



**GREEN  
CLIMATE  
FUND**

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**4 March 2026**

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# Consideration of accreditation proposals and activities – Addendum I

## Accreditation assessment of APL163

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### **Summary**

This document contains the accreditation assessment conducted by the Secretariat and the Accreditation Panel in accordance with decision B.31/06 and the transitional arrangements in respect of the revised accreditation framework adopted in decision B.42/13 paragraph (m) and set out in annex VI to that decision, and the recommendation by the Accreditation Panel for accreditation of applicant 163 (APL163), Bank of Bhutan Limited (BoB), based in Bhutan.

## I. Introduction

1. Bank of Bhutan Limited (BoB) is a commercial bank and the largest financial institution in Bhutan with a mission to deliver inclusive and reliable banking services that contribute to national development and financial stability, with a vision to lead sustainable economic growth. Its activities include retail and corporate banking, financing for electric vehicle infrastructure and small hydropower projects.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 28 May 2021. Accreditation fees were received from the applicant on 12 March 2024, thereby launching the Stage I institutional assessment. Stage I was completed on 26 August 2025, and the applicant progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the GCF fit-for-purpose approach:<sup>1</sup>

- (a) **Access modality:** direct access, national. The applicant received a national designated authority (NDA) or focal point nomination for its accreditation application from Bhutan;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or programme:** small;<sup>2</sup>
- (d) **Fiduciary functions:**<sup>3</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees);
- (e) **Maximum environmental and social risk category:** medium risk (intermediation 2 (I-2));<sup>4</sup> and
- (e) Indicative result areas for intended projects/programmes with GCF:
  - (i) Energy generation and access;
  - (ii) Transport;
  - (iii) Buildings, cities, industries and appliances;
  - (iv) Forests and land use;
  - (v) Health, food and water security;
  - (vi) Infrastructure and built environment; and
  - (vii) Ecosystems and ecosystem services; as well as
  - (viii) Public, private and cross-cutting types of projects/programmes.

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<sup>1</sup> Refer to section 4.2 for the scope of accreditation recommended by the Accreditation Panel.

<sup>2</sup> As per annex III to decision B.31/06, “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by GCF, of above USD 10 million and up to and including USD 50 million for an individual project or programme.”

<sup>3</sup> Decision B.07/02.

<sup>4</sup> As per the Revised Environmental and Social Policy adopted in decision B.BM-2021/18, intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures; and includes no activities with potential significant adverse environmental and social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented.”

## II. Stage I institutional assessment

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 to the extent applicable to accreditation below:

- (a) Strategic Plan for the GCF 2024–2027 (decision B.36/13);
- (b) Updates to the accreditation framework (decision B.31/06); and
- (c) Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach (decision B.08/02).

### 2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as part of the application. The Bank of Bhutan Limited (BoB) was formally incorporated in the Kingdom of Bhutan on 1 May 1991 under the name of Bank of Bhutan and carries registration number U20250303BHU0814. The applicant is a regulated financial institution under the Financial Services Act of Bhutan 2011. The applicant holds a license issued by the Royal Monetary Authority of Bhutan to operate as a commercial bank, and is subject to prudential regulation, supervision and oversight by the Royal Monetary Authority of Bhutan.

5. The applicant has indicated and provided evidence that it has independent legal personality and legal capacity to enter into legal arrangements directly with GCF. In accordance with the transitional arrangements in respect of the revised accreditation framework adopted in decision B.42/13 paragraph (m) and set out in annex VI to that decision, if approved, the applicant's accreditation will be deemed to be complete on the date that GCF issues a confirmation/certificate evidencing the applicant's accreditation.

### 2.2 Institutional presence and relevant networks

6. BoB is the largest and oldest commercial bank in Bhutan, operating continuously since 1968. Its registered headquarters are in Thimphu, Bhutan. The applicant has extensive nationwide coverage, with 38 full branches and 8 extension branches, and employs 768 staff members providing banking services across all major areas, including remote and underserved regions.

7. The applicant maintains regular engagement with key government institutions, including the Royal Monetary Authority, Ministry of Finance, Ministry of Infrastructure and Transport, and the Ministry of Energy and Natural Resources. These relationships facilitate alignment between the applicant's financing activities and national development and climate policy priorities.

8. The applicant has also established partnerships and networks relevant to sustainable finance and climate-related investments. These include cooperation with the Bhutan Taxi Association and the Prime Minister's Office (Project Management Office) for the financing of electric vehicle taxis through blended finance arrangements, as well as collaboration with the World Wildlife Fund Bhutan on energy efficiency measures for the applicant's corporate infrastructure. In addition, the applicant maintains working relationships with civil society and environmental organizations operating in Bhutan, and participates in financial sector and regional banking networks, including the Financial Institutions Association of Bhutan and the Asian Bankers Association.

