

Annex IX: Re-accreditation with an upgrade assessment of Acumen Fund Inc (RAPL004)

I. Introduction

1. Acumen Fund, Inc. (Acumen) is an impact investment fund headquartered in the United States of America with experience in small and medium-sized enterprises (SMEs) that serve low-income communities in developing countries primarily in sub-Saharan Africa and South Asia. Acumen has a successful track record in sourcing and executing equity investment opportunities primarily in the clean energy and agriculture sectors, which provide environmental and livelihood impacts. The results of its activities overlap with the results areas and impacts of GCF in the areas of reducing carbon dioxide emissions from energy efficient products (appliances); and improvements in the livelihoods of vulnerable populations through the provision of improved agricultural inputs, services and information. The activities of Acumen's portfolio companies, for example, include the distribution of solar lanterns, solar home systems, smoke-free cookstoves (energy) and the sales of agricultural inputs, services, financing and technical assistance. Leveraging its well-established track record investing in companies via equity and loan instruments, Acumen is currently seeking re-accreditation to GCF under the international access modality compared to its first accreditation term as a regional direct access entity (DAE) in Africa that better reflects its business model and mandate, to further assist more people in the low-income communities in which it operates.

2. Acumen was accredited by the Board on 26 March 2015 in decision B.09/07, paragraph (b), for the following parameters, as recommended by the Accreditation Panel (AP), under the fit-for-purpose approach of GCF:

- (a) **Access modality:** direct access, regional. The accredited entity (AE) received a national designated authority (NDA) 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:** micro;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management; and
 - (iii) Specialized fiduciary standard for on-lending and/or blending (for loans and equity only); and
- (e) **Maximum environmental and social risk category:** minimal to no risk (category C/intermediation 3 (I-3)).³

3. Acumen applied for an upgrade in its accreditation scope, which was approved in decision B.18/05, paragraph (d), for the following parameters:

¹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including USD 10 million for an individual project or an activity within a programme."

² Decision B.07/02.

³ 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."

(a) **Fiduciary functions:**

- (i) Specialized fiduciary standard for grant award and/or funding allocation mechanisms.

4. Acumen signed its accreditation master agreement (AMA) with GCF on 8 June 2016, which became effective on 11 July 2016. With the AMA having become effective, the AE's first accreditation term was from 11 July 2016 to 10 July 2021. Due to the coronavirus disease (COVID-19) pandemic and in line with decision B.26/01, para. (h), the AE requested, and was issued, an extension in the deadline to submit its re-accreditation application to GCF from 10 April 2020 to 10 July 2021. The AE submitted its application to GCF for re-accreditation, as well as an application to upgrade its accreditation scope, via the digital accreditation platform on 9 July 2021. Accreditation fees were received from the applicant in relation to the upgrade application on 13 September 2021, thereby launching the stage I institutional assessment and completeness check. Stage I was completed on 25 November 2021 and the applicant was progressed to the stage II (step 1) accreditation review by the AP, which has been concluded with the publication of this assessment.

5. The AE applied for an upgrade in its accreditation scope at the same time as its re-accreditation application for the following parameters under the fit-for-purpose accreditation approach of GCF. The changes as compared to its accreditation scope during the first accreditation term are below:

- (a) **Access modality:** international access;
- (b) **Maximum size of an individual project or activity within a programme:** medium;⁴ and
- (c) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2)).⁵

II. Stage I institutional assessment and completeness check

6. The AE applied and was assessed by the Secretariat during stage I under the normal track re-accreditation process in accordance with the GCF policies and standards to the extent applicable to accreditation below:

- (a) "Updated Strategic Plan for the Green Climate Fund: 2020–2023" (decision B.27/06);
- (b) "Matters related to the accreditation framework" and "Consideration of accreditation proposals, including consideration of the re-accreditation deadline" regarding the re-accreditation process (decisions B.24/13, para. (a), and B.26/01, para. (h), respectively);
- (c) "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);

⁴ 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 USD 250 million for an individual project or an activity within a programme."

⁵ As per the Environmental and Social Policy adopted in decision B.19/10, category B is defined as "Activities with potential limited adverse environmental and/or social risks and impacts that individually or cumulatively, are few, generally site-specific, largely reversible, and readily addressed through mitigation measures," and intermediation 3 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 impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures; and includes no activities with potential significant adverse environmental and social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented."

- (d) “Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach” (decision B.08/02);
- (e) “Policy on Prohibited Practices” (decision B.22/19);
- (f) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (AML/CFT Policy) (decision B.18/10);
- (g) “Policy on the Protection of Whistleblowers and Witnesses” (decision B.BM-2018/21);
- (h) “Environmental and Social Management System: Environmental and Social Policy” (decision B.19/10);
- (i) “Revised Environmental and Social Policy” (decision B.BM-2021/18);
- (j) “Comprehensive Information Disclosure Policy of the Fund” (decision B.12/35) regarding the disclosure of environmental and social (E&S) information; and
- (k) “Updated Gender Policy and Gender Action Plan 2020–2023” (decision B.24/12).

2.1 Legal status, registration, permits and licences

7. The AE provided documents on its establishment and licences to operate, where relevant, as a part of the application. The AE confirmed that there had been no change in its legal status or licences to operate since the original accreditation application.

8. As indicated in paragraph 4 above, the AE and GCF entered into the AMA for the AE’s first accreditation term from 11 July 2016 (date of AMA effectiveness) to 10 July 2021. With the deadline for the re-accreditation application submission having been extended until the end of the accreditation term at the request of the AE, the AE’s accreditation term has lapsed as of 11 July 2021 since its re-accreditation application was submitted at the end of the first accreditation term. As the AE has sought re-accreditation prior to the end of its first accreditation term, it shall remain designated as an AE during the period between its first and, if re-accredited and having a signed and effective amended and restated AMA, second accreditation terms.

9. Once re-accredited, the AE’s AMA would need to be amended and restated to account for the re-accreditation decision and any conditions of re-accreditation based on the AP’s assessment of the AE against the GCF standards and policies listed in paragraph 34 below, as well as reflect the GCF policies and standards adopted by the Board that have become effective since the agreement between the GCF and the AE of the AMA for its first accreditation term.

10. The AE confirmed at the time of publication of this recommendation that it is willing to engage with GCF on amending and restating the AMA to account for new GCF policies that have become effective after the agreement between the GCF and AE of the AMA for the first accreditation term and that it will put in the necessary resources to review the draft amended and restated AMA.

2.2 Accredited entity performance in contributing to GCF programming results

2.2.1 Approved GCF projects under implementation and national designated authority participatory monitoring

11. Acumen’s portfolio as per the funding proposals approved by the Board includes three funded activities with GCF financing of USD 81 million, out of which USD 8 million is in grants

and USD 73 million in equity, and co-financing at USD 145 million, out of which USD 107 million is in equity, USD 26.3 million is in senior loans and the remaining USD 11.7 million is in grants. Funding proposal (FP)005, KawiSafi Ventures Fund (KawiSafi) approved at B.11 in November 2015 and FP078, Acumen Resilient Agriculture Fund (ARAF) approved at B.19 in March 2018 are currently under implementation while the funded activity agreement (FAA) for FP148, Participation in Energy Access Relief Facility (EARF) approved at B.27 in November 2020 reached effectiveness in November 2021 and will enter the implementation stage with disbursements expected. Per the funding proposal approved by the Board, KawiSafi is a cross-cutting fund seeking to reach 15 million beneficiaries and avoiding 1.5 million tons carbon dioxide equivalent (CO₂eq). ARAF is an adaptation fund seeking to reach 10 million beneficiaries, while EARF is a mitigation fund aiming to reduce 1.3 million tons CO₂eq.

12. Both KawiSafi and ARAF have required the setting up and subscription of separate FAAs for the respective equity components and Technical Assistance Funds (TAF). In KawiSafi, Acumen achieved FAA effectiveness for the equity component just 13 days after execution, and in ARAF, it took nine months from execution to effectiveness. KawiSafi's closing is expected in August 2028 and ARAF's closing is expected in September 2032. Acumen also established different capitalization goals for the two funds under implementation, USD 100 million and USD 50 million for KawiSafi and ARAF respectively, yet targeted similar GCF equity contributions – USD 20 million for KawiSafi and USD 23 million for ARAF. KawiSafi held its final fund commitment at USD 67.4 million. At the end of 2020, ARAF held fund commitments of USD 48.3 million, and was targeting a fund final close in 2021.⁶ As a result, GCF currently has a higher equity stake in one of the funds compared to the other.

