

# Revised Environmental and Social Policy

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This document captures the policy as adopted by the Board in decision B.BM-2021/18. The policy was sent to the Board for consideration as a proposed decision without a Board meeting in document GCF/BM-2021/17 titled “Revisions to the Green Climate Fund’s Environmental and Social Policy to reaffirm the Fund’s commitment to addressing Sexual Exploitation, Sexual Abuse, and Sexual Harassment”.



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## I. Introduction

1. GCF establishes this overarching Environmental and Social Policy (hereafter policy) that articulates how GCF integrates environmental and social considerations into its decision-making and operations to effectively manage environmental and social risks and impacts and improve outcomes.

## II. Definitions

2. The following definitions shall apply in this policy:

- (a) **“Accredited entity”** means an entity that is accredited by the Board in accordance with the Governing Instrument and relevant Board Decisions. The role of an accredited entity relates to the management and oversight of project implementation, which includes the origination and preparation of a funding proposal, the subsequent management of the necessary stages of the implementation process until its conclusion (project management) on behalf of the provider of funds, and reporting obligations. An accredited entity may also be the executing entity, responsible for the operational implementation and execution of the project;
- (b) **“Activities”**, for the purposes of this policy and unless otherwise specified, refers to programmes, projects and subprojects;
- (c) **“Associated facilities”** are those that are not funded as part of the project, and that would not have been constructed or expanded if the project did not exist and without which the project would not be viable;
- (d) **“Board”** means the board of the GCF established pursuant to the provisions of the Governing Instrument for the GCF;
- (e) **“Cumulative impacts”** result from the incremental impact, on areas or resources used or directly affected by the project, from other existing, planned or reasonably defined developments at the time the risks and impacts are identified;
- (f) **“Disadvantaged or vulnerable”** refers to those who may be more likely to be adversely affected by the project impacts and/or more limited than others in their ability to take advantage of a project’s benefits. Such an individual/group is also more likely to be excluded from/unable to participate fully in the mainstream consultation process and as such may require specific measures and/or assistance to do so;
- (g) **“Due diligence”**, in the context of environmental and social management system, means the process of investigating potential investments to confirm all facts, such as reviewing environmental and social safeguards, audits, assessments, and compliance before consideration of funding or entering into an agreement with another;
- (h) **“Environmental and social assessment”** means the assessment of environmental and social risks, impacts and opportunities including, where appropriate assessment of potential transboundary risks and impacts undertaken by the accredited entities in a manner that follows good international industry practices, identifies best alternatives and allows for an integrated and balanced view of the environmental and social risks and impacts. This type of assessments may include specific impacts assessment, audits, and due diligence studies, among others.;
- (i) **“Environmental and social impacts”** refer to any change, potential or actual, to (i) the physical, natural, or cultural environment, and (ii) impacts on surrounding community and workers, resulting from the activities to be supported;

- (j) **“Environmental and social impact assessment (ESIA)”** refers to a process or tool based on an integrated assessment where the scale and type of potential biophysical and social, including, where appropriate transboundary risks and impacts of projects, programs and/or policy initiatives, are predicted, acknowledged and evaluated. It also involves evaluating alternatives and designing appropriate mitigation, management and monitoring measures to manage the predicted potential impacts;
- (k) **“Environmental and social management frameworks (ESMF)”** describes the roles and responsibilities and the processes to manage environmental and social risks and impacts including, where appropriate transboundary risks and impacts, including screening, preparation, implementation and monitoring of subprojects;
- (l) **“Environmental and social management system (ESMS)”** refers to a set of management processes and procedures that allow an organization to identify, analyse, control and reduce the environmental and social impacts of its activities including transboundary risks and impacts, in a consistent way and to improve performance in this regard over time. For the purposes of this document, “ESMS” refers to the environmental and social management system of GCF. When used in the long form, “environmental and social management system”, it refers to the entities’ management system;
- (m) **“Environmental and social management plan (ESMP)”** refers to a document that contains a list and description of measures that have been identified for avoiding adverse environmental and social impacts, including, where appropriate transboundary risks and impacts, or minimising them to acceptable levels, or to mitigate and compensate them and usually the main output of the ESIA process;
- (n) **“Environmental and social risk”** is a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence;
- (o) **“Environmental and social safeguards (ESS)”** refers to a set of standards that specifies the desired outcomes and the specific requirements to achieve these outcomes through means that are appropriate to the nature and scale of the activity and commensurate with the level of environmental and social risks and/or impacts. For the purposes of this policy, “ESS standards” refer to the environmental and social safeguards standards, which is currently the interim ESS standards adopted by GCF until GCF develops its own standards. When used in the long form, “environmental and social safeguards standards”, it refers to the accredited entities’ own standards;
- (p) **“Executing entity”** means any entity, which includes, as the case may be, a developing country that is a party to the Convention, through which GCF proceeds are channelled or used for the purposes of a funded activity or part thereof, and/or any entity that executes, carries out or implements a funded activity, or any part thereof;
- (q) **“GCF-financed activities”** means any Activities financed with GCF proceeds;
- (r) **“Intermediaries”** refers to subnational, national, regional or international public and private entities (financial or non-financial) with accredited capacities for intermediation;
- (s) **“Involuntary resettlement”** means physical displacement (relocation, loss of residential land or loss of shelter), economic displacement (loss of land, assets or access to assets, including those that lead to loss of income sources or other means of livelihood), or both, caused by project-related land acquisition or restrictions on land use. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in displacement;

- (t) **“Land acquisition”** refers to all methods of obtaining land for project purposes, which may include outright purchase, expropriation of property and acquisition of access rights, such as easements or rights of way;
- (u) **“Mitigation hierarchy”** as described in the ESS standards that set prioritized steps for limiting adverse impacts through avoidance, minimization, restoration and compensation as well as opportunities for culturally appropriate and sustainable development benefits;
- (v) **“SEAH”** means Sexual Exploitation, Sexual Abuse and Sexual Harassment;
- (w) **“Secretariat”** means the Secretariat of the GCF established by the GCF pursuant to paragraph 19 of the Governing Instrument;
- (x) **“Sexual Abuse”** means the actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions;
- (y) **“Sexual Exploitation”** means any actual or attempted abuse of a position of vulnerability, differential power, or trust, for sexual purposes, including, but not limited to profiting monetarily, socially, or politically from the sexual exploitation of another;
- (z) **“Sexual Harassment”** includes unwelcome sexual advances, requests for sexual favours, and other verbal or physical conduct of a sexual nature, that interferes with work, is made a condition of employment, or creates an intimidating, hostile, or offensive environment in connection with a GCF-financed activity;
- (aa) **“Stakeholders”** refers to individuals or groups, communities, governments who: (a) are affected or likely to be affected by the activities; and (b) may have an interest in the activities (other interested parties). The stakeholders of an activity will vary depending on the details of the activity and may include local communities, national and local authorities, including from neighbouring governments, neighbouring projects, and nongovernmental organizations.

### III. Objectives and scope

#### 3.1 Policy objectives

3. In carrying out its mandate of promoting a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, GCF will effectively and equitably manage environmental and social risks and impacts, and improve outcomes of all GCF-financed activities. This policy presents the commitments of GCF and articulates the principles and standards to which GCF will hold itself accountable. Through this policy, GCF will require that all GCF-supported activities will commit to:

- (a) Avoid, and where avoidance is impossible, mitigate adverse impacts to people and the environment;
- (b) Avoid, and where avoidance is impossible, mitigate the risks of SEAH to people impacted by GCF-financed activities;
- (c) Enhance equitable access to development benefits; and
- (d) Give due consideration to persons in vulnerable positions and situations and marginalised populations, groups, and individuals, including women and girls, local communities, indigenous peoples, and other marginalized groups of people and individuals that are affected or potentially affected by GCF-financed activities and are

especially vulnerable to exploitation or other potentially harmful unintended project impacts.

