



**GREEN
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Consideration of accreditation proposals and activities – Addendum VI

Accreditation assessment of APL187

Summary

This document contains the recommendation by the Accreditation Panel for accreditation of applicant 187 (APL187), Karandaaz Pakistan (Karandaaz), based in Pakistan, in accordance with the revised accreditation framework adopted in paragraph (a) of decision B.42/13, and includes the screening report confirming the applicant meets the screening requirements contained in part 1 of annex II to document GCF/B.42/04/Add.01.

I. Introduction

1. Karandaaz Pakistan (Karandaaz) is a national direct access entity based in Pakistan. The applicant operates nationally and promotes financial inclusion through investment, digital financial services, innovation and research activities.
2. The applicant applied and was assessed in accordance with the revised accreditation framework (adopted in decision B.42/13, paragraph (a)). The applicant was assessed against the screening requirements contained in part 1 of annex II to document GCF/B.42/04/Add.01.¹ As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application. The AP's assessment was concluded with the issuance of a screening report to the applicant, as contained in Section III below.
3. The applicant has applied to be accredited for the following parameters under the GCF fit-for-purpose approach:²
 - (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from Pakistan;
 - (b) **Track:** normal track; and
 - (c) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (B/I-2)).³

II. Contribution to GCF mandate and strategic goals

4. The applicant is found to have the potential to support GCF in implementing its Strategic Plan for 2024–2027 with respect to:
 - (a) Increasing the portfolio of direct access entities to GCF;
 - (b) The indicative projects/programmes that the applicant intends to submit to GCF;
 - (c) Alignment of said indicative pipeline with Pakistan's climate and development priorities, including renewable energy deployment, energy efficiency, sustainable transport, climate-smart agriculture and land-use interventions;
 - (d) Karandaaz could contribute by mobilizing private capital and supporting innovative climate-focused small and medium-sized enterprises (SMEs) that accelerate low-emission, climate-resilient development;
 - (e) Through its investments and ecosystem-building activities, Karandaaz helps strengthen local financial markets, expand access to climate finance for underserved businesses and foster scalable solutions in areas such as sustainable agriculture, resilient infrastructure, clean energy and inclusive digital finance, thereby advancing GCF targeted results on innovation, market creation and private sector engagement;

¹ See <https://www.greenclimate.fund/board-document/gcf-b42-04-add01>

² Refer to section IV below for the recommendations by the AP.

³ As per the revised Environmental and Social Policy adopted in decision B.BM-2021/18, category B is defined as "Activities with potential limited adverse environmental and/or social risks and impacts that, individually or cumulatively, are few, generally site-specific, largely reversible, and readily addressed through mitigation measures" and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and 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".

- (f) The Karandaaz ecosystem also provides a unique advantage by combining investment capital with execution capabilities across its affiliated platforms. Beyond providing financing, these entities can support project origination, technical assistance, digital delivery, micro, small and medium-sized enterprises outreach, financial intermediation and monitoring, thereby accelerating the deployment of climate solutions at scale;
- (g) Potential contribution to the adaptation and mitigation balance in the GCF portfolio since the applicant focuses on adaptation and cross-cutting activities and supporting diversity in GCF results areas such as transport; buildings, cities, industries and appliances; health, food and water security; forests and land use; and ecosystems and ecosystem services; and
- (h) Enhancing private sector participation by creating enabling environments/de-risking climate investments through the use of financial instruments such as loans, equity, concessional finance and guarantees.

5. Karandaaz operates nationally across Pakistan and maintains working relationships with regulators, policymakers, government departments, financial institutions, businesses, researchers and academic stakeholders through its investment, digital financial services, innovation, technical assistance and research, providing networks relevant to the development and implementation of climate-related activities in Pakistan. The applicant has also collaborated with international development partners and has received both financial and institutional support from organizations such as the United Kingdom Foreign, Commonwealth & Development Office (FCDO) and the Gates Foundation.