13. For KawiSafi, the first disbursement of USD 5.35 million took place less than two months after FAA execution and in this way served as an initial catalyzer for additional fundraising from other partners. For ARAF, GCF committed junior equity, in this way catalyzing senior capital commitments above the fund's target. As at 31 December 2021, Acumen has been working actively, is investing in companies and has requested cumulative GCF disbursements for each equity FAA, already reaching 66 per cent of GCF's equity investment in KawiSafi and 32 per cent in ARAF.

14. In both KawiSafi and ARAF where the funds are under implementation, the respective TAF components were set up to identify and address core needs of portfolio companies to enable their scale and financial viability. Additionally, each TAF includes a Technical Assistance Committee (TAC). GCF funds requested by Acumen in the funding proposals approved by the Board for each TAF were similar – USD 5 million for KawiSafi and USD 3 million for ARAF. Acumen completed the operationalization of KawiSafi's TAF in 2020.

15. EARF is different to its predecessors, highlighting Acumen's capitalization on its experience with GCF as an AE. Hence, whilst EARF has just recently entered into effectiveness, it will cover a more ambitious geographic scope and therefore include more countries, but will continue to focus on Africa with GCF funding. EARF will not deploy equity investments and has been designed as a concessional debt fund. Total capitalization of this fund is similar to ARAF (i.e. target fund size of USD 60 million as per the Board-approved funding proposal), however EARF has sought a higher participation from GCF, USD 30 million versus USD 23 million in equity. Finally, EARF does not include a TAF component.

16. **Project implementation progress:** As of 31 December 2021, of two projects that are under implementation (KawiSafi and ARAF), USD 26.16 million (51.79 per cent) have already been disbursed.⁷

⁶ The information is from the 2020 annual performance report for the relevant approved projects/programmes.

⁷ The disbursement rate shown is the simple average for two projects (KawiSafi and ARAF) under implementation.

17. With regard to overall performance, both KawiSafi and ARAF, the two funds under implementation, have been performing adequately well thus far. Through Quarter 3 of 2021, KawiSafi is in its fifth year of implementation with investments in 9 companies, and ARAF is in its second year of implementation with investments in 5 companies, as per the annual performance report for 2020. It is worthy to note that Acumen has been providing periodic key data and information on each fund's performance and progress in addition to the annual performance reports (APRs) for funded activities on a quarterly basis.

18. Regarding the results, in Kenya and Rwanda, in 2020 alone, KawiSafi's portfolio companies directly impacted 4.8 million lives directly and 13.1 million lives indirectly and offset 5.6 million tons of climate-warming emissions. Since investment, with the support of GCF's funding, KawiSafi's portfolio companies have directly brought access to clean energy to an estimated 15.1 million individuals in Kenya and Rwanda and averted 11.8 million tons of climate-warming emissions. Of the lives impacted, it is estimated that 52 per cent have incomes at or below USD 3.20 per day (the poverty line as defined by the World Bank). In 2020, KawiSafi's portfolio companies employed over 2,500 people globally with over 30 per cent being women: a 2 per cent increase in the ratio of women from 2019. These companies have also provided training to over 4,000 women in the solar sector (including technicians, installers, sales agents, and customer care professionals) representing a 2.7-times increase from 2019.

19. Similarly for ARAF, as of the end of 2020, through its investments the fund had impacted 13,000 smallholder farmers (65,000 lives based on a household multiple of 5) within the first year of investing.

20. **Reporting:** As regards the quality and timeliness of APRs, Acumen has been providing these per terms and conditions as included under the AMA and the applicable FAAs.

2.2.2. **Entity work programme, concept notes, funding proposals and Project Preparation Facility (PPF) requests**

21. **Entity work programme:** Acumen submitted a draft entity work programme (EWP) to GCF in April 2020 outlining their priorities for the GCF-1 period, which focused on operationalizing and scaling two of its funded activities (KawiSafi and ARAF) through a potential expansion to new countries, specifically targeting least developed countries (LDCs) in Africa. Acumen had also included a potential project that addressed COVID-19, which has since been approved at B.27 as EARF; Acumen has made the legal agreements effective and is currently working on meeting the conditions precedent for disbursement. Through the EWP Acumen also signaled expansion of its partnership with GCF to Asia Pacific and shared new project ideas it is exploring in agriculture and energy access. The AE's comparative advantage is in developing innovative financing solutions at the nexus of poverty and climate change with energy access and agriculture being the primary sectors it targets for investment opportunities. The new project ideas in Asia Pacific have the potential to leverage the AE's comparative advantages, are cross-cutting targeting smallholder farmers as end beneficiaries, and leverage private sector finance. Acumen also intends to propose follow-on projects replicating the KawiSafi and ARAF business models to new countries and regions. Acumen is in the process of updating its EWP for the remainder of GCF-1 and the period of the second accreditation term, if re-accredited. Once updated and reviewed by the Secretariat, the Secretariat will consider the EWP for potential CIC endorsement.

22. Acumen is open to partnerships with GCF AEs, including direct access entities (DAEs), to play the role of an executing entity (EE) in the projects they may prepare for submission to GCF, where complementarity and synergies in accreditation scope are mutually beneficial.

23. **Concept notes/funding proposals:** As of 31 December 2021, Acumen does not have any officially submitted concept note or funding proposal. However, GCF is in discussion with

Acumen on a few project ideas at a nascent stage, related to first-time access to clean and affordable energy in difficult markets. Acumen's pipeline signifies an alignment with the overall strategic objectives of GCF including an increased emphasis on equity to leverage financing from a multiplicity of local actors. Furthermore, the AE has a stated objective of collaborating with national actors and is open to working with DAEs where appropriate, which helps enhance their capacity, and in the process contributes to institutional development and readiness for local actors to approach GCF.

24. As indicated in Acumen's EWP and re-accreditation application, being a relatively small-sized impact investment fund, the AE will focus on ensuring successful implementation of the three approved projects during its second accreditation term. Over the accreditation term, with respect to GCF-funded projects/programmes, Acumen will also focus on building capacity and on exploring new investment strategies focused on resilient agriculture and energy access, among others, in new regions. To this end, as indicated above, with the re-accreditation application, Acumen has requested to change its status from a regional DAE focused on Africa to an international access entity (IAE) with ability to work in Asia. This change is requested also because the entity is headquartered in the United States of America.

2.2.3. Risk flags incurred by the projects, accredited entity or country during the first accreditation term

25. COVID-19 impacted Acumen and its funds in 2020 in the following areas: (i) mobility restrictions and requiring telecommuting; (ii) creating supply chain challenges in relation to investee companies; (iii) shifting priorities in investee companies by having them put resources towards short-term management and longer-term planning; and (iv) macroeconomic impacts such as devaluation of currencies and decreased capital availability. Acumen has also been experiencing talent transition, both for its own staff at fund level and in portfolio companies consistent with market trends. Lastly, Acumen needs to continue to expand its investment portfolios and close new deals over the implementation period, consistent with its current pace.

26. Regarding country ownership, while engagement of Acumen with relevant national designated authorities (NDAs) during the project development phase has been satisfactory, communication during post-approval stages needs to be improved by providing regular updates to the respective NDAs on the amount and timeline of disbursements reaching the involved countries.

27. From the safeguards perspective, an environmental, social and gender review of KawiSafi's portfolio has been completed and no substantial risks were identified that required immediate and necessary action. No complaints were received by the project-level grievance redress mechanism (GRM). For ARAF, as is the case with most agriculture investments, the ESS risk is in the borderline between the category C/intermediation 3 (minimal or no risk) for which Acumen is accredited, and category B/intermediation 2 (medium risk). No complaints were received by the AE-level grievance redress mechanism.

2.3 International access entity contribution to building the capacity of direct access entities

28. As Acumen was accredited as a regional DAE during the first accreditation term, the requirement – for an IAE – to report to GCF annually on activities intended or actually undertaken to strengthen the capacities of already accredited DAEs, or to support potential DAEs, did not apply to Acumen. With its request in its re-accreditation application to change from a DAE to an IAE in terms of access modality, Acumen intends to explore leveraging its accreditation to work with other local partner organizations in the countries where it is

working across Africa, Asia and Latin America, with the understanding that these organizations may one day apply for accreditation with GCF.

2.4 Overall portfolio of activities of the accredited entity beyond those funded by GCF

29. As per the updated Strategic Plan (USP) for the GCF: 2020–2023, the re-accreditation process, and the monitoring and accountability framework, the Secretariat and the AP are requested to provide an assessment of the extent to which the overall portfolio of activities of the AE beyond those funded by GCF has evolved during the accreditation period, in order to advance the goal of GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development.

