



**GREEN
CLIMATE
FUND**

Meeting of the Board
13 – 16 March 2023
Songdo, Incheon, Republic of Korea
Provisional agenda item 12

GCF/B.35/06/Add.04

22 February 2023

Consideration of accreditation proposals – Addendum IV

Accreditation assessment of APL117

Summary

This document contains the accreditation assessment conducted by the Secretariat and the Accreditation Panel in accordance with decision B.07/02, and the recommendation by the Accreditation Panel for accreditation of accreditation applicant 117 (APL117), The Nature Conservancy (TNC), based in the United States of America, for the first accreditation term.

I. Introduction

1. Applicant 117 (APL117), The Nature Conservancy (TNC), is an international non-profit organization based in the United States of America and operating in all GCF regions. Founded as an organization working for educational, scientific and charitable purposes, the applicant is now a wide-reaching environmental organization with a mission to conserve lands and waters and protect biodiversity. With a focus on and extensive expertise in land use mitigation and ecosystem-based adaptation (EbA) projects, climate-smart agriculture, forest restoration, degraded land restoration, freshwater management, and marine conservation, the applicant uses evidence-based science to drive policy as well as partners with companies, indigenous peoples and local communities to develop innovative solutions to scale up impact.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 6 November 2018. Accreditation fees were received from the applicant on 2 July 2019, thereby launching the stage I institutional assessment and completeness check. Stage I was completed on 27 April 2021 and the applicant was progressed to the stage II (step 1) accreditation review, which was concluded with the publication of this assessment. The applicant applied to be accredited for the following parameters under the GCF fit-for-purpose approach:

- (a) **Access modality:** international;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** medium¹ (including small² and micro)³;
- (d) **Fiduciary functions:**⁴
 - (i) Basic fiduciary standards;
 - (i) Specialized fiduciary standard for project management;
 - (ii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - (iii) Specialized fiduciary standard for on-lending and/or blending (for loans and equity);
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2));⁵ and

¹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme”.

² As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme”.

³ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of up to and including US\$ 10 million for an individual project or an activity within a programme”.

⁴ Decision B.07/02.

⁵ As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site specific, largely reversible, and readily addressed through mitigation measures”, and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented.”

- (f) Indicative result areas for intended projects/programmes with GCF:
- (i) Energy generation and access;
 - (ii) Forests and land use;
 - (iii) Health, food and water security;
 - (iv) Livelihoods of people and communities;
 - (v) Ecosystems and ecosystem services; and
 - (vi) Public, private, and cross-cutting types of projects/programmes.

II. Stage I institutional assessment and completeness check

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

- (a) “Updated Strategic Plan for the Green Climate Fund: 2020–2023” (decision B.27/06);
- (b) “Matters related to the accreditation framework” regarding the accreditation process (decisions B.24/13 and B.26/01);
- (c) “Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund’s Fiduciary Principles and Standards and Environmental and Social Safeguards” (decision B.07/02);
- (d) “Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach” (decision B.08/02);
- (e) “Policy on Prohibited Practices” (decision B.22/19);
- (f) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (AML/CFT Policy) (decision B.18/10);
- (g) “Policy on the Protection of Whistleblowers and Witnesses” (decision B.BM-2018/21);
- (h) “Environmental and Social Management System: Environmental and Social Policy” (decision B.19/10);
- (i) “Comprehensive Information Disclosure Policy of the Fund” (decision B.12/35) regarding the disclosure of environmental and social (E&S) information; and
- (j) “Updated Gender Policy and Gender Action Plan 2020–2023” (decision B.24/12).

2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. TNC was incorporated as a non-profit organization in the District of Columbia, United States of America on 22 October 1951, as successor to the Ecologists Union formed in 1946.

2.2 Institutional presence and relevant networks

5. The applicant is headquartered in Arlington, Virginia, United States and has 325 offices in the country and 82 other offices in the rest of the world. TNC has 5,054 staff members as of February 2023. With a dedication to achieve a low carbon future, the applicant has an extensive conservation project portfolio and partnerships spanning 79 countries, covering both

mitigation and adaptation projects in both developing and developed countries, with a heavy focus on small island developing States (SIDS).

6. The applicant is fully committed to supporting developing countries in their efforts to reduce greenhouse gas (GHG) emissions and implement their nationally determined contributions (NDCs) by implementing ambitious and innovative projects and by providing technical assistance. The applicant has supported governments and national designated authorities (NDAs) in designing climate finance projects including developing an assessment in Colombia on the mitigation potential of avoided deforestation, restoration and trees in agricultural lands; providing technical support for peatland and mangrove protection and restoration mitigation strategies in Indonesia; and supporting the Government of Seychelles to include ambitious blue carbon targets into the 2021 NDC to ensure that at least 50 per cent of its coastal wetlands are protected by 2025 and 100 per cent by 2030.

7. In order to advance the objectives of GCF, the applicant intends to deploy GCF funds through various financing instruments, including loans and equity, to scale up the GCF portfolio in mitigation and adaptation. In addition, it intends to channel more finance through private sector partners. With its extensive expertise in REDD-plus and EbA projects, policy frameworks, and innovative financing of nature-based mitigation and adaptation solutions, the applicant would undertake the following activities to scale their impact and leverage private financing:

- (a) On the mitigation side, the applicant is developing a pilot rural credit model with a major bank and a major commodity broker in the Amazon region that seeks to leverage private capital investment to promote sustainable soy and cattle production. It intends to replicate and scale up this model with credit enhancement support from GCF financing, and potentially capitalize it through a green bond offering or a syndicated loan structure. The model seeks to deploy below market rate loans to be made available to rural producers for much longer terms than are commercially available, contingent on producers' commitments to zero deforestation production and secured by long-term purchase agreements with the trader; and
- (b) On the adaptation side, the applicant has an extensive portfolio of EbA projects across the Asia-Pacific and Caribbean regions, with a heavy focus on SIDS. It also develops innovating financing mechanisms for adaptation in SIDS, including the world's first debt-for-adaptation refinancing with the Government of Seychelles, Belize debt restructuring, and Barbados debt restructuring. The applicant intends to partner with GCF to scale up both of these adaptation innovations.

8. The applicant, if accredited, could contribute to the Updated Strategic Plan of GCF: 2020–2023 by helping scale up the GCF portfolio across the world in both mitigation and adaptation areas. It would further promote the GCF objective to increasingly engage with the private sector, noting that the applicant has experience in channelling finance through private sector partners and utilizing various financing instruments, including loans and equity. In addition, the applicant has experience in developing financial innovations to scale up impact in REDD-plus and EbA projects, which would enhance and diversify the GCF project portfolio.

2.3 Track record

9. The applicant has a strong track record in managing and implementing conservation projects. With primary financial contributions from the public, governments, investment income and other conservation investors, the applicant has provided solutions that protect and restore natural systems and broaden support for conservation. The applicant, through collaboration with governments, local communities and the private sector, has operated more than 100 marine conservation projects and has protected more than 125 million acres of land.

10. The applicant's track record in implementing and supporting climate change-related funds and projects to date includes the following:

- (a) USD 180 million (blended finance) for Belize Debt Restructuring, debt conversion for marine conservation; Government of Belize (Belize);
- (b) USD 35.0 million (grants, loans, guarantees) for Northern Kenya Northern Rangelands Trust, Loisaba Conservancy, Kenya Wildlife Conservancies Association;
- (c) USD 60.0 million (grant) for Mexico Sustainable and Prosperous communities; and
- (d) USD 75 million (blended finance) for Africa Conservation and Communities Tourism (ACCT) Fund.

