Annex XII: Policy for contributions from other sources not covered in the policy for contributions to the Green Climate Fund

I. Objectives

1. This Policy for contributions from other sources not covered in the policy for contributions to the Green Climate Fund (the "Policy") establishes the guiding principles, requirements, and procedural steps under which the Green Climate Fund (GCF or the 'Fund') may consider and receive "financial inputs from a variety of other sources, public and private, including alternative sources," in accordance with paragraph 30 of the Governing Instrument and decision B.45/18, paragraph (l).

2. This Policy is separate from, and complements, the Policy for Contributions to the GCF for the third replenishment and any subsequent updates or revisions thereto (the "Policy for Contributions"). This Policy does not apply to financial inputs that are governed by the Policy for Contributions.

II. Guiding principles

3. For the purposes of this Policy, "Other Source Input" means a contribution from other sources not covered in the Policy for Contributions. In identifying, considering, receiving, administering, and using Other Source Inputs, GCF shall apply the following guiding principles:

(a) **Non-substitution of financial inputs under paragraph 29:** Other Source Inputs shall complement, and shall not be a substitute for, the financial inputs referenced in paragraph 29 of the Governing Instrument.

(b) **Consistency with the Governing Instrument and applicable framework:** Other Source Inputs shall be identified, received, administered, and used in alignment with the Governing Instrument, relevant Board decisions, and other applicable requirements, including with respect to the objectives, guiding principles, mandate, legal status, and operational modalities of GCF.

(c) **Preservation of the role and functions of the Board:** Other Source Inputs and any related arrangements shall not confer upon a contributor or third party any prerogative reserved to the Board in the Governing Instrument, including, but not limited to, its responsibility and authority over the Fund's governance, funding decisions, and allocation and use of resources.

(d) **Country ownership and equitable access:** Other Source Inputs shall be used consistently with the Fund's country-driven approach, country ownership requirements, and applicable access, appraisal, approval, or accountability processes, as appropriate.

(e) **Coherence with GCF programming and allocation:** The receipt and use of Other Source Inputs shall be consistent with the Fund's strategic programming and allocation framework, including Board-approved targets for mitigation and adaptation, regional balance, and support for developing countries that are particularly vulnerable to the adverse effects of climate change.

(f) **Financial sustainability and protection of developing countries:** Other Source Inputs and the terms governing their identification, receipt, administration, and use shall be consistent with the Fund's fiduciary principles and standards, financial risk management framework, financial sustainability, risk-bearing capacity, and liquidity.

(g) **Due diligence and accountability:** Other Source Inputs shall be subject to risk-based legal, financial, integrity, and reputational assessment and due diligence, as well as

transparent approval, implementation, and reporting arrangements, consistent with the Fund's risk and accountability frameworks.

(h) **Added value and cost-effectiveness:** In considering an Other Source Input, GCF shall take into account its expected financial and strategic value, as well as the costs and risks associated with its identification, receipt, administration, and use.

III. Application and scope[3]

4. **Eligible sources:** Subject to the requirements and process set out in this Policy, the Fund may receive Other Source Inputs from "a variety of other sources, public and private, including alternative sources," in accordance with paragraph 30 of the Governing Instrument. Such sources may include:

(a) Philanthropic foundations, including, but not limited to, philanthropic arms of public and private entities, charitable organizations, endowment funds, civil society organizations, and other non-profit entities;

(b) Private persons or entities, including, but not limited to, companies, financial institutions, institutional investors, insurance companies, pension funds, family offices, and high-net-worth individuals;

(c) Multilaterally agreed climate finance mechanisms, as appropriate;

(d) Collective fundraising, crowdfunding, donation platforms, aggregators, and similar mechanisms; and

(e) Any other sources approved by the Board.

5. **Scope exclusions:** For the avoidance of doubt, this Policy shall not apply to:

(a) Financial Inputs governed by the Policy for Contributions; or

(b) Co-financing and parallel financing.

6. **Timing:** This Policy is not time-bound to any specific replenishment cycle. Consistent with decision B.05/04, paragraph (c), GCF may consider and receive Other Source Inputs on an ongoing basis.[4]

IV. Conditions for identification, receipt, administration, and use

4.1 Minimum conditions and safeguards

7. The Fund's receipt of Other Source Inputs shall be subject to the following minimum conditions:

(a) The input's source, form, provider, and, where relevant, legal or beneficial ownership have been sufficiently identified, and the applicable assessments and due diligence have been completed, including with respect to legal, financial, integrity, and reputational risks;

(b) The input can be identified, received, administered, and used under arrangements acceptable to GCF and, where applicable, the Trustee;

[3] This section does not constitute or presume advance approval of any specific Other Source Inputs under this Policy. Other Source Inputs shall be considered and received in accordance with the applicable requirements and process set out in this Policy.