4. The policy articulates the commitments of GCF to sustainable development, elaborates how GCF integrates environmental and social issues into its processes and activities, and sets the roles and responsibilities including the requirements to deliver these commitments. To achieve these, the policy defines how GCF will manage the environmental and social risks and impacts, and how GCF will support the overall sustainability of its operations and investments in line with its obligations under national and international law and other relevant standards. Specifically, the policy aims to:

- (a) Provide the basis for a coherent, consistent and transparent management system founded on the principles of diversity, equity and inclusive, gender-sensitive sustainable development, for improving performance and outcomes, managing risks and impacts, and enhancing equitable access to benefits in all GCF-financed activities;
- (b) Support the decision-making of GCF, particularly regarding the accreditation of entities, the provision of support, and the design, development, approval, implementation, and review of GCF-financed activities;
- (c) Underpin the development of an ESMS that incorporates a systematic gender-sensitive and intersectional approach to integrating environmental and social performance and risk management into the operations of GCF and those of the accredited entities and other development institutions with which GCF is associated; and
- (d) Define the responsibilities and processes to deliver upon the commitments of GCF.

## 3.2 Scope of application

5. The policy will apply to all GCF-financed activities and to both public and private sector entities. The activities supported by GCF may include programmes, projects and subprojects. The financial instruments may vary and may include grants, concessional loans, guarantees and equity investments. The Environment and Social Policy applies to three engagement areas:

- (a) At the strategic and institutional level, the policy responds to the mandate expressed in the Governing Instrument and links to other operational strategies and policies including internal structures and governance frameworks of GCF;
- (b) At the entities level, the policy sets out the requirements for accredited entities working with GCF to establish and maintain robust, systematic, accountable, inclusive, gender-responsive, participatory and transparent systems to manage risks and impacts, from GCF-financed activities, pursuant to this policy and the ESS standards adopted by GCF. These requirements complement the accreditation framework and are considered in the accreditation and reaccreditation processes; and
- (c) At the activity level, the policy establishes the requirements for environmental and social risk assessment and management, including SEAH risks, to be aligned to GCF ESS standards ensuring that due diligence is undertaken for all GCF-financed activities, including subprojects financed from GCF-funded programmes or through financial intermediaries, regardless of the financial instruments used or whether these are solely supported by GCF or co-financed by other institutions.

6. Where accredited entities or implementing entities are implementing activities jointly with other institutions, GCF will encourage accredited entities and the other institutions to explore a common approach, for the assessment and management of the environmental and social risks and impacts. GCF can agree to a common approach for GCF-financed activities,

provided that the common approach is consistent with this policy, the ESS standards, and other related GCF policies and practices. The common approach must meet the principles and requirements that will provide the highest level of environmental and social protection, if not the same level provided by the ESS standards and this policy.

7. Additional country requirements on environmental and social safeguards and sustainability may be integrated with GCF requirements at the activity level, provided that the accredited entities establish that the additional requirements are consistent with and at least as rigorous as the ESS standards of GCF and this policy.

#### IV. Guiding principles

8. The following principles shall guide how GCF will implement the ESMS and achieve the objectives of this policy:

- (a) **Integration of environmental and social sustainability.** Sustainable development underpins the mandate and objectives of GCF and hence is a key consideration in the policies and governance frameworks of GCF. The ESMS and the policy provide an opportunity for GCF to incorporate environmental and social considerations, including SEAH, in ways that not only include safeguard measures of “do no harm,” but also improve environmental and social outcomes and generate accessible and inclusive co-benefits to the environment and the communities, including women and girls, and indigenous peoples, that depend on it. Within the parameters of the ESMS, this is translated into the operations of GCF, such as accreditation, investment criteria, ESS application, monitoring and accountability, information disclosure, gender mainstreaming, SEAH risk mitigation, incorporation of considerations related to indigenous peoples, women and girls, stakeholder engagement, and the redress mechanism;
- (b) **Transboundary risk and impact approach.** The GCF shall ensure that in case of potential transboundary impacts of GCF-funded projects all necessary consultations and due diligence processes, including prior notification and accessible, inclusive, gender-sensitive consultations with the relevant stakeholders, including addressing their comments;
- (c) **Scaled risk-based approach.**<sup>1</sup> The ESS standards will be implemented in a risk-based manner and not in a blunt, one-size-fits-all approach. This approach will require that environmental and social requirements and processes are commensurate with the level of risk and meeting the relevant ESS standards;
- (d) **Fit-for-purpose approach.**<sup>2</sup> In the context of the GCF accreditation process, the approach recognizes the roles of a wide range of entities, which can differ according to the scope and nature of the activities of the entities, and their capacity to manage environmental and social risks and impacts. GCF enables entities to access various levels of support differentiated by their capacities in meeting fiduciary and environmental and social safeguards requirements;
- (e) **Equality and non-discrimination.** In meeting the ESS standards, all activities financed by GCF will require that, where they are unavoidable, adverse impacts do not fall disproportionately on women and girls, persons in vulnerable positions and situations and marginalised groups, and individuals that are affected or potentially affected by

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<sup>1</sup> Decision B.07/02, annex I.

<sup>2</sup> Decision B.07/02, paragraph (j) and decision B.08/02, paragraph (c).

- GCF-financed activities, and avoid prejudice and discrimination in providing access to development resources and benefits;
- (f) **Mitigation hierarchy.** The GCF adheres to the mitigation hierarchy as an overall principle to managing environmental and social risks and impacts, suitable for all instances of GCF- financed activities. The mitigation hierarchy aims to:
- (i) Anticipate and avoid adverse risks and impacts on people and the environment;
  - (ii) Where avoidance is not possible, adverse risks and impacts are minimized through abatement measures;
  - (iii) Mitigate any residual risks and impacts; and
  - (iv) Where avoidance, minimization or mitigation measures are not available or sufficient, and where there is sufficient evidence to justify and support viability, design and implement measures that provide remedy and restoration before adequate and equitable compensation of any residual risks and impacts;
- (g) **Coherence and links with relevant policies and practices of GCF.**<sup>3</sup> The Environmental and Social Policy is an overarching policy that shall be consistent and linked with the relevant policies and practices of GCF, such as those related to accreditation, monitoring and accountability, the redress mechanism, information disclosure, gender, SEAH, and others, as appropriate, including those relevant policies that are still to be developed;
- (h) **Continuous improvement and best practices.**<sup>4</sup> The ESMS will be continuously reviewed and updated in a transparent and participatory manner to sustain its relevance and responsiveness to the prevailing organizational, social, economic and political conditions. The ESMS will also be consistently aligned with international best practices and applicable standards, reflecting the experiences and lessons learned by accredited entities and other relevant institutions, as well as including recommendations made by the GCF independent accountability units. In updating the ESMS, GCF will provide guidance to accredited entities on the implications of such updates on their environmental and social management systems and their application to ongoing GCF-financed activities;
- (i) **Stakeholder engagement and disclosure.** The ESMS requires that there is broad multi-stakeholder support and participation throughout the lifecycle of GCF-financed activities, including the development of measures to mitigate, manage and monitor environmental and social risks and impacts. The process to build support shall be inclusive, gender-responsive and culturally aware, and will be supported by the disclosure of relevant information pursuant to the GCF Information Disclosure Policy;<sup>5</sup>
- (j) **Gender-sensitive approach.**<sup>6</sup> GCF will contribute to gender equality and inclusiveness by ensuring that the methods and tools to promote gender equality and reduce gender disparities in climate actions are established and implemented. In designing activities for GCF-funding, GCF will require accredited entities to adequately assess the gender risks and impacts (as part of social risks and impacts assessments), and link the corresponding gender risk management measures to the activity-level gender action plans;

<sup>3</sup> Decision B.07/02, paragraph (n), annex VI.

<sup>4</sup> Decision B.07/02, paragraph (n), annex VI, requiring the ESMS to be consistent with accepted evolving international systems for quality and environmental management systems: central to these is the continual improvement process.

<sup>5</sup> Decision B.12/35, paragraph (a).

<sup>6</sup> Decision B.09/11, paragraphs (a–b).