2.4 Potential support for direct access entities

11. The applicant has experience in supporting local partners through projects and capacity-building and intends to leverage its experience to help potential direct access entities for GCF accreditation. For example, the applicant helped establish the Micronesia Conservation Trust (MCT) as the financial mechanism to support the countries in the Pacific region to implement their national marine conservation and climate adaptation strategies. With long-term capacity-building support to operationalize the trust, the applicant seconded a climate finance expert to MCT to provide technical assistance and lead the development and drafting of their accreditation application to the Adaptation Fund in 2015, which qualified MCT for fast-track accreditation to the GCF. MCT was accredited by the Board at its seventeenth meeting (decision B.17/13) in July 2017 as a regional direct access entity. The applicant intends to leverage this experience to similarly build the capacity of local partners and accompany them through the GCF accreditation process.

III. Stage II accreditation review assessment

12. The applicant applied under the normal track accreditation process. Its application was assessed by the Accreditation Panel (AP) during stage II (step 1) against requirements in accordance with the GCF policies and standards below to the extent applicable to accreditation:

- (a) GCF policies and standards identified in paragraph 3 above;
- (b) "Revised Environmental and Social Policy" (decision B.BM-2021/18); and
- (c) "Evaluation Policy" (B.BM 2021/07).

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

3.1 Fiduciary standards

3.1.1 Basic fiduciary standards: key administrative and financial capacities

14. Regarding governance, the By-Laws of TNC (amended and restated in October 2019) provide for a Board of Directors comprising between nine and twenty-five board members; the current membership is at the high end of this range. Board member experience spans non-profit management, science, policy, finance and sustainable investment. The By-Laws articulate roles, selection, committees, meetings, and evaluation of the board and its members. Governance Guidelines and Principles complement the By-Laws and elaborate procedures such as appointment processes, tenure and remuneration.

15. Key committees with clear mandates and charters, established either under the By-Laws or as a result of board decisions, include the:

- (a) Executive Committee;
- (b) Finance Committee;
- (c) Audit Committee;
- (d) Governance, Nominating and Human Resources Committee;
- (e) Board Project Review Committee;
- (f) Government Relations Committee;
- (g) Engagement Committee;
- (h) Conservation Committee; and
- (i) Investment Committee.

16. Board committee meeting minutes demonstrate the effective, independent functioning of the board. Several committees are convened by management, including the Carbon Project Review Committee, Conflicts Committee, Oversight Committee, Project Review Committee, and Risk Assessment Committee (RAC). Under their charters, these committees are accountable for cross-departmental coordination and advising executive management. The decentralized regional and country structure of TNC includes working directly in over 70 countries, a presence in another 30, and working across all 50 states of the United States.

17. The applicant shared a range of documentation indicating the process behind and output of its strategic planning efforts, including its long-term strategic mission. The Shared Conservation Agenda has a global outlook to 2050, incorporates a long-term mission, goals and metrics, and identifies the contribution of TNC to worldwide conservation. It includes a climate change agenda with detailed planning to 2025 and objectives and goals that drive annual planning and budgeting. The Shared Conservation Agenda Governance Framework further underscores the alignment of objectives with strategy. Detailed guidelines that complement strategy are part of Conservation by Design 2.0 (CbD 2.0), the strategic framework that articulates the TNC conservation vision and science-based approach and methods.

18. At the operational level, the applicant has more recently implemented a portfolio management approach covering medium-term strategic planning and annual operational planning, which incorporates a top-down consultative process, integrates thematic and regional components, and includes benchmarking and metrics. TNC has demonstrated the capacities and competencies to implement its portfolio management process and track the implementation of objectives and goals.

19. As a United States-registered non-governmental organization, TNC financial statements are prepared under the United States Generally Accepted Accounting Principles, as confirmed in the external audit opinions in consecutive audited consolidated financial statements. In addition, the applicant's Financial Management Handbook highlights several not-for-profit financial standards that are followed, including accounting for contributions received and contributions made. The financial statements incorporate a statement of financial position, statement of activities, statement of cash flows, notes to financial statements, and accounting policies. The notes are an integral and audited component of the financial statements.

20. The capacity of TNC to track and report on GCF funds is evident from its track record in reporting to public and private donors under specific compliance and audit requirements, such as periodically meeting the United States Office of Management and Budget's Single Audit requirement.

21. TNC has an established financial management system, with financial reporting and processing capacities. Payment and disbursement processes are outlined in its Financial Management Handbook. The AP noted that TNC management is implementing external audit management letter recommendations directed at the Financial Controller's Unit to continually improve systems, processes and controls for related entity accounting, revenue recognition, financial accounting processes, and optimization of TNC's Enterprise Resource Planner.
22. The board Audit Committee charter represents best practice and sets a strong governance and oversight framework. Interactions among Audit Committee members, executive leadership, TNC internal audit unit, and external auditors, evident from board papers and minutes, demonstrate high-level exchanges covering strategic audit, internal controls, compliance and financial management issues.
23. The TNC Internal Audit Charter was last reviewed and updated in 2020. An internal assessment conducted by a senior member of the internal audit unit, completed in early 2021, looked at the Internal Audit Charter, Internal Audit Manual and the unit's track record and compliance with the Institute of Internal Auditors standards. It also identified areas for improvement, building on an external quality assessment from June 2018. Such an external evaluation is required every five years under the Internal Audit Charter, with the next review scheduled for the 2023 calendar year.
24. Functional independence of the internal audit unit and the Ethics and Compliance Office (ECO) is achieved and evident through the technical reporting line of the Chief Audit Officer and the Chief Ethics and Compliance Officer to the board Audit Committee. These reporting lines are reflected in the TNC internal Enterprise Risk Team organization chart, but not in the executive leadership and unit organization charts shared with the GCF. Annual internal audit plans and reports and the tracking of the implementation of management recommendations are reviewed and endorsed by the Audit Committee. The Chief Audit Officer's reports to the Audit Committee cover highlights from internal audits during the reporting period, analysis of key risks and aging of the implementation of internal audit recommendations.
25. TNC engages the services of internationally recognized audit firms operating under International Standards on Auditing. The Audit Committee appoints firms according to TNC By-Laws and rotates auditors every five years, extending engagements subject to Audit Committee approval.
26. As a tax-exempt, international non-government organization, TNC is subject to and complies with various filing and audit requirements, including the United States Internal Revenue Service form 990 returns, which are subject to external audit and publicly available online and published along with TNC audited financial statements on its website. In addition, audit management letters include prioritized, risk-categorized management control findings and recommendations supplemented with action plans, which are reviewed at the Audit Committee level and by external auditors in subsequent years as described in paragraph 21.
27. The TNC control framework features enterprise risk management and the "three lines of defence" model. The Ethics and Compliance Office and the Risk Office, both under the General Counsel, play key roles within TNC's enterprise risk management framework with the Risk Office functioning as the independent and objective body overseeing risk and compliance issues across TNC operations and in partner organizations. The ECO leads on risk assessment including the probability of risks and the controls required to manage them and synthesizes the top risks for management and the board. The RAC is largely focused on project-level risk as discussed in paragraph 53 below under the section on specialized fiduciary standard for project management.
28. Information on delegated authorities is dispersed through various policies, procedures and matrices. A robust template and guidance document for regional and business unit directors to use when delegating authority is an example of good practice. The AP encourages

the assimilation and simplification of policies and procedures related to delegated financial and non-financial authorities across business units.

29. Global policies and frameworks on procurement were shared. Procurement is generally decentralized to business units with flexibility regarding templates and methods used within broad thresholds. The AP acknowledges that centralized procurement in a global organization may not be essential so long as policies are reinforced, expertise exists at the business unit level, and oversight is maintained by management to ensure compliance, efficiency, value for money and transparency.

30. In advance of future GCF funding, TNC has aligned its procurement (purchasing) policies and guidelines for awarding procurement with GCF fiduciary standards, specifically regarding the publication of competitive procurement award and procurement dispute resolution processes. TNC will publish external-facing sections of its institutional procurement policy, GCF-specific procedures and notices, and results regarding competitive selection processes for GCF-funded procurement on the future GCF page of the TNC website. The applicant has the capacity and competency to implement its GCF-specific procurement procedures.