30. During its first accreditation term, Acumen has embedded a stronger climate focus across its investment portfolio and programming. One of the key sectors Acumen works in is energy – driving innovation in energy access to generate income and create a pathway out of poverty in East Africa, West Africa, India and Pakistan. Apart from GCF-funded energy-focused projects, since its first accreditation term to GCF, Acumen has doubled down on its philanthropy-backed, pioneer investing activities in energy. In late 2016, Acumen launched its Pioneer Energy Investment Initiative (PEII) to bridge the funding gap for early stage off-grid energy companies and accelerate energy access across the developing world. Since its launch, PEII evolved into a USD 22 million initiative and invested in 12 companies delivering off-grid energy from renewable sources in India, East Africa, West Africa and Latin America with the focus on solar home systems in new markets, mini and micro grids and innovations in productive use averting 62,500 tons of black carbon emissions while providing energy access to 918,500 people.

31. Agriculture is another core sector for Acumen that has traditionally focused on investing in pioneer agriculture companies serving smallholder farmers to improve productivity, income and access to markets. During the first accreditation term, Acumen has made 21 new investments in agriculture companies and moving forward it anticipates that its regional pioneer agriculture investment strategies in Latin America, India, East and West Africa, will take a targeted approach connected to the context and the needs of the regional markets, but will implement a climate lens.

32. The AE provided the following information in its re-accreditation application with regard to guiding questions established in the GCF methodology for establishing a baseline of greenhouse gas emissions (GHG) and climate resilience for the portfolio of AEs:⁸

- (a) Guiding question 1. Has the entity established policies or commitments in the short, medium or long term regarding investment in climate change projects?
 - (i) Since Acumen's first accreditation term starting in 2016, it has brought three funding proposals to GCF representing USD 211 million in funding to support climate change mitigation and adaptation. As at 31 December 2021, the USD 81 million committed by GCF to Acumen-initiated projects has catalyzed USD 130 million in climate finance co-financing. The narrative below provides an overview of how Acumen, at the organization level, has evolved during its first accreditation term to embed a stronger climate focus across its investment activity and programming.
 - (ii) **Investing and portfolio**

⁸ Document GCF/B.28/11/Add.02.

- (1) *Energy:* In late 2016, Acumen launched the Board-approved Pioneer Energy Investment Initiative (PEII) to bridge the funding gap for early stage off-grid energy companies and accelerate energy access across the developing world. Since its initial launch, the PEII evolved into a USD 22 million initiative with funders from development finance institutions, corporate partners and institutional and family foundations. From 2016 through the end of 2021, the PEII invested in companies delivering off-grid energy from renewable sources in India, East Africa, West Africa, and Latin America, with a focus on solar home systems in new markets, mini and micro grids, and innovations in productive use. Since the launch of the initiative, the PEII has invested over USD 13 million in investments across 12 companies that have averted 62,500 tons of black carbon emissions and provided energy access to 989,000 people.
 - (2) *Agriculture:* In agriculture, Acumen has traditionally focused on investing in pioneer agriculture companies serving smallholder farmers to improve productivity, income and access to markets. During the first accreditation term, Acumen has made 21 new investments in agriculture companies that are (1) providing smallholder farmers access to better inputs that allow them to sustainably increase production and sell more crops; and (2) integrating farmers into global supply chains by enabling them to bypass middlemen and sell their products directly to processors at fair market value. Acumen's investments in agriculture have resulted in 36 million livelihoods supported across 30 companies operating in 14 countries backed by USD 36 million in capital. USD 114 million has been attracted by these companies, following Acumen's investment. Many of these companies are inherently contributing to community resilience and adaptation efforts, during the first accreditation term. Since ARAF's launch in 2019 with USD 58 million of committed capital (leveraging the GCF contribution of USD 23 million in junior equity to raise USD 35 million in senior equity from other investors), the fund has already invested in several companies bringing climate-smart products and services to smallholder farmers to support community resilience in Africa. Acumen is seeing great potential to replicate the fund model in other geographies, including India and Pakistan, and is seeking a change in the access modality from a direct access entity to an international access entity to facilitate this enablement.
- (b) Guiding question 2. Does the entity receive resources from third parties for the financing of climate projects?
- (i) Acumen receives resources (both in the form of investment and grant) from third parties to finance climate projects. During the first accreditation term from 2016 to 2021, Acumen and its sponsored funds received a total of USD 93.76 million from third parties, including high networth individuals, foundations, governments, wealth managers and corporates, to fund both adaptation (USD 31.63 million) and mitigation (USD 62.13 million) activities. During the first accreditation term, Acumen has seen a general uptick in third-party support for the financing of its climate projects, reflecting the fundraising for the GCF-funded projects KawiSafi, ARAF and EARF, and the non-GCF funded project PEII.
- (c) Guiding question 3. Does the AE calculate and reduce its institutional-level greenhouse gas (GHG) emissions?

- (i) At present Acumen does not calculate its institutional-level greenhouse gas emissions, (i.e. carbon footprint). As impact investors, Acumen operations do not have a significant environmental effect and have limited environmental risks. Acumen’s largest office is located in a Leadership in Energy and Environmental Design (LEED)⁹ certified building, and Acumen considers efficiency as one of the key factors when selecting its office sites. Document retention is primarily soft copy, reducing carbon footprint and paper waste. Work travel is only permitted when necessary, and localized regional teams mean that there is less need for long-haul travel.
 - (ii) The AP encourages Acumen to establish a methodology and calculate its institutional-level GHG emission footprint in the future.
- (d) Guiding question 4. Does the entity evaluate the climate risks of its portfolio?
 - (i) During the first accreditation term from 2016 to 2021, Acumen’s executing entities formally evaluated the climate risks of its portfolio companies for its GCF-funded projects, including KawiSafi, ARAF and EARF, by conducting climate change vulnerability assessments during the due diligence process. For the purposes of the following indicators, each investment transaction is considered “a project”.
 - (ii) By the end of the first accreditation term, almost a quarter of investments (i.e. projects) made by Acumen’s direct investments in energy and agriculture projects and its GCF-funded programmes in 2020 were applying a formal climate change vulnerability assessment to the pre-investment process. All GCF-funded programmes applied formal assessments: KawiSafi conducts these assessments using their Responsible Investing Policy, EARF uses their Environmental and Social Management System to assess climate risks, while ARAF applies its ARIS tool to the pre-investment screening tool developed by ARAF to measure how investments will impact the resilience of communities to climate change.
 - (iii) Investment transactions conducted without formal assessments are attributed to Acumen’s early stage pioneer portfolio-investing work, which in 2016–20 primarily included small size investments made into clean energy access companies and early-stage agriculture companies that integrate smallholder farmers into global, sustainable supply chains.
- (e) Guiding question 5. What are the main sectors of activity of the entity?
 - (i) During the first accreditation term from 2016 to 2021, the bulk of Acumen’s sectors of activity were climate related. Over the period, over USD 53 million was invested into climate related projects representing 61 per cent of Acumen’s investment activity. In terms of total amount invested in USD millions, in 2016 47 per cent of Acumen’s investments were climate related and by 2020 this figure had increased to almost 90 per cent. All GCF-funded projects are climate related.
- (f) Guiding question 6. Is the entity investing in mitigation projects/operations?
 - (i) Acumen invests in mitigation projects and operations through its energy-investing work. Investments made by KawiSafi and Acumen’s PEII both track their portfolio companies’ contributions to the reduction of greenhouse gas

⁹ Leadership in Energy and Environmental Design, or LEED, is a building certification process developed by the United States Green Building Council (USGBC), a non-profit organization (not a government agency) headquartered in Washington, D.C.

emissions. At the start of the first accreditation term in 2016, Acumen’s energy companies contributed to averting approximately 0.6 million tons of CO₂eq. In 2017, 1.3 million tons; in 2018, 2.01 million tons; in 2019, 5.55 million tons; and in 2020, 7.16 million tons. The increase in investment in mitigation projects during the first accreditation term resulted in an increase in emissions averted each year. During the first accreditation term, these companies averted a cumulative almost 17 million in CO₂eq.

- (ii) With respect to total investment (USD millions) into renewable energy and energy efficiency projects, these too saw a general increase across the accreditation period. In 2016, Acumen invested \$10 million into these projects (representing 100% of Acumen’s investments into renewable energy and energy efficiency projects as compared to its total portfolio in power generation); in 2017, \$4.6 million (100%); in 2018, \$4.5 million (90%); in 2019, \$10.25 million (95%); and in 2020, \$16.19 million (100%). During the first accreditation term, Acumen invested in cumulative \$45.54 million into renewable energy and energy efficiency projects.

