Annex X: Accreditation assessment of applicant 113 (APL113)

I. Introduction

1. Applicant 113 (APL113), the Joint Stock Company TBC Bank (the applicant), is a national direct access, private sector entity based in Georgia. The applicant is a leading banking group with the main business activities of retail banking; micro, small and medium-sized enterprises (MSME) banking; and corporate banking. The applicant offers a wide range of banking products and services paired with innovative digital solutions, which is in line with the Bank's strategy, centered on the core principles of sustainable development, digitalization, innovation and efficiency. As Georgia's largest banking group, the applicant plays an important role in Georgia's economic growth, supporting its leading players to access financing in sectors such as energy, food, healthcare, hospitality and tourism, trade, real estate, transport, etc.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 25 December 2018. Accreditation fees were received from the applicant on 18 June 2019, thereby launching the stage I institutional assessment and completeness check. Stage I was completed on 26 March 2020 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 Georgia;

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

(c) **Maximum size of an individual project or activity within a programme:** medium;[1]

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

  (i) Basic fiduciary standards; and

  (ii) Specialized fiduciary standard for on-lending and/or blending (for loans);

(e) **Maximum environmental and social risk category:** high risk (category A/intermediation 1 (I-1))[3].

II. Stage I institutional assessment and completeness check

3. The applicant applied and was assessed by the Secretariat during stage I under the normal track accreditation process in accordance with the GCF policies and standards below:

(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);

[1] 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 GCF, of above USD 50 million and up to and including US$ 250 million for an individual project or an activity within a programme."

[2] Decision B.07/02.

[3] As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category A is defined as "Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented" and intermediation 1 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented."

(b) "Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach" (decision B.08/02);

(c) "Policy on Prohibited Practices" (decision B.22/19);

(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;

(h) "Gender Policy and Action Plan" (decision B.09/11); and

(i) "Updated Gender Policy and Gender Action Plan 2020–2023" (decision B.24/12).

2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant was established as a joint stock company on 17 December 1992 at the Constitutive Meeting of the Shareholders and was registered by the National Bank of Georgia pursuant to Resolution No. 85 dated 20 January 1993.

2.2 Institutional presence and relevant networks

5. The applicant is a leading financial institution in Georgia in terms of total banking assets, total loans and deposits. The applicant has a strong presence across all major sectors of Georgian Economy as well as across all major market segments, serving more than 2.5 million customers in Retail Banking segment, which is around 90 per cent of the adult population in Georgia. As of May 2021, JSC TBC has 6,905 employees. The applicant is a strategic partner for businesses in Georgia, supporting large and mid-sized corporates, as well as MSMEs and start-ups at different stages of development. The applicant is dedicated to working with start-ups through the provision of both financial and non-financial support, including: easing access to finance, sharing knowledge and expertise, developing innovative products and services specially customized for their business needs.

6. In addition, the applicant acknowledges the importance of social and environmental matters for its the long-term, sustainable development. In this regard the applicant intends to identify opportunities for climate change finance within its loan portfolio and enhance green lending operations. With its extensive banking expertise and advanced digital and analytical capabilities, the applicant aims to capture new growth opportunities in markets and create value for all its stakeholders (businesses, communities and shareholders). For many years, the applicant has attracted special purpose facilities from different International Financial Institutions to support young entrepreneurs, women-led MSMEs, businesses operating in rural areas, energy efficiency and renewable energy projects. Going forward, the applicant intends to increasingly engage with partner International Financial Institutions and increase green financing.

7. The applicant is strongly committed to the realization of Georgia's nationally determined contributions. It aims to demonstrate leadership and take action to combat climate change by targeting sectors with high greenhouse gas emissions in Georgia, such as the public transportation, manufacturing, agriculture, construction and energy sectors. The applicant

intends to identify opportunities in its loan portfolio and offer various financial products designed specifically to promote sustainable energy in these sectors.

8. In order to advance the objectives of GCF, the applicant intends to leverage GCF financing, as well as direct its own financial flows, towards low-emission and climate-resilient development pathways. The applicant intends to undertake the following potential projects:

(a) Implement a green lending program with an objective to reach energy savings or GHG emission reduction in Georgia. The program will finance energy-efficiency solutions, in different economic sectors and rural as well as urban areas.

(b) Promote and increase investments in electric and hybrid cars by developing strategic cooperation with car dealership businesses and providing low-cost financing incentives for legal entities as well as private individuals. This would also include implementing financing of electric car charging systems throughout big cities in Georgia;

(c) Cooperate with public sector and support greening the country's urban transport system through financing Low emission transport projects.