31. Examples of procurement processes involving quotations and competitive bids covering business units in the Caribbean, Colombia, El Salvador and Honduras were reviewed. In addition, reports, including actions taken and control improvements concerning a procurement fraud report, were shared. It was noted that the policy threshold for any competitive procurement is USD 150,000 (below which simple quotations or sole source justifications are accepted), which is relatively high.

32. TNC indicated that it generally communicates its back donor procurement and compliance regulations to beneficiary institutions (generally subgrant recipients) via subgrant contract appendices with specific conditions and compliance requirements. Notwithstanding this, the applicant is aware of the requirement under the GCF accreditation master agreement to oversee the procurement policies and practices of beneficiary institutions; TNC shared subrecipient monitoring and investigation reports related to procurement processes as evidence of its track record in this area.

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

3.1.2. **Basic fiduciary standards: transparency and accountability**

34. As mentioned in paragraph 23 above, the TNC Audit Committee Charter covers ethics and has designated the Chief Ethics and Compliance Officer responsible for reviewing ethics and conflict of interest issues and providing the committee with periodic updates on implementing ethics-related initiatives.

35. The primary ethics document of TNC is its Code of Conduct, an interactive tool linked to institutional policies, procedures and guidance, applied to staff, consultants, board members and all parties that interact contractually with TNC. The Code of Conduct was strengthened most recently in 2022 and is published on the TNC website⁶ along with information on TNC values and approach to accountability in addition to a helpline for staff to raise issues relating to ethics and conduct. The Code of Conduct pack is used for staff orientation and awareness training. The opening statements in the online Code of Conduct from the Chief Executive Officer and the Chief Ethics and Compliance Officer set a clear tone from the top on integrity and the approach to prohibited practices.

⁶ Available at <https://www.nature.org/en-us/about-us/who-we-are/accountability/code-of-conduct/>

36. The Chief Ethics and Compliance Officer's 2020 update to the board outlined key initiatives taken and planned, and further evidenced management's tone and approach to ethical and institutional sexual exploitation, abuse and harassment (SEAH) issues as elaborated in paragraph 80 below. Information was provided on actions taken since internal ethics issues were reported in the media in 2019. This demonstrates the executive and board attention given to these issues and the initiatives to continually improve the implementation of processes and practices in these areas.

37. A Conflict-of-Interest Policy is supplemented by quick guides to support identification and mitigation of conflicts of interest. Fit-for-purpose forms are used to declare potential and actual conflicts of interest. Summaries of declarations for 2020 and 2021 present a diverse range of potential, perceived and actual conflicts predominantly related to duties of staff on the boards of other entities and government bodies, or in respect of second jobs. As required, declarations were subject to mitigation measures endorsed by the Conflicts Committee. In addition, the Chief Ethics and Compliance Officer Annual Report to the Audit Committee includes summary information on disclosures and mitigations.

38. The capacity of TNC to prevent and deal with malpractice or prohibited practices, including financial mismanagement, and therefore align with the GCF Policy on Prohibited Practices, is driven by broad standard operating procedures (SOPs) on preventing bribery and corruption developed using advice and expertise from an international specialized law firm. A policy on reporting suspected violations of law and policy covers whistle-blowing and protecting whistle-blowers and witnesses from retaliation. The applicant shared documents to confirm that key policies related to prohibited practices apply to other contracted parties and flow down contractually to subrecipients of funding.

39. Regarding reporting prohibited practices, whistle-blowing and the protection of whistle-blowers and witnesses, the Ethics and Compliance Helpline is enabled by a tailored online application for complaints/whistle-blowing that uses a platform provided by Convercent, a leading ethics programme management tool. The Helpline has an option for anonymous reporting should the complainant prefer, whereby they may decline to give their name or contact information and can continue to correspond and log in to the portal to track their case, representing best practice in this fiduciary area. It was noted that TNC also uses Convercent to receive and process conflict of interest disclosures, further demonstrating good practice in information management and monitoring. The Ethics and Compliance Helpline is currently used for institutional and project-level grievances, as described in paragraph 99 of this document. The applicant shared anecdotal summary information on two cases involving whistle-blowing, describing one where the concerns of whistle-blowers were able to be well managed and the whistle-blowers protected in the context of general, wider reporting of the same issue.

40. The TNC ECO Charter establishes the ECO as a single, independent focal point to operationalize compliance policies and programmes. Investigations are managed under the ECO, with independence underscored by its accountability to the Audit Committee. The ECO reports to the Audit Committee and administratively to the General Counsel. The internal audit unit's charter provides for the unit's assistance with investigations or conduct of special investigations. The annual staff performance evaluation for the Chief Ethics and Compliance Officer is conducted by the General Counsel with input from peers and the Chair of the Audit Committee. The Audit Committee reviews the work of the Chief Ethics and Compliance Officer provides ongoing direction and feedback in the context of the quarterly meetings.

41. According to the ECO Charter, the unit is authorized to have full, free and unrestricted access to all the functions, records, property and personnel for reviews and investigations, and remains free from influence or restrictions on access to resources. The ECO uses recently updated guidelines for conducting internal investigations and protocols for report triage that comprehensively cover procedures and provide advice to facilitate constructive investigations.

These guidelines are used internally by those involved in independent investigations, predominantly in the ECO and Human Resources teams.

42. The section “How the Reporting and Investigating Process Works” in TNC's interactive Code of Conduct provides information on the investigation process to an internal audience (in the format of frequently asked questions), while external parties are informed about what to expect when they report a concern to the helpline via the TNC online Ethics and Compliance Helpline. Answers to questions such as “What Happens When I Make a Report?” and “What Happens When I Report a Concern?” are embedded in the Code of Conduct and referenced in the Ethics and Compliance Helpline for public accessibility and visibility. They contain basic and essential information on the investigation function and guidelines for processing cases.

43. The annual update of ECO to the board incorporates case trend analyses, including comparisons in reporting trends in the three most recent years, disaggregating cases by category, geography, employee function, substantiated versus unsubstantiated, and the type of actions taken.

44. Concerning Anti-Money-Laundering and Countering the Financing of Terrorism (AML-CFT) systems and policies, the applicant's Counterterrorism, Anti-Money Laundering and Economic Sanctions SOP applies across the organization. The SOP is implemented via the applicant's payment processing procedures, where AML/CFT screening is carried out on all payees and incoming transactions across the organization. AML/CFT compliance is required of beneficiary institutions via flow-down clauses in contract and subrecipient grant templates.

45. Examples of AML/CFT due diligence and know-your-customer checks for subrecipients and individuals as well as correspondence related to queries and narrowing down identities to vet against names on lists demonstrate a robust process and track record. The applicant indicated that it is implementing Society for Worldwide Interbank Financial Telecommunications (SWIFT) reporting (where available) to enhance its ability to monitor activity in its bank accounts outside the United States, and will cover most, but not all, bank accounts. While AML/CFT controls and policy compliance have not featured in internal audit plans in recent years, the applicant shared an example of a control check performed by an internal audit in 2019.

46. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the basic fiduciary standards on transparency and accountability and, to the extent applicable to accreditation, the GCF Policy on Prohibited Practices,⁷ the GCF Policy on the Protection of Whistle-blowers and Witnesses,⁸ and the GCF AML/CFT Policy.⁹

3.1.3. **Specialized fiduciary standard for project management**

47. TNC has several strategic and operational documents supporting project preparation and appraisal. The project appraisal and identification process is described in general terms in Conservation by Design (CbD) 2.0 and an appended guidance document that uses situational analyses and an evidence base when considering interventions, a theory of change, and a results chain to determine any unintended consequences. The TNC Highly Effective Teams Framework describes the broad approach to project delivery.

48. In general, the TNC framework and strategic processes that govern the project management cycle are robust and comprehensive; however, a decentralized structure results in reduced standardization and central oversight. Cognizant of this, TNC has set up a dedicated

⁷ Decision B.22/19 and annex XIV thereto.

⁸ Decision B.BM 2018/21 and annex I thereto.