9. The applicant has experience of working with multilateral development banks, such as the Global Environment Facility, and bilateral donors, including the United Nations

Development Programme, to develop areas such as an electric vehicle programme to reduce emissions in the transport sector.

10. The applicant intends to utilize concessional climate finance to support mitigation and adaptation priorities of Bhutan as set out in its nationally determined contribution and national adaptation plan. The intended programming builds on the applicant's existing climate-aligned financing portfolio and focuses on scaling investments in low-emission transport, renewable energy and energy efficiency, sustainable urban development, climate-resilient agriculture, waste and water management, and climate-resilient health and housing infrastructure.

11. BoB has benefited from the GCF Readiness & Preparatory Support Programme through the country window. BoB received funding support from NDA for the preparation of fiduciary and ESS documents in 2021. BoB also received capacity-building support in 2025 under the country readiness and preparatory support programme. The program covered key areas, including Environmental and Social Safeguards, alongside Project Planning, Management, and Monitoring.

12. In addition, the applicant has indicated its intention to support transformational initiatives aligned with long-term low-carbon and climate-resilient development pathway of Bhutan, including the expansion of electric mobility and associated infrastructure, decentralized clean energy solutions, and emerging low-emission technologies. The applicant also intends to support sustainable urban development initiatives, including the Gelephu Mindfulness City, which is aligned with national climate strategies and green growth objectives.

## 2.3 Track record

13. The applicant has experience in financing projects and programmes aligned with the national development and climate objectives of Bhutan, including mitigation and adaptation priorities identified in the country's nationally determined contribution and national adaptation plan.

14. The applicant's track record in financing and managing sustainable development and climate change-related projects to date includes the following:

- (a) USD 17.66 million (guarantee) for Druk Hydro Energy Limited. The fund was allotted through BoB's Bank Guarantee (BG) product;
- (b) USD 5.32 million (loans) for the Low Emission Development Strategy Surface Transport (Electric Vehicle Project) with financing from the Global Environment Facility. USD 5.32 million was financed to individuals under the project scheme through BoB's transport loan product;
- (c) USD 2.01 million (loans) for the Eco-Tech Bhutan Kraft Paper Industry Pvt Limited. The fund was approved through BoB's manufacturing loan product;
- (d) USD 10.59 million (loans) for Bhutan Power Corporation Limited for the construction of the association transmission system to electrify the rural communities. The fund was approved through BoB's production and manufacturing (renewable energy) loan product;
- (e) USD 6.46 million (loans) for Druk Green Power Corporation Limited for management of the hydropower plant. The fund was approved through BoB's production and manufacturing (renewable energy) loan product; and
- (f) USD 7.66 million (loans) for the De Suung Skilling Programming (DSP) Solar Power Plant. DSP Skilling Programme trains unemployed youths to become technicians at installing and managing solar power plants. The aim is to diversify the renewable energy in the country. DSP is installing solar panels at major government buildings and

corporate offices. The fund was approved through BoB's production and manufacturing (renewable energy) loan product.

### III. Stage II accreditation review assessment

15. The applicant applied under the normal track accreditation process. Its application has been 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) Policy on Prohibited Practices (decision B.22/19);
- (c) Anti-Money-Laundering and Countering the Financing of Terrorism Policy (AML/CFT Policy) (decision B.18/10);
- (d) Policy on the Protection of Whistleblowers and Witnesses (decision B.BM-2018/21);
- (e) Comprehensive Information Disclosure Policy of the Fund (decision B.12/35) regarding the disclosure of environmental and social (E&S) information;
- (f) Updated Gender Policy and Gender Action Plan 2020–2023 (decision B.24/12);
- (g) Revised Environmental and Social Policy (decision B.BM-2021/18); and
- (h) Evaluation Policy (decision B.BM 2021/07).

16. 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

17. Bank of Bhutan was established by Royal Charter in 1968 and served as the country's central bank until 1982. In 2000, it was registered under the Companies Act of the Kingdom of Bhutan as a public sector commercial bank and has since operated under its Articles of Association. BoB is the largest commercial bank in Bhutan. The applicant is governed by a seven-member Board of Directors, including the Chairperson and the Chief Executive Officer. The BoD is supported by six committees, comprising the Credit Committee, Corporate Social Responsibility Committee, Governance Committee, Risk Management Committee, and Audit Committee. The Articles of Association define Board proceedings, including nomination, appointment, remuneration, and removal of directors, while committee operations are governed by approved terms of reference. Pertinent governance documents and committee meeting minutes were reviewed by the AP.