Table 1: Cumulative greenhouse gas emissions (carbon dioxide equivalent (tCO₂eq)) averted (in millions of tons) by year

Sector	Year					Total
	2016	2017	2018	2019	2020	
Energy	0.60	1.3	2.01	5.55	7.16	16.62

- (iii) Calculations were made as follows: greenhouse gas emissions averted are calculated as number of tons of GHG and black carbon emissions averted from reduction in use of baseline lighting, cooking methods, or other. This indicator, which is calculated by both the KawiSafi and PEII teams, looks at the tons of carbon dioxide and black carbon (in CO₂ equivalent) averted from purchase of energy product/services over the expected lifetime of the energy product. The carbon averted is due to reduction in kerosene lantern and diesel/fuel use. This formula is aligned to the Global Off-grid Lighting Association (GOGLA). GOGLA harmonized impact framework and is used for business to consumer (B2C) and some business to business (B2B) companies. The approach is different for commercial and industrial companies since they often do not replace kerosene usage. To arrive at the amount of carbon averted, Acumen uses the average aversion per product multiplied by the installed and operational capacity. The figures in this section do not include investments into a company producing clean cookstoves that use liquid petroleum gas.
- (g) Guiding question 7. Is the entity investing in adaptation projects/operations?
- (i) Acumen invests in adaptation projects and operations. The AE’s first climate resilience and adaptation fund, ARAF, held its first close in 2019 and made its first investments in 2020. In 2020, ARAF invested into four companies whose climate-smart products and services impacted at least 65,000 beneficiaries by improving their resilience to climate change. This figure is expected to grow year over year as ARAF makes more investments and these companies grow. Given 2020 was the first year that ARAF held investments and its first full year of operations, no beneficiary lives impacted were recorded for 2016 to 2019.
 - (ii) Looking ahead to the potential second accreditation term, Acumen expects to invest more intentionally in companies with a resilient agriculture focus. In the

next iteration of the AE's agriculture investment strategy, the AE plans to support resilient agriculture start-ups that are nurturing a sustainable ecosystem that centres on the needs of smallholder farmers, advances climate mitigation and resilience and reduces poverty.

33. The AE has not been involved (either past or current) in fossil-fuel financing. The AP considers that the evidence provided for the first accreditation term demonstrates the continuous positive trend of developing climate change mitigation and adaptation and cross-cutting activities. Both the strategy and the trend of activities are aligned with the GCF mandate and objectives.

III. Stage II re-accreditation review assessment

34. The AE applied under the normal track re-accreditation process. Its application was assessed by the AP during stage II (step 1) against the standards of GCF in accordance with the re-accreditation requirements to the extent applicable to accreditation identified in paragraph 6 above. As part of this assessment, the AP consulted the AE'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

35. Acumen did not have any conditions with regard to the basic fiduciary standards on key administrative and financial capacities recommended by the AP for the first accreditation term and upgrade in accreditation scope during said term.

36. While there have been personnel changes since the AP's assessment in late 2014 and early 2015 for the AE's first accreditation term starting in 2016, and the organizational structure has evolved, there have been no significant changes in the administrative and financial capacities. The latest bylaws and board committee charters have been provided together with details of the members of its 14-strong board of directors and the 44 members of the organization's advisory council. The board has several sub-committees covering the following areas: audit, finance and risk; compensation; and development/fund raising/nominations. In addition, the AE has an executive management committee and a corporate-level investment committee as well as separate investment committees for each of the funds it manages.

37. Acumen's 2030 strategic direction presentation articulates a high-level vision for the organization over the next decade, with the inclusion of climate impact in its investment work and an intention to increase financing for the transition to clean energy. The organization's 2020 objectives and priorities included key performance indicators and action plans for the areas of: communications; financial sustainability; ideas and insights; portfolio; and leadership.

38. In 2020, the AE changed its external auditor from RSM United States LLP to follow the best practice policy of periodically moving auditors to get a fresh perspective on systems, contracts and data and to ensure the highest audit standards are achieved. The new auditor has specific expertise in impact investing and Acumen believes this will enhance its ability to undertake its role as an AE under its AMA with GCF. Audits are prepared under the generally accepted accounting principles (GAAP) of the United States and the 2019 and 2020 audits have been provided to illustrate financial capacities and track record in financial management.

39. The audit and finance committee is responsible for ensuring audits are performed on time and accurately and that recommendations of the external auditor are addressed. The chief financial officer works with the finance team to support the preparation of the audits by the

external auditor. Audit plans have been provided together with examples of recent minutes from the audit and finance committee. External auditor's management letters for 2011, 2012 and 2013 were provided at the time of the AP's assessment for the AE's first accreditation term together with details of responses to the external auditor's recommendations. A report to the board of directors detailing recommendations and corresponding action plans stemming from recent external auditor's management letters has also been provided to demonstrate current track record in this regard.

40. Acumen's risk committee substantially performs the roles of an internal audit function. The committee comprises the General Counsel; Chief Financial Officer; Director of Talent; Compliance and Risk Manager; and Environmental and Social Governance (ESG) Manager. The committee meets quarterly and each year conducts a review and update of major risks, mitigants, and action plans. The intervening quarterly meetings are used as progress checks against annual priorities, as well as for troubleshooting as new issues arise. Risk categories assessed span regulatory, assets and programmes, geographies, conflict and operational issues. The risk committee has a framework for the basis of its work and has developed a risk-based methodology for completing a risk dashboard that takes into account the likelihood and magnitude of any risks identified, that in turn informs the prioritization and sequencing of action plans. The risk dashboard plots Acumen's risks, impacts, mitigants and action plans.

41. The risk committee reports to the audit and finance committee on an annual basis regarding its risk framework and key risks identified, together with the trend reporting provided to the audit and finance committee in accordance with the investigative function policy. The risk manager has a process in place to monitor and assess the overall effectiveness of the function, including periodic internal and external quality assessments. More specifically, the risk committee determines the frequency of any internal or external audits in addition to the external financial and systems audit conducted by a third-party auditor selected by the board of directors. For example, in 2021, a third party was engaged to assess compliance and systems related to fund management, and internal parties not involved in execution conducted a documentation audit of a COVID-19 relief grant facility.

42. The AE has provided full details of its control framework, with supporting documents and evidence of track record for internal controls. As explained above, Acumen has articulated how it has strengthened its risk management process since the AP's assessment for the AE's first accreditation term. Additionally, a risk dashboard has been developed and a risk and compliance manager hired. As such, Acumen has significantly improved its risk management since the AP's assessment for the AE's first accreditation term, which enhances its ability to undertake its role as an AE with GCF.

43. While the work of the risk committee that aligns with what is expected of an internal audit function is thorough and appropriate for the nature and extent of Acumen's global operations, it does not constitute a stand-alone internal audit function. However, the recent decision to include reporting from the risk manager to the audit and finance committee, whose members are all external, adds to the independence of the risk manager's responsibilities and accountabilities that align with an internal audit function. This change of reporting line, together with the other measures recently taken to strengthen the risk management function, is considered sufficient to satisfy the requirement for an internal audit function at this stage of the AE's development.

44. The AE has provided details of the nature and types of its procurements, which are generally small in size. As such the procedures and processes are deemed satisfactory for the AE's business. With respect to GCF-funded activities, the executing entities (EE) or investee companies in the AE's funds take the approach outlined in their respective technical assistance (TA) operating manuals and Acumen's own procurement guidelines which meet the GCF basic fiduciary standards on key administrative and financial capacities. Where an Acumen affiliate is

the EE, Acumen's existing procedure for oversight of EE procurements is to review EE activity each quarter. Acumen has access to EE financial reports, ledgers, and purchase order documents and conducts spot audits of compliance with the procurement policy. As a practical example of how EEs conduct procurements, KawiSafi tendered a contract for an implementing partner to manage their TAF. The procurement terms of reference and a request for proposal were published publicly and circulated amongst their networks. Proposals were received from six entities and reviewed by members of the KawiSafi team, who ranked and scored the proposals received against pre-set criteria in order to select the most competitive proposal.