⁹ Decision B.18/10 and annex XIV thereto.

unit for the project cycle of potential future GCF funding streams. The applicant also drafted a GCF Operations Manual and a Project Approval Process Framework in 2021. They articulate project identification and appraisal systems, procedures and processes—incorporating technical, economic, financial, legal, environmental, social and climate change factors into project design and appraisal—and are sufficiently aligned with GCF specialized fiduciary standards.

49. Historically, TNC had developed systems and processes to oversee and control projects; however, it did not have a centralized institutional policy, procedure or manual for project management. Regional business units determine which project management systems and tools to adopt in the context of its generally decentralized operations and diversified activities, but consistent with TNC-wide SOPs. Several internal guidance documents and frameworks for ways of working—including general modules covering administrative processes such as cost allowability, procurement, contracting, subawards and close-out—are focused on bilaterally-funded projects. The applicant’s existing grants manual is used for managing donor grants and subgrants, not programmes and projects and grant compliance. Legal specialists ensure donor compliance, and reviews are in place to monitor project financial management. In addition, the internal audit unit of TNC periodically audits large projects for compliance with country government and donor regulations, with examples provided for the United States Agency for International Development (USAID) Magdalena River project and AgroLac Colombia.

50. Regarding public disclosure of project information, the Guidelines for Providing Information to the Public document (updated to align in the future to GCF fiduciary principles and standards) explicitly indicates the obligation to share this information for GCF projects. Project results have generally been disseminated in a consistent and coordinated manner via the Conservation Gateway.¹⁰ The project results of the Northern Tanzania Rangelands Initiative and of Resilient Central America are published. In addition, GCF project beneficiary and result information, including for grant awards and programmes funded by loans and equity, will be published via a dedicated GCF portal within the TNC website. The applicant has committed to and included in policies the requirement to publish key project information. Project information disclosure is further assessed in paragraph 98 below.

51. The recently documented approach of TNC to monitoring, evaluation and learning (MEL) encompasses a dedicated global unit with regional specialists (segregated from project teams) that develops and oversee monitoring and evaluation (M&E) MEL policies and procedures have been introduced, and some units and projects recruit dedicated monitoring specialists. The applicant has a track record of assuring the independence of project evaluations through outsourcing to competitively procured firms or individuals. To align its systems and policies in this respect, it also has a policy specific to potential GCF-funded projects that stipulates using independent evaluators to review project results - hired via procurement policies/procedures has been developed. The applicant shared examples that demonstrate its capacity and experience in designing standardized evaluation terms of reference (TOR). Further, the TNC Operations Manual for GCF Projects confirms the M&E process, roles, and responsibilities for GCF-funded projects.

52. Concerning the disclosure of M&E reports, as per GCF fiduciary standards and the GCF Evaluation Policy, the applicant has developed a GCF Project Monitoring and Evaluation Disclosure Policy, articulating project-specific disclosures and pre-empting requests for information as well as outlining the generally risk averse (for privacy reasons) approach of TNC. The AP finds the wording of the policy reasonable in the context of the broader accreditation assessment.

53. Project risk management processes are overseen by the Risk Office whose functional connection to the RAC, Project Risk Committee and Oversight Committee provides

¹⁰ See <https://www.conservationgateway.org/>

independence from programme management. The applicant shared specific examples of project team and supervisory project monitoring linked to risk reporting. At the project approval level, two examples of how the Project Review Committee and the Oversight Committee function to carry out risk assessment and risk management are found in the applicant's Gunnison Basin and Yampa River projects (both land easement projects in the United States). Project monitoring systems incorporate the identification of project-level risks and demonstrate corrective action-taking. A Kenya project case study followed the process, from the theory of change to drafting MEL plans to project assessment by senior managers and donor representatives, demonstrating an independent project risk management and review methodology.

54. In summary, TNC has developed, approved and pre-positioned GCF-specific project related policies, procedures and guidelines covering future GCF operations, M&E, and public information disclosure.

55. The project management track record of TNC is demonstrated in the Global Environment Facility (GEF) Partnership for Coral Reef Finance and Insurance, USAID Sustainable Prosperous Communities, and International Climate Initiative Strengthening the Blue Economy of the Western Indian Ocean. This extensive experience was used to develop its GCF Operations Manual, which TNC has been utilizing to prepare future GCF concept notes. The applicant has the capacity and competency to implement the manual and comply with GCF project reporting templates for future GCF-funded projects.

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

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

57. TNC has broad experience with sub-awarding and subcontracting to beneficiary institutions, as highlighted by the NatureVest Accelerator programme. In the second phase of the programme in 2017/18, information provided indicates that applications amounting to about USD 10 million (from more than 60 applicants) and grants of approximately USD 1 million (from six applicants) were recommended for approval. It is noted that, generally, grant awards are a blended component of TNC projects; several examples are in the applicant's current programme pipeline. The experience of TNC in creating managed conservation trust funds with independent and objective governance is relevant to administering grant award/allocation mechanisms. TNC will typically retain a key governance role in funds it was involved in establishing via a board or steering committee seat, and therefore plays a role in overseeing grant distributions. Despite this historical experience, a policy/procedural gap has been addressed in the TNC Granting and Awarding GCF Funds procedure—a new, purposely designed competitive procedure that draws on procurement practices; established processes for small subgrant due diligence; and structures in place for the management and oversight of large-scale awards—developed by the applicant's Global Institutions and Legal Teams.

58. The TNC Grants Services Network administers all public funds and private awards over USD 300,000 with a set of guiding principles. The applicant's Subrecipient Monitoring Team supports such sub-granting processes with customized and contextual criteria for granting to partners, monitoring and oversight. The applicant also indicated plans to partner with GCF accredited entities such as development banks to buy in technical capacity for large-scale competitive grants to complement in-house capacity and competencies.

59. Recent awards to TNC with subaward components are a USD 60 million United States Department of Agriculture award via Climate Smart Commodities (of which around USD 12

million will be sub-awarded) and a USD 31 million USAID award in Mexico (of which around USD 13 million will be sub-awarded). In addition, the applicant uses its GCF Operations Manual to prepare future GCF concept notes that are likely to incorporate elements of grant awarding.

60. In summary, TNC has developed, approved and pre-positioned a procedure for granting and awarding GCF funds. It has demonstrated capacity and competency, developed through historical sub-granting and relevant experience in smaller scale competitive grant awards, to implement its new operating procedures and processes.

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

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

62. TNC has the general corporate capacity to perform any contract related to its mission as permitted under its By-Laws and, under United States laws, it can make equity investments in private and public companies without the need to obtain specific licences. TNC is not licensed by a financial oversight body or regulator in the United States or other countries of current or planned operations or envisaged GCF-funded project activities. As a result, TNC indicated that it is unlikely to prioritize projects requiring a separate registration or licence. Instead, its focus will be on on-lending/blending (largely equity) projects that can be delivered through implementing partners (executing entities). In this context, TNC intends to comply with relevant clauses in the GCF accreditation master agreement and, to this end, will only select potential implementing partners that accept such oversight and other covenants.

63. TNC indicated that it intends to develop on-lending/blending funding proposals with the expertise of its internal conservation impact investment team, NatureVest—a separate business unit (not entity) within the TNC structure whose investments and activities are fully included in the applicant's portfolio and financial statements. NatureVest is a part of TNC's Impact Finance and Markets Division, which manages TNC's engagements across the private sector.

64. The investment policy statement of TNC highlights its investment philosophy, objectives, portfolio guidelines and restrictions, asset allocation, monitoring and benchmarking, roles and responsibilities, and long-term targets. Specific procedures varied, depending on the nature of each investment, and are consistent with the policy. The general policies and SOPs of TNC for centralized banking, borrowing, investments and lending, complemented by templates used for due diligence and risk assessments, are used for NatureVest investment activities. A Deal Review Committee within NatureVest screens and reviews investments prior to the review and approval of the Board Project Review and Oversight Committees, as applicable. In addition, tools, including an internal summary of the process (Internal NatureVest Transaction Approval Process) and a scorecard tool (Impact Investment Scorecard 2019), form part of the TNC due diligence mechanism.