(d) Provide financing for green construction and green buildings, as well as for resilient infrastructure projects, in order to support the country's transition to a low-carbon economy.In addition, launch Green Mortgage loan initiatives in the retail sector;

(e) Finance agro-projects by designing and offering customized agro-products with, favourable business conditions, flexible payment schedules, longer grace periods, in order to empower borrowers' engagement in low-emission, climate resilient agro practices;

(f) Support the country to use its untapped renewable energy potential by providing affordable financing for solar and wind energy projects.

2.3 Track record

9. As a leading financial institution in the country, the applicant has strongly committed to preserve the environment by conducting its daily business in a responsible and sustainable way. The applicant has taken active measures to reduce the environmental footprint from both direct and indirect activities. Based on its environmental policy and environmental management system, the applicant is obliged to comply with social and environmental regulations and standards in its lending activities. In addition, the applicant has promoted sustainable finance development in areas of renewable energy and energy efficiency and committed to ensuring its stakeholders and clients fulfil their environmental and social responsibilities.

10. The applicant is a leader in financing the energy sector in Georgia, having exposure of GEL 462 million specifically in renewable energy projects. The applicant's track record in financing sustainable development and climate change-related projects to-date includes the following:

(a) USD 65 million (loans) for a 50 megawatt (MW) hydropower plant;

(b) USD 63 million (loans) for to construct two 50 MW hydropower plants

(c) EUR 1.5 million (loans) provided to MSMEs for an infrastructure project in Georgia;

(d) GEL 2.4 million (loans) for an energy-efficient project for installing household appliances in Georgia;

(e) The applicant financed a leading manufacturing company in Georgia focused on renewable energy projects, to build Shilda hydro power plant (Shilda HPP). The capacity of Shilda HPP is 5 MW and produces 32 GWh of electricity annually. By producing 32 GWh of electricity, Shilda HPP could reduce more than 10,000 tons of $CO2$ emissions in Georgia annually;

(f) In 2020, in close partnership with Georgian government schemes – "Produce in Georgia" and "Preferential Agro Credit" – the applicant has disbursed 1,800 loans in the amount of GEL 191 million to businesses; and

11. The applicant has experience with projects/programmes related to the following GCF results areas:

(a) Mitigation:

(i) Energy generation and access;

(ii) Transport;

(iii) Buildings, cities, industries and appliances; and

(iv) Forests and land use.

(b) Adaptation:

(i) Health, food, and water security; and

(ii) Infrastructure and built environment.

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 GCF policies and standards identified in paragraph 3 above.

13. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

3.1 Fiduciary standards

3.1.1. Basic fiduciary standards: key administrative and financial capacities

14. The applicant (hereinafter referred to as TBC or the Bank) is the largest bank in Georgia. It represents 98 per cent of the assets of the TBC Bank Group PLC (hereinafter referred to as the Group), the holding company of the Group, which includes insurance, leasing and investment banking businesses. Over 99 per cent of the Group's business is in Georgia with international operations in Azerbaijan, Israel and Uzbekistan. The Group is a company listed in the United Kingdom of Great Britain and Northern Ireland that is part of the Financial Times Stock Exchange 250 Index (FTSE 250), an index of the largest 250 companies by market capitalization. Shareholders include International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD) and TBC management and founders, with a free float of 75 per cent of the shares, as of 31 March 2021.

15. As a company listed in the United Kingdom, the applicant complies with United Kingdom reporting requirements and is committed to the highest standards of corporate governance in accordance with United Kingdom and international best practice. This means a corporate culture that is aligned with the company's purpose and business strategy and which promotes transparency, integrity and diversity. JSC TBC Bank's Supervisory Board is comprised of seven members: Chairman (Arne Berggren), Tsira Kemularia, Maria Luisa Cicognani, Nicholas Haag, Abhijit Akerkar, Nikoloz Enukidze and Eric Rajendra. The Supervisory Board has

established their respective four principal committees: Corporate Governance and Nomination Committee; Audit Committee; Risk Committee and Remuneration Committee. According to the legislation of Georgia, the members of the Supervisory Board are elected for a term of four years and their emoluments are published in a remuneration report.