- (k) **Zero-tolerance of SEAH.** GCF has zero tolerance for all forms of SEAH in GCF-financed activities. Sexual Exploitation, Sexual Abuse and Sexual Harassment violate human dignity and have always been unacceptable behaviour. SEAH is based on unequal relations and power dynamics resulting in a culture of discrimination and privilege. To give effect to the principle of zero-tolerance, GCF recognises the imperative for Accredited Entities and GCF-financed activities to prevent and respond effectively to SEAH in a survivor-centred and gender-responsive way. This includes protecting persons, especially persons in vulnerable positions and situations, and survivors of SEAH in GCF-financed activities. These protections are essential to strengthen integrity and accountability throughout GCF;
- (l) **Knowledge-sharing.** GCF will lead and promote the sharing of lessons and experiences in applying ESS and in implementing the ESMS among entities and stakeholders, and will integrate these lessons with capacity development, communications, and outreach activities of GCF and the entities;
- (m) **Harmonized application of environmental and social requirements.** GCF will promote the harmonized application of environmental and social safeguards to reduce multiple and overlapping requirements for activities through the development of a common approach that considers the requirements of other co-financing institutions while providing the highest level of environmental and social protection required among the parties, with at least the level of protection by GCF being required;
- (n) **Compliance with applicable laws.** GCF will not support activities that do not comply with applicable laws, including national laws and/or obligations of the country directly applicable to the activities under relevant international treaties and agreements, whichever is the higher standard;
- (o) **Consistency with the United Nations Framework Convention on Climate Change (UNFCCC) REDD-plus safeguards.** The environmental and social requirements of GCF will be consistent with all relevant REDD-plus decisions under UNFCCC and existing highest standards for the operationalization of these decisions;<sup>7</sup>
- (p) **Labour and working conditions.** All activities financed by GCF will promote decent work, fair treatment, non-discrimination and equal opportunity for workers, free of Sexual Exploitation, Sexual Abuse and Sexual Harassment and guided by the core labour standards of the International Labour Organization;
- (q) **Indigenous peoples.** All GCF-financed activities will avoid adverse impacts on indigenous peoples, and when avoidance is not possible, will minimize, mitigate and/or compensate appropriately and equitably for such impacts, in a consistent way and improve outcomes over time; promote benefits and opportunities; and respect and preserve indigenous culture, including the indigenous peoples' rights to lands, territories, resources, knowledge systems, and traditional livelihoods and practices. All GCF-financed activities will support the full and effective participation of indigenous peoples, including women and girls and recognize their contribution to fulfilling the GCF mandate throughout the entire life cycle of the activities. The design and implementation of activities will be guided by the rights and responsibilities set forth in the United Nations Declaration on the Rights of Indigenous Peoples including, of particular importance, the right to free, prior and informed consent, which will be required by GCF in applicable circumstances;
- (r) **Human rights.** All activities supported by GCF will be designed and implemented in a manner that will promote, protect and fulfil universal respect for, and observance of,

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<sup>7</sup> Decision 1/CP.16.



human rights for all recognized by the United Nations. GCF will require the application of robust environmental and social due diligence so that the supported activities do not cause, promote, contribute to, perpetuate, or exacerbate adverse human rights impacts; and

- (s) **Biodiversity.** All GCF-financed activities will be designed and implemented in a manner that will protect and conserve biodiversity and critical habitats, ensure environmental flows of water, maintain the benefits of ecosystem services, and promote the sustainable use and management of living natural resources.

## V. Overview of roles and responsibilities

### 5.1 Overview of GCF roles and responsibilities

9. Within the context of its mandate and consistent with its own policies, GCF will carry out the following roles and responsibilities to meet the objectives of this policy.

10. **Accreditation.** In relation to the accreditation of entities, GCF is responsible for determining the capacity of the entities to manage environmental and social risks and impacts of GCF-financed activities following the GCF accreditation framework. GCF will assess the commitment, track record and consistency of the systems and approaches used by the entities and intermediaries with the ESS standards using the fit-for-purpose approach. As necessary, GCF will collaborate with the entities on measures to improve their capacities, including the deployment of necessary support and assistance through the GCF Readiness and Preparatory Support Programme.

11. **Managing environmental and social risks throughout the life cycle of GCF-financed activities.** Within the parameters of the activities financed or proposed for financing by GCF, GCF will be responsible for:

- (a) Requiring and ensuring that accredited entities implement their environmental and social management system pursuant to the ESS standards and this policy, thereby providing for a systematic, consistent and transparent management of risks and impacts from GCF-financed activities. Where gaps or weaknesses exist, GCF will require that these are addressed by the accredited entities in a manner and time amenable to GCF so that an effective environmental and social management system is in place before GCF-financed activities are implemented;
- (b) Requiring and ensuring that appropriate screening and categorization processes within the accredited entities' environmental and social management systems are conducted;
- (c) Conducting its own environmental and social due diligence on activities proposed for funding consideration, and recommending to the Board for financing only those proposed activities that meet the requirements for managing environmental and social risks and impacts, pursuant to the ESS standards and this policy;
- (d) Requiring and ensuring that environmental and social risks and impacts assessments for activities are adequate and provide sufficient information to evaluate whether GCF should consider funding the activities, taking into account the potential risks and impacts, and should determine suitable avoidance, mitigation or compensation measures in those cases where proceeding with funding consideration is appropriate. Where gaps or weaknesses exist in the assessment, GCF will require that these are addressed prior to funding consideration. The assessments will also provide the basis

- for GCF to confirm the risk categories of activities following the definition in this policy and level of risks to which the entities were accredited;
- (e) Confirming the accredited entities' assignment of risk categories to the proposed activities, ensuring that their environmental and social management plans address the identified risks and impacts, requiring any other safeguards instruments and tools that may be further needed, and reviewing their adequacy. Where there are gaps or weaknesses in the environmental and social management plans, GCF will require that they are addressed. GCF will also require that accredited entities implement (which may include the role of an executing entity), or monitor and supervise the activity's implementation and compliance with (as an intermediary) the environmental and social obligations and conditions, and require that any gaps or weaknesses be addressed;
  - (f) Carrying out monitoring, review and reporting functions related to the environmental and social performance of accredited entities and the supported activities, as may be required pursuant to the monitoring and accountability framework, ESS standards, and this policy;
  - (g) Reviewing proposed operational changes with respect to the GCF-financed activities or the accredited entities' environmental and social management systems and requiring additional measures to align with the ESS standards, this policy, and other GCF policies, if necessary;
  - (h) The SEAH provisions of this policy will be operationalized via a SEAH Action Plan to be used by the GCF and which will stipulate how the requirements of this policy will be implemented by the Secretariat for all GCF-financed activities. A SEAH risk assessment tool will be developed, and will be used by the Secretariat in the assessment of SEAH risk in all GCF-financed activities to which this policy applies, and will also be made available to accredited entities to assist in their own assessments of SEAH risk; and
  - (i) The GCF may provide guidance to accredited entities to assist them to undertake the necessary SEAH risk assessment. In addition, direct access accredited entities may request resources (such as funding for third party advice) through the Readiness and Preparatory Support program to assist them in conducting their SEAH risk assessments. Notwithstanding any support provided to an accredited entity by the GCF, it is the responsibility of the accredited entity to ensure that adequate information is provided so that the GCF can review SEAH risks for a proposed GCF-financed activity in accordance with this policy
12. **Information disclosure, stakeholder engagement and grievance redress.** Within the parameters of the activities financed or proposed for financing by GCF, GCF will be responsible for:
- (a) Confirming that all information related to the environmental and social safeguards of activities are appropriately disclosed to meet the requirements of the GCF Information Disclosure Policy and section 7.1 of this policy, and working with accredited entities to address any gaps or weaknesses in the disclosure of relevant information;
  - (b) Confirming that persons, communities and countries affected or potentially affected by the activities are consulted, and where required that free, prior and informed consent of indigenous peoples is obtained, by the accredited entities or through its executing entities during the design and implementation of the activities and that effective grievance redress mechanisms to receive complaints and feedback are established and function in a collaborative manner and in a way that is complementary to GCF independent Redress Mechanism, and requiring that any gaps or weaknesses be addressed; and

- (c) Ensuring that accredited entities establish activity-specific grievance redress mechanisms as appropriate, cooperate with, and inform all stakeholders of, and provide access to the independent Redress Mechanism, and fully implement remedial actions stipulated by the Board on the recommendation of the independent Redress Mechanism in response to complaints received by the independent Redress Mechanism and in accordance with the terms of reference, guidelines and procedures of the independent Redress Mechanism and consistent with the requirements described in section 7.3 of this policy. In relation to SEAH-specific complaints, grievance redress mechanisms need to be survivor-centred and gender-responsive.
13. GCF will require and ensure that accredited entities comply with their environmental and social obligations specified in their accreditation, the activities' safeguards plans and frameworks, activity-specific gender action plans, applicable country laws and regulations, and obligations of the country directly applicable to the activities under relevant international treaties and agreements. Where the accredited entities fail to comply with the safeguards requirements, GCF will work with the accredited entities to develop and implement timebound corrective actions that will bring the activities back into compliance. GCF will also work with the accredited entities and the affected people to develop and implement measures to remedy the harms that occurred. Where the accredited entities fail to re-establish compliance within the applicable time frame and manner, GCF may exercise its remedies under its legal agreement with the accredited entities.