65. Regarding due diligence policies and mechanisms for equity, blended (loans and equity) and on-lending investments (with the exception of standalone PRI investments), NatureVest has a detailed set of policies, procedures and approvals subject to continual improvement and enhancement as NatureVest fine-tunes its governance structure. It was noted that TNC is committed to incorporating NatureVest's policies and procedures in its SOP framework. Deliberations and results from the Deal Committee Review, the Oversight Committee and the Board Project Review Committee are well documented.

66. In terms of procedures for analysing the lending and equity portfolios of intermediaries, the Related Entity Playbook regulates and guides the creation of project vehicles and joint

ventures with other parties and intermediaries. TNC has minimal experience when compared with financial institutions, in providing loans or equity to financial intermediaries as it mostly interacts with operating entities. A 2021 example of a loan made to the Alaska Sustainable Fisheries Trust, a financial intermediary making loans to fishermen, is detailed in NatureVest's 2021 Impact Report and resulted in the development of in-house procedures for evaluating and providing loans to financial intermediaries.

67. TNC is not a commercial or merchant bank; therefore, it does not convene an assets and liabilities committee (ALCO). However, via several layers of risk management and oversight, the relevant functions of an ALCO are essentially met. At the board level, the Project Review Committee, and at the executive level, the RAC, Oversight Committee and Regional Project Review Committee carry out functions similar to that of an ALCO. Committee meeting minutes evidence the Project Review Committee's periodic reviews and reporting of its conclusions to the board on the efficacy and sufficiency of risk management procedures and processes. It was also noted that the Chief Financial Officer's office includes a Chief Investment Officer who oversees the TNC investment portfolio.

68. The investment structure of TNC consists of public and private debt and capital market investments. Liquidity ratios are monitored monthly, including the liquidity to debt ratios, and reported to rating agencies such as Moody's and S&P Global to support the applicant's credit ratings.

69. According to Moody's Investor Services, when reporting on creditworthiness, TNC raises funds from donors for land acquisitions, arranging third-party land acquisitions, granting conservation easements and engaging in commercial enterprises, noting that most land purchases are held temporarily and ultimately sold to permanent holders including local conservation organizations and government conservation programmes. The most recently provided corporate credit ratings of TNC are Aa2 stable (February 2022) from Moody's Investor Services and AA-/Stable (July 2021) from S&P Global.

70. NatureVest's team and staff from other business units work with executing entities on investment governance; monitor financial and operational reports at least quarterly; and review third-party audit reports, bank accounts and reconciliations. Portfolio monitoring reports feature sections on operations, partner performance, financial compliance, legal, governance, impact and market/policy, with recommended actions identified where corrective action is required.

71. TNC shared two examples of packages prepared for board approval: a joint venture project with OptiRTC and the Murray-Darling Basin Balanced Water Fund Project Package. While the documents are not due diligence reports per se, they contain relevant information and demonstrate the risk assessment for equity investments presented to the board committees.

72. The AP's assessment of the TNC internal audit function in paragraphs 23, 24 and 25 provides assurances that the activities of NatureVest are incorporated in internal audit plans, with the example of an audit conducted on its Cumberland Forest project confirming there were no specific findings.

73. In terms of the governance, oversight and financial risk management of NatureVest, the Oversight Committee, which includes the Chief Financial Officer, reviews all NatureVest deals prior to board endorsement and monitors quarterly asset management reports from a risk management perspective. NatureVest uses SOPs for borrowing/lending, centralized banking/borrowing, investment, and disbursement authority. NatureVest is fully supported by the applicant's finance and treasury team, separate from NatureVest operations, in the areas of accounting and reporting, financial planning and analysis, and tax and financial compliance.

74. TNC has an extensive track record as an intermediary using private, philanthropic and unrestricted income and reserves for on-lending/blending projects, with historical examples of funding and participation in the Caribbean Biodiversity Fund, the US Tropical Forest Conservation Act, Debt Swaps and Debt Conversions, and Forest Carbon Partnership Facility (Carbon Fund). Past NatureVest projects that incorporated loan elements were Livestock to Markets and Seychelles Debt Swap. Equity-based projects were the Murray-Darling Basin Balanced Water Fund (Australia), Washington DC Green Infrastructure Fund (United States) and Great Western Checkerboards (United States).

75. Its track record also features a collaboration with the United States International Development Finance Corporation and the Government of Belize in a debt restructuring project under the Blue Bond for Ocean Conservation banner, including supporting the Government of Belize with a grant-making facility. The applicant also informed the AP that it is developing a concept note for GCF funding for an on-lending/blending project. The applicant has a track record as an intermediary and has established and governed on-lending/blending mechanisms.

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

3.2 Environmental and social safeguards

3.2.1 Environmental and social policy

77. The TNC-GCF Environmental and Social Management System (ESMS), approved by the organization's leadership in June 2018, articulates the organization's policies, procedures, and structure for social and environmental standards implementation. Its ultimate objective is to ensure that adverse social or environmental impacts are avoided over the course of implementing projects and programmes funded by GCF or, when unavoidable, that such adverse impacts are minimized and mitigated sufficiently and/or compensated for. The applicant has developed a manual, titled TNC Assessment and Management of Environmental and Social Risks and Impacts for GCF-funded Projects, which articulates the E&S performance standards the system is designed to manage and provides TNC staff with E&S procedures. These GCF-specific policies, standards, and guidance are aligned with the GCF interim environmental and social safeguards (ESS) and build on the applicant's experience in implementing its international projects based on the performance standards (PS) of the International Finance Corporation (IFC) and CbD 2.0 of TNC.

78. On climate-related policies, the entity is committed to a set of ambitious "2030 Goals" such as TNC being directly responsible for removing 3 GtCO₂eq per year over the next decade. In the process, the organization aims to help 100 million people who are most affected by climate-related emergencies. TNC has also set science-based initiative goals of cutting CO₂eq emissions by 25 per cent by 2025 and 50 percent by 2030 from its baseline carbon footprint in the fiscal year 2019. The USD 3.5 billion endowment fund of TNC is undergoing decarbonization efforts. Specifically, in 2014, TNC divested from companies that (a) derive more than 5 per cent of their revenue from the production of coal or oil sands or (b) produce new coal-fired generating capacity unless equipped with carbon capture and storage technology to mitigate carbon dioxide emissions. As such, TNC has not been exposed to these types of companies since 2014 and does not plan to in perpetuity. As of January 2023, the portfolio has been decarbonized by 85 per cent relative to a global equity benchmark by reducing the amount of GHG Scope 1 emissions. The near-term goal of TNC is to reach a decarbonization level of at least 90 percent in the next five years. Regarding its experience with calculating the carbon footprint of its portfolio, TNC is working towards GHG inventory and methodology disclosures in accordance with the GHG Protocol Reporting Standard.

79. TNC applies its Human Rights Guide for Working with Indigenous Peoples and Local Communities,¹¹ which provides guidance and tools TNC staff can use to identify, approach, and work with indigenous peoples and local communities (IPLC) who might be affected by conservation activities. This applicant adopted human rights principles as early as 2009, when it became a member of the Conservation Initiative on Human Rights. and additional practical guidance was developed in 2017. Furthermore, the ESMS policy includes instruction on when/how, for TNC GCF-funded projects, to facilitate consultation in a culturally appropriate manner, when free, prior and informed consent (FPIC) is required, and about establishing culturally appropriate grievance redress mechanisms (GRMs) as needed. The principles and guidance provided in these documents are consistent with the principles of the GCF Indigenous Peoples Policy. TNC has demonstrated solid track record of addressing IFC PS 7 on indigenous people at the project level, including suitable evidence demonstrating its experience with the implementation of an FPIC process by TNC Indonesia.