16. The applicant has provided 2021–2023 strategies for key business directions: corporate and investment banking; MSME banking, digital business; mass retail banking; and payments business. Each of these areas follow a demanding annual strategy and budget cycle that starts with a corporate concept of “Make Life Easier”. The Bank strives to have this idea of excellence with simplicity as the driving force for everything they do. From this overriding concept, each business area presents their vision and mission statements with corresponding objectives, leading to goals and new initiatives for growth. Ambitious financial and qualitative key performance indicators are applied and regularly tracked. Quarterly business reviews are prepared for senior management and the board, and the measurement of results leads to lessons learned and analyses of long-term strategic gaps. This approach leads to strong linkages and alignment between long-term and short-term objectives and applicant’s various visions and missions.

17. Audited financial statements are prepared by the applicant’s external auditor under international standards and are published on the applicant’s website. The applicant has a comprehensive management information system and example reports have been provided. The payments and disbursements system has established approval and authorization limits, and annual compliance checks are performed by the external auditor. Evaluation procedures and reports of any significant deficiencies are submitted by the external auditor to the audit committee. This assessment by the external auditor is part of the annual financial audit, such that findings (if any) are disclosed in the annual audit report. No findings requiring corrective actions were identified regarding disbursement and payment operations in the 2018 and 2019 reports.

18. The applicant has an effective audit committee that meets at least quarterly with responsibility for reviewing external audits and overseeing the internal audit function. The internal audit function is governed by an internal audit charter and complies with the Institute of Internal Auditors’ international standards, which require independence of internal audits from the applicant’s management. The head of internal audit reports to the audit committee, which is comprised of members of the applicant’s board. The operations of the applicant’s internal audit function have been demonstrated with examples of minutes of meetings, internal audit plans and reports, and statuses of action on findings and recommendations. The applicant’s audit handbook details the quality assurance process for the internal audit function. It includes very regular self and internal management assessments that are reported to the audit committee. In addition, an external quality assessment by a qualified independent entity is performed at least every five years, with the last one taking place in 2019.

19. The policy and procedures for internal control have been explained in the documents provided and the track record demonstrated in the internal control reports provided. The applicant’s internal control policy defines the key risk and control mechanisms in place for effective financial control. The internal control function reports to the applicant’s operational risk committee at least once a quarter.

20. As one of the largest purchasers in Georgia, the applicant has developed Green Procurement Recommendations that provide guidelines regarding purchasing environmentally friendly goods and services. Furthermore, applicant has developed a compulsory E&S Risk Screening questionnaire for its suppliers, in order to evaluate and select only those suppliers who comply with Applicant’s standards. The applicant’s procurement policy distinguishes between different types of purchase by monetary value, complexity and other characteristics of the goods and services being acquired. The process ensures transparent and fair procedures including a platform for bidders to ask questions on the process, with responses made available

to all bidders to ensure a fair playing field. The procurement function is regularly monitored by the internal control function and periodic assessments are done by internal audit. The applicant does not currently oversee and monitor the procurement procedures of executing entities. However, the applicant has confirmed their capacity to do this and ability to legally request any documentation and information from an executing entity to ensure procurements are done transparently and in accordance with local regulations and best practices. Once accredited, the applicant will develop a formal policy for overseeing, assessing and reviewing the procurement procedures of executing entities for GCF-funded projects.

21. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, partially meet the basic fiduciary standards on key administrative and financial capacities. The relevant gap is identified in paragraph 20 above and is reflected by the corresponding conditions of accreditation in section 4.2.

3.1.2. Basic fiduciary standards: transparency and accountability

22. The applicant's code of conduct and code of ethics are provided to all new staff in a welcome letter and further explained during the onboarding process as well as regular future training days. These codes detail the employee's responsibilities and information disclosure requirements to prevent conflicts of interest and financial mismanagement. A summary has been provided of the process followed in cases of violation of the codes of ethics and conduct and the role of the board's Risk Committee.

23. The applicant has various control mechanisms to identify related parties and possible conflicts of interest. Information disclosed by management is cross-checked against commercial registries and an alert system in the applicant's core banking software and monthly reports flag potential related parties within the portfolio of clients. Heads of business lines are required to escalate suspected cases to the compliance department and internal audit reviews the accuracy and completeness of insider lists on an annual basis. Examples of conflicts of interest have been provided showing how they were identified, reported and resolved.

24. The applicant's fraud risk management policy outlines the procedures to prevent financial mismanagement including the definition, reporting, prevention, detection and investigation of possible fraudulent activity. The applicant has a number of policies addressing requirements of the GCF AML/CFT Policy and the Policy on the Protection of Whistleblowers and Witnesses. These include a tax evasion policy, whistle-blower policy, financial crime policy statement, as well as the applicant's code of conduct and code of ethics.