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

3.1.2. Basic fiduciary standards: transparency and accountability

46. Acumen has fulfilled and closed conditions with regards to basic fiduciary standards on transparency and accountability recommended by the AP and approved by the Board in its decision to accredit the AE for the first accreditation term.¹⁰

47. Acumen has no explicit ethics committee. The AE has a Code of Ethics and investigative function policy. The President oversees the Code of Ethics and the director of talent and general counsel are engaged as required to investigate matters and report to the President with conclusions and recommendations. Formal complaints under the Code of Ethics are reported to the audit and finance committee of the board; the AE has provided sample reporting to the AP. The President also oversees the investigative function policy and general counsel is engaged to investigate matters and report to the President and the audit and finance committee on trends. Regarding other ethics matters embedded in the AE's work, diligence issues are handled by the legal and the relevant individuals (in portfolio or other functional teams) and recommendations are made to the General Counsel, which in turn makes a recommendation to the President for whether or how to proceed. The 2021 Code of Ethics and Non-Disclosure Agreement affirmed by employees have been provided. Employees are required to sign the agreement on accepting Acumen's offer of employment. The AE's policies and procedures on ethics, supported by its track record, are deemed adequate for the organization's size and nature of its business.

48. The AE has provided its latest conflict of interest policy together with examples of the procedures and processes for addressing potential conflict of interests. Employees are required to disclose potential conflicts of interest on an annual certification form and examples have been provided from a board member, investment committee member, an adviser and an executive team member. Track record on conflict resolution has been demonstrated with two recent examples of potential or actual conflicts of interest, with details of the process and how they were resolved.

49. Acumen's Code of Ethics includes statements on fraud, financial mismanagement and other forms of malpractice or prohibited practices by staff members, consultants, contractors, executing entities or from any other relevant party associated directly or indirectly with the general operations of the organization and particularly in relation to the implementation of approved investments. There is a clear policy of zero tolerance for businesses and people who do not obey the letter and spirit of all relevant laws, particularly in the areas of corruption, tax fraud, terrorism and money-laundering. To instill this culture employees are required to confirm their agreement to the Code of Ethics. All new employees receive a Code of Ethics training during their on-boarding and regular ongoing training for all staff consists of relevant discussion topics and reminders.

¹⁰ Refer to document GCF/B.11/03.

50. Acumen's whistle-blower protections are detailed in the reporting section of the Code of Ethics, which prohibits retaliation against whistle-blowers (including job loss, loss of promotion, harassment, etc.) and provides for the disciplining of any employee who takes retaliatory measures against a whistle-blower. Acumen has recently modified the non-disclosure agreement, that all employees sign to clarify that it should not deter potential whistle-blowers from reporting any good faith concerns relating to illegality, ethical standards or impropriety.

51. Details of the AE's investigation function with the most recent updates have been provided. The AE's policy is published on its website: <https://acumen.org/anti-corruption-policy/>.

52. The AE's approach to anti-money-laundering and combatting the financing of terrorism (AML-CFT) is covered in the Code of Ethics and in the AE's compliance policies and procedures. AML-CFT procedures include running sanctions' searches on prospective investors and investees prior to a transaction and cover a variety of international sanctions lists, including the European Union and United Nations consolidated lists, and the World Bank ineligible list. Examples of 'know your customer' (KYC) investigations have been provided. As a US registered company, Acumen is required to comply with US regulations including the US Foreign Corrupt Practices Act.

53. The AP finds that the AE's policies, procedures and capacity, supported by evidence of its track record, fully meet the basic fiduciary standards on transparency and accountability, and to the extent applicable to accreditation, the GCF Policy on Prohibited Practices,¹¹ the GCF Policy on the Protection of Whistle-blowers and Witnesses,¹² and the GCF AML/CFT policy.¹³

3.1.3. Specialized fiduciary standard for project management

54. Acumen did not have any conditions with regards to the specialized fiduciary standard for project management recommended by the AP for the first accreditation term.

55. The AE has demonstrated its ability to appraise potential projects and to bring them to fruition. Several examples of information memoranda have been provided as well as the three funding proposals approved for GCF funding. The AE has operated successfully in several jurisdictions since its inception, which supports Acumen's application to be reclassified from a regional DAE to an IAE. There have been no material changes to Acumen's process regarding its investment appraisal framework and fiduciary oversight. The various investment committee charters and their compositions have been provided. Track record has been well proven with the three GCF approved programmes.

56. There have been no material changes to how portfolio companies are managed and reported. Acumen's President, CFO and general counsel have oversight of the investee companies and EEs and their reporting to Acumen through regular meetings to discuss operations and other matters. Acumen reviews the investee's audited financials, quarterly financials and periodic reports provided to investors. Evidence of track record has been provided in the quarterly and annual reports of KawiSafi and ARAF.

57. There have also been no material changes to the AE's monitoring and evaluation (M&E) processes since the AP's assessment for the AE's first accreditation term. Updated annual reviews have been provided to illustrate Acumen's M&E process and the impact measurement on the portfolio. Acumen has confirmed that it will prepare M&E reports, including independent evaluation reports, for future GCF-approved programmes once re-accredited, in the same way

¹¹ Decision B.22/19 and annex XIV thereto.

¹² Decision B.21/25 and annex II thereto.

¹³ Decision B.18/10 and annex XIV thereto.

as the requirement under the funded activity agreements for the three programmes currently approved with GCF.

58. Acumen's structure for monitoring risk remains unchanged. A recent annual report has been provided together with a newer risk register template that is used to assess risk across the organization.

59. The AP finds that the AE's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for project management.

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

60. Acumen has fulfilled and closed conditions with regards to the specialized fiduciary standard for grant award and/or funding allocation mechanisms recommended by the AP and approved by the GCF Board in its decision to upgrade the AE during the first accreditation term.¹⁴

61. Acumen's grant programmes are designed to provide technical assistance (TA) to support the investee companies in Acumen-managed funds and facilities. They can be direct TA grants to the investee companies, or TA grants to support or strengthen aspects of the business and operating environment in which these investee companies operate. Acumen has provided several examples of how these TA grant programmes are designed, implemented and managed. These include operating manuals, details of TA committees, minutes of meetings and examples of TA project concept notes. Most of these examples relate to GCF supported investment vehicles, KawiSafi and ARAF. One of these documents, a "GCF technical assistance facility for KawiSafi" addresses governance, policy and procedures for the grant award operations. This document, and the other documents provided, demonstrate that Acumen can meet the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms.

62. Acumen has stated that sample grant notices cannot be provided for medium-sized project proposals, because all grants extended to existing portfolio companies are small or micro-sized. As of the end of Quarter 3 of 2021, KawiSafi had nine portfolio companies and ARAF had five portfolio companies. Given the size of Acumen's fund teams and the portfolios, it is not common practice to issue formal grant notices or calls to portfolio companies. However, given the track record and processes that Acumen has demonstrated with existing funds and portfolio companies, it is clear that Acumen would be able to design and implement programmes that will meet requirements per the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms for the medium-sized category with respect to total programme or fund sizes. The decision to disclose information on grant awards is based on public utility, donor relations, the confidential nature of the disclosure, and regulatory, legal or consent issues. This decision is generally made by appropriate staff in various functions (communications, portfolio, business development, finance and legal), often with consultation with donors and outside advisers. Historically, Acumen has used a portion of the philanthropic capital granted to the organization for the purpose of targeted technical assistance grants exclusively to existing investees. With these grants made to investees of Acumen's philanthropically-backed funds, the organization does not customarily share information about grant awards with the public, outside of disclosure required by law, primarily due to investee companies' request for confidentiality regarding certain aspects of their business operations. However, Acumen has previously shared reports with donors and grant supporters regarding progress on deploying their funds in the form of technical assistance grants to investees.

¹⁴ Refer to documents GCF/B.22/02, GCF/B.28/11/Add.02 and GCF/B.31/07/Add.01.

63. The KawiSafi TAF has two focus areas: 1) Consumer protection to address risks that may arise in the event of insolvency, financial distress, operational issues or technological obsolescence of a business or its products and services; and 2) Gender-specific interventions to advance the participation and contribution of women in initiatives that promote access to modern energy. This focus is intended to be achieved through training, awareness creation and supporting access to finance initiatives. Due to the confidentiality concerns of private enterprises, the uses of grants for portfolio company specific initiatives would generally not be disclosed publicly. In contrast, public reports are expected to be made available for grants used for ecosystem interventions that are non-company specific, as well as for company-specific initiatives where possible to adequately anonymize and aggregate data or obtain company consent.

64. Notwithstanding the confidentiality concerns of the private companies, the AE has agreed to share with GCF and the public non-confidential information, when reasonably requested and feasible. Details of grant awards with KawiSafi and ARAF are already accessible via GCF's website.