80. The institutional-level policies that relate to SEAH, specifically the prevention of sexual exploitation and abuse, a harassment-free work environment, non-discrimination, trafficking in persons, and human rights, fall under the suite of policies in the TNC Code of Conduct. TNC also developed a guidance document intended to assist project teams in identifying risks of gender-based violence and SEAH that may emerge in projects. The AP finds that TNC has the systems and capacity to meet the GCF Revised E&S Policy particularly regarding the provisions on SEAH.

81. TNC developed an evaluation policy specific to GCF-funded projects (TNC GCF Independent Monitoring and Evaluation Policy) that features hiring independent evaluators to review project results via procurement policies/procedures. In relation to disclosure of M&E reports, the applicant has developed a GCF Project Monitoring and Evaluation Disclosure Policy, articulating project specific disclosures and pre-empting requests for information. The AP finds that TNC has the capacity to meet the GCF Evaluation Policy, particularly as related to the evaluation of ESS and gender matters.

82. The ESMS is overseen by the TNC GCF Coordination Unit, currently consisting of a Director, a Senior Technical Advisor, a Grants Officer and a Safeguards Coordinator. The director of the TNC GCF Coordination Unit will ensure compliance with TNC and GCF standards for implementation of GCF-funded projects, whereas the Safeguards Coordinator is responsible for its execution. TNC provided evidence of communicating its ESMS internally as well as providing training on safeguards and gender for its staff.

83. The applicant has also demonstrated its experience in implementing climate change projects that contribute to mitigation, adaptation, or both, in 70 different countries. In 2022 alone, TNC invested USD 177 million into climate-related activities and supported several country governments with commitments to nature-based solutions in their NDCs.

84. The AP finds that the applicant's ESMS, comprising the E&S policy, the policy on indigenous peoples and local communities and the TNC GCF Independent Monitoring and Evaluation Policy, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and the GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to PS 1-8.

3.2.2 Identification of environmental and social risks and impacts

85. The capacity of TNC to perform risk assessment, categorization, and mitigation are long-standing and institutionalized in the RAC. The TNC procedure for implementing risk assessment in projects and programmes involve the use of the risk register (a checklist allowing for risk identification), overseen by the RAC. In order to comply with GCF requirements, TNC developed

¹¹ Available at <https://www.tnchumanrightsguide.org/>

a risk categorization framework consistent with IFC PS 1–8 and adopted new procedures for E&S risk and impact identification, including the use of a revised risk register template that evaluates risk significance by likelihood and impact to produce a "Risk Significance Level" scaled from low to extreme risk. A series of guidance notes on screening, stakeholder engagement, E&S management plan and E&S impact assessment (ESIA) has also been prepared to guide TNC staff in risk assessment.

86. The risk screening process includes the use of an ESMS Master Tool to undertake a preliminary screening. At preliminary screening, the initial risk categorization is based on "Initial Perceived Risk Significance," binned by a set of identifiable indicators based on the policies for GCF-funded projects. Based on the screening, the TNC GCF Safeguards Coordinator will categorize the project according to the degree of potential E&S risks and impacts. The preliminary screening process has been actively piloted for a GCF concept note.

87. Regarding responsibilities, the TNC GCF Safeguards Coordinator is the point of contact and decision-making authority for risk assessment and project risk level categorization for GCF-funded projects. The TNC GCF Safeguards Coordinator will consult, when appropriate, with the RAC when assessing risk factors related to a project proposal and making determinations with regards to risk level categorization. As this is a new system, the applicant has not yet developed its track record in implementing the risk categorization included in the TNC GCF ESMS.

88. The AP finds that the applicant's system of identification of E&S risks and impacts fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and the GCF interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes with respect to PS 1–8. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 87 and is reflected by the corresponding condition for accreditation in section 4.2.

3.2.3 **Environmental and social management programme**

89. The ESMS describes the applicant's E&S mitigation and management procedure. The applicant developed specific procedures for risk identification, risk and impact assessments, and risk appraisal in the form of an ESMS Manual. A series of guidance notes on screening, stakeholder engagement, ESMP and ESIA has also been prepared to guide TNC staff in undertaking risk management. This new mitigation measure framework builds on the applicant's experience in developing and implementing its CbD framework.

90. The entity's due diligence process starts with E&S risk categorization of projects/programmes based on the significance of their potential E&S risks and impacts. If a project is categorized as medium risk (B/I-2), the TNC GCF Coordination Unit will require an ESIA scaled to the complexities of the project and the nature and scale of risks identified. TNC seeks accreditation for, at most, medium risk (B/I-2) level projects, so high risk (A/I-1) projects will not be considered for implementation. If a project is categorized as low risk (C/I-3), project proposals may proceed into development without further assessments. After mitigation measures are adopted, a revised "Risk Significance" analysis is performed using the same methodologies, and incorporating the research, consultation, evaluation of each individual risk identified in the risk register, and mitigation measure development completed since the initial assessment.

91. The annual reports of the RAC to the board include a description of the process of E&S due diligence throughout TNC operations. The TNC-GCF Steering Committee—comprised of three members of the Executive Leadership Team, namely the Chief Conservation Officer, the Chief Financial Officer and the Head of External Affairs—will review quarterly reports from the TNC GCF Coordination Unit, including those from the TNC GCF Safeguards Coordinator on potential risks during project implementation.

92. As this is a new system, the applicant has not yet developed its track record in managing E&S risk and impact mitigation measures and actions stemming from the E&S identification process.

93. The AP finds that the applicant's E&S management programme fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and the GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to PS 1–8. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 92 and is reflected by the corresponding condition for accreditation in section 4.2.

3.2.4 **Monitoring and review**

94. The applicant has adopted monitoring and review procedures through its TNC GCF Assessment and Management of Environmental and Social Risks and Impacts document, adopted in 2018 and amended in 2022. The applicant described project monitoring responsibilities, including technical, budget and financial aspects. The ESMS also contains the principle of direct participation of affected communities in monitoring activities, particularly in the case of projects categorized as medium risk (B/I-2). The ESMS also describes the entity's E&S monitoring and review process, including a provision on performing the overall effectiveness of its ESMS implementation. Through its due diligence and monitoring efforts, the applicant will ensure that the projects/programmes financed by it are implemented in accordance with the requirements of its monitoring and review provisions.

95. The TNC GCF Safeguards Coordinator is responsible for monitoring E&S risks, impacts and related issues, while the TNC GCF Senior Technical Advisor will monitor the technical aspects of project development and implementation. The TNC GCF Grants/Finance Officer will review and monitor budget, finance, and all aspects of grant reporting. The TNC GCF Coordination Unit Director is responsible for reporting these monitoring results to the TNC GCF Steering Committee, which is composed of senior management members, and ensuring successful project oversight overall.

96. The applicant has provided evidence of its track record in the monitoring of projects in Brazil, Indonesia, Mexico, and others. Examples of M&E reports were made available, including an example of an annual performance report and the terminal evaluation of two projects. TNC also provided examples showing that it has been tailoring evaluation metrics for relevant focus areas and the communities being served as a means to support a participatory process. As TNC is creating a new ESMS for GCF-funded projects, the applicant has not yet established an oversight mechanism to verify the overall effectiveness of the GCF-related ESMS at the institutional level.

97. The AP finds that the applicant's system of E&S related monitoring and review, supported by evidence of its track record, partially meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and the GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to PS 1–8. The relevant gap is identified in paragraph 96 and reflected by the corresponding condition for accreditation in section 4.2.

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

98. Regarding information disclosure, the applicant explicitly commits to the GCF Information Disclosure Policy, including the minimum requirements for disclosure to affected communities. The entity confirmed that for medium risk (B/I-2) categorization, the full draft ESIA, ESMS and/or E&S management framework of funding proposals will be disclosed at least

30 days before submission to GCF for funding consideration, and at least 45 days before submission if IPLCs are affected by proposed project activities. In relation to consultations, TNC adopted a specific policy on stakeholder engagement under PS 1 of its ESMS, requiring inclusive stakeholder engagement throughout the project cycle. TNC provided a number of project reports to demonstrate its practice, as evidenced in a terminal evaluation of a GEF project involving indigenous peoples in Brazil and a mid-term evaluation report of a conservation initiative in the Andean Amazon region (including the FPIC process).