25. The investigation function follows a step-by-step process for investigating criminal activities that involves internal audit, the risk function, business areas, public relations and external stakeholders such as the police and regulatory and investigation authorities. The fraud risk management policy details the applicant's zero tolerance for fraud and sanction procedures. It also outlines the key controls and roles and responsibilities with respect to the fraud risk and control framework. Cases and trends are reported quarterly to management. Detailed summaries of cases and reports of violations and respective corrective measures have been provided for 2017 to 2019.

26. As would be expected of a United Kingdom-listed financial institution, the applicant has comprehensive anti-money laundering and countering the financing of terrorism (AML/CFT) policies and procedures as well as know your customer (KYC) procedures. The KYC processes for assessing client risk and the examples provided demonstrate the applicant's capacity to comply with the GCF AML/CFT Policy. Mechanisms to trace and monitor electronic funds transfers have also been demonstrated.

27. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the basic fiduciary standards on transparency and

accountability, the Policy on the Protection of Whistle-blowers and Witnesses,[4] the Policy on Prohibited Practices[5] and the AML/CFT Policy.[6]

3.1.3. Specialized fiduciary standard for project management

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

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

29. 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)

30. The applicant's policies and procedures for its on-lending and blending operations are detailed in three main documents: the Credit Approval Procedures, the Debt Capital Market Procedure and the Syndicated Loan Disbursement Procedure. The applicant does not work through intermediaries, but rather provides the loans to the end beneficiaries directly. The applicant has also provided a series of guidelines and procedures that regulate its lending portfolio analysis and monitoring for corporate clients, retail clients and small and medium-sized enterprises (SMEs).

31. The applicants' Information Disclosure Policy currently does not include provisions for public disclosure on its website for information regarding its decisions on on-lending and guarantee operations as well information on beneficiaries and results of projects/programmes that could be funded by GCF. However, the applicant is committed to develop an information disclosure policy specifically for GCF-funded projects. Also, the applicant will develop a dedicated web page on the official TBC website including information about GCF-funded activities. Correspondingly, the public disclosure of information on beneficiaries and results of projects/programmes will be demonstrated during and at the end of the implementation of GCF-funded projects/programmes.

32. The applicant's investments are managed by the Group's Risk appetite framework, financial risk management policies and credit risk management procedures. Lending guidelines for business borrowers have been tailored to individual economic sectors, outlining key lending criteria and target ratios within each industry. According to the financial risk management procedures, the applicant carefully manages market liquidity, counterparty and interest rate risks in its banking book. A comprehensive credit risk assessment framework is in place with a clear segregation of duties among the parties involved in the credit analysis and approval process.

33. The applicant has diversified loan products in place, including several specific-purpose programmes financed by the international finance organizations that lend to the applicant, and the applicant further invests borrowed money into the eligible sub-loans. For such programmes, there are additional procedures and checks in place. The eligibility loan criteria are predetermined in the contract with donor organizations such as: purpose, amount of loan, tenor currency, E&S risk category and borrower's sector of activity. When a loan is disbursed under the specific programme, the borrower and project are checked against established criteria at the appraisal stage. The examples of loan management reports for three primary segments of operations – corporate, retail and SMEs – were reviewed by the AP.

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[4] Decision B.21/25 and annex II thereto.
[5] Decision B.22/19 and annex XIV thereto.
[6] Decision B.18/10 and annex XIV thereto.

34. The applicant uses a robust monitoring system to react promptly to macro and micro developments, identify weaknesses in the credit portfolio and outline solutions to make informed risk management decisions. The applicant has comprehensive monitoring procedures in place for retail and business loans (such as loan monitoring procedures), guidelines for conducting the monitoring process, as well as loan systems through which it carries out daily operations. Credit officers, risk managers and other involved parties assess, disburse and monitor loans according to internal policy and procedures. The monitoring process of the loans is undertaken quarterly through the preparation and submission of comprehensive reports about financed sub-borrowers, including qualitative and quantitative data on the loans disbursed.

35. There is a proper segregation of duties and responsibilities of the treasury and banking operations performed by different departments of the applicant. The applicant complies with the rules and regulations of the National Bank of Georgia regarding the treasury responsibilities and tasks. The treasury ensures that there is adequate liquidity to fund the ongoing business operations and their projected growth. As part of its liquidity risk management framework, the Group has a liquidity contingency plan in place outlining the risk indicators for different stress scenarios and respective action plans.