## 5.2 Overview of roles and responsibilities with respect to the accredited entities

14. GCF will take steps to ensure that the requirements of this policy are applied to both the development of activities and their implementation once approved.
- (a) In the case of activities proposed for GCF financing, GCF will require the accredited entities to undertake all necessary measures to ensure that activities are developed in such a manner that:
- (i) Provides and implements the environmental and social management system to manage the environmental and social risks and impacts associated with the activities, allows meaningful and inclusive multi-stakeholder consultation and engagement throughout the lifecycle of activities taking into account the particular situations of persons in vulnerable positions and situations, and individuals that are affected or potentially affected by GCF-financed activities, appropriate to its role as an implementing entity (which may include a project execution role), an intermediary entity, or both, maintaining or improving on the environmental and social management system on which its accreditation was approved;
  - (ii) Ensures that activities proposed for GCF financing are properly screened, assigned appropriate environmental and social risk categories and that the environmental and social risks and impacts are properly and sufficiently assessed;
  - (iii) Ensures cooperation with GCF in its due diligence of the activities proposed for GCF financing;
  - (iv) Ensures that measures to avoid, minimize or mitigate adverse impacts, to compensate for residual impacts and to provide for restoration are planned and adequately supported in the activities proposed for GCF financing;

- (v) Ensures disclosure of information on the GCF-financed activities and component subprojects pursuant to the GCF Information Disclosure Policy, and that continuing stakeholder engagement, as well as entity-level and activity-level grievance mechanisms are developed and implemented; and
  - (vi) Ensures access to the independent Redress Mechanism's grievance and complaints process and that any remedial actions stipulated by the Board of the GCF on the recommendation of the independent Redress Mechanism in response to a complaint from people affected by the activities are respected and promptly implemented.
- (b) In the case of GCF-financed activities, GCF will require the accredited entities to undertake all necessary measures to ensure that activities are implemented in such a manner that:
- (i) Ensures that ESMPs, and all measures to mitigate and manage environmental and social risks and impacts and to improve outcomes are implemented, monitored and continuously improved; and
  - (ii) Ensures that the progress and performance are monitored and reported to GCF and its stakeholders throughout the implementation of the GCF-financed activities, in accordance with the monitoring and accountability framework and allowing GCF or GCF-authorized third-party verification of such reports.
15. GCF will require the accredited entities to ensure that the measures to manage environmental and social (including SEAH) risks and impacts, including, as relevant, information disclosure, stakeholder engagement, and grievance redress, are incorporated in the agreements with executing entities including tendering documents and contracts.
16. GCF will require the accredited entities to take all necessary measures to ensure the compliance with all applicable laws, including the laws, regulations, and standards of the country in which the activities are located, and/or obligations of the country or countries directly applicable to the activities under relevant international treaties and agreements.
17. Entities that are functioning as financial intermediaries are exposed to environmental and social risks through the activities of their borrowers, grantees, and investees. GCF will require the intermediaries to manage the environmental and social risks associated with the supported activities. In this regard, the intermediaries will review all subprojects and delegated activities, identify where the entities and GCF could be exposed to potential risks, and take necessary actions, including the development and implementation of an environmental and social management system to oversee and manage these risks. GCF will require that accredited entities, acting in intermediary functions, undertake all necessary measures to ensure that all component subprojects and activities meet the requirements of the ESS standards of GCF and this policy. GCF will also require the accredited entities to ensure that the borrowers, grantees, and investees have the adequate management systems, processes, and capacity to manage environmental and social risks and impacts, that the individual subprojects and delegated activities are properly screened, assessed, assigned an appropriate risk category, subjected to due diligence and oversight, and that the implementation and outcomes are monitored and reported.
18. GCF will require that accredited entities undertake all necessary measures to ensure that the communities affected or potentially affected by the activities (including persons in vulnerable positions and situations, and marginalised groups and individuals) are properly consulted in a manner that facilitates the inclusion of local knowledge in the design of the activities, provides them with opportunities to express their views on risks, impacts and mitigation measures related to the activities, and allows the accredited entities to consider and

respond to their concerns. In ensuring the meaningful and effective consultation and participation of the affected communities and vulnerable populations, the accredited entities will align their stakeholder engagement processes to best practices and standards and will make publicly available the relevant information on the activities according to the requirements of the Information Disclosure Policy of GCF and section 7.1 of this policy.

19. In the case of activities proposed for GCF financing, when reviewing and approving proposals, GCF will require the accredited entities to undertake all necessary measures to ensure that activities financed by the GCF are developed and implemented in such a manner that aligns with the SEAH provisions of this policy (or similar requirements employed by the Accredited Entities that are equivalent to those of the GCF in all material respects); and specifically that:

- (a) Any risks or potential adverse impacts on women, men, girls and boys are identified as early as possible as part of GCF-financed activities screening and reflected in relevant safeguards instruments (including the ESIA and ESMP as appropriate), and differentiated by gender and age where relevant, including Sexual Exploitation, Sexual Abuse and Sexual Harassment (or the similar terms employed by the Accredited Entities that are equivalent to those of the GCF in all material respects), and
  - (i) The relevant safeguards instruments (including the ESIA and ESMP as appropriate) include measures to enhance gender equality, and to prevent, address and eliminate SEAH (or the similar terms employed by the Accredited Entities that are equivalent to those of the GCF in all material respects);
  - (ii) All measures to mitigate and manage the identified risks and impacts are implemented, monitored and continuously improved;
  - (iii) Progress and performance are monitored and reported to GCF and stakeholders throughout implementation of the GCF-financed activities.
- (b) In case incidences of SEAH occur (or the similar terms employed by the Accredited Entities that are equivalent to those of the GCF in all material respects), there are:
  - (i) Established accessible and inclusive survivor-centred and gender-responsive grievance redress mechanisms in place, with specific procedures for SEAH (or the similar terms employed by the Accredited Entities that are equivalent to those of the GCF in all material respects) including confidential reporting with safe and ethical documenting of such cases, that indicate when and where to report incidents, and what follow-up actions will be undertaken; and
  - (ii) Modalities to provide timely services and redress to survivors, including as appropriate, medical care, psychosocial support, legal support, community driven protection measures, and reintegration.

20. In the case of activities proposed for GCF financing, GCF will require accredited entities to undertake all necessary measures to ensure that the grievance redress mechanisms established by the accredited entities and/or executing entities, as described in paragraph 81, address SEAH in addition to other environmental and social impacts of the activities.

## **VI. General requirements for environmental and social risk management**

### **6.1 Accreditation**

21. GCF operates through accredited entities, including those functioning as financial intermediaries. These entities are tasked to deliver upon the objectives of GCF through the supported activities while ensuring that the fiduciary, environmental and social standards of the GCF are met. Accredited entities will have in place environmental and social management systems that specify their capacities, standards and processes for screening, identifying, assessing, managing, and monitoring the potential environmental and social risks and impacts pursuant to the ESS standards of GCF and this policy.<sup>8</sup>

22. The accreditation of entities will be conducted pursuant to the accreditation framework.<sup>9</sup> Under the accreditation framework, GCF examines, in line with the ESS standards and all relevant GCF policies, the adequacy of the applicant's environmental and social management system and the track record of implementing such a system. The accreditation process will also allow the entities to access GCF support at a level commensurate to their institutional capacity to undertake the assessment and management of environmental and social risks and impacts.