99. The TNC online Helpline is the applicant's external communication channel for receiving inquiries and complaints. The Helpline is a 24-hour, free of charge service available online and by phone in a variety of languages. The TNC Ethics & Compliance Process was established to receive and resolve concerns related to alleged or perceived violations of TNC, inter alia, of the ESMS; United Nations Declaration on the Rights of Indigenous Peoples; Guiding Principles of the Conservation Initiative on Human Rights; and IPLC Consent Agreement. Ethics or compliance questions or inquiries can be asked anonymously and confidentially in over 55 languages via local phone numbers and in any language if in written form. If affected communities do not speak one of the languages available through the Helpline, TNC is committed to hiring a translator to help file complaints. Acknowledgement of receipt to inquiries and complaints are provided within two business days. The ECO tracks these concerns and maintains a database with the investigation outcomes, recommendations, and actions. A list of all concerns and their status is provided to the Audit Committee of the Global Board of Directors periodically.

100. The TNC-GCF Grievance Mechanism will be the entity's future E&S complaint management system and GRM for GCF-funded activities. Once operational, it will be accessible via a dedicated webpage and searchable from the TNC homepage.¹² The steps, timeframes and procedures for the TNC formal grievance process are articulated in the ESMS document and should be available in the Grievance Mechanism's future webpage. TNC has committed to list any active grievances associated with GCF-funded activities on this page, including the status of the grievance.

101. The TNC-GCF Grievance Mechanism will be managed by the Chief Ethics and Compliance Officer from the ECO. This ethics and compliance function includes Regional Directors who live in the geographies they serve and report directly to the independent, headquarters-level ECO. No regional, project-level or TNC-GCF Unit oversight is involved to ensure independent management of grievances. The Chief Ethics and Compliance Officer reports directly to the Audit Committee of the TNC Board of Directors. TNC provided evidence that the ECO staff is trained and experienced in grievance resolution and related matters. The AP concludes that TNC has a fully independent GRM with a separate team and predetermined budget, function, and governance, reporting directly to the board.

102. At the project level, TNC requires that all projects have independent, transparent and effective project-level GRM and ensure an accessible option for all affected communities. Alternatively, the grievant may file a claim with the institutional GRM. The TOR of TNC for project-level grievance redress has been provided. It derives from the applicant's Human Rights Guide for Working with Indigenous Peoples and Local Communities, piloted in Brazil, Canada, and Indonesia in 2018–2019. The GRM adopts a phased approach consisting of phase 1 (dialogue), phase 2 (mediation), and phase 3 (ethics and compliance). The three mechanisms can be pursued independently. For example, an indigenous representative could go straight to the TNC Ethics & Compliance Helpline (phase 3) without participating in the other phases. Details on the grievance filing and response process are available on the TNC webpage containing its Human Rights Guide for Working with Indigenous Peoples and Local

¹² See <https://www.nature.org>

Communities.¹³ TNC has committed to following all processes articulated in the Human Rights Guide for GCF-funded activities. TNC reported receiving E&S-related grievances in the past three years and has provided evidence of managing E&S complaints in two past projects (from 2017 and from 2022).

103. Regarding executing entities, the applicant, in its ESMS, adopted a policy requirement on project-level disclosure and consultation with the public by executing entities it oversees. This will be available in the TNC GCF grievance webpage once this becomes effective. TNC provided evidence of its track record in co-designing GRMs with projects of executing entities overseen by it.

104. The AP finds that the applicant's system of external communications, consultations, information disclosure and GRM, supported by evidence of its track record, partially meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation, the GCF interim ESS standards and the GCF Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category B/I-2 projects/programmes with respect to PS 1–8. The relevant gaps are identified in paragraphs 100 and are reflected by the corresponding conditions for accreditation in section 4.2.

3.2.6 Organizational capacity and competency

105. TNC established a GCF Coordination Unit to develop and oversight the TNC portfolio of GCF-funded projects; review all proposals and related technical and financial documents both for internal approval and submission to GCF; and ensure operationalization of the ESMS. This TNC GCF Coordination Unit is hosted by the External Affairs Department and reports to the Director of Global Policy. It is accountable to the TNC leadership through the TNC GCF Steering Committee, consisting of the Chief Conservation Officer, Chief Administrative Officer, and Global Head, Policy and Government Relations.

106. Within the GCF Coordination Unit, the TNC GCF Safeguards Coordinator is the point of contact and authority for the assessment and management of E&S risks and impacts in TNC GCF-funded projects. This coordinator will also review periodic progress reports by financial intermediaries, if applicable, to be submitted to GCF by the Director of the GCF Coordination Unit. The Chief Ethics and Compliance Officer provides leadership and guidance to implement the TNC compliance programme. This officer works closely with the TNC GCF Coordination Unit and manages the grievance mechanism process and Ethics and Compliance Helpline. The TNC Legal Department, charged with helping to prevent illegal, unethical or improper conduct at all levels of the organization, acts in close coordination with the ECO and the TNC GCF Safeguards Coordinator on the performance standards. The RAC is consulted as needed to evaluate risks associated with projects/activities. TNC staff with issue-area expertise serve as ESMS Advisors who will work closely with the GCF Safeguards Coordinator to ensure implementation of PS 1–8. Finally, the TNC GCF Steering Committee functions as the executive decision-making body of TNC for GCF-funded projects. The TNC GCF Steering Committee also oversees the implementation of the ESMS and ensures that ESMS procedures and standards are fully respected and enforced.

107. The applicant provided a list of 16 staff members directly involved in managing PS 1-8, and their respective qualifications and experience. Training sessions for staff on GCF-related matters have been planned and a learning package for staff is under preparation. In addition, the newly established TNC GCF Coordination Unit currently has two staff. TNC is in the process of adding three more full-time staff, included one dedicated to gender issues. The AP finds that the entity has sufficient capacity to manage E&S issues.

¹³ See <https://www.tnchumanrightsguide.org/>

108. The AP finds that the applicant's organizational capacity and competency to implement the ESMS fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and the GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to PS 1–8.

3.3 Gender

109. An overarching commitment to gender equity was adopted by TNC in 2017. The entity encourages the development of gender strategies by regional/country programmes, as evidenced by the TNC Melanesia Gender Strategy provided. TNC is also committed to gender equity at the project-level, having adopted gender requirements and gender guidance procedures, including a Gender Conservation Checklist. With a view to implement GCF-funded projects in the future, TNC developed a GCF Gender Policy, which includes direction on gender assessment and mainstreaming, consistent with the Updated GCF Gender Policy. This policy will be overseen by a dedicated TNC-GCF gender lead.

110. At the entity level, TNC leadership currently consists of a female CEO and Chair of the board and a Board of Directors with 50 per cent female membership. Females currently comprise 62 per cent of the TNC workforce. The applicant's Equal Employment Opportunity Policy and gender pay equity documents provide for non-discriminatory practices for benefits and remuneration, and different processes in place prevent improper compensation variances. One example is the annual gender and ethnicity equity analysis conducted by the Compensation Department. TNC has also adopted an Affirmative Action Plan, which consists of a series of steps an employer takes to recruit and advance qualified minorities, women, persons with disabilities, and covered veterans. Gender-related grievances may be processed through the GRM/Helpline.

111. The ECO has a well-established process for managing grievances related to gender-based violence and/or SEAH. Regarding capacity to implement its gender policies, the applicant established a Global Diversity, Equity, and Inclusion (DEI) Team, whose Chief Global DEI Officer reports directly to the CEO. The DEI Team has a full-time dedicated Director-level staff charged with overseeing the implementation of its gender policies, whereas seven staff have related responsibilities. In addition, TNC has gender-competent staff positioned in regional and country offices. At project level, TNC requires gender experience when hiring staff for ESMS external consultation and plans to continue this as best practice through all GCF project development and implementation stages. The curriculum vitae of four staff members were provided. They demonstrate the competencies and experience needed to advance gender mainstreaming at different organizational levels. TNC informed the AP that a dedicated full-time staff will be hired to oversee the implementation of its TNC GCF gender policy. The AP finds that TNC has solid processes and track record regarding the implementation of its gender commitments at the entity level.