36. The applicant's financial risk management framework includes the market risk policy, liquidity risk policy, counterparty risk and interest rate risk policy. The credit assessment process is distinct across segments, and is further differentiated across various product types. Bank has multi-tiered loan approval committees in place with different approval levels to consider the borrower's overall indebtedness and risk profile. Different committees are involved in decision making based on the size and risk of the borrower. At the highest level, the Chief Executive Officer, Corporate Business Director and Chief Risk Officer are involved.

37. In assessing potential borrowers, the applicant applies the methodology for credit risk assessment, which includes the specific indicators for the calculation of the borrowers' capacities and potential risks. The applicant also has an established audit process in place to assess the quality of the portfolio of the borrowers as well as annual financial statements and the loan disbursements.

38. The applicant has an active asset and liability committee in place which ensures that the Bank is able to meet its obligations and maintain its solvency under stressed circumstances and performs proper risk management. The records of the Asset-Liability committee (ALCO) meetings (reports) were provided as evidence of the committee's activity.

39. The applicant has obtained financial resources (GEL 2 billion) from various multilateral and bilateral institutions such as EBRD, European Investment Bank, European Investment Fund, Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden,OPEC Fund for International Development, International Finance Corporation and the Asian Development Bank, among other institutions, which provide the long-term funding needed for investments, especially in the energy, infrastructure, construction, transport and SME sectors.

40. The track record of undertaking on-lending and providing financial guarantees was provided in the form of syndicated lending agreements, loan agreements and guarantee agreements with sub-borrowers, as well as due diligence and appraisal reports of the approved investments. This indicates that comprehensive information on the application of the applicants' systems, policies, procedures and capacities was provided, except for the track record of the publication of information on the projects' beneficiaries and results.

41. The AP finds that the applicant's policies, procedures and capacity partially meet the specialized fiduciary standard for on-lending and/or blending for loans. The relevant gap is identified in paragraph 31 is reflected by the corresponding condition of accreditation in section 4.2.

42. The AP finds that the applicant's track record is insufficient. The relevant gaps are identified in paragraph 40 are reflected by the corresponding conditions of accreditation in section 4.2.

3.2 Environmental and social safeguards

3.2.1. Environmental and social policy

43. The applicant's Environmental and Social Risk Management System (ESMS) comprises its 2019 Environmental and Social Policy (E&S Policy) and the Environmental and Social Risk Management (ESRM) Procedure, along with the tools necessary to implement the procedures. The key principles of the E&S Policy are to promote sustainability finance among the applicant's clients through ensuring compliance with the applicable environmental, health, safety, and labour regulations, and addressing measures to mitigate and manage negative environmental and social impacts. The E&S Policy conforms with ISO 14001:2015 and is consistent with the applicant's ESMS with overall objectives to enhance environmental performance and fulfilment of E&S compliance obligations of the applicant's clients.

44. The applicant has adopted the safeguard standards of the IFC Performance Standards (PS 1–8) as well as the EBRD Performance Requirements (PR) and Asian Development Bank Safeguards Requirements, all of which are consistent with the GCF interim Environmental and Social safeguard standards. The objective of applying these procedures is to focus on the environmental and social issues associated with commercial lending and investments to maximize the opportunities for environmental and social sustainability. The applicant provided evidence of the approval of the E&S Policy by its Board and the approval of the ESRM Procedure by the applicant's Chief Risk Officer's (CRO). The applicant also submitted a delegation of authority document signed by its CEO, under which he grants the CRO authority to approve any changes in the applicant's E&S Policy. The E&S Policy and ESRM Procedure have been disseminated to all levels of staff including related targeted training within the applicant's institution.

45. The AP finds that the applicant's environmental and social management system, comprising the E&S Policy and ESRM Procedure, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim GCF ESS standards for maximum E&S risk category I-1 projects/programmes with respect to performance standards 1–8.

3.2.2. Identification of environmental and social risks and impacts

46. The ESRM Procedure describes the applicant's institutional process to identify the E&S risks and impacts of projects/programmes consistent with the practice of its international finance institutions (IFIs) partners including the PS 1–8 and has been integrated into its operations. The applicant has adopted a mitigation hierarchy as an overall principle to managing environmental and social risks and impacts. In screening activities, the applicant and/or its clients assess cumulative impacts and associated facilities impacts, as relevant. The applicant and/or its clients will follow the principle of Free Prior and Informed Consent in projects/programmes involving consultations with the indigenous people.