18. The BoB organizational structure defines reporting lines, functional responsibilities, and delegated authorities and is available on the applicant's website. The applicant operates under an eight-year strategic cycle, with the current cycle running from 2022 to 2030, and as guided by its Standard Operating Procedures for Corporate Strategy. The strategy is implemented through three defined phases and translated into annual plans, with progress measured against qualitative and quantitative indicators. The strategy incorporates the applicant's green ambitions such as increasing investment in green and sustainable development. The Corporate Strategy Division manages strategy formulation and monitors performance. The Head of Monitoring and Safeguards coordinates quarterly reporting, including performance against environmental and social safeguards. Annual plans and quarterly strategic reporting were reviewed by the AP.

19. BoB prepares its financial statements in accordance with Bhutan Accounting Standards, as prescribed under the Accounting Standards Rules for Companies in Bhutan (2012), which are broadly aligned with International Financial Reporting Standards. Management accounts are reported to the Board quarterly, and annual financial statements are prepared by the Financial Accounting and Management Information System Division, comprising 19 staff and led by a qualified Chief Financial Officer. The finance function operates under the Accounting and Reporting Policy Manual (2019). Segregation of duties is embedded within payment and disbursement processes through defined procedures, delegation of authority frameworks, and green financing guidelines. BoB uses a core banking system as its primary transaction platform, supported by enterprise resource planning software ERPNext for reporting, and other integrated systems. Project accounting is accommodated within the core banking system and loan origination systems. Financial projections are prepared up to and including 2026 and monitored via budget utilization reports submitted to the Board. Together with pertinent processes, these were also reviewed by the AP.

20. Audit operations are governed by the Bhutan Auditor General's Standing Instructions (2010) and the applicant's Audit Committee Charter. The Audit Committee comprises four members and provides oversight of internal and external audit, internal controls, risk management, and asset protection against fraud and misuse. The Committee meets quarterly, as evidenced by meeting minutes. The applicant's internal audit function is led by a qualified Chief Audit Officer and operates under approved Internal Audit Terms of Reference and an Internal Audit Manual, which defines independence, authority and accountability. The internal audit function reports functionally to the Audit Committee and administratively to the Chief Executive Office and is established in line with the Corporate Governance Code issued by Druk Holding and Investments Limited<sup>5</sup> aligned with internationally recognized principles of independence and authority. However, the current manual does not explicitly address the principles of competence albeit the function demonstrated that it continuously monitors the professional development of the internal audit team members. The applicant is in the process of revising the manual to align fully with the Global Internal Audit Standards. Audit planning requires consultation with key assurance bodies, including the Royal Audit Authority and external auditors. Audit findings and follow-up reports are reviewed by the management and the Audit Committee. Pertinent track record information such as audit plans, reports and committee meeting minutes was provided to the AP. However, the applicant has not instituted a process for external or internal quality assurance of the internal audit function.

21. External auditors are appointed by the Board and conduct audits in accordance with Bhutan Accounting Standards and the International Standards on Auditing. Recent audits have resulted in unqualified opinions. Audited financial statements are included in the applicants' published annual reports.

22. While the applicant does not maintain a stand-alone internal control framework, it operates a comprehensive system of controls embedded within policies, procedures and guidelines at both Board and management levels. A Schedule of Delegation of Powers defines escalation thresholds, with internal audit providing independent assurance on control effectiveness. Regulatory requirements issued by the Royal Monetary Authority (RMA) of Bhutan are translated into Board-approved internal policies and operationalized through standard operating procedures. Monitoring and oversight is provided by the Risk, Audit, and Compliance divisions, with findings reported to senior management, the Board and regulators. The applicant's risk management framework, modelled on International Organization for Standardization principles, addresses operational and strategic risks and is overseen by executive and Board-level Risk Management Committees, with quarterly reporting. The risk registers and quarterly reports to the Board of Directors have been reviewed by the AP.

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<sup>5</sup> The holding company representing the Kingdom of Bhutan.

23. The procurement framework of BoB is governed by a Procurement Manual that defines procedures for the acquisition of goods, services and works, including principles of fairness, value for money, and dispute resolution. The framework applies to BoB operations only. Tenders and awards are published,<sup>6</sup> however, the procurement guidelines themselves have not yet been publicly disclosed. BoB has, however, agreed to develop, adopt and publish procurement guideline specifically for GCF funded activities. Procurement oversight is exercised through layered approval processes and audit reviews, as evidenced in internal audit reports.