112. At the institutional level, TNC provided evidence of various gender initiatives, such as the Women in Nature Employee Resource Group and the Nature's Pride Employee Resource Group, which help advise the People Team, the Global DEI Team, and the leadership on gender matters. Women in Nature also hosts the Men as Allies group to foster action and changed behaviours to address gender-related inequities. The applicant has provided evidence of having conducted gender activities and gender training events to support implementation of TNC Gender Equity Guidelines. In March 2021, 60 TNC staff from 20 countries participated in the Gender Integration Workshop for Indigenous- and Community-Based Conservation. In terms of further advancing gender competencies and learning from peers, the Gender Specialist's Network of TNC staff comprises staff trained or working on gender issues with IPLCs; it provides a platform for learning and sharing gender knowledge relevant to IPLC engagement practices.

113. Ample evidence has been provided on the applicant's track record of gender-sensitive and gender-responsive stakeholder consultation, GRM, information disclosure, and knowledge management both at regional and at project/programme-levels. Inclusion of gender considerations has been demonstrated in a sample of 14 projects, including projects highlighting linkages between gender mainstreaming and climate change resilience in more than 10 countries. In addition, TNC provided a sample project involving community-based tourism and conservation in Africa that demonstrates the adoption of non-discriminatory practices in terms of benefits and remuneration for both men and women employees. The applicant also informed GCF of its involvement in developing a pipeline of climate change projects targeting gender and climate, with beneficiaries in Mexico, Micronesia and countries in the Amazon basin.

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

IV. Conclusions and recommendation

4.1 Conclusions

115. Following its assessment, the Secretariat concludes the following in relation to the application and its potential to support the mandate and objectives of GCF. The applicant has the potential to support GCF in implementing its Updated Strategic Plan for 2020–2023 with respect to:

- (a) The indicative projects/programmes that the applicant intends to submit to GCF within the scope of accreditation recommended by the AP in paragraph 117 below;
- (b) Alignment of said indicative pipeline with country programming priorities;
- (c) Potential contribution to the adaptation and mitigation balance in the GCF portfolio, since the applicant focuses on cross-cutting activities, and diversity in GCF result areas such as ecosystems and ecosystem services, and forests and land use;
- (d) Mobilizing climate finance at scale since the applicant is being recommended for accreditation in the medium size category;
- (e) Enhancing private sector participation by creating enabling environments, de-risking climate investments, etc., through the use of financial instruments such as loans, equities and guarantees;
- (f) Diversifying the use of appropriate financial instruments, such as loans, equities and guarantees;
- (g) Increasing GCF portfolio innovation potential by focusing the indicative pipeline on areas such as new technologies and innovative financing instruments; and
- (h) In particular, the portfolio of GCF on forests and land use and ecosystems and ecosystem services result areas remains dominated to date by projects with simple financial structures and a reliance on grants. The applicant brings a rare and exciting opportunity to support GCF in its efforts to diversify the financial mechanisms and instruments available in these result areas, thereby aligning GCF with its priorities.

116. Following its assessment, the AP concludes the following in relation to the application with respect to the applicant's ability to meet the GCF accreditation standards identified in paragraphs 3 and 12 above:

- (a) The applicant fully meets the requirements of the GCF basic fiduciary standards and, to the extent applicable to accreditation, the GCF Policy on the Protection of Whistle-

- blowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF AML/CFT Policy and the specialized fiduciary standard for project management, specialized fiduciary standard for grant award and/or funding allocation mechanisms, and specialized fiduciary standard for on-lending and/or blending for loans and equity;
- (b) The applicant partially meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation, the GCF interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to the medium E&S risk (category B/I-2). The gaps relate to (i) providing an external E&S audit of the overall effectiveness of the ESMS; (ii) evidence of an effective GRM for GCF-related activities; (iii) public disclosure of its registry of complaints; and (iv) providing the E&S risk and impacts identification and E&S monitoring and review reports demonstrating the implementation of the TNC GCF ESMS. These gaps are identified in paragraphs 87, 92, 96 and 100 and are addressed by corresponding conditions in section 4.2 below;
- (c) The applicant has demonstrated that it has the policy, procedures and competencies in order to implement its gender policy, which is found to be fully consistent with the Updated GCF Gender Policy to the extent applicable to accreditation, and has demonstrated that it has experience in gender consideration in the context of climate change; and
- (d) The applicant has demonstrated that it has institutional-level systems, capacities and competencies regarding evaluation as required by the aforementioned GCF basic and specialized fiduciary standards and interim ESS standards that would enable it to implement the GCF Evaluation Policy for its GCF-funded activities.

4.2 Recommendation on accreditation

117. The AP recommends, for consideration by the Board, APL117 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** medium¹⁴ (including micro and small);
- (ii) **Fiduciary functions:**
- (1) Basic fiduciary standards;
 - (2) Specialized fiduciary standard for project management;
 - (3) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - (4) Specialized fiduciary standard for on-lending and/or blending (for loans and equity); and
- (iii) **Maximum E&S risk category:** medium risk (category B/I-2) (including lower risk (category C/I-3¹⁵)); and

¹⁴ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme”.

¹⁵ As per the Revised Environmental and Social Policy adopted in decision B.BM-2021/18, category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts,” and intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and social impacts.”

- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
- (i) Conditions to be met by the applicant prior to the effectiveness of the accreditation master agreement during stage III of the accreditation process:
 - (1) Delivery to GCF by the applicant of evidence, in a form and substance satisfactory to the AP, that it has adopted the policy and procedures of its institutional-level GRM, that such policy and procedures satisfy the requirements of paragraph 79 of the GCF Revised Environmental and Social Policy, and that the AE has published such policy and procedures on its website;
 - (ii) Conditions to be met by the applicant with the submission of the first funding proposal to GCF:
 - (1) Delivery to GCF by the applicant of the E&S risk and impacts identification report, including the project's risk categorization;
 - (iii) Conditions to be met by the applicant within one year of the first disbursement by GCF to the applicant for the first project/programme in E&S risk category B/I-2 to receive a disbursement:
 - (1) Delivery to GCF by the applicant of evidence, in a form and substance satisfactory to the AP, that the E&S complaints register is publicly available on the applicant's website; and
 - (2) Delivery to GCF by the applicant of a copy of the E&S monitoring plan for such GCF-funded project/programme; and
 - (iv) Condition to be met by the applicant within three years of the first disbursement by GCF for the first approved project/programme in E&S risk category B/I-2 to be undertaken by the applicant during the accreditation term:
 - (1) Delivery to GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of a final report prepared by an independent body assessing the effectiveness of the implementation of the applicant's ESMS.

118. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions as identified in paragraph 117 above, and agrees to the recommendation.

4.3 Remarks

119. The applicant is encouraged to consolidate and harmonize its policies, procedures, and guidance related to the delegation of authority for financial and non-financial activities.

120. The applicant is taking steps to publish, in addition to summary information available on its website, additional details of the TORs outlining the purpose, authority and accountability of its investigation function, and guidelines for processing and managing cases during and after the investigation process.

121. As NatureVest's systems, procedures, processes and templates continue to adapt and strengthen, the applicant is encouraged to harmonize NatureVest's procedures and processes with its SOP framework.

122. The applicant has informed the AP that it intends to establish a formal gender advisory function (possibly in the form of a Gender Committee) where lessons learned from cases will be presented to its board and recommendations regarding policy or procedural improvements made. The AP encourages the applicant to report progress in advancing this through annual self-reports and the midterm report, if accredited.