65. Acumen has a strong community of international financial supporters that includes individuals, foundations, and corporations. Relationship managers on the business development team are in constant communication with partners to provide insights into Acumen's work and to solicit feedback. Acumen values its corporate, foundations and multilateral partner relationships and in addition to detailed grant reporting holds regular calls with donors to provide progress updates and to solicit feedback. These informal, oral communications have proven to be an effective and real-time way to ensure aligned donor and recipient expectations. The continued support of these donors and international organizations is evidence of Acumen's good standing with these agencies.

66. The AP finds that the AE's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for grant award and/or funding allocation mechanisms.

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

67. Acumen did not have any conditions with regard to the specialized fiduciary standard for on-lending and blending for loans and equity recommended by the AP for the first accreditation term.

68. Acumen's overall approach to on-lending and blending has not changed since the AP's assessment for the AE's first accreditation term with the GCF. However, over the past five years Acumen has increasingly experimented with creating innovative investment vehicles that raise blended capital to target specific needs along the capital continuum and social enterprise growth life cycle. Acumen has provided two examples of innovative funding vehicles: Pioneer Energy Investment Initiative (PEII), providing early-stage equity to energy access entities; and East Africa Education Facility (EAEF) that uses recoverable grant capital to fund early-stage social ventures designed to improve the quality of education for 8–18 year-olds.

69. The annual report to certain institutional donors on the USD 22 million PEII programme has been provided. In addition, examples of two equity capital calls on behalf of ARAF, have been provided: one that is requesting Acumen's equity commitment to ARAF, which was funded by a large, philanthropic foundation; and the other that is requesting GCF's equity commitment to ARAF.

70. Certificates of incorporation of Acumen's funds have been provided. Acumen is a US not-for-profit corporation whose mission is to invest in companies that serve low-income

populations with critical goods and services in developing countries. As such, Acumen is not a financial institution and not assessed by credit rating agencies.

71. The AE has confirmed that there have been no material changes to its due diligence policies and procedures. For on-lending and blending, investment memoranda are prepared for presentation to the relevant investment committees. These information memoranda include all of the information gathered concerning the company through the due diligence processes. Examples of such due diligence memoranda have been provided to demonstrate the AE's track record on due diligence capabilities and processes.

72. The applicant has provided a revised valuation policy for equity and for debt, with flow charts illustrating the valuation process. This includes the specific valuation policies for ARAF and KawiSafi that have been provided. These revisions enhance Acumen's ability to deliver on its obligations as an AE and ensure investments are valued in accordance with US GAAP accounting standards.

73. Acumen's policies and guidelines for providing information to the public regarding the beneficiaries and results of projects and programmes, funded through loans, equity or guarantees, are guided by the information disclosure section of its new Environmental and Social (E&S) Policy for GCF Funded Projects. Acumen has provided two energy access impact reports and the 2019 and 2020 Annual Reports, which demonstrate Acumen's track record on public disclosure.

74. There have been no material changes to Acumen's investment management processes or procedures since the AP's assessment for the AE's first accreditation term. Acumen has provided relevant supporting documents including an Acumen portfolio annual review and a 2017 Acumen energy impact report.

75. With regard to financial risk management and asset liability management, since the AP's assessment for the AE's first accreditation term, Acumen has articulated a risk management process and significantly improved its risk management system. Acumen has developed the Acumen risk dashboard and hired a full-time employee as risk and compliance manager. To illustrate these changes, the risk management process document, the risk and compliance manager job description, two trend reports, two risk committee meeting agendas and minutes, and the risk management dashboard have been provided. Acumen's finance team establishes certain financial key performance indicators and tracks progress against those metrics through quarterly budget review and financial statement analysis. Acumen presents the results to its board of directors at every board meeting, along with plans to mitigate any financial risks on the horizon.

76. Two examples of medium-size programmes for which the individual programme activities (e.g. investments into companies) are in the GCF micro-size category in which Acumen has blended grants with other sources of capital have been provided: KawiSafi and EARF. KawiSafi is a total USD 67.4 million fund with individual programme activities or investments of up to USD 5 million. An equity investor summary for the fund demonstrating blended sources of capital has been provided. EARF involves a mixture of instruments contributing to approximately USD 68 million in total, with individual programme activities or investments of up to USD 3 million. A financial instrument summary for the EARF fund demonstrating blended funding has been provided.

77. The AP finds that the AE's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for on-lending and/or blending for loans and equity.

3.2 Environmental and social safeguards

78. Acumen did not have any conditions with regard to environmental and social safeguards (ESS) recommended by the AP for the first accreditation term with the accreditation scope of a maximum E&S risk category C/intermediation 3.

3.2.1. Environmental and social policy

79. The AE provided Acumen's "Environmental and Social Policy (ESP) for GCF-funded Projects", approved by its Management Committee in December 2021. Regarding the International Finance Corporation (IFC) Performance Standard 7 on Indigenous Peoples, the AE has adopted an Indigenous Peoples Policy and a corresponding Action Plan, both of which include free, prior, and informed consent (FPIC) requirements. The AE has demonstrated an explicit organizational and senior management commitment to E&S practices in its GCF-funded projects/programmes under implementation. The AE has developed a clear communications strategy around its E&S practices for GCF-funded projects/programmes which demonstrate transparency and credibility in its work with third parties who have environmental and social frameworks in their projects/programmes. The ESP has adopted the IFC performance standards PS1-8 for its E&S assessment and practice reflected in the AE's environmental and social management system (ESMS) for its GCF funded programme EARF (FP148). The AE is also committed to comply with the applicable national E&S regulations in countries of its operations.

80. While the AE does not have specific climate-change policies as such, its investment strategy is in line with intended nationally determined contributions, nationally determined contributions, national adaptation programmes of action and national adaptation plans of the countries of its investments through its focus on renewable energy (solar) and climate resilient agriculture. The AE's experience in assessing climate change risks and impacts is demonstrated in its GCF funded projects/programmes and in regular reporting to GCF. The climate change risks and challenges are commonly assessed and presented to the AE's Investment Committee for relevant investments. The AE does not hold, has never held, and does not intend to hold a fossil fuel portfolio such as coal-fired power plants, coal mining, etc. One former investee of the AE, representing <1 per cent of total invested capital, supplied liquid petroleum gas for cooking to populations using higher carbon-emitting fuels such as charcoal and wood. This investment was exited in 2019.

81. The AE's President is responsible for oversight of the implementation of the ESP with additional operational guidance and monitoring provided periodically by the General Counsel, Country Directors, environmental and social governance (ESG) manager and heads of the AE's investment programmes. The ESP has been disseminated internally and is also available on the AE's website at <https://acumencapitalpartners.com/about/>.

82. The AP finds that the AE's environmental and social management system, comprising the Environmental and Social Policy, supported by evidence of its track record, fully meets the GCF Revised Environmental Social Policy to the extent applicable to accreditation, and the GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to IFC Performance Standards 1-8.

3.2.2. Identification of environmental and social risks and impacts

83. The ESP describes the AE's processes for identification of E&S risks and impacts including E&S risk categorization. The AE has adopted a three tier E&S risk categorization system similar to that of the GCF system (i.e. A/I-1, B/I-2 and C/I-3). All the AE's GCF-funded projects are required to establish an ESMS and provide E&S impact assessment reports to the

AE. The AE engages a third-party impact measurement service (currently 60 Decibels)¹⁵ to conduct impact due diligence on investees. The AE's GCF-funded project teams conduct and present E&S impact assessment information to the relevant Investment Committees as part of the internal approval process. The AE's President, Country Directors (who oversee each region's investment team), and Insights and Strategy team monitor the AE's investment impact assessment.

84. In January 2015, the AE incorporated a robust ESG process based on best-in-class standards from institutions such as CDC and IFC, including addressing performance standards 1–8. The AE's GCF-funded projects/programmes have their own ESG policies/ESMS in place, which adhere to GCF interim ESS standards requirements.

85. The AE's track record on E&S risk and impacts identification is mostly with E&S risk category C/I-3 investments as evident in KawiSafi (FP005), ARAF (FP078) and EARF (FP148), with some experience in EARF also identifying and managing low E&S risk category B/I-2 investments. Both KawiSafi and ARAF used ESG assessment tools which are substantively in line with the IFC PS 1-8. The AE provided a sample of ESG action plans, processes, and policies developed for the ESG reviews for KawiSafi and ARAF in E&S risk category C/I-3 and two new ESG action plans for projects which could be considered in category B/I-2. The AE also provided a copy of its first formal ESG report for a non-GCF funded equity fund investment in E&S risk category B/I-2. The AE's GCF-funded projects/programmes have either a dedicated internal ESG manager or third-party ESG consultants to help manage the ESG process. The AE has also recently hired an ESG manager to assist with this work across GCF-funded activities.

