies whether the applicable E&S performance requirements and the various E&S covenants included in the legal agreement between the client and the applicant and ESMP are being met sustainably and in a timely manner. The client's E&S monitoring findings are tracked by the applicant through semi-annual E&S monitoring progress reports for E&S risk category A/I-1 and B/I-2 projects/programmes, while the E&S performance of its clients' portfolio is evaluated on an annual basis. The applicant provided a

sample of E&S monitoring and audit reports for projects/programmes for the E&S risk category I-2 as indicated in paragraph 47.

55. The AP finds that the applicant's system of monitoring and review, supported by evidence of its track record, fully meets the requirements of the GCF Environmental and Social Policy and GCF interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes with respect to GCF PS 1–8.

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

56. The 2020 SEMS Policy describes the applicant's external channels, such as its website, for receiving, addressing and registering external communications, including project-related E&S grievances. The SEMS Policy describes in detail the applicant's entity-level independent grievance redress mechanism, the Grievance and Complaint Redress Mechanism (GCRM), which is found by the AP to be in line with PS 1 of the GCF interim ESS standards. The applicant's Head of the Operational Risk Department will be responsible for managing the independent GCRM for GCF-funded projects/programmes. The applicant also provided curricula vitae (CVs) of its staff as evidence of their competency (qualification/experience) to support and manage GCRM.

57. The 2020 SEMS Policy requires the applicant's clients to conduct stakeholder engagement on an ongoing basis during the project life cycle and related consultations and disclosure of E&S information in line with the GCF Information Disclosure Policy, particularly for projects/programmes in E&S risk category B/I-2. The SEMS Policy also includes the requirement for the applicant's executing entities to include a project-level grievance redress mechanism.

58. The applicant provided a sample of ESIA/ESMP, which provides evidence of its track record on stakeholder engagement, E&S information consultations and disclosure, and project-level grievance redress mechanism. The applicant's National Environmental Management Authority (NEMA) as the country's regulatory agency reviews and discloses the applicant's E&S assessment documents for public consultations in accordance with the schedule of review by the public prescribed in the national regulatory guidelines. NEMA then grants an E&S permit to the applicant's clients (project developers) to proceed with the project execution with the notice to the client and applicant to further monitor and report to NEMA on any specific pending E&S issues indicated in the permit.

59. The AP finds that the applicant's system of external communications, consultations, information disclosure and grievance redress mechanism at the institutional level, supported by evidence of its track record, fully meets the requirements of the GCF Environmental and Social Policy, GCF interim ESS standards and GCF Information Disclosure Policy regarding E&S information disclosure requirements for a maximum E&S risk category B/I-2 projects/programmes with respect to GCF PS 1–8.

### 3.2.6 **Organizational capacity and competency**

60. The SEMS Policy includes a description of the applicant's organizational structure and workflow that identifies key units, departments and senior and line management personnel who are responsible for implementing the SEMS Policy along with their authority, reporting lines and responsibilities. The two key functions for the implementation of the SEMS Policy are the Group Sustainability Manager and the Credit/Environmental Manager. The Group Sustainability Manager is the overall coordinator of the activities of the applicant's different business units and is responsible for all sustainability programmes, which include planning, implementation and monitoring of sustainability initiatives; facilitating production of sustainability reports; implementing sustainability training and awareness programmes;

working with external groups and stakeholders; and undertaking the review of international sustainability efforts to benchmark the applicant's system against best practice. The Credit/Environmental Manager is responsible for incorporating E&S risk assessment in credit reviews for the Group and its subsidiaries. The credit analysis team identifies and tracks the outstanding E&S issues and covenants in the credit memo, and trains credit support staff in E&S due diligence and the generation of periodical reports on approved facilities for screening the E&S issues.

61. The applicant provided CVs of its key E&S staff and a sample of their work as evidence of their knowledge, skills and experience necessary to understand and ensure implementation of PS 1–8. The applicant also provided a description of the E&S training and development programmes undertaken by its E&S and other relevant staff. The E&S staff were responsible for the update of the applicant's SEMS Policy and Gender Policy (described in further detail below) to bring them into line with the respective GCF policy requirements, which further attests to their capacity.

62. 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 GCF interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes with respect to GCFPS 1–8.

### 3.3 Gender

63. The applicant's institutional-level stand-alone Gender Policy is provided in its Gender Diversity and Inclusion Policy (GEDI Policy), approved by the Risk Management Committee of its Board in May 2020. The GEDI Policy articulates the applicant's commitment to mainstreaming gender, diversity and inclusivity by actively considering gender parity in the execution of its core mandate, which includes the Group's operations, investments, project finance and corporate social responsibility. The GEDI Policy applies to the Group and its subsidiaries, and to all its employees and third parties such as agents, contractors and service providers. The Group Human Resources Division ensures that the staff are well versed in gender, diversity and inclusion in business concerns through the development of appropriate training materials, capacity-building activities and budget provision for gender mainstreaming and development. The applicant also provided a copy of its human resources manual, which includes principles of gender equity at its institutional level in terms of staff recruitment, employment contracts, promotion and retention.