24. The AP finds that the applicant's policies, procedures and capacity partially meet the basic fiduciary standards on key administrative and financial capacities. The AP found the evidence of track records insufficient. The relevant gaps are identified in paragraphs 20 and 23 and reflected in the corresponding conditions of accreditation in section 4.2.

### 3.1.2 Basic fiduciary standards: transparency and accountability

25. The applicant's ethical standards are set out in its Service Rules and Regulations applicable to all employees and formally acknowledged at induction through signed declarations. Third parties, including contractors and consultants, are required to sign an Integrity Pact, a sample of which was provided to the AP. The applicant's Integrity Policy, which applies to employees and external stakeholders, is communicated to newly appointed Board members and reinforced through subsequent Board training.

26. Oversight of ethical conduct is exercised by the Human Resources Committee (an executive committee), which reports to the Board Governance Committee. In addition, a Fraud Management Committee, chaired by the Chief Executive Officer, has been established to provide oversight of fraud-related matters. However, the fraud management committee is yet to be operationalized; currently the risk management committee receives fraud disclosures as demonstrated in its minutes.

27. Conflict of interest management is governed by the applicant's Integrity Policy and aligns with the Bhutanese Anti-Corruption Commission Guidelines on Managing Conflict of Interest. The policy requires annual declarations, ad hoc declarations, and transaction-specific disclosures. In practice, disclosures have primarily been undertaken at the transactional level. Responsibility for managing conflicts is decentralized to operational heads (including Credit, Procurement, and Human Resources), with recusal applied as the primary mitigation measure. However, formal procedures documenting how conflicts are assessed, recorded and resolved are not clearly articulated. Samples of conflict-of-interest disclosures were provided to the AP.

28. The applicant's zero-tolerance stance towards prohibited practices is communicated through contractual arrangements with stakeholders and is publicly disclosed through its Business Integrity Policy.<sup>7</sup> The applicant prohibits practices consistent with the GCF Prohibited Practices Policy. The applicant has adopted a Whistle-blowing Policy that provides protection against retaliation and permits anonymous reporting. In addition, internal reporting channels are available, including intranet feedback forms that route reports directly to the Chief Executive Officer, as well as feedback forms, contact centre channels, and email mechanisms for external parties. The applicant has recently established a web reporting form to accommodate anonymity.<sup>8</sup>

29. Investigations are conducted by the internal audit function, as reflected in the Internal Audit Manual and relevant job descriptions. Internal audit staff have received fraud investigation training to support this mandate. Oversight of investigations is provided by the

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<sup>6</sup> See <https://www.bob.bt/2025/>.

<sup>7</sup> See [Corporate Governance - Bank of Bhutan](#).

<sup>8</sup> See <https://www.bob.bt/service-and-support/anonymous-complaint/>.

Audit Committee. Outcomes of investigated cases are also presented to the Risk Management Committee as demonstrated in the minutes. Guidelines governing the management of investigation cases are set out in the applicant's Fraud Management Policy; however, these guidelines and the terms of reference for the investigation function are not publicly disclosed.

30. The applicant has adopted a Know Your Customer (KYC), Anti-Money Laundering (AML), and Combating the Financing of Terrorism (CFT) Policy. The policy applies a risk-based approach and sets out requirements for customer due diligence, transaction monitoring, staff training and awareness, and incorporates United Nations definitions and prohibitions relating to terrorism financing. Implementation of the AML/CFT framework is supported by an in-house developed software, with sanctions screening conducted through LexisNexis. Operational responsibility rests with the Head of Compliance and AML, with governance oversight provided by the Risk Committee. The applicant is also subject to regulatory audits, including reviews by the Financial Intelligence Unit of the RMA, with the most recent audit conducted in 2023. Evidence of sanctions screening, transaction monitoring, KYC processes, RMA audit reports and training for staff and Board members was provided to the AP.

31. The AP finds that the applicant's policies, procedures and capacity partially meet the basic fiduciary standards on transparency and accountability, and to the extent applicable to accreditation, the GCF Policy on Prohibited Practices, the GCF Policy on the Protection of Whistleblowers and Witnesses, and the GCF AML/CFT Policy. The AP found the evidence of track records to be insufficient. The relevant gap is identified in paragraph 29 and reflected by the corresponding condition of accreditation in section 4.2.