## 6.2 Environmental and social management system

23. The accredited entities will put in place an effective environmental and social management system to assess the environmental and social risks and impacts associated with the activities and the means to subsequently manage these effectively and equitably. The environmental and social management system of the accredited entities will be in accordance with the requirements of the GCF ESS standards and applicable policies of GCF as determined in the accreditation and appropriate to its role as an implementing entity (which may include a project execution role), an intermediary entity, or both. The accredited entities will maintain and continuously improve the environmental and social management system on which their accreditation was approved. The level of detail and complexity of the management system, and the staff and financial resources allocated to it, will be adequate to manage the expected level of risks and impacts of the activities to be financed. The staff of the accredited entities, including those who may be part-time or externally acquired (e.g. consultants) will have the necessary expertise in all areas covered by the ESS standards of GCF to carry out their responsibilities. The environmental and social management system forms one of the important considerations in the accreditation of the entities and is also the basis of the due diligence of activities proposed for financing that confirms how the environmental and social management system is translated to specific risk avoidance and mitigation measures.

24. If the entities have been accredited to have an intermediary function, their environmental and social management system will include the policies, procedures and resources to conduct due diligence and oversight over executing entities and ensuring that the executing entities have the capacity and environmental and social management systems to fulfil the activity-level requirements discussed in sections V, VI and VII of this policy and in line with the ESS standards of GCF.

## 6.3 Screening and risk categories

25. GCF, pursuant to the ESS standards, requires accredited entities – whether their role is as an implementing entity or an intermediary entity – to screen activities that include programmes, projects and subprojects, and following the result of the screening, to assign

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<sup>8</sup> Decision B.07/02, Annex I.

<sup>9</sup> Decision B.07/02.

appropriate risk categories consistent with their environmental and social management systems and the GCF ESS standards.

26. GCF will review the environmental and social screening of the activities proposed for GCF financing and confirm the environmental and social risk category assigned by the accredited entity based on the screening. In reviewing, GCF will confirm that the risk category of the proposed activity is appropriate to the risk level at which the entities have been accredited and consistent with the accredited entities' requirements, the GCF ESS standards, and the considerations and definitions set out in paragraphs 27 to 34 of this policy. If it is inconsistent, GCF will require the accredited entity to reflect the appropriate category. Only activities with risk categories that are within the accredited entity's accreditation level will be considered for GCF financing.

27. In screening activities, GCF will require that risks and impacts are considered and will include direct and indirect, induced, long-term and cumulative impacts, potential environmental and social risks to the activities, including SEAH risks, and will take into account the activities' areas of influence including associated facilities and third-party impacts. In screening activities, the environmental and social risks and impacts, as well as the nature, magnitude, and complexity of these risks, the specific characteristics of the influence area including risks of displacement, involuntary resettlement and to indigenous peoples, and legal and policy contexts will be considered.

28. In screening activities, GCF will require that applicable environmental and social safeguards standards are determined and actions sufficient to meet the requirements of each applicable environmental and social safeguards standard pursuant to the GCF ESS standard and this policy are identified. The screening of the activities will benefit from an integrated assessment that brings together the perspectives of environmental and social risks and the impacts of the activities on the communities and the receiving environment.

29. GCF will require that accredited entities will take all the necessary measures to ensure that all GCF-financed activities meet applicable laws related to managing environmental and social risks and impacts, including national laws, regulations, and standards, and/or obligations of the country or countries directly applicable to the activities under relevant international treaties and agreements. The compliance with applicable laws and relevant international obligations and standards will be reflected in the screening and assessment process indicating these national and international requirements and how these will be met through the management programmes and plans.

30. GCF will require accredited entities to confirm that associated facilities meet the requirements of their environmental and social safeguards pursuant to the ESS standards of GCF. Where the associated facilities are financed by other funding agencies, GCF, and the accredited entities, may rely on the environmental and social requirements of these funding agencies provided that these are more stringent or equivalent to the ESS standards, as determined by GCF.

31. The risk category, aligned with the fit-for-purpose approach,<sup>10</sup> will be proportional to the nature, scale, and location of the activity, its environmental and social risks and impacts, including in relation to SEAH, and the vulnerability of the receiving environments and communities. GCF will require that appropriate risk categories are assigned to all activities proposed for GCF financing paying attention to specific environmental and social risks, as specified in the ESS standards. The environmental and social risk category will determine the nature and depth of environmental and social assessment, appropriate stakeholder engagement, and the type of information to be disclosed. The risks and impacts will be assessed at the pre-

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<sup>10</sup> Decision B.08/03.

mitigation stage, and the accredited entities shall consider the most serious potential impacts of all activities including associated facilities.

32. If a programme, composed of several component subprojects, is being submitted for consideration of GCF funding, GCF will require that the highest risk category of the component subproject will be considered as the overall risk category of the programme.

33. GCF will require accredited entities to assign the appropriate environmental and social risk categories to activities in a manner consistent with the accreditation framework of GCF. The categories are as follows:

- (a) Category A. Activities with potential significant adverse environmental and/or social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented;
- (b) Category B. 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
- (c) Category C. Activities with minimal or no adverse environmental and/or social risks and/or impacts.

34. In screening activities for their environmental and social, including transboundary, risks and impacts associated with investments through financial intermediation, the screening considers the risks associated with the intended end use. Categories of activities involving investments through financial intermediation functions or delivery mechanisms involving financial intermediation are divided into the following three levels of risk:

- (a) High level of intermediation, I1. When an intermediary's existing or proposed portfolio includes, or is expected to include, financial exposure to activities with potential significant adverse environmental and social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented;
- (b) Medium level of intermediation, I2. 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; and
- (c) Low level of intermediation, I3. When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and social impacts.

35. The accreditation of the entities is based on the definitions of risk categories of Category A, Category B and Category C for activities and I1, I2 and I3 for intermediaries. Entities and intermediaries accredited to Category A or I1 can propose for funding those activities with assessed environmental and social risk categories of up to Category A or I1. Entities and intermediaries accredited to Category B or I2 can propose activities with assessed risk categories of up to Category B or I2 only. Entities accredited to Category C, or I3 can only propose for funding Category C or I3 activities.

## 6.4 Environmental and social due diligence

36. GCF will conduct its environmental and social due diligence as part of its assessment of activities proposed for funding consideration. The purpose of GCF due diligence is to



understand and evaluate how the environmental and social, including transboundary and SEAH risks and impacts are screened, assessed and planned to be mitigated and managed by the accredited entities. The due diligence of GCF will verify consistency of the assessments and proposed management measures by the accredited entities with the ESS standards and this policy and recommend to the Board for GCF financing only those proposed activities that meets the requirements for managing environmental and social risks and impacts, pursuant to the ESS standards and this policy.

37. When accredited entities bring investment activities to GCF for consideration, GCF will review the environmental and social assessment of the activities, including through field visits as appropriate, to determine the consistency of the risk categories with the accreditation of the entities and the requirements of the ESS standards and this policy, as well as obtaining comments of stakeholders in cases where projects have potential transboundary risks and impacts. With the review, a set of actions will be proposed by GCF after consulting with the accredited entities in order to fill any gaps related to the requirements of the ESS standards and this policy.

38. The environmental and social due diligence of GCF includes:

- (a) Adequate investigation, review, and assessment related to accreditation as well as to the consideration of funding proposals;
- (b) Assessing the environmental and social management systems of the entities and how these are applied to the activities, the effectiveness and independence of the grievance redress mechanism of the accredited entities and implementing entities, disclosure of information, and the meaningful and timely consultations with all stakeholders; and
- (c) Providing guidance to accredited entities in developing and implementing measures to manage the risks and impacts. The responsibilities of the accredited entities include ensuring that all the necessary assessments of risks and impacts are conducted, management plans developed and implemented, information provided, and necessary stakeholder engagement and communications conducted.

39. GCF will undertake due diligence based on the most recent, reliable and relevant information of the activities. Where information on the activities is limited, GCF will request additional information from the accredited entities and will also take into consideration the risks and impacts inherent in the types of activities, sector, or industry, the specific context within which the activities will be developed and implemented, and the capacity of the executing entities to implement the activities in a manner consistent with the requirements of the ESS standards, and this policy. Where assessments have already been done and permits obtained, the due diligence for the activities will consist of analysis of gaps to understand whether there is a need for any additional studies or measures to meet the requirements of the ESS standards and this policy and a requirement that the gaps be filled. If there are compelling reasons that the gaps cannot be filled, the significance of the gaps, the extent of information provided and the potential risks these present will be reflected in the ESS portion of the Secretariat assessment with a request for waiver.