6. The applicant intends to contribute to the mandate of GCF through implementation of its Institutional Strategy (2024–2027), which includes the focus theme of Green Investments. Karandaaz has identified sustainability and climate finance as strategic priorities and seeks to mobilize international development capital and blend it with private sector financing to support investments in renewable energy, energy efficiency, sustainable transportation, sustainable agriculture and other climate-related sectors. In addition, the applicant intends to strengthen the capacities of national and regional entities that may seek GCF accreditation by providing targeted technical assistance and institutional support to enable direct access entities to meet GCF fiduciary, environmental and social safeguards (ESS) standards and gender requirements.

7. The applicant intends to propose programmes and projects to GCF that are aligned with Pakistan's national development priorities and climate change strategies, including its nationally determined contribution and national adaptation plans. The proposed pipeline includes activities related to renewable energy, energy efficiency, sustainable transportation, climate-smart agriculture, sustainable forestry, resource-efficient development and climate adaptation. This will draft on the applicant's experience in providing grants, loans, equity and guarantees to entities in Pakistan.

8. The applicant has experience in implementing and financing development and climate-related programmes through grants, loans, guarantees, concessional finance and equity-linked investments. Representative programmes include the Enterprise and Assets Growth Programme, Sustainable Energy and Economic Development, Financial Inclusion Programme and the Pakistan Centre for Digital Financial Inclusion, supported by FCDO, the Gates Foundation, and others. These programmes supported private sector development, sustainable energy, financial inclusion and digital finance in Pakistan. The applicant has also demonstrated climate-related financing experience through investments in renewable energy, energy efficiency, sustainable agriculture, sustainable forestry and other green finance initiatives in the range of USD 0.1 million to USD 4 million:

- (a) GBP 187 million (grants, loans, equity) for the Enterprise and Assets Growth Programme (EAGR), supporting SME growth, climate finance, green-transition projects, gender finance and financial inclusion;
- (b) GBP 15.7 million (loans) for the Sustainable Energy and Economic Development (SEED) programme, supporting renewable energy, energy efficiency, energy audits and commercial lending for sustainable energy investments;
- (c) PKR 1.3 billion (approximately USD 5.2 million) (grants) for the Financial Inclusion Programme (FIP), supporting financial-sector digitalization, secured-transactions infrastructure; and
- (d) PKR 4.1 billion (approximately USD 16.5 million) (equity) for setting up National Credit Guarantee Company Limited (NCGCL), Pakistan's first and only SME Credit Guarantee Company.

III. Screening report

3.1 Screening requirements assessed by the Secretariat

3.1.1 Legal status

9. The applicant, Karandaaz Pakistan, is a public company limited by guarantee incorporated and registered in Pakistan with corporate universal identification number 0089630, The applicant operates under a license issued by the Securities and Exchange Commission of Pakistan (licence no. 716).

10. The applicant has provided evidence that it has legal personality, the legal capacity and authority to enter into contracts, and can bear financial and legal responsibility for performing those obligations. Based on the evidence submitted, the Secretariat finds that the applicant meets the "legal status" screening requirement.

3.2 Screening requirements assessed by the Accreditation Panel

3.2.1 Corporate governance and internal control

11. Karandaaz promotes financial inclusion for SMEs and individuals through commercially oriented investments and technology-enabled solutions, with financial and institutional support from FCDO and the Gates Foundation. As a company limited by guarantee, Karandaaz has no shareholders; its articles of association established members which constitute the General Body, which appoints the Board. Its members are disclosed in the annual report.

12. Karandaaz is governed by an eight-member Board comprising the Chief Executive Officer (CEO) as the sole Executive Director and seven Non-Executive Directors with expertise spanning development, banking, digital finance, investment, finance and the public sector. The Board is supported by the Board Audit and Risk Committee, Human Resources and Nominations Committee, Investment Committee, Digital Financial Services Advisory Committee and Development Impact Committee, each operating under approved terms of reference. Board

and committee minutes reviewed by the AP evidenced active governance oversight. Its organizational structure is publicly disclosed within its annual reports.⁴

13. Karandaaz's strategic direction is articulated in its 2024–2027 Strategic Plan, which is operationalized through annual business and budget plans. Performance against strategic objectives is monitored through periodic management reporting, including monthly reports to the Board as reviewed by the AP. The applicant has also documented its processes for strategy formulation and objective setting.