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

3.2.3. Environmental and social management programme

87. The ESP describes the AE's E&S mitigation and management of E&S risks and impacts identified during the E&S risk screening. The AE requires sponsored funds and investee companies to have an ESMS in place, which meets investor requirements, including the IFC performance standards 1–8.

88. As evidence of its track record on E&S risk mitigation and management for its loans and equity, the AE provided the ESMS for EARF and ARAF as well as the environmental and social governance report prepared by KawiSafi's ESG contractor and delivered to KawiSafi management, and the ARAF ESG annual report as prepared by the ARAF team. Furthermore, the ESMS for EARF has some components in category B/I-2. The AE also shared two ESG Action Plans of its portfolio investee companies that were evaluated using category B/I-2 assessments procedure (PS 1-8). The KawiSafi annual report prepared by management and delivered to investors includes ESG information on investees' E&S performance. The AE also provided a sample of side letters which include the ESG provisions used by KawiSafi and ARAF, binding investees for their investments.

89. The AE's oversight mechanism verifies the overall performance effectiveness of the ESMS at the institutional level including reviewing E&S risk and impact identification, project categorization and implementation of E&S mitigation measures. The AE provided a sample

¹⁵ 60 Decibels is a global, tech-enabled impact measurement company that brings speed and repeatability to social impact measurement and customer insights. It provides genuine benchmarks of impact performance, enabling organizations to understand impact relative to peers and set performance targets.

independent audit report for KawiSafi's ESG approach against the operating principles for impact management with the accompanying disclosure statement by KawiSafi.

90. Because the AE only recently formalized its ESP and other processes and procedures, it has not conducted an external audit on the effectiveness of its institutional-level ESMS. If re-accredited, the applicant is willing to conduct an independent institutional-level audit of the ESMS in GCF-funded projects/programmes during the potential second re-accreditation term.

91. The AP finds that the AE's E&S management programme fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and the GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8. However, the AP finds that the AE's track record is insufficient. The relevant gap is identified in paragraph 90 and is reflected in the corresponding condition for re-accreditation in section 4.2.

3.2.4. Monitoring and review

92. The ESP describes the AE's E&S monitoring and reporting process. The AE's ESG Manager conducts an annual review of E&S matters which provides an in-depth review of each GCF-funded project. This reporting is shared with the AE's senior management, and with executing entities to disclose any E&S issues as they arise. The AE's General Counsel, CFO, or President, as appropriate, may follow up on any E&S concerns to ensure adequacy of executing entities' ESMS. The AE reports to its donors on an ad hoc basis, through quarterly newsletters, and on an annual basis through its annual gathering.

93. The AE provided the ESG monitoring reports prepared by a third-party for KawiSafi, two ESG action plans including monitoring plans for KawiSafi and ARAF, and the ARAF ESG annual report, including updates in which some of the investments that could be considered as category I-2.

94. The AE's investment vehicles include monitoring and evaluation (M&E) annual/quarterly reporting to investors. The AE provided annual/quarterly reports from KawiSafi and ARAF, as provided to GCF, as well as annual performance reports submitted to GCF. The AE reviews all such materials before distribution to ensure adequacy and appropriateness of reporting.

95. The AP finds that the AE's system of E&S related monitoring and review, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

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

96. The AE has a Business Development team (for fund raising) and a Marketing and Communications team that handles external communications with donors and other stakeholders. Relationship Managers on the Business Development team are in regular contact with donors to provide them with insights and information when needed. These Relationship Managers also handle any inbound requests or complaints from donors. The Marketing and Communications team is responsible for dealing with in-bound requests from media and other relevant stakeholders and is also responsible for producing and publishing materials that are communicated to external and internal stakeholders. This team also receives external inquiries from the public through a publicly accessible email address and the AE's telephone number found on the website. On the portfolio side, Relationship Managers are responsible for

communicating with their respective portfolio companies and for fielding any complaints or questions that may arise during the AE's engagement with the portfolio company.

97. In response to the GCF recommendation to the AP to address potential risks related to an inadequate grievance redress mechanism (GRM) with respect to Acumen's upgrade application for E&S risk category B/I-2, the AE has developed a comprehensive institutional-level GRM for GCF projects/programmes that is hosted on the AE's website and available at <https://acumencapitalpartners.com/grievance/>.

98. The AE's GRM is a tool that stakeholders can engage with on concerns that affect their communities and livelihoods. The AE's GRM is based on its ESP for GCF-funded projects and incorporates the Ruggie Principles in line with the UN Guiding Principles on Business and Human Rights,¹⁶ and the requirements of the GCF Independent Redress Mechanism, to ensure that stakeholders can easily access the GRM and have a thorough, fair, equitable and transparent process. A summary of the GRM is included in both the AE's ESP for GCF-Funded Projects, and the Gender Sensitivity Policy for GCF-Funded Projects/programmes. The GRM includes provision for monitoring and reporting and post-decision follow-up with complainants by the AE's General Counsel to ensure redress is delivered in a timely manner. The GRM is managed by the AE's legal team, led by the General Counsel providing an independent oversight on the GRM process. The staff responsible for ESG matters are not involved in investigations related to E&S complaints received. The AE has created a GCF-specific grievance webpage on its website.

99. The AE's E&S policy requires its EEs to include project-level GRM. The AE's legal team provides back-office support to EEs, including for investigation of complaints under project-level GRM. In the course of its re-accreditation assessment, the AP had initially found the AE's track record on ensuring its EEs implemented project-level GRM for GCF-funded projects/programmes to be inadequate. However, since then the AE's EEs have retroactively included project-level GRMs for their GCF-funded projects/programmes (KawiSafi, ARAF and EARF) and these are available on their respective EE's websites. The AE has also agreed to maintain and routinely update a record of all grievances and complaints received and addressed for its GCF projects/programmes.

100. The AE has committed to E&S information disclosure and consultation in its Acumen Environmental and Social Policy for GCF-Funded Projects. Additionally, Acumen regularly shares reporting on its work with investors, donors, stakeholders and industry groups. The AE's Head of Insights and Strategy continues to build knowledge-sharing opportunities within and outside Acumen. The AE provided evidence on having published the EARF's ESMS on its EE's websites. Some activities of the EARF ESMS are equivalent to category B/I-2 projects. As the AE was accredited for E&S risk category I-3, it was not required to publish its ESMS on its or the GCF websites. The AE has, by disclosing the EARF ESMS on the EE's website, gone beyond its E&S risk category C/I-3 expectations. Also, in the amended and restated AMA with GCF, and if upgraded to category B/I-2, the AE has committed to publicly disclose its ESMS for category B/I-2 in line with the GCF Information Disclosure Policy.

101. The AP finds that the AE's system of external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its track record fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation, the GCF interim ESS standards and the GCF Information Disclosure Policy

¹⁶ Refer to http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf. The UN Guiding Principles on Business and Human Rights are a set of guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations. They were proposed by UN Special Representative on business and human rights, John Ruggie, and endorsed by the UN Human Rights Council in June 2011. In the same resolution, the UN Human Rights Council established the UN Working Group on Business and Human Rights.

regarding E&S information disclosure requirements for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.6. Organizational capacity and competency

102. The AE provided its organizational chart showing the placement of its ESG team and its reporting structure. At the AE-level, E&S impact is monitored by regional investment teams, each of which is led by the relevant Country Director, with impact measurement services provided by a third party (60 Decibels). The President oversees the Country Directors and reports to the Chief Executive Officer (CEO), while the CEO reports to the Board of Directors. The AE also has an Insights and Strategy team to analyze impacts at an organization-wide level. The ESG Manager supports ESG monitoring and activities across its sponsored funds, or funds it participates in, including GCF-funded projects/programmes. Escalation protocols are in place to elevate E&S issues to the appropriate level of seniority as and if they arise. KawiSafi engages a third-party ESG consultant to oversee ESG activities and reports directly to the Managing Director of the fund. ARAF has an in-house ESG analyst who reports to the Investment Director. For the AE's funds, including GCF-funded projects/programmes, E&S information is shared through reporting with investors and the advisory committee. E&S incident disclosures are made in line with the requirements of the governing documents and respective side letters of the funds. The AE provided prior reporting from KawiSafi and ARAF.