40. GCF will require the accredited entities to undertake environmental and social due diligence, including SEAH due diligence, on all the activities proposed for GCF financing. The purpose of the due diligence of the accredited entities is to ensure that the activities proposed for GCF financing comply with their environmental and social safeguards standards pursuant to the ESS standards of GCF and this policy. If the accredited entities are acting in an intermediary function, they will require that the executing entities undertake the same level of due diligence on component subprojects to fulfil the requirements described in this section and will conduct the necessary due diligence and oversight to ensure that these requirements are fulfilled.

## 6.5 Environmental and social assessment

41. GCF will require the accredited entities to undertake assessment of environmental and social, including transboundary and SEAH risks and impacts to ensure that the activities proposed for GCF financing meet their environmental and social safeguards pursuant to the ESS standards of GCF and this policy. If the accredited entities are acting in an intermediary function, GCF will require the accredited entity to undertake all necessary measures to ensure that the executing entities fulfil the activity-level assessment requirements described in this section for each component subproject, and will conduct the necessary due diligence and oversight to ensure that these requirements are fulfilled.

42. The environmental and social assessment will be in a manner that: follows good international industry practices, identifies best alternatives and allows for an integrated and balanced view of the environmental and social risks and impacts pursuant to GCF standards and requirements of the accredited entities, considers the environmental and social factors, that can affect the achievement of intended results, and shall include where applicable upstream and downstream environmental and social risks and impacts and impacts on ecosystems and identifies opportunities to enhance the positive environmental and social outcomes and benefits.

43. The scope and depth of the environmental and social assessment will be proportional to the level of risks and impacts and determined in the screening and by the specific requirements of the applicable environmental and social safeguards pursuant to the ESS standards of GCF and this policy. For Category A activities that are anticipated to have significant environmental and social, including transboundary and SEAH risks and impacts, a full and comprehensive ESIA and ESMP will be required. For Category B activities with limited impacts, a fit-for-purpose ESIA and an ESMP, with a more limited focus as may be appropriate, that describes the potential impacts, as well as appropriate mitigation, monitoring and reporting measures will be required. Category C activities should have no expected significant environmental and social impacts and therefore may not require any assessments, although a pre-assessment or screening should confirm that the activities are indeed in Category C.

44. There are a variety of tools and studies that may be used to complement and strengthen further the assessment of environmental and social risks and impacts. These form part of commonly accepted assessment tools such as strategic environmental and social assessments, regional impacts assessments, cumulative impacts, and other specialized studies as may be required under specific environmental and social safeguards pursuant to the ESS standards of GCF and this policy. GCF may recommend and/or require additional tools and planning instruments as may be necessary to meet the national requirements and international commitments of countries.

## 6.6 Environmental and social management plan

45. GCF will require and ensure that the accredited entities develop ESMPs that contain the measures to manage and mitigate the identified risks and impacts, pursuant to the ESS standards of the GCF and this policy. If an accredited entity is acting in an intermediary function, the GCF will require the accredited entity to take all necessary measures to ensure that the executing entities fulfil the activity-level ESMP requirements discussed in this section, and the accredited entity will conduct the necessary due diligence and oversight to ensure that these requirements are fulfilled.

46. Based on the results of the environmental and social assessment, the ESMP for an activity will be designed such that the appropriate measures to address adverse environmental

and social risks and impacts including health and safety, SEAH, as well as opportunities to pursue and enhance positive environmental and social outcomes, are adequately described, roles defined, and the corresponding timelines and resources identified. Where transboundary risks and impacts are potentially involved, ESMP should include a modality to demonstrate that the concurrence of stakeholders are agreed in the ESMP. Where activities involve existing facilities, environmental and social audits may be required with an ESMP which may include remediation, recompense, or management of any residual environmental and social issues.

47. The ESMP will be integrated into the overall planning, design, resourcing, and execution of the GCF-financed activities and reflected in the accredited entities' environmental and social management system. Where gaps exist in the capacity of accredited entities to implement the mitigation measures exist, GCF will work with the accredited entities to build or enhance the institutional capacity and address the gaps before the activities necessitating such mitigation measures are going to be implemented.

48. GCF will require and ensure that activities are screened, including component subprojects of programmes and activities requiring financial intermediation, for potential involuntary resettlement impacts, pursuant to the objectives and requirements of the ESS standard of GCF, particularly regarding land acquisition and involuntary resettlement. GCF-financed activities will be designed and implemented in a way that avoids or minimizes the need for involuntary resettlement. When limited involuntary resettlement cannot be avoided, GCF will require through informed consultations and participation of the people or communities affected by the activities, the preparation of a resettlement action plan or, if specific activities or locations have not yet been determined, a resettlement policy framework proportional to the extent of physical and economic displacement and the vulnerability of the people and communities. A resettlement policy framework will include provisions for the development and implementation of site-specific resettlement action plans that comply with the requirements of the accredited entities for such plans, pursuant to GCF standards and this policy. In cases of economic displacement or restrictions of access to livelihoods as a result of land acquisition and resettlement, GCF will require the development of livelihood restoration and compensation plans or frameworks. These plans or frameworks will complement the social assessments of the activities and provide guidance on specific issues and due process related to involuntary resettlement including land acquisition, consultations with the affected people on their rights and options, compensation for assets, free, prior and informed consent in cases of indigenous lands and territories, livelihood loss and restoration, transition allowances, facilities and resettlement sites, and grievance redress.

49. GCF will require and ensure that activities are screened, including component subprojects of programmes and activities requiring financial intermediation, for any potential impacts on indigenous peoples, pursuant to the objectives and requirements of the GCF ESS standards and other relevant policies. The contributions and inputs of indigenous peoples in the risk screening and assessment processes will be facilitated. Where there are potential adverse impacts to indigenous peoples, GCF will require the development of measures to minimize, restore, and/or compensate for these impacts in a culturally appropriate manner commensurate with the nature and scale of such impacts and the vulnerability of the affected communities of indigenous peoples. These measures are to be described and costed as part of the consideration for GCF funding. Such measures may be integrated into a broader management plan or contained in an indigenous peoples plan, or if specific activities or locations have not yet been determined, indigenous peoples planning framework. The plans or frameworks will be developed with the full and effective participation of indigenous peoples through a process of meaningful consultation tailored to the indigenous peoples; ensuring the free, prior and informed consent of the affected indigenous peoples, where required by the relevant policies of GCF. The scope and extent of such plans will be proportional to the

vulnerability of the indigenous peoples and the extent of impacts on the customary rights of use and access to land and natural resources, socioeconomic status, cultural integrity, indigenous knowledge and skills, and overall welfare. An indigenous people planning framework will include provisions for the development and implementation of site-specific indigenous peoples plans. These plans and frameworks will complement the social assessment of the activities and provide guidance on specific issues related to addressing the needs of the affected indigenous peoples.

50. GCF will require and ensure that activities are screened, including component subprojects of programmes and activities requiring financial intermediation, for any potential adverse impacts on the promotion, protection, respect for, and fulfilment of human rights. This may be done through the required social and environmental impacts assessment (complemented by specific human rights due diligence deemed relevant by the accredited entities with respect to specific circumstances or activities). For activities that have potential adverse impacts on human rights, GCF will require the preparation of an action plan that identifies national laws and/or obligations of the country directly applicable to the activities under relevant international treaties and agreements, and describes the mitigation measures that will be taken to comply with those obligations and national laws. Such measures are to be described and costed as part of the consideration for GCF funding. GCF will not finance activities where planned mitigation is inadequate.

51. GCF will require and ensure that activities are screened, including component subprojects of programmes and activities requiring financial intermediation, for any potential adverse impacts on the promotion, protection and respect for gender equality in accordance with the GCF Gender Policy and Action Plan and in compliance with national laws and/or obligations of the country directly applicable to the activities under relevant international treaties and agreements through a comprehensive gender risk and impact assessment. Supporting and mitigating actions are to be described and costed in the activity-specific gender action plans and/or ESMPs, as part of the considerations for GCF funding.