14. The internal audit function operates under an approved charter aligned with the Institute of Internal Auditors' International Professional Practices Framework and reports functionally to the Board Audit and Risk Committee. The function applies a risk-based annual planning process and is headed by appropriately qualified personnel. External quality assessments are undertaken every five years. The AP reviewed annual audit plans covering 2022–2026, selected audit reports for 2024–2025 and Audit Committee minutes evidencing follow-up and closure of audit recommendations.

15. Karandaaz appoints an independent external auditor to conduct annual financial statement audits, with reporting to the Board Audit and Risk Committee. Auditor independence is governed by the International Ethics Standards Board for Accountants' Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan. Recent audit opinions have been unqualified and the audited financial statements are publicly disclosed through the applicant's annual reports.⁵

16. Karandaaz's internal control framework is aligned with the Committee of Sponsoring Organizations' or COSO framework and is operationalized through policies and procedures that set the tone, as well as defined organizational responsibilities and segregation of duties. The control environment is supported by a dedicated risk and compliance team that has implemented a risk and compliance policy, as observed by the AP; the team undertakes periodic risk assessments and compliance reviews and makes reports to the Audit and Risk Committee. The presence of an active Internal Audit function provides assurance over the effectiveness of the control processes instituted. Information and communication processes instituted have been demonstrated by way of cross functional and linear reporting.

17. The AP finds that the applicant meets the screening requirements for corporate governance and internal controls.

3.2.2 Financial management

18. Karandaaz's finance function is led by the Chief Financial Officer, who reports directly to the CEO and is supported by senior managers responsible for accounting and reporting, finance operations, and corporate finance and treasury. The function comprises experienced professionals, including qualified Chartered Accountants, Association of Chartered Certified Accountants members and staff with equivalent professional qualifications, with relevant experience ranging from 5 to over 20 years.

19. Financial management is supported by Oracle ERP Fusion, a cloud-based system integrating general ledger, accounts receivable, fixed assets, cash management and donor/project reporting. A multidimensional chart of accounts enables transactions to be classified by workstream, project, sector, donor and account code, providing real-time project and donor-level reporting and appropriate traceability of funds. System governance

⁴ See <https://www.karandaaz.com.pk/annual-reports>

⁵ See <https://www.karandaaz.com.pk/annual-reports>

incorporates role-based access controls, semi-annual access reviews, controlled system changes, automated backups and established incident response arrangements.

20. Financial statements are prepared annually in accordance with International Financial Reporting Standards⁶ and are subject to an annual independent external audit. Treasury activities are governed by a Board-approved Treasury Policy that establishes requirements for counterparty credit quality, placement of funds and controlled disbursements. Oversight is exercised by a Treasury Committee comprising senior management and Risk and Compliance representatives.

21. Karandaaz has demonstrated capacity to manage multiple donor-funded programmes, including programmes financed by FCDO, the Gates Foundation and Proparco. Its financial systems support separate project budgeting, expenditure tracking, financial reporting, segregation of funds and comprehensive audit trails. Disbursements are subject to delegated approval thresholds and verification of applicable conditions prior to release.

22. The organization also has established capacity to execute domestic and international payments through commercial banking arrangements, with international transactions undertaken in accordance with applicable State Bank of Pakistan foreign exchange requirements.

23. The AP finds that the applicant meets the screening requirements for financial management.

3.2.3 Procurement

24. Karandaaz's procurement activities are governed by its Procurement Policy and Procedures Manual (2024), which embeds principles of efficiency, transparency, equity and accountability, elements of which have been made publicly available.⁷ The framework defines procurement methods, approval thresholds, evaluation procedures and selection bodies, including simplified arrangements for low-value procurement. Tender documentation incorporates dispute resolution mechanisms and anti-corruption and anti-collusion provisions.