47. The environmental and social risk of applicant's projects/programmes are categorized according to the applicable IFIs indicated in paragraph 44. The ESRM Procedure applies a four-tier E&S risk category: Low, Medium, High and A. The Low, Medium, and High categories are equivalent to the corresponding GCF E&S risk categories A, B and C. The applicant's E&S risk category A is special High category requiring the engagement of an external expert in the E&S due diligence process. The E&S risk categorization is automatically assigned through the

macros-based computerized system based on the sector/industry/subsector relevant to the individual loan application.

48. The applicant provided a sample of its internal E&S screening forms (labelled as PS/PR forms) for projects/programmes comprising hydropower plants, urban road construction and manufacturing of road construction materials including cement, corresponding to E&S risk categories High/A, High and Medium. The applicant organized an online demonstration for the AP of its automated macros-based system to show how the E&S risk screening process is performed, leading to the assignment of the appropriate E&S risk category in line with the PS 1–8.

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 GCF Environmental and Social Policy and interim GCF ESS standards for maximum E&S risk category I-1 projects/programmes with respect to performance standards 1–8.

3.2.3. Environmental and social management programme

50. The ESRM Procedure describes the applicant's institutional process for managing mitigation measures and actions stemming from the E&S risk identification process. The outcome of the applicant's environmental and social mitigation and management is reflected in its E&S due diligence (ESDD) process according to the following E&S risk categories:

(a) For the Low E&S risk category, the ESDD is carried out by the applicant's credit analyst and approved by their respective project coordinator;

(b) For Medium E&S risk category, the ESDD is carried out by the applicant's credit analyst and approved by Credit Risk Manager; and

(c) For High E&S risk category, the ESDD is carried out by the E&S Risk Managers; additionally, category High/A activities are assessed by the applicant's external consultants.

51. The ESDD form documents the applicant's assessment of its borrower's E&S assessment based on the application of the IFC/EBRD E&S standards and local legislative requirements and the automatically generated E&S category-based (PS/PR) forms. The ESDD form is submitted for review and approval by the Credit Risk Committee. The applicant communicates its E&S risk assessment including recommendations on relevant mitigation measures and actions outlined in a Corrective Action Plan (CAP), which is obligatory for the borrower to fulfil. The Environmental and Social Impacts Assessment/Environmental and Social Management Plan (ESIA/ESMP) documents are also submitted to the Ministry of Environmental Protection for its approval before the applicant grants credit approval of its borrower's loan application.

52. The applicant provided three examples of the E&S Impacts Assessment/E&S Management Plan (ESIA/ESMP) conducted by the applicant's borrowers for projects financed by it in E&S risk category High/A. The applicant also provided three examples of ESDD forms for the same projects for which ESIA/ESMP documents were provided attesting to the applicant's own due diligence and oversight regarding its borrowers' E&S assessments. The applicant's online demonstration for the AP of its automated macros-based system showed how the ESDD including follow-up actions is documented in line with PS 1–8. The applicant also provided a summary report on the findings and recommendations of the audits conducted by its IFI partners on the applicant's ESMS: the Global Climate Partnership Fund (GCPF), IFC and ADB. The applicant provided evidence of its actions to address and close the audit findings reflecting further improvement in the ESMS.

53. 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 GCF ESS

standards for maximum E&S risk category I-1 projects/programmes with respect to performance standards 1–8.

3.2.4. Monitoring and review

54. The ESRM Procedure describes the internal processes to support a monitoring/supervision programme that tracks and ensures the completion of E&S mitigation and performance improvement measures. The ESRM Group carries out the monitoring of its borrowers' E&S performance once a year and according to the activities and milestones defined in the CAPs. After the expiration of the CAP deadlines, the borrower is obliged to provide documents confirming the achievement of the CAP, which allows the E&S Risk Manager to prepare respective E&S monitoring reports. The ESRM Group in turn reports the borrowers' E&S performance to its senior management and IFI partners, as relevant, on an annual basis.

55. The applicant provided a sample of E&S monitoring reports for the E&S risk category Medium, High and High/A for the same projects/programmes indicated in 6.2. The applicant's online demonstration for the AP of its automated macros-based system also showed how the applicant documents its E&S monitoring reports consistent with its ESDD and in line with PS 1–8. The applicant provided evidence on the measures and steps taken by the applicant to address the recommended corrective actions in the internal audit report on the E&S performance.

56. 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 GCF ESS standards for maximum E&S risk category I-1 projects/programmes with respect to PS 1–8.