52. GCF will require and ensure that activities are screened and assessed, including component subprojects of programmes and activities requiring financial intermediation, for any potential impacts on biodiversity, pursuant to the objectives and requirements of the ESS standards of GCF, particularly regarding biodiversity conservation and natural resources management. The activities shall avoid impacts on biodiversity and ecosystem services, and if avoidance of impacts is not possible, measures to minimize impacts and compensate and restore biodiversity and ecosystem services will be implemented. For activities that have potential adverse impacts on natural habitats, GCF will require the preparation of a biodiversity action plan that describes the long-term mitigation, conservation outcomes, monitoring, and evaluation programme. Where avoidance, minimization or mitigation measures are not available or sufficient, and where there is sufficient evidence to justify and support viability, the accredited entity, in coordination with relevant experts and GCF, will design and implement measures that provide remedy or restoration before adequate and equitable compensation of any residual risks and impacts. Such measures shall be described and costed in the biodiversity action plans and/or ESMPs as part of the consideration for GCF funding. Compensation, or offsets, will be used to mitigate adverse impacts on biodiversity and ecosystems in rare cases, only as a last resort, and only in specific instances where: all other technically feasible avoidance, minimization or restoration measures have been considered; supported by rigorous, sound science; developed in consultation with independent experts; and long-term management, support, and financing have been secured.

53. For activities requiring financial intermediation, GCF will require and ensure that the accredited entities in an intermediary function develop an operational programme- or project-level environmental and social management system or framework to identify and manage the

risks associated with their portfolio and delegated activities on an ongoing basis. The complexity of the programme- or project-level environmental and social management system or framework will vary according to the risk exposure that the intermediary is expected to manage. The environmental and social management system or framework will be designed and implemented to meet the environmental and social safeguards of the accredited entities, pursuant to the ESS standards of GCF and this policy.

## 6.7 Operational changes

54. GCF will require the accredited entities to notify GCF when there are major changes in the activity design and execution, policy, and regulatory setting, receiving environment and community, unanticipated environmental risks and impacts, or other circumstances that raise or potentially raise the environmental and social risk category of GCF-financed activities. GCF will require and ensure that the accredited entities undertake due diligence appropriate to the new environmental and social risk category of the activities and revise the ESMP to meet the requirements of their environmental and social safeguards, in a manner consistent with the ESS standards of GCF. Additional due diligence and changes to the ESMPs and other safeguards documents will be disclosed in a manner pursuant to the GCF Information Disclosure Policy.

55. GCF will also require the accredited entities to notify GCF when changes to the ESMP or other management plans are required. In the context of adaptive risk management, accredited entities will ensure that the implementation of the ESMPs will be responsive to changing conditions and the results of monitoring throughout the project's lifecycle. GCF requires the accredited entities to maintain effective due diligence, including participatory monitoring approaches, to address unanticipated developments in the activities or to reflect improved techniques and technologies for addressing environmental and social risks and impacts and meeting the environmental and social safeguards requirements pursuant to the ESS standards of GCF.

56. GCF will require the accredited entities to notify GCF of any changes in their environmental and social management systems that may adversely affect the planning, design, implementation, and monitoring of GCF-financed activities. Where the changes render the ESMPs or the programme- or project-level environmental and social management system inconsistent with the ESS standards of the GCF, GCF will require and ensure that the accredited entities make appropriate revisions in the ESMP or undertake other necessary actions to meet the requirements of the ESS standards of GCF.

57. If the accredited entities are acting in an intermediary function, GCF will require the accredited entities to ensure that the executing entities inform it of the operational changes discussed in this section and, in turn, inform GCF. GCF will collaborate with the accredited entities and executing entities and provide oversight to ensure that any further required measures are implemented.

## 6.8 Monitoring and reporting

58. GCF, through its Secretariat, will carry out monitoring and reporting functions related to the environmental and social performance of the accredited entities and the supported activities as required in the GCF monitoring and accountability framework.<sup>11</sup> The monitoring will be a continuous process that allows disclosure pursuant to the monitoring and accountability

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<sup>11</sup> Decision B.11/10.

framework and the Information Disclosure policy. The extent of monitoring will be based on the type and level of risks identified, including environmental and social risks.

59. GCF will monitor the compliance of accredited entities with the applicable environmental and social safeguards requirements, pursuant to the ESS standards and the monitoring and accountability framework of GCF. On an annual basis, the accredited entities will provide GCF with a self-assessment of their compliance with the applicable environmental and social safeguards, pursuant to the ESS standards of GCF. Halfway through the five-year accreditation, the Secretariat will undertake a mid-term review of compliance performance of the accredited entities. Annually, the Secretariat will report to the Board the consolidated results of the annual self-assessments, mid-term reviews, and any ad hoc reviews that were conducted.

60. The reporting requirements for GCF-financed activities will include annual performance reports and interim evaluation and final evaluation reports. These reports will specify the activities' consistency with the ESS standards and this policy and provide information from the GCF independent accountability units and any other applicable environmental and social provisions in the legal agreement. If needed, GCF may require more frequent or ad hoc monitoring and reporting or audits on specific environmental and social issues, which may also include site visits and consultations with beneficiaries, communities, and national designated authorities. The Secretariat will then report to the Board the performance of the accredited entities in relation to their GCF-financed activities providing information related to implementation progress, issues, risks and lessons, including those affecting environmental and social safeguards.

61. The accredited entities are responsible for monitoring and reporting to GCF on the GCF-financed activities. If the accredited entities are acting in an intermediary function, GCF will require the accredited entities to ensure that the executing entities fulfil the activity-level monitoring and reporting requirements discussed in this section and will, in turn, provide the requisite monitoring and reporting information to GCF. This may include both activity-specific and aggregated monitoring and reporting. GCF will review the monitoring and reporting information about the activities of the executing entities provided by the accredited entities acting as intermediaries.

62. In monitoring the environmental and social performance of activities, GCF shall require the accredited entities to undertake all necessary measures to ensure participatory monitoring through the involvement of communities, local stakeholders, indigenous peoples and civil society organizations in all the stages of the life cycle of activities. This participatory monitoring approach will also encourage the national designated authorities or focal points to organize country portfolio reviews involving people affected by the activities and other local stakeholders.

## **VII. Information disclosure, stakeholder engagement, and grievance redress**

### **7.1 Information disclosure**

63. The Governing Instrument affirms that GCF will operate in a transparent and accountable manner guided by the principles of efficiency and effectiveness. The GCF Information Disclosure Policy<sup>12</sup> operationalizes this commitment by ensuring transparency, public access to information and stakeholder participation in all its activities. The Information

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<sup>12</sup> Decision B.12/35.

Disclosure Policy requires that relevant information, including with respect to environmental and social issues, is made available to the affected and potentially affected communities and external stakeholders.

64. The information will be made available in accordance with the provisions of the Information Disclosure Policy, allowing the stakeholders time to review, seek further information and provide inputs on a proposed activity, including ways to improve design and implementation of its environmental and social safeguards. The information in the form of environmental and social reports, including additional documents described in paragraph 66 and 67, will be provided through electronic links to the websites of the accredited entities and of GCF (in the case of the GCF website, upon submission of the funding proposal to the Secretariat), as well as in locations convenient to affected peoples. The information will be available in both English and the local language (if not English) to foster adequate understanding by the affected and potentially affected communities, stakeholders and the general public.

65. The GCF Information Disclosure Policy requires the accredited entities to disclose to the public and, via the Secretariat, to the Board and active observers, the necessary documentation relevant to the environmental and social safeguards of the activities, and meeting the required disclosure period. The required disclosure will also apply to Category A and Category B subprojects of GCF-funded programmes and investments through medium- to high-level of intermediation.

66. GCF will require that all additional environmental and social safeguards documents be disclosed. These documents will include a suite of assessment and management instruments, such as resettlement action plans and policy frameworks, indigenous peoples plans and planning frameworks, gender assessments and gender action plans, and environmental and social due diligence and audit reports. These documents will complement the environmental and social reports or core safeguards instruments required in all cases – ESIA, ESMP and/or operational environmental and social management system or frameworks – and will be disclosed in the same manner and time frame as the core instruments. Such documents shall be sufficiently comprehensive to inform the assessment and decision on the activities proposed for GCF funding.