25. Procurement accountability is further reinforced through an established accountability matrix defining approval hierarchies, financial thresholds and escalation arrangements from the Head of Procurement through to Board-level approval, where applicable. In addition, procurement activities are subject to periodic internal audit reviews, providing an additional layer of independent assurance over the adequacy and effectiveness of the procurement control framework. Internal audit reports reviewed by the AP demonstrated that the scope of these reviews extends beyond transactional compliance to assess the broader design and operation of procurement processes.

26. The reviewed audit report included an assessment of procurement policies and procedures to determine their adequacy and alignment with applicable regulatory requirements and recognized good practice. They also examined vendor management arrangements, including processes for vendor selection, qualification and evaluation, as well as mechanisms for monitoring vendor performance and ensuring compliance with contractual terms and conditions. In addition, the audits assessed the accuracy and timeliness of procurement reporting and the extent to which procurement data is utilized to support management oversight and decision-making. The internal audit reports reviewed by the AP did not identify any critical findings in the areas assessed.

27. The AP finds that the applicant meets the screening requirements for procurement.

⁶ See <https://www.karandaaz.com.pk/annual-reports>

⁷ See <https://www.karandaaz.com.pk/procurement>

3.2.4 Integrity

28. Karandaaz's ethical framework is established through its Code of Conduct (2024), embedded within the People Policies and Procedures Manual for employees, while Board conduct requirements are incorporated within the Board Charter. Ethical requirements applicable to consultants, contractors and other third parties are addressed through relevant policies, including anti-corruption provisions. Compliance obligations are incorporated into contractual arrangements, with Board members providing formal declarations of acceptance. These requirements are further reinforced through training.

29. An executive-level Ethics Committee operates under documented terms of reference, with governance oversight provided by the Board Audit and Risk Committee. Karandaaz's publicized zero-tolerance stance to prohibited practices⁸ is further articulated in its Anti-Corruption and Bribery Policy, which applies to parties interacting with its programmes and is aligned with the GCF Policy on Prohibited Practices.

30. The Whistleblowing Policy provides for anonymous reporting and protection against retaliation, supported by reporting channels accessible to both internal and external stakeholders⁹. Investigations are undertaken by a newly established Investigations Committee operating under approved terms of reference and publicized investigation guidelines,¹⁰ with oversight provided by the Board Audit and Risk Committee. Prior to establishment of the Committee, investigations were undertaken by the Ethics and Safeguarding Committee. As observed by the AP, while individual investigation outcomes are reported to the Board Audit and Risk Committee, consolidated analysis of case trends is not currently undertaken. Members of the Investigations Committee provided certificates of completion of an e-training that covered investigations.

31. Karandaaz's anti-money-laundering and countering the financing of terrorism framework is governed by its anti-money-laundering and countering the financing of terrorism policy and procedures adopted in 2024. These provide for risk-based due diligence and sanctions screening against multiple international watchlists, including United Nations, Office of Foreign Assets Control and European Union sanctions regimes. Operational responsibility rests with the Risk and Compliance Department, with oversight provided by the Board Audit and Risk Committee. The function is also subject to periodic internal audit review. Samples of risk-based due diligence and sanctions screening and audit reports of the risk management unit were reviewed by the AP.

32. The AP finds that the applicant meets the screening requirements for integrity.

3.2.5 Project management

33. Karandaaz's project and investment appraisal framework is principally governed by its Investment Policy, supported by the Corporate Investment Strategy, Deal Sourcing Guidelines, Project Management Guidelines, the Environmental, Social and Governance Framework (ESG Framework) and Development Impact measurement arrangements. The Investment Team, headed by the Chief Investment Officer, is responsible for originating and appraising investment opportunities based on factors including commercial viability, growth potential, management capability and potential exit opportunities.

34. Environmental and social due diligence is embedded through ESG Framework, which provides for risk categorization and enhanced assessment of higher-risk investments.