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

57. The applicant provided information on its external communications channels including its institutional-level website to receive, screen and assess and register external communications including grievances from the public or project-affected people. The applicant indicated that it has not received any complaints so far regarding any E&S issues. The applicant's institutional-level grievance redress mechanism (GRM) is described in its document "Addressing external E&S concerns for GCF projects and programs" and is in line with the United Nations Guiding Principle No.31 on Business and Human Rights. The applicant has designated its "Customer Support Department" as the independent function managing the applicant's GRM to oversee customer concerns and complaints and acts as a mediator between the community groups and the applicant. The Customer Support Department is comprised of qualified staff who undergo regular customer protection training. The Customer Support Department is closely monitored by the National Bank of Georgia as well. The applicant's GRM document reflects the requirement for the applicant's executing entities to include a project-level GRM.

58. The applicant has agreed on a commitment to implement the E&S information disclosure policy in line with the requirements in the GCF Information Disclosure Policy for E&S risk category A/I-1 and B/I-2, including the duration and language requirements. The applicant's sample ESIAs included evidence of the public consultation process as well as the inclusion of the GRM at the project level.

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

3.2.6. Organizational capacity and competency

60. The applicant provided its institution's organization chart and description of the roles, responsibilities, reporting lines and authority to implement the ESMS, which includes its E&S staff and senior management. The Environmental and Social Risk Management Group is responsible for the assessment of environmental and social risks and for ensuring that all necessary measures are in place to minimize or avoid such risks. This Group is part of the applicant's Corporate & Small and Medium Enterprise within the Credit Risk Management Department, which is under the subordination of the CRO. This Group is staffed by three full-time employees: the Head of Environmental and Social Risk Management Group and the Environmental and Social Risk Managers. The Head of ESRM Group serves as the overall Environmental Coordinator responsible for overseeing the execution of the ESMS. The applicant provided CVs of its E&S staff and evidence of the various internal and external E&S training undertaken by them attesting to their competency in reviewing and assessing applicant's E&S assessment in projects/programmes in line with the PS 1–8.

61. The AP finds that the applicant's organizational capacity and competency, supported by evidence of its track record, fully meet the GCF ESS standards for maximum E&S risk category I-1 projects/programmes with respect to PS 1–8.

3.3 Gender

62. The applicant provided its July 2017 institutional-level "Gender Equality Policy", which is in line with the Constitution of Georgia, the Law of Georgia on Gender Equality, and related international agreements. The Gender Equality Policy establishes basic guarantees of equal rights, freedoms and opportunities for men and women and non-discrimination in recruitment and promotion. Furthermore, the applicant is updating its institutional level Gender equality Policy, based on the international principles of women's economic empowerment. The new policy is expected to be finalized in June and approved on supervisory board.

63. In 2021 the applicant executed a cooperation agreement with UN Women Georgia to assist it in building its institutional gender mainstream capacity. UN Women Georgia's working scope involved conducting a gender gap assessment of the applicant's institution and developing an action plan on how to close identified gaps. This led to the applicant developing its "Gender Integration Guidelines in GCF-related projects and programs", including gender guidelines/checklist developed with the assistance of an external gender expert. As explained in this document, the mainstreaming of gender in the applicant's projects/programmes will be done in three stages:

(a) Gender analysis: to understand the social, economic and political factors underlying gender inequality, and the potential contributions of women and men to societal changes in order to address the economic empowerment of women;

(b) Gender integration actions: methods and tools to promote gender equality and reduce gender disparities through project action; and

(c) Gender-sensitive monitoring and evaluation (M&E): measuring the outcomes and impacts of project activities on women and men through gender-responsive M&E.

64. The core elements of gender mainstreaming required in the applicant's project cycle design will include:

(a) Aligning with national policies and Sustainable Development Goal priorities;

(b) Conducting an initial socioeconomic and gender analysis in order to proactively incorporate a gender-sensitive approach to project planning design and implementation arrangements;

(c) Determining how a given project/programme can respond to the needs of women and men in view of the specific project activities;

(d) Identifying and designing specific gender elements to be included in project/programme activities.

65. The applicant's Gender Integration Guidelines contains the checklist(s) to guide the implementation of the gender policy. The applicant provided the CV of the external consultant who would assist it in implementing applicant's gender policy and guidelines. The applicant is already implementing its institutional-level Gender Policy. The applicant has committed to organizing training sessions on gender equality for its entire staff to increase their awareness.