67. The accredited entities will also disclose, in the same manner, and time frame as the safeguards documents, a summary of the activities, along with the environmental/social information, including the following at a minimum:

- (a) The purpose, nature, and scale of the activities, and the intended beneficiaries;
- (b) The duration of proposed activities;
- (c) A summary of stakeholder consultations and the planned stakeholder engagement process; and
- (d) The available grievance mechanism(s).

68. If the accredited entities are acting in an intermediary function, GCF will require the accredited entities to undertake all necessary measures to ensure that the executing entities fulfil the information disclosure requirements discussed in this section, and the accredited entities will conduct the necessary due diligence and oversight to confirm that these requirements are fulfilled.

## 7.2 Stakeholder engagement

69. GCF will require accredited entities, including intermediaries, to ensure the effective engagement of communities and individuals, including transboundary, persons in vulnerable

positions and situations, and marginalised groups and individuals that are affected or potentially affected by the activities proposed for GCF financing. The stakeholder engagement plan will describe the disclosure of information, meaningful consultation and informed participation in a culturally appropriate and gender responsive manner, and, in certain circumstances, free, prior informed consent, as required pursuant to the ESS standards of GCF. The disclosure of information, meaningful consultation, and informed participation will be designed and undertaken in a manner that is gender-sensitive, inclusive and participatory, and takes into consideration the risks and impacts, including where appropriate transboundary impacts as well as opportunities to enhance environmental and social outcomes of the proposed activities, starting from the design and development of activities and will continue throughout the lifecycle of the activities.

70. GCF, working with the national designated authorities and focal points of countries, will describe the process and set guidance to assist the accredited entities to put in place and implement a process for meaningful consultation with people affected or potentially affected by the activities, guided by the principles of transparency, inclusiveness, non-discrimination, “Do No Harm” and accountability and by international best practices, and consistent with the best practice options for country coordination and multi-stakeholder engagement.<sup>13</sup>

71. GCF will also develop modalities, applicable to all stages for project consideration, consultations, sharing of information and resolutions of concerns by neighbouring countries on projects having potential transboundary environmental and social impacts.

72. GCF will require and ensure that the meaningful consultation will be culturally appropriate, undertaken throughout the life cycle of activities, with information provided and disclosed in a timely manner, in an understandable format, in appropriate local languages, gender inclusive and responsive, free from coercion, and will incorporate the views of stakeholders in the decision-making process. The processes will pay particular attention to vulnerable groups and to conducting consultations in a manner that does not put vulnerable individuals and groups at risk. For activities impacting indigenous peoples, this engagement will be supported by the objectives and requirements of the GCF ESS standards and relevant GCF policies, including but not limited to, the GCF Indigenous Peoples Policy, including with respect to free, prior and informed consent.

73. GCF reserves the right to observe and participate in the consultation process or request for the documentation of the process in order to gain a better understanding of the issues and concerns of the affected and potentially affected communities, groups and individuals, as well as how such concerns will be addressed by the accredited entities.

74. GCF undertakes direct stakeholder engagement in processes related to the management of environmental and social risks and impacts, including the development of policies, procedures, and guidance, and ESMS of the GCF. In such processes, key documents are subject to a minimum 30-day public disclosure period pursuant to the GCF Information Disclosure Policy.

75. If the accredited entities are acting in an intermediary function, GCF will require the accredited entities to undertake all necessary measures to ensure that the executing entities fulfil the activity-level stakeholder engagement requirements discussed in this section and the accredited entities will conduct the necessary due diligence and oversight to confirm that these requirements are fulfilled.

### 7.3 Grievance redress mechanisms

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<sup>13</sup> Decision B.08/10, annex XIV.



76. The approach of GCF is to provide for grievance and redress at GCF, accredited entity, and activity levels. GCF requires that accredited entities inform the communities affected, or likely to be affected, by the GCF-financed activities about the grievance and redress mechanisms at all three levels, at the earliest opportunity of the stakeholder engagement process and in an understandable format and in all relevant languages. The details for sending complaints containing the contact information and the appropriate modes by which these will be received will be provided by the accredited entities to the communities and disseminated with other involved institutions.

77. The ESS standards of GCF establish the requirements for setting up of a grievance redress mechanism at the activity level to receive and facilitate the resolution of concerns and grievances about the environmental and social performance of GCF-financed activities. These mechanisms will seek to resolve complaints in a manner that is satisfactory to the complainants and other relevant parties, that will be identified, depending on the nature of the complaint. To this end, GCF will require accredited entities to identify, where this already exists at the activity-level grievance redress mechanism, or establish and maintain appropriate and effective mechanisms to receive complaints and facilitate the resolution of such in connection with the GCF-financed activities. In relation to SEAH-specific complaints, grievance redress mechanisms need to be survivor-centred and gender-responsive.

78. At the GCF level, the independent Redress Mechanism will address the grievances and complaints filed by persons, groups of persons or communities or on their behalf by governments or a representative, duly authorised to act in such a capacity, who may be or have been affected by the adverse impacts including transboundary impacts of the projects, in connection to the GCF-financed activities. In the event of a complaint being filed with the independent Redress Mechanism, the accredited entities will cooperate with the independent Redress Mechanism and GCF.

79. GCF recognizes that local or project level grievance mechanism can provide an effective and direct remedy to complainants, and encourages the use of such mechanisms whenever possible. This recognition does not limit in any way the ability of complainants to access the GCF independent Redress Mechanism directly. Persons who allege that they have been affected by activities that do not comply with the accredited entities' own policies and procedures should have the right to access the accredited entities' own grievance redress mechanisms and/or those at the project or activity level, if separate. It is the responsibility of the accredited entities to require and ensure that their grievance mechanisms and the activities' grievance mechanisms are functioning effectively, efficiently, legitimately, and independently in a manner that is accessible, equitable, predictable, transparent, and that allows for continuous learning.

80. If the accredited entities are acting in an intermediary function, the accredited entities will require the executing entities to fulfil the activity-level grievance mechanism requirements discussed in this section while maintaining responsibility for its own grievance redress mechanism and will conduct the necessary due diligence and oversight to confirm that these requirements are fulfilled.

81. The accredited entities' and/or executing entities' mechanism should be scaled to the risks and impacts of the activities. The mechanism will facilitate the resolution of grievances promptly through an accessible, fair, transparent and constructive process, that is also survivor-centred and gender-responsive in the case of SEAH. It will also be culturally appropriate and readily accessible, at no cost to the public, and without retribution to the individuals, groups, or communities that raised the issue or concern. The mechanism will not impede the access to the independent Redress Mechanism of GCF or to judicial or administrative remedies that may be available through the country systems acknowledging that these localized systems may provide more robust information and reflect better the context of the issues on the ground. The mechanism will take into account the "effectiveness criteria" for non-judicial grievance

mechanisms outlined in the United Nations Guiding Principles on Business and Human Rights in order to maximize effectiveness.

## **VIII. Implementation arrangements and resource provision**

82. The policy is an essential component of the overall management framework described as the ESMS of GCF. The implementation of this policy will be through the processes and procedures developed as part of the ESMS, taking into account other relevant policies and the ESS standards of GCF. GCF will have staff with appropriate expertise and will allocate responsibilities and adequate resources to support the effective implementation of this policy.

## **IX. Effective date and review**

83. The policy will become effective upon its approval by the Board and will be applied as directed by the Board in its decision adopting this policy.<sup>14</sup>

84. GCF will review and evaluate the overall environmental and social performance based on the objectives of this policy and the ESS standards as discussed in the next paragraph. Appropriate amendments to this policy will be considered, based on the results of such review and evaluation, changes to the ESMS including updates on and development of the ESS standards. In amending this policy, GCF will provide guidance to accredited entities on the implications of such amendments on the accredited entities' environmental and social management systems and their application to ongoing GCF-financed activities.

85. A review of the policy will be undertaken five years after the effective date in order to assess the effectiveness of GCF in achieving the objectives of the policy. This review will include stakeholder consultation and will be supplemented by annual and mid-term operational reviews and reporting, which may lead to improvements in the ESMS, as required.

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<sup>14</sup> Subject to signed accreditation master agreements.



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