103. The AE provided curriculum vitae of its own staff and the ARAF's staff responsible for ESG matters as well as the backgrounds of the employees of KawiSafi's ESG contractor. The ARAF investment team received ESG training from Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. in early 2020. The KawiSafi investment team received ESG training from their third-party ESG provider (Vukani Collective, formerly First Principles) in 2018, reviewed the annual ESG portfolio assessment with such provider in April 2021, and plans to repeat training for all staff in Quarter 1 of 2022. The AE's ESG staff also participated in these trainings.

104. The AP finds that the AE's organizational capacity and competency to implement the environmental and social management system, supported by evidence of its track record, fully meet the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and the GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.3 Gender

105. Acumen has fulfilled and closed conditions with regard to gender recommended by the AP and approved by the Board in its decision to accredit the AE for the first accreditation term.¹⁷

106. The AE's institutional and project-level gender policy and action plans for GCF-funded projects/programmes is provided in its Gender Sensitivity Policy (GSP) which has been approved by its Management Committee and made available on its website. The GSP is further supported by the AE's Gender Statement outlining its various international initiatives and partnership work. The GSP applies to the AE, its affiliated subsidiaries, and its GCF-funded projects/programmes for which Acumen Capital Partners is the EE. The AE has committed to strong personnel policies to protect and empower all its staff. The AE's policies include a Code of Ethics, non-discrimination policy applied to its employees, region-based personnel policies and benefits packages, and a US-specific anti sexual harassment policy. The AE's regional offices provide family leave benefits in compliance with local laws and competitive benefits packages.

¹⁷ Refer to document GCF/B.15/16.

The AE's commitment to an equitable and safe workplace extends to supporting a diverse staff. The approach to diversity is annexed in the GSP.

107. The key principles of the GSP for projects/programmes commits to: gender equality, equal rights, human rights, labour conventions, intergenerational equity and to the Sustainable Development Goals for gender mainstreaming; country ownership and the equal opportunity of all stakeholders during project consultations and decision-making; free, prior and informed consent in projects involving indigenous peoples, as well as gender-sensitive stakeholder engagement; disclosure of information to be transparent and provide non-discriminatory access to information and gender-relevant information; ensure that stakeholders are aware of how to submit grievances and/or complaints; and continue to develop gender development and impact measurement capacity as an organization through ongoing trainings, collaborating with gender experts, and sharing its insights across the industry.

108. The AE prepares and appraises GCF-funded projects/programmes that integrate gender-relevant activities and gender-sensitive and gender-responsive indicators at activity-, output-, outcome- and impact-levels and gender-dedicated budget. Through its ESG manager the AE monitors GCF-funded projects to ensure that this data is tracked and aligned with its commitments. The AE reviews annual ESG reports from its EEs for GCF-funded projects/programmes for a measure of compliance with GCF, other investor, and project expectations. Where relevant, linkage between gender and climate change are reflected.

109. The AE collaborates with EEs for GCF-funded projects to develop gender assessments and action plans for its projects/programmes. The AE utilizes several resources and stakeholder engagement strategies to understand the gender realities of the project area. The AE engages with national designated authorities, government agencies, international organizations, local companies, local men and women to understand the gender realities of the project areas. Additionally, the AE utilizes publicly available gender data to provide additional context for its gender assessments of the projects/programmes. Assessments include gender-based risks to the projects and developing mitigating strategies. The AE may contract with gender experts and consultants to develop the gender assessment and/or the Gender Action Plan.

110. Responsibilities for implementing the GSP work are as follows: the Director of Talent is responsible for developing and implementing entity-level human resources and gender-based policies and directives for AE staff. Additionally, this position is responsible for hiring policies and practices. The Director of Talent works with the General Counsel when a staff member shares a complaint; the General Counsel also develops and reviews entity-level policies for its staff. Additionally, the General Counsel is responsible for investigating staff-level and GCF project-level complaints; and the ESG manager works with GCF-funded project teams on developing, implementing and reviewing gender policies and Gender Action Plans.

111. The AE's Gender Working Group has existed for the last five years. The Gender Working Group reviews the AE's Gender Sensitivity Policy for GCF-Funded Projects on an annual basis and advises on gender assessments and gender action plans for GCF-funded projects/programmes. The AE provide an organizational chart showing the placement of key gender experts and their curricula and related training on gender.

112. The AE provided examples of programmes in which women were the primary beneficiaries particularly related to efficient cookstoves, microfinance, small-size hospitals, etc. As part of its Annual Portfolio Review, the AE is systematically applying the 2X Challenge criteria developed by the G7 Development Finance Institutions¹⁸ to determine areas of strength

¹⁸ Refer to <https://www.dfc.gov/media/opic-press-releases/2x-challenge-g7-development-finance-institutions-commit-and-mobilize>.

and weakness among its portfolio companies, and to inform future investment and accompaniment activities that can address these findings.

113. The evidence on the AE's track record on implementing its gender policy is provided in the gender assessment and action plans contained in the EARF (FP148) in line with the GCF updated Gender Policy. The AE's ARAF (FP078) and KawiSafi (FP005) also reflect gender analysis in line within the then applicable B.09 GCF Gender Policy. The executing entities of each GCF-funded project/programme (KawiSafi, ARAF, and EARF) developed robust gender capacities at an organization level for their staff to implement the gender policies and gender action plans. EARF hired a gender consultant to support its borrowers with the development of gender action plans. KawiSafi and ARAF each have specific persons responsible for their gender work including their Technical Assistance Facilities.

114. The applicant also shared several publications and knowledge products narrating the AE's experience and expertise on gender and social enterprises and gender and climate change impact measurement.

115. The AP finds that the AE's gender policy, procedures, capacities and competencies, supported by evidence of its track record, fully meet the updated GCF Gender Policy to the extent applicable to accreditation.

IV. Conclusions and recommendation

4.1 Conclusions

116. Following its assessment, the Secretariat concludes the following in relation to the application with respect to the potential to continue in the role of an AE and to support the mandate and objectives of GCF: the AE can continue to contribute to GCF in implementing its updated Strategic Plan for 2020–2023 with respect to:

- (a) Alignment of the AE's GCF portfolio with the climate-related national priorities of the countries where the AE operates, particularly with the expanded geographic coverage through becoming an IAE;
- (b) Contribution to the adaptation and mitigation balance in the GCF portfolio since the AE has the ability to include adaptation components in its activities;
- (c) Supporting diversity in GCF results areas such as health and food and water security, and livelihoods of people and communities;
- (d) Enhancing private sector participation as the AE is one of the few impact investment funds accredited to GCF;
- (e) Diversification of the use of financial instruments, particularly with equity as well as loans; and
- (f) Mobilizing climate finance at scale since the AE is seeking an upgrade in its accreditation scope for the medium-size category.

117. Following its assessment, the AP concludes the following in relation to the application with respect to the AE's ability to meet the GCF accreditation standards it is seeking re-accreditation and an upgrade in accreditation scope for:

- (a) The AE meets the requirements of the GCF basic fiduciary standards, and to the extent applicable to accreditation. the GCF Policy on the Protection of Whistle-blowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF AML/CFT Policy, specialized fiduciary standard for project management, specialized fiduciary standard for grant

- award and/or funding allocation mechanisms, and specialized fiduciary standard for on-lending and/or blending for loans and equity;
- (b) The AE partially meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation, GCF interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to the medium E&S risk (category B/I-2). The gap identified in paragraph 90 comprises: the AE's ESMS has not undergone an independent audit on effectiveness of its E&S mitigation and management, and is addressed by the corresponding condition in section 4.2 below; and
- (c) The AE 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 to the extent applicable to accreditation, and has demonstrated that it has experience in gender considerations in the context of climate change.

4.2 Recommendation on re-accreditation

118. The AP recommends, for consideration by the Board, Acumen for re-accreditation for its second term as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** medium (including micro and small);
- (ii) **Fiduciary functions:**
- (1) Basic fiduciary standards;
 - (2) Specialized fiduciary standard for project management;
 - (3) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - (4) Specialized fiduciary standard for on-lending and/or blending (for loans and equity); and
- (iii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/I-3)); and
- (b) **Conditions:** the AE will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition. The AP will thereafter assess whether the condition has 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 by the AE within three years of the first disbursement by GCF for the first approved project/programme in E&S risk category B/I-2 to be undertaken by the AE during the second accreditation term:
- (1) Delivery to the GCF of a report prepared by an independent body (such as an external auditor specializing in ESS matters) assessing the effectiveness of the implementation of the AE's ESMS, which shall include examples of its application in projects implemented under the oversight of or by the AE and of lessons learned.

119. The AE has been informed of the recommendation for re-accreditation, including the accreditation type and condition, as identified in paragraph 118 above, and agrees to the recommendation.