⁸ See <https://www.karandaaz.com.pk/anti-fraud-policy>

⁹ See <https://www.karandaaz.com.pk/grievance>

¹⁰ See <https://krndevelop.wpenginepowered.com/wp-content/uploads/2026/08/KRN-Public-Procedures-Guidance.pdf>

Development impact is assessed through defined investment criteria and performance indicators, such as employment creation and revenue growth.

35. Decision-making incorporates appropriate segregation of duties: the Investment Team originates and appraises transactions, the Investment Committee reviews and recommends proposals and the Board provides final confirmatory approval. Conflict-of-interest requirements apply to Investment Committee members, including mandatory disclosure and recusal where appropriate. The AP reviewed sample appraisal documentation covering different financing instruments and sectors. These included a proposed 50 million Pakistan rupees (PKR) (USD 180,000) loan to Farm Dynamics Pakistan (2024); financing for Megamotor, a new-energy manufacturing company where Karandaaz participated in a syndicated facility, with total financing from all stakeholders of PKR 45.16 billion (USD 160 million) in both debt and equity; a grant to the National University of Medical Sciences; and financing to Al Bario Engineering Private Limited, comprising a PKR 150 million (USD 540,000) short-term facility and a PKR 100 million (USD 180,000) long-term facility in 2025. These examples demonstrated the application of Karandaaz's appraisal and approval processes across loans, grants and enterprise financing.

36. Karandaaz has demonstrated experience implementing development programmes financed by international partners, including FCDO and the Gates Foundation. Examples include a 10-year, GBP 180 million programme supporting micro and small enterprises through equity, loans and grants, which ended in 2026; a USD 5.2 million public-sector digitization programme; and a USD 51.5 million digital financial inclusion programme supporting national payment infrastructure and digital services.

37. The AP finds that the applicant meets the screening requirements for project management.

3.2.6 On-lending/blending

38. Karandaaz is regulated by SECP and, in accordance with its mandate, provides financing to locally domiciled organizations. The applicant demonstrated a track record of lending to enterprises of varying sizes.

39. Its blending experience includes the Refinance and Credit Guarantee Scheme for Women Entrepreneurs, funded by the State Bank of Pakistan. Under the arrangement, the National Bank of Pakistan extended loans using funding received from the State Bank of Pakistan, while Karandaaz provided a funded credit-loss facility to support the scheme (2022).

40. The applicant also demonstrated direct lending experience through facilities provided to enterprises, including Farm Dynamics Pakistan, which received a proposed PKR 50 million loan in 2024, and Al Bario Engineering Private Limited, which received PKR 150 million in short-term financing and PKR 100 million in long-term financing in 2025.

41. In addition, the 10-year FCDO-funded programme (GBP 180 million) that ended in 2026 supported micro and small enterprises through a combination of equity, loans and grants, further demonstrating experience in deploying and blending different financing instruments to support private sector development.

42. The AP finds that the applicant meets the screening requirements for on-lending/blending.

3.2.7 Revised Environmental and Social Policy and ESS standards

A. Revised Environmental and Social Policy

43. The applicant has an Environmental and Social Policy (E&S Policy) included in its ESG Framework which serves as its Environmental and Social Management System (ESMS). It was initially approved by the Board of Directors of Karandaaz in 2018 and has since been further enhanced and updated last in 2025. The E&S Policy outlines the key objectives and principles that guide the entity's environmental and social (E&S) risk management practices, including ensuring that financing provided and investments made are environmentally and socially sound and continue to be managed adequately during portfolio, and to ensure adequate risk management is undertaken to mitigate legal, operational and financial risks of portfolio companies. The E&S Policy and ESMS foresee compliance of all financing provided with the applicant's Exclusion List, the applicable national E&S laws and regulations, and screening requirements aligned with the International Finance Corporation (IFC) Performance Standards 1–8.