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

32. The applicant did not apply for accreditation for this standard at this time.

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

33. The applicant did not apply for accreditation for this standard at this time.

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

34. The applicant's lending operations are governed by its Credit Policy Manuals (Volume II) and Priority Sector Lending Guidelines. The applicant offers both funded and non-funded facilities, including loans, letters of credit and guarantees. Its lending portfolio primarily supports working capital and fixed asset financing for businesses and individuals. In addition, the applicant provides agriculture and green finance loans aimed at financing environmentally sustainable and socially acceptable activities across manufacturing, services, and real estate sectors. Other retail lending products include consumer, mortgage and education loans; the applicant also undertakes consortium lending and Priority Sector Lending which is a government-led initiative, and targets growth in cottage and small industries across agricultural and non-agricultural sectors. The lending approach sets out eligibility criteria, appraisal requirements, documentation standards, monitoring and reporting obligations, and loan closure procedures.

35. The applicant is licensed and regulated by the RMA. Historically, lending operations have been funded from customer deposits, and the applicant has limited experience borrowing external funds for on lending. Its experience includes three initiatives: (i) an International Finance Corporation (IFC) Investment (2025) in the form of a USD 20 million loan to expand lending to micro and small enterprises under external commercial borrowing guidelines; (ii) a Bhutan Sustainable Low-Emission Urban Transport System Project, supporting financing for 300 electric taxis in line with the Low Emission Development Strategy of Bhutan, with a value of

USD 12.96 million consisting of a blended financing model, comprising a 20 per cent grant from the Global Environment Facility, 70 per cent financing from the applicant, and 10 per cent equity from beneficiaries; (iii) a National Credit Guarantee Scheme, being a post-COVID initiative backed by a government guarantee, under which the applicant facilitated approximately ngultrum (Nu) 590 million (USD 6.5 million) in lending to priority sectors.

36. The applicant does not currently hold an independent credit rating and the Kingdom of Bhutan does not have a sovereign credit rating. As of March 2025, the Bank reported a gross non-performing assets ratio of 2.16 per cent and a capital adequacy ratio of 14 per cent, both within regulatory thresholds. The applicant has initiated plans to undergo a credit risk assessment by an international provider.

37. Due diligence requirements are embedded within the applicant's appraisal processes and tailored to the type of financing instrument. These include KYC procedures, sanctions screening, creditworthiness assessments, and collateral evaluation. Appraisal processes for non-funded facilities mirror those for funded loans, with additional requirements relating to trade documentation and enhanced security, such as counter-guarantees. Sample appraisal documentation for both loans and guarantees were provided to the AP. The applicant lends directly to its customers and does not utilize financial intermediaries for on-lending purposes. While non-bank financial institutions may be customers of the applicant, facilities extended to them are not intended for onward lending.

38. Public disclosures are governed by the applicant's Disclosure Policy, which permits the disclosure of project-related information as required by GCF. The applicant maintains a designated news section of their website for public communications, where they publish pertinent information, such as the disclosure relating to the IFC funding.<sup>9</sup>

39. The applicant's Investment Policy and credit governance arrangements place oversight of lending and guarantees under the Board Credit Risk Committee, which monitors the credit portfolio and recovery of large non-performing accounts. The Committee meets three times annually and reviews selected management credit decisions. The Management Credit Committee meets weekly to oversee implementation of credit policies. The Risk Management Committee oversees key risk metrics, including credit-to-deposit ratios, capital adequacy and liquidity indicators, and provides strategic guidance to management.

40. Credit disbursement and monitoring procedures are detailed in the Credit Manual. Credit risk management is overseen by the Risk Management Department, while the Credit Department develops product-specific rating models and applies a borrower grading system ranging from 1 to 7. Credit risk is assessed at both individual and portfolio levels, considering prudential limits, sectoral exposure ceilings, rating migration and concentration risks. The Risk Management Department conducts stress testing and recommends adjustments to prudential limits to safeguard asset quality. Non-performing asset management and recovery are administered by the Credit Department, with reporting to the Risk Management Committee and the Board Risk Management Committee. Samples of these reports were presented to the AP for review.

41. The Asset and Liability Committee meets quarterly to oversee balance sheet management and ensure adequate liquidity. Its work is guided by the Internal Capital Adequacy Assessment Process Policy, which sets out how internal capital sufficiency is assessed. The Asset and Liability Committee works closely with the Board Risk Management Committee, which meets monthly and approves the Internal Capital Adequacy Assessment Process and

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<sup>9</sup> See <https://www.bob.bt/blog/ifc-and-the-bank-of-bhutan-have-partnered-in-a-landmark-us20-million-investment/>.

major risk exposures. Decisions cover capital adequacy management, product pricing, funding sources, investment activities and foreign exchange risk management.