66. The applicant confirmed that in its loan portfolio, women borrowers comprise approximately 25 per cent. Since 2017, together with EBRD, the applicant has had in place a "Women in Business" (WIB) loan programme, which is a risk-sharing facility that offers beneficial terms for women entrepreneurs and provides business advisory services to women-led SMEs. More specifically, under this programme women borrowers can obtain a loan from the applicant with lighter collateral requirements compared to other loan programmes. There are also training platforms and workshops organized for this target segment. Additionally, together with the Swedish government (Swedish International Development Cooperation Agency), the applicant has in place a guarantee programme that is targeted at SMEs. It offers more favourable loan terms if a beneficiary is a woman entrepreneur or if the loan purpose is resource-efficient or cleaner production. However, as the applicant's gender integration guidelines were developed only recently, it could not provide evidence of conducting gender assessment in its projects/programmes.

67. The AP finds that the applicant's gender policy, procedures and capacities fully meet the updated GCF Gender Policy. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 66 and is reflected by the corresponding condition of accreditation in section 4.2 below.

IV. Conclusions and recommendation

4.1 Conclusions

68. The AP concludes, following its assessment of the application against the standards of the GCF in accordance with the accreditation requirements identified in paragraph 12 above:

(a) The applicant fully meets the requirements of the GCF basic fiduciary standards, the GCF Policy on the Protection of Whistle-blowers and Witnesses, the Policy on Prohibited Practices and the GCF AML/CFT Policy;

(b) The applicant partially meets the requirements of the specialized fiduciary standard for on-lending and/or blending for loans and guarantees. TBC is yet to develop an information disclosure policy specifically for the GCF-funded projects. Correspondingly, the public disclosure of information on beneficiaries and results of projects/programmes will be demonstrated during and at the end of implementation of GCF-funded projects/programmes;

(c) The applicant meets the GCF Environmental and Social Policy, the interim GCF ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to a high E&S risk (category I-1); and

(d) 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. However, the applicant could not provide evidence of conducting gender assessment in its projects/programmes including 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 APL113 for accreditation as follows:

(a) **Accreditation type:**

(i) **Maximum size of an individual project or activity within a programme:** medium[7] (including micro and small);

(ii) **Fiduciary functions:**

1. Basic fiduciary standards;

2. Specialized fiduciary standard for on-lending and blending (for loans); and

(iii) **Maximum environmental and social risk category:** high risk (category I1) (including lower risk (I-2[8] and category I-3[9])).

(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) Condition to be met with the submission of the first funding proposal to GCF:

1. Provision by the applicant of a gender assessment and action plan as part of the first funding proposal, including a narrative on gender consideration in the context of climate change, as relevant;

(ii) Conditions to be met prior to the submission of the first funding proposal to the Board:

1. Provision by the applicant of a copy of the adoption by its competent bodies of a policy for overseeing, assessing and reviewing the procurement procedures of beneficiary institutions and executing entities for GCF-funded projects, together with a copy of such policy;

2. Provision by the applicant of a copy of the adoption by its competent bodies of the information disclosure policy/guidelines for providing information to the public regarding its decisions on on-lending and

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[7] 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 GCF, of above US$ 50 million and up to and including US$ 250 million for an individual project or an activity within a programme."

[8] As per annex I to decision B.07/02, category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures," and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented."

[9] As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts," and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts."

blending operations for GCF-funded projects, together with a copy of such policy. The policy/guidelines shall cover, inter alia:

a. Type or content of information to be provided;

b. Media/channels through which information will be provided;

c. Timelines within which the award information will be made public;

(iii) Condition to be met within one (1) year following the approval by the Board of the first GCF-funded project/programme to be undertaken by the applicant:

1. Provision on the applicant's website of at least the following information on the beneficiaries of the GCF-funded project(s)/programme(s) undertaken by the applicant:

a. Brief summary o Subject to revision pursuant to paragraph 17 of the limited distribution document.f each project/programme;

b. Name, address and nationality of the beneficiary/beneficiaries, to the extent permissible by relevant laws and regulations;

c. Purpose of the funding provided to each beneficiary;

d. Funded amount and period of funding provided to each beneficiary; and

(iii) Condition to be met within three (3) years of the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant:

1. Provision on the applicant's website of at least the following information on the results of the project(s), to the extent permissible by relevant laws and regulations:

a. Actual versus planned results/outcomes of the project/programme;

b. Adherence to budgets/costs/timelines.

70. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 69 above, and agrees to the recommendation.