[4] The "Fund will maintain the flexibility to receive financial inputs on an on-going basis."

(c) The terms governing the identification, receipt, administration, and use of the input are consistent with the Governing Instrument, the guiding principles and requirements set out in this Policy, relevant Board decisions, and other applicable conditions, including risk management and accountability requirements;[5] and

(d) Appropriate arrangements have been established for financial management, administrative and transaction cost recovery, resource separation, and the treatment of income, reflows, residual resources, and liabilities, consistent with Section 4.3 below.

8. The provision of an Other Source Input shall not be conditional upon, or give rise to, any entitlement of a contributor or third party to:

(a) Board membership, voting rights, decision-making authority, or any other prerogative reserved for the Board under the Governing Instrument;

(b) Preferential access or treatment for commercial or other advantage, including in relation to non-public information, GCF procurement opportunities, accreditation, funding, or other institutional processes, without prejudice to any agreement with respect to reporting or information sharing in connection with the provision of such Other Source Input; or

(c) Any rights to use the GCF name or logo, claim standing as a partner or sponsor of GCF, or make public statements or announcements on behalf of GCF, except where expressly authorized by GCF in accordance with applicable policies and requirements.

9. Other Source Inputs shall be identified, received, administered, and used in alignment with applicable Board-approved conditions and allocation parameters and, where feasible, through the Fund's existing legal, financial, administrative, and institutional arrangements. The Secretariat will continue to explore avenues for the Board to consider special terms, structures, mechanisms, or other arrangements to enable or facilitate Other Source Inputs that are expected to provide meaningful additional resources or other material strategic value to the Fund ("Enabling Mechanisms"), as referenced in Annex XIII.

4.2 Financial management and treatment of resources

10. **Financial sustainability:** Where an Other Source Input gives rise to a repayment, return, or other obligation of GCF or a related entity:

(a) The financial terms and expected deployment of the input shall be structured to enable the relevant obligation to be met in a manner consistent with the Fund's financial sustainability, liquidity, risk-bearing capacity, and ability to provide grants and highly concessional finance; and

(b) Resources attributable to the input shall be deployed on terms that are, in aggregate, no more concessional than the terms of the input, unless otherwise approved by the Board.

11. **Use of resources across contributions policies:** The use of contributions governed by the Policy for Contributions to repay or service obligations arising from Other Source Inputs shall be subject to such conditions as may be established by the Board and under the applicable contribution, Trustee, and legal arrangements/agreements.

12. **Income, reflows, and other returns:** Investment income, reflows, recoveries, proceeds, and other returns generated from an Other Source Input shall be reused, retained, allocated, or applied only in accordance with this Policy, the conditions applicable to the original Other Source Input, the applicable legal arrangements/agreements and, where applicable, the relevant Board decision.

[5] For example, transparency, reporting, disclosure, communications, confidentiality, and other applicable requirements.

13. **Termination and winding up:** The terms governing an Other Source Input shall address, as applicable, its expiration, suspension, termination, or winding up; the treatment of outstanding obligations and liabilities; uncommitted, undisbursed, or residual resources; and the transfer, return, retention, or other disposition of remaining assets and resources, consistent with this Policy, the applicable legal and Trustee arrangements, and, where applicable, the relevant Board decision.

V. Due diligence and Board approval process

14. The Secretariat may receive expressions of interest or proactively identify and develop opportunities to receive Other Source Inputs, including through preliminary, non-binding engagement, structured outreach and market sounding, pre-feasibility assessment, or other preparatory work with potential contributors, intermediaries, or partners. This section sets out the procedural steps applicable to the screening, due diligence, preparation, and Board consideration of Input Proposals, without prejudice to any further Secretariat authority as may be granted by the Board.

5.1 Preliminary assessment

15. The Secretariat shall conduct an initial screening to determine whether an Input Proposal warrants further processing under this Policy ("Preliminary Assessment"). The Preliminary Assessment shall consider:

(a) The proposal's consistency with the Governing Instrument, this Policy, and other applicable requirements;

(b) The nature, source, form, expected scale, and additional value of the proposed input;

(c) Preliminary legal, financial, fiduciary, integrity, reputational, operational, and policy risks;

(d) The potential implications, where relevant, for the Fund's financial capacity, programming, allocation, and outgoing instrument mix; and

(e) The proposal's maturity, feasibility, and cost-effectiveness, taking into account projected administrative, transaction, and opportunity costs.

16. The Secretariat may decline or discontinue consideration of an Input Proposal where it is unlikely to meet applicable requirements, presents unacceptable risks, lacks sufficient additional value, or is not operationally or financially feasible.