42. With regard to its evaluation capability, the applicant has developed policies and procedures and has established a team to execute evaluations. However, the applicant has yet to conduct evaluations of its projects.

43. The AP finds that the applicant's policies, procedures and capacity partially meet the specialized fiduciary standard for on-lending and/or blending for loans and guarantees. In addition, the AP finds that the applicant's track record is sufficient. The relevant gap identified in paragraph 42 is reflected in the corresponding condition of accreditation in section 4.2.

## 3.2 Environmental and social safeguards

### 3.2.1 Environmental and social policy, management and monitoring

44. The applicant has developed a comprehensive Environmental and Social Safeguards Policy (ESSP), which comprises its Environmental and Social (E&S) policy and the detailed procedures for implementing E&S risk management (the Environmental and Social Management System - ESMS). The E&S policy outlines the applicant's commitment to integrate environmental and social safeguards across its business operations and adequately manage environmental and social risks. It includes five guiding principles including integration of environmental and social sustainability and safeguards; coherence and links with relevant national laws and international policies and practices; stakeholder engagement, information disclosure and grievance redress, applying a gender-sensitive approach; and adequate monitoring and evaluation. The ESSP was approved by the applicant's Board in December 2021 and shared within the organization through a Chief Executive Officer communication to all staff, announcing the commencement of its implementation as of October 2025. The E&S Policy applies to all financing provided by the applicant, and requires compliance with the applicant's Exclusion List, national E&S laws and regulations, as well as the applicant's safeguards standards, modelled after and aligned with the IFC Performance Standards (PS) 1–8.

45. The Bank of Bhutan prioritizes climate investments and financing for areas that align with the objectives of the Nationally Determined Contribution and National Action plan for Bhutan with a current outstanding portfolio of Nu. 3,706.50 million (USD 40.9 million, 3.85 per cent of the total portfolio) for climate mitigation and Nu. 1.36 million (USD 0.01 million, 0.001 per cent) for adaptation projects. To implement its climate ambitions, the applicant has set up a dedicated Green Banking team comprising three staff and developed Green Financing guidelines aligned with the Bhutan Green Finance Taxonomy. Priority sectors for support include green housing, infrastructure, transport, agriculture and livestock, renewable energy, waste and water management, green technology, hotels, industry and cross-industry related climate lending. In addition, internal capacity to assess and integrate climate risk assessments is being strengthened and the applicant plans to introduce incentives such as concessional lending rates to incentivize customers. The applicant has also implemented measures to assess and address operational emissions such as enhancing energy efficiency related to office buildings (scope 1, 2).

46. The applicant is committed to apply the requirements of its Safeguards Standard 7 on Indigenous Peoples, which is equivalent to IFC PS 7, although Bhutan does not have any recognized or self-identified Indigenous People. The E&S due diligence policies and procedures of the applicant include screening against Safeguards Standard 7 to determine if it is applicable to a specific project and outline the key requirements for Indigenous People that must be met. These include: full respect for human rights, dignity, aspirations, culture and natural resource-based livelihoods of Indigenous Peoples; to anticipate, avoid and minimize impacts on communities of Indigenous Peoples, and to minimize and compensate such impacts when

avoidance is not possible; to promote sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner, and to ensure free, prior and informed consent (FPIC). As the applicant does not yet have dedicated in-house E&S staff it is recommended to utilize external consulting resources when considering projects (e.g. transboundary) that might trigger Indigenous People's requirements. The AP finds that the Bank of Bhutan has the systems and procedures and access to consultant capacity to meet IFC PS 7 on Indigenous Peoples as per GCF ESS standards.

47. Sexual exploitation, abuse and harassment (SEAH) are managed through the applicant's Code of Conduct as well as its Harassment Policy, which applies to all employees, clients and suppliers. The policies outline the applicant's commitment to zero tolerance for any form of harassment and discrimination and ensure confidentiality, including through the provisions of the Whistle-blower and Protection Policy. Process steps are clearly defined, and various reporting channels and a committee to investigate all allegations reported have been established and trained. The Whistle-blower and Protection Policy include disciplinary measures and requires a victim-centred approach in addressing any reported misconduct. No cases of misconduct have been reported during the last three years. In addition, the applicant proactively aims to prevent any misconduct through background checks, onboarding processes and awareness-raising and training. The AP finds that the applicant has the systems and capacity to meet the principles of the GCF revised Environmental and Social Policy with respect to sexual exploitation, abuse and harassment.