44. The applicant has a dedicated Sexual Exploitation, Abuse and Harassment (SEAH) Policy outlining its commitment to zero tolerance for all forms of sexual wrongdoing and including appropriate SEAH safeguarding provisions, which is applicable internally to all employees, as well as to all third-party contractors and for financing provided. These are also reflected in the Code of Conduct and Whistleblowing Policy, applied as part of supplier due diligence and contract management as well as the investment review. For female employees the applicant also ensures compliance with the national laws on the Protection against Harassment of Women at the Workplace Act of 2010 and its amendment Act of 2022. Complaints by employees can be raised with a dedicated Inquiry Committee with the company's CEO as the 'competent authority' as per the requirements of the national laws. Confidentially and anonymous reporting is available for all internal and external stakeholders. These follow a survivor-centred approach and focus on measures to support victims. Details on safeguarding are also made publicly available on the applicant's website, including contact details for submitting complaints. Dedicated investigation guidelines have been put in place that govern the review and resolution of any inquiries, feedback and complaints and so forth. The applicant provided its register of complaints, with one case of a SEAH-related case thus far having been reported and evidencing implementation of the SEAH-related policies and procedures.

B. Environmental and social management system

45. Karandaaz has an ESMS to identify, assess, manage and monitor the E&S risks and impacts for financing provided, tailored to its portfolio and type of lending provided, which is mainly to micro-enterprises and SMEs, including through other Financial Institutions (FIs). The ESMS is fully integrated into the applicant's Investment Policy and includes the key process steps to be followed during appraisal and monitoring of E&S risks and impacts. In addition, the roles and responsibilities internally of the various teams involved with regard to E&S risk management during the review process are clearly described in the ESMS, and are fully integrated into the investment/credit granting process and steps (i.e. deal screening, Initial Investment Memorandum preparation, non-binding offer, due diligence, final Investment Memorandum, legal documentation and post investment stage). The ESMS includes categorization definitions (A, B, C, FI) and categorization guidance based on IFC definitions and guidance on categorization, including typical risks and sector classifications, and key requirements based on these such as Environmental and Social Impact Assessments (ESIAs)/Environmental and Social Action Plans (ESAPs), etc. The categorization and environmental documents to be prepared are aligned with GCF requirements. In addition, as per the ESMS, no category A projects may be financed. E&S management practices and capacities of downstream partners are also assessed, including when financing is provided to an FI. The applicant then reviews whether an adequate ESMS is in place to screen lending. In addition, an assessment and screening tool has been developed to systematically identify and manage E&S risks and impacts, and which supports consistent application by the investment teams.

46. Also outlined in the ESMS are monitoring and reporting requirements, which are to be undertaken by the investment teams as part of their regular monitoring activities. ESG compliance reporting is part of portfolio tracking and progress updates, including based on quarterly reports submitted by portfolio companies. The ESMS also foresees that for category B projects, at least one independent assessment of the ESG compliance is undertaken during the investment holding period. Internally the applicant prepares an Annual Environmental Report for the Board of Directors of Karandaaz.

47. The applicant's initial ESMS was approved in 2018 and an independent external evaluation was undertaken in 2023 (Audit: Environmental and Social Guidelines (ESG) Framework Compliance Assessment Report). The findings were shared with the AP, and the bank has taken several steps to enhance its E&S risk management practices based on the findings since then, including for example screening for all financing utilizing the enhanced screening tool now in place.

48. The applicant provided sufficient evidence to demonstrate ESMS implementation track record at both the E&S appraisal and the monitoring stage. Several completed examples of E&S due diligence/screening reports prepared for category C and B type of projects with adequate E&S screening including categorization and due diligence for the type of projects currently supported with financing and applied for were provided by the applicant. The completed screening forms include an overview of the companies'/client's type of operations, the key E&S risks identified versus the screening requirements based on the IFC Performance Standards, the categorization, as well as evidence of screening against the requirements of the Exclusion List and the national laws. Adequate mitigation measures were identified and included in ESAPs (where applicable). The bank was found to also monitor ongoing compliance with the E&S requirements, and progress is internally reported on, including based on reports provided by its clients. No ESAPs for any investments as per the national requirements have thus far been required for any of the investments made, given that these are mainly for SMEs.