5.2 Risk-based due diligence

17. Input Proposals that satisfy the Preliminary Assessment shall be subject to a risk-based due diligence process.

18. Where the Other Source Input may be received through the Trustee under applicable arrangements, the Secretariat and the Trustee will coordinate at an early stage, taking note that the Trustee's due diligence process and procedures will apply, as appropriate.

19. The Secretariat will develop, as needed, separate or additional risk-based due diligence procedures. The procedures will seek to identify, assess, and address legal, financial, integrity, reputational, and other relevant risks, in a manner proportionate to the nature, source, form, scale, complexity, and risk profile of the proposal. Matters considered may include, as relevant:

(a) The identity, ownership, control, legal status, and governance of the contributor and any relevant third parties;

(b) Source of funds, source of wealth, title to assets, and adverse claims or encumbrances;

(c) Anti-money-laundering, counter-terrorist-financing, sanctions, fraud, corruption, and other integrity considerations;

(d) Litigation, regulatory action, criminal conduct, conflicts of interest, and material adverse information;

(e) Environmental, social, human-rights, labour, climate, tax compliance, data protection, cybersecurity, and governance considerations;

(f) Financial capacity, creditworthiness, counterparty risk, market risk, and performance risk; and

(g) The need for ongoing due diligence monitoring.

20. The Secretariat may engage qualified external providers to support the due diligence process in whole or in part, including with respect to valuation, legal analysis, market assessment, risk assessment and mitigation, or other specialized work. Any related costs shall be estimated and reflected in the Input Proposal.

21. Based on the outcome of the due diligence process, the Secretariat may seek additional information, discontinue consideration, or advance the Input Proposal for consideration in accordance with section 5.3, taking into account any revisions or risk mitigation measures, as appropriate.

5.3 Consideration and Board approval

22. Following satisfactory completion of the due diligence process described above, the Secretariat shall submit the final Input Proposal to the Board for consideration. This submission shall contain information appropriate to the nature, scale, and complexity of the proposal, including, as applicable:

(a) A description of the source and contributor, including, where relevant, identification of legal or beneficial ownership and any relevant third parties;

(b) A description of the proposed input, including its amount, form, timing, and legal basis, as applicable;

(c) The rationale for receiving the input, including its objectives and expected additionality, financial value, and other strategic benefits;

(d) Material legal and financial implications for GCF, including, as relevant, its legal and institutional arrangements, financial and risk-bearing capacity, liquidity, ability to provide grants and highly concessional finance, and outgoing instrument mix;

(e) The proposed implementation timeline, terms, and mechanisms, including applicable legal, financial, reporting, and accountability requirements and arrangements;

(f) Where applicable, any operational measures or arrangements to ensure consistency with the Fund's country-driven approach and programming and allocation framework;

(g) A summary of the due diligence results, including any material residual risks and proposed mitigation measures; and

(h) Estimated resource requirements for the receipt, administration, and use of the input and proposed cost-recovery arrangements.

23. Where the Board approves an Input Proposal, the Secretariat shall, within the scope and parameters established by the Board, finalize and implement the agreements and arrangements necessary for the receipt, administration, and use of the approved input. In the event the Board

does not approve an Input Proposal, the Secretariat shall notify the relevant parties of the decision.

24. Any material change to the scope, parameters, or conditions approved by the Board shall require renewed Board approval, unless the Board decision expressly authorizes the change or delegates authority to approve it.

VI. Implementation, monitoring, and reporting

25. **Legal arrangements/agreements:** the legal arrangements and agreements implementing an Other Source Input shall be binding and give effect to the terms and conditions applicable under this Policy, including, where applicable, any terms, conditions, or mechanisms authorized by a relevant Board decision.

26. **Trustee arrangements:** existing arrangements for the GCF Trust Fund shall be used where applicable, unless otherwise approved by the Board in accordance with this Policy. Any Other Source Input received through the Trustee shall be operationalized in accordance with the applicable agreements between GCF and the Trustee.

27. **Financial controls and accounting:** Other Source Inputs shall be recorded, tracked, accounted for, managed, and subject to financial reporting in accordance with their applicable terms, accounting standards, GCF's financial and risk management frameworks, and any requirements established by the Board.

28. The Secretariat shall maintain separation and traceability appropriate to the nature and risks of each Other Source Input, sufficient to demonstrate compliance with applicable terms and monitor material assets, liabilities, financial exposures, income, and costs.

29. **Monitoring and reporting.** The Secretariat shall include in its regular reporting to the Board information regarding the implementation of this Policy and opportunities under development or consideration, at an appropriate level of aggregation and subject to applicable confidentiality requirements. Such reporting shall address material developments relating to Input Proposals and Other Source Inputs, including resources received, material risks, costs, implementation issues, and lessons learned. The Secretariat shall promptly notify the Board of any material event that could significantly affect the legality, integrity, reputation, financial position, or continued viability of an Other Source Input received under this Policy.