48. The E&S risk management procedures that were developed as part of the ESSP align with the GCF requirements and include the key steps and E&S documentation to be prepared during project appraisal and monitoring, and are in accordance with the GCF categorization and screening recommendations. The E&S appraisal includes screening against the applicant's Exclusion list and initial identification and analysis of potential E&S risks and impacts, assigning an E&S category (A, B, C) based on the risk level and determination of the applicable Safeguard Standards, policy requirements and scope of further assessments (Environmental and Social Impact Assessment, Environmental and Social Management Plan etc.). E&S due diligence to be undertaken includes: identification of the key E&S risks and impacts and how they are managed; review of the project-level grievance redress mechanism (GRM); information disclosure and consultation with stakeholders; provision of support to project proponents to adequately address and manage project risks; and a gap analysis to identify additional studies required. Field visits are to be undertaken during the due diligence phase where appropriate. The ESMS requires that Environmental and Social Management Plans (ESMP) are to be developed for all key risks and impacts identified.

49. The applicant's ESMS foresees that all projects financed by the applicant are to be screened and assessed against its Safeguards Standard 1 (equivalent to IFC PS 1) to ensure that clients have sufficient management, human and financial resources in place to effectively and continuously manage their environmental and social performance. In addition, clients should have in place competent staff to identify and assess risks and impacts, including on complex technical issues, develop and adopt an E&S policy, and allocate responsibilities within the company for its execution, including compliance with national requirements.

50. The ESMS includes a set of tools to implement key steps during the E&S due diligence and appraisal, but these should be further enhanced to ensure implementation of a risk-based and more tailored E&S due diligence approach. Detailed guidance on risk screening and a risk level determination matrix has been developed, as well as an initial screening checklist. The ESMS also provides guidance on key requirements for each risk category on assessments and report/plans to be prepared, as well as an Environmental and Social Action Plan (ESAP) template, and outlines the additional requirements for specific plans to be developed depending on the E&S risks and impact identified (e.g. Gender Action Plan, Indigenous Peoples Plan, Biodiversity Action Plan, E&S Audits, Resettlement Action Plans etc.). The ESMS currently does not include screening questionnaires tailored to the size and risk levels of lending provided, e.g.

a basic screening questionnaire/form against the Exclusion List and E&S national laws and regulations for lending to small and medium-sized enterprises, and a more comprehensive assessment template for corporate and project finance-related lending that includes also screening against its Safeguard Standards/IFC PS, as well as templates to be utilized as part of portfolio supervision and monitoring.

51. Monitoring and evaluation of project E&S performance is guided by the Bank's ESMS and integrated into the Monitoring and Evaluation Framework. During monitoring the applicant plans to regularly review project-related E&S risks and the status of implementation of action items outlined in the ESAP, ensuring ongoing compliance with the safeguard's requirements. Annual and semi-annual reporting, as well as monitoring plans will be required and reviewed, including based on E&S related key performance indicators determined for each project. The AP finds that the applicant has the capacity and systems to undertake monitoring and evaluation in line with the GCF Evaluation Policy.

52. Oversight of the ESS Policy is exercised by the applicant's Management Committee including any revisions to be undertaken, with the Board having approval authority for any changes and the interpretation of any matter related to its implementation. In addition, the E&S procedures include the internal review and approval requirements for E&S due diligence undertaken and foresee that updates to the ESMS are to be undertaken as necessary. However, the ESMS does not yet include specific provisions on regular updates (e.g. annually, or when new regulations are enacted), or reviews to ensure its effectiveness through, for example, internal reviews by the audit function and independent external reviews (e.g. audits every three years), and which should be undertaken accordingly in future.

53. The applicant commenced implementation of the ESMS only recently (November 2025), following a phased approach and starting with its application for financing provided by its Green Banking division. The applicant undertook a pilot on risk categorization and identification of the specific safeguards standards triggered, based on an initial review of the activities/operations of four projects, which was shared with the AP, covering clients in the cement, recycling, telecommunications and hotel sectors. The applicant also shared the E&S risk appraisal notes prepared for its Management Credit Committee with key E&S risks identified and mitigation measures proposed. These were found to adequately highlight potential risks and impacts and mitigation measures, and appropriate risk categories have been assigned, aligned with the applicant's ESMS and GCF categorization guidance. In addition, during the loan appraisal, the applicant requires evidence and reviews the E&S assessments prepared by its clients as per the national requirements (e.g. Environmental Impact Assessments) and verifies that all E&S-related permits have been obtained. Examples of these were provided for AP review. As the ESMS roll-out only recently commenced, no additional E&S plans (e.g. Resettlement Action Plans) for new lending have been completed and no monitoring records are yet available for review.