49. Karandaaz also has a system to externally communicate on E&S matters and receive inquiries and feedback from third parties. Key information is shared with the public through the applicant's annual report and on its website, including through dedicated communication channels for external parties. This includes information on its sustainability related programmes, research undertaken, etc., the applicant's safeguarding policy (SEAH policy) as well as a dedicated section to submit any general inquiries or questions.

50. Information disclosure, public consultation and stakeholder engagement practices are aligned with the national regulations. The applicant currently does not disclose any E&S-related information for its financing given that it is mainly for micro-enterprises and SMEs, to which these typically do not apply. Public consultations as per the national laws would only be applicable for projects requiring an Environmental Impact Assessment (EIA). The bank is committed to comply with the GCF Disclosure Policy requirements for GCF-financed activities and provided a commitment letter in this respect.

51. Karandaaz's organizational structure and roles and responsibilities regarding E&S risk management are clearly defined. The Manager of the Development Impact (DI) team oversees ESMS implementation, and its continued updating and external reviews as needed, manages external E&S experts and E&S-related capacity-building and training internally, as well as reporting. Investment teams and industry experts undertake all key due diligence and monitoring aspects with support of the DI Manager. Sufficient E&S and gender expertise are integrated into the DI and Innovations, Investment and Digital teams. The DI Manager and external E&S consultants utilized have sufficient capacity to support ESMS implementation. In addition, capacity-building has been provided by the DI and Monitoring and Evaluation teams among others on the ESG Framework, risk identification and due diligence, monitoring and reporting as well as on how to engage with external E&S consultants for category B and FI investments.

C. Grievance redress mechanism

52. The applicant has dedicated channels to receive and respond to grievances, including E&S-related complaints, which are publicly available on its website.¹¹ The applicant's Grievance Proceedings outline the key steps followed to screen, assess and address grievances, and is supplemented by other key policies and procedures such as the Code of Conduct, Whistleblowing Policy, Peoples Policy and Procedures Manual. The seven-step grievance redress mechanism ensures that all external E&S-related complaints are addressed, with a final determination made by the CEO. These are accessible to employees and all external stakeholders (vendors, consultants, beneficiaries, general public, etc). Confidential and anonymous complaints can also be submitted through dedicated emails¹² or through the FCDO confidential hotline. Investigations are handled independently by an E&S Investigation Committee formed by the CEO ('competent authority') in accordance with the investigation guidelines. The applicant shared its grievance log, which indicates that two cases have been filed, investigated and closed, demonstrating its functioning.

53. The AP finds that the applicant meets the screening requirements for the revised environmental and social policy, and the screening requirements for ESS standards for activities of up to medium environmental and social risk (category B/I-2), as applied for.

3.2.8 Indigenous Peoples policy

54. The applicant has an Indigenous Peoples (IP) Policy framework which outlines the key commitments, guiding principles and operational procedures and institutional oversight regarding Indigenous Peoples issues. Its overarching commitment is to respect the dignity, human rights, economies and cultures of Indigenous Peoples, including in compliance with the GCF Indigenous Peoples Policy and other international standards.

55. The policy aims to ensure Free, Prior and Informed Consent (FPIC), recognizes the right of Indigenous Peoples to self-determination and protecting their cultural heritage, traditional knowledge and natural resources. Indigenous Peoples also have access to the applicant's grievance redress mechanism. The Indigenous Peoples policy requirements are applied to all new financing provided, and an Indigenous Peoples Plan is required if impacts are identified as part of the screening. Policy implementation oversight rests with the DI Manager of Karandaaz. To date no activities/clients financed have triggered the Indigenous Peoples standard and there is sufficient capacity to assess if Indigenous Peoples issues are triggered. The applicant further provided a formal commitment letter stating its commitment to fully adhere to the GCF Indigenous Peoples Policy.

56. The AP finds that the applicant meets the screening requirements for the Indigenous Peoples Policy.

3.2.9 Updated Gender Policy

57. Gender aspects are governed by the applicant's Gender and Youth Policy, adopted in 2019 by its Board of Directors, as well as the bank's Gender Action plan, its processes for gender mainstreaming as well as the relevant provisions within the applicant's Human Resources Policy, Code of Conduct, SEAH Policy and ESMS Framework. At the institutional level the applicant made a commitment to have women representing 22 per cent of its Board members and 35 per cent of its staff.