64. The GEDI Policy includes procedures and checklists on gender mainstreaming for the applicant to use in project preparation/appraisal for loans as well as guarantees. The procedure includes the following provisions, which will apply for all GCF-funded projects/programmes: conducting gender assessment, including collecting sex-disaggregated data to assess gender risks and impacts; formulating a gender action plan, including appropriate mitigation measures; allocating a gender-based budget at the entity, fund and project/programme level to integrate and implement gender activities; conducting gender-sensitive and gender-responsive stakeholder consultations, including grievance redress and E&S information consultations and disclosure, and a non-discriminatory policy to secure equal rights, treatment and compensation for men and women; maintaining a monitoring and evaluation reporting system and auditing procedure to address gender mainstreaming at the entity, project/programme and fund level; and assimilating lessons learned with regard to gender mainstreaming in strategies to reduce climate risks.

65. The applicant provided CVs of its gender experts showing their experience and qualifications as well as the gender training they have received. The applicant also provided the

following examples of its loans and guarantee to projects/programmes which targeted women as the primary beneficiaries:

- (a) An agribusiness value chain financing programme for farmers to access affordable financing to obtain agricultural input and insurance protection for increased food production;
  - (b) The formation of a Biashara (business) Club: a platform offering businesses access to the skills, experts and networks needed to get them off the ground or take to the next level; and
  - (c) A streamlined loan and guarantee process.
66. The applicant's projects/programmes also reflect non-discriminatory practices in terms of benefits and remuneration for both men and women employees.
67. The AP finds that the applicant's GEDI Policy, procedures and capacities, supported by evidence of its track record, fully meet the requirements of the updated GCF Gender Policy.

## IV. Conclusions and recommendation

### 4.1 Conclusions

68. Following its assessment, the AP concludes the following in relation to the application:
- (a) The applicant meets the requirements of the GCF basic fiduciary standards on transparency and accountability, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices and the GCF AML/CFT Policy, but only partially meets the requirements of the GCF basic fiduciary standards for key administrative and financial capacities, the specialized fiduciary standard for project management and the specialized fiduciary standard for on-lending and blending for loans and guarantees for the following reasons (the relevant gaps are identified in paragraphs 19, 29, 30 and 37 above and addressed in the corresponding conditions for accreditation in section 4.2):
    - (i) The applicant's revised Supply Chain and Procurement Policy does not include specific procedures, guidelines and methodologies for overseeing and assessing the procurement procedures and practices of beneficiary institutions, executing entities or sponsors;
    - (ii) Evidence of (a) assessments of the procurement procedures of beneficiary institutions, executing entities or project sponsors and (b) public disclosure on the applicant's website of its procurement policies and awards has not been provided;
    - (iii) Implementation of a policy on independent evaluation of projects has not been demonstrated;
    - (iv) Evidence of public disclosure of project monitoring and evaluation reports on projects/programmes has not been provided; and
    - (v) Evidence of public disclosure of information on the beneficiaries and results has not been provided;
  - (b) The applicant partially meets the requirements of the GCF Environmental and Social Policy, GCF interim ESS standards and GCF Information Disclosure Policy on disclosure of E&S information in relation to the medium E&S risk category B/1-2. The applicant's entity-level ESMS has not undergone an external audit since the adoption of its 2020

SEMS Policy (see paragraph 51 above); this is addressed in the corresponding condition in section 4.2 below; and

- (c) The applicant has demonstrated that it has a policy, procedures and competencies in order to implement its Gender Policy, which is found to be consistent with the updated GCF Gender Policy, and has demonstrated that it has experience in gender consideration in the context of climate change.

## 4.2 Recommendation on accreditation

69. The AP recommends, for consideration by the Board, applicant APL104 for accreditation as follows:

(a) **Accreditation type:**

(i) **Maximum size of an individual project or activity within a programme:** medium (including micro<sup>5</sup> and small<sup>6</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 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>7</sup>); and

(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) Condition to be met prior to the effectiveness of the accreditation master agreement during Stage III of the accreditation process:

- (1) Provision of evidence by the applicant of the revision and adoption by its senior management of its Supply Chain and Procurement Policy and its guidelines to include procedures and guidelines for overseeing and assessing the adequacy of the procurement procedures and/or practices of executing entities, project sponsors or beneficiary institutions of GCF-funded projects/programmes; and
- (2) Public disclosure of the revised Supply Chain and Procurement Policy on the applicant's website;

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<sup>5</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 USD 10 million for an individual project or an activity within a programme".

<sup>6</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 USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme".

<sup>7</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 proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts".

- (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) Public disclosure on the applicant's website of periodic monitoring reports in respect of the relevant GCF-funded project/programme;
- (iii) Condition to be met within three years of the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant:
  - (1) Provision by the applicant of at least two reports on the assessment of the procurement procedures and/or practices of executing entities, project sponsors or beneficiary institutions of GCF-funded projects/programmes;
  - (2) Public disclosure of its procurement awards for GCF-funded projects/programmes on its website; and
  - (3) Provision by the applicant of a final report on external audit prepared by an independent body assessing the effectiveness of the implementation of the applicant's ESMS (comprising its SEMS Policy). The audit should highlight lessons learned and provide recommendations to improve the ESMS; and
- (iv) Condition to be met within one year of completing the implementation of the first GCF-funded project/programme to be undertaken by the applicant:
  - (1) Provision of evidence by the applicant of independent evaluation of the first GCF-funded project/programme and the public disclosure of the independent evaluation report on its website. The report shall include information on:
    - a. The list of beneficiaries under the first GCF-funded project/programme; and
    - b. The results and outcomes of the first GCF-funded project/programme.

70. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 68 above, and agrees to the recommendation.