¹¹ See <https://www.karandaaz.com.pk/grievance>

¹² complaints@karandaaz.com.pk and reportingconcerns@fcdo.gov.uk

58. The applicant's Gender and Youth Policy outlines the overall commitment to achieve inclusive development, with a special focus on women's economic participation, youth employment and innovation. It applies both internally and for financing provided, with two key overarching objectives: (i) achieving institutional gender diversity within the organization and leading by example regarding gender equality; and (ii) fostering gender equality and women's economic empowerment for all programme activities. This is further reinforced through the applicant's focus on addressing access to finance gaps for women, which are supported in addition through dedicated programmes. Provisions on non-discrimination and equal treatment, as well as zero-tolerance for SEA/H are also included in the Code of Conduct and include requirements for compliance with the national laws of 2010 and 2022 in this regard.

59. The Gender Action Plan entails all further steps planned regarding gender mainstreaming, leadership development, integration of gender into the investment pipeline, institutional capacity-building and case study development, all of which have been progressing well.

60. Gender mainstreaming for financing provided is one of the four key strategic areas of support as per Karandaaz's Gender and Youth Policy. This includes assessments through a gender lens and design specific interventions, gender-specific and disaggregated targets, as well as tracking disaggregated data. and the design of specific interventions where women are the primary beneficiaries. Assessment and monitoring of key gender aspects are embedded in the project cycle and decision-making process and included in the E&S due diligence tools and the Impact Score Toolkit, which incorporates the 2x criteria to assess gender performance, gaps and improvement actions, including through project-level Gender Actions Plans as needed. Monitoring of gender aspects is part of the annual workplans, regular supervision and results reporting, and includes gender-disaggregated data, which is supported by the Monitoring, Evaluation, and Learning team responsible for monitoring and oversight. Key monitoring requirements are outlined in the Gender and Youth Policy, including key tasks, roles and responsibilities and expected outputs.

61. In addition to gender mainstreaming aspects that are applied to all financing provided, the bank also has two dedicated gender-focused programmes. Its Women Ventures programme has supported to date over 130 women-led business with finance, advisory and technical assistance, and through the Women's Economic and Digital Inclusion (WEDI) programme grants are provided for digital and technical solution that foster women's financial inclusion. In addition, the applicant also undertakes research and knowledge management to catalyse the market, capacity-building at the market level and policy and regulatory support to foster inclusive development. It is noteworthy that the applicant supports partners through its capacity-building on gender to increase outreach to women and gender integration and mainstreaming within their own organizations. In addition, through policy development support and partnerships Karandaaz aims to support better practices at the sector level and facilitate the development of financial products and services for women.

62. Karandaaz has sufficient capacity to manage gender aspects. A dedicated Gender Council is in place, and the Innovations Investment team includes several staff with gender finance expertise and a qualified Gender Lead is responsible for the WEDI programme managed by the Digital team.

63. The applicant has demonstrated its track record in implementing its gender mainstreaming approach. Karandaaz provided details and progress updates of its dedicated women-focused programmes (Women Ventures, Women Economic and Digital Inclusion), assessments of gender aspects for projects financed and monitoring and performance tracking, as well as the findings of an external audit undertaken in 2023 on the implementation of its gender and youth approach and how it has addressed the recommendations made therein. This included, for example, the establishment of the dedicated Gender Council, operationalization of

the Gender Lead and improvements in the gender mainstreaming approach and development of project-level gender Action Plans.

64. The AP finds that the applicant meets the screening requirements for the updated gender policy.

3.3 Observations for the applicant

65. The applicant is encouraged to consider reporting on investigation trends to its key stakeholders.

IV. Recommendations

66. Based on the assessment, the applicant is found to have met all applicable screening requirements.

67. Therefore, the AP recommends APL187 for accreditation and that they be accredited for **maximum environmental and social risk category**: medium risk (category B/I-2).