54. The E&S-related organizational structure and staffing have been defined, and the applicant is committed to and planning to further enhance staffing and internal capacity as part of the ESMS roll-out currently underway. The applicant's ESSP adequately outlines the key roles and responsibilities to be fulfilled as regards its partners and clients, and by its various departments and staff during the loan appraisal and monitoring process. The Green Banking team is responsible for E&S risk management, with its manager having oversight function as the dedicated E&S Officer. Credit officers undertake screening against the Exclusion List, identify the applicable safeguards standards, and determine the initial categorization. The E&S due diligence is to be undertaken by the Green Banking team's Environmental and Social Safeguards expert. To develop its ESSP and ESMS, the applicant utilized a qualified external consultant who will also undertake the E&S due diligence during the initial ESMS roll-out for green lending. Additional training is needed to ensure adequate implementation of the ESMS across all staff, management and the Board, and the applicant is therefore recommended to consider hiring an

additional, dedicated staff resource within the Green Banking team who has the relevant E&S experience and background, including on the IFC PS as the applicant further rolls out its ESMS.

55. The AP finds that the applicant's Environmental and Social Safeguards Policy and environmental and social risk management procedures outlined therein, and the track record partially meet the revised GCF Environmental and Social Policy to the extent applicable to accreditation and GCF interim ESS standards for maximum E&S risk I-2 projects/programmes with respect to PS 1-8. The relevant gaps are identified in paragraphs 50, 52 and 54 and are reflected by the corresponding conditions for accreditation in section 4.2

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

56. Effective external communication, consultations and stakeholder engagement are key principles of the applicant's policies and practices. External communication can be provided in person or through the applicant's website,<sup>10</sup> via phone, WhatsApp or Facebook, which are available to register any feedback and suggestions, complaints and follow-up with relevant stakeholders. Stakeholder engagement and consultations with communities and individuals, including vulnerable and marginalized people, who are potentially affected by projects, are to be undertaken commensurate with the risks and impacts of the projects financed and will start at the project design stage, continuing throughout project implementation and monitoring. Stakeholder Engagement Plans for projects financed must include information disclosure provisions, ensuring meaningful consultation and informed participation, in a culturally appropriate and gender responsive manner, with free, prior informed consent.

57. The applicant has a GRM, which can be accessed by its employees, customers and other stakeholders, such as local communities, vulnerable groups, project stakeholders, shareholders, regulators, communities, societies and agencies. The key objective of the GRM is to provide an easily accessible mechanism for settlement of complaints/grievances and ensure increased awareness, accessibility, predictability, transparency, legitimacy and credibility of the GRM process. In addition to the institutional GRM, the ESSP and ESMS outline the requirement of project proponents to establish a project level GRM to receive complaints and feedback. Stakeholders can submit their grievances via the applicant's GRM as well as project-level GRMs. The applicant's website includes information on the services provided by the applicant's Contact Center, such as registering feedback and complaints, but does not specifically mention that E&S-related communication and grievances can be submitted. Information on the key steps and timelines followed by the applicant in addressing complaints is also lacking.

58. For each of the three groups of stakeholders (i.e. employees, customers and other stakeholders), the GRM and other internal policies and procedures outline the key steps to be followed to screen, assess and address the feedback and grievance received. Grievances submitted by employees are handled in line with the procedures outlined in the applicant's Service Rules and Regulations. Customers can file a complaint via the branch offices, customer service email, the applicant's contact centre, or social media sites, and are addressed following the applicant's Standard Operating Procedures for Customer Complaints Resolutions 2021. The GRM includes a step-by-step procedure for complaints and grievances received from other stakeholders and ensures confidentiality. The internal roles and responsibilities in handling complaints, key steps and timelines are clearly outlined in the GRM, and a complaint/grievance form has been developed.

59. Independence of the GRM is ensured. The focal point for receiving complaints is the applicant's Green Banking Division which forms a grievance redress team to investigate and collect all relevant information and documentation related to the complaint/grievance. A

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<sup>10</sup> See <https://www.bob.bt/service-and-support/contact-center/>.

dedicated Grievance Redress Committee, independent of the project and E&S team, is responsible for reviewing the grievance, supporting documentation and making a decision on the proposed resolution. The applicant's Management Committee acts as the Grievance Redress Committee for complaints related to external stakeholders. The GRM does not constrict complainants to utilize any formal legal channel, including judicial and administrative remedies provided for under the national as well as international law. The applicant maintains a register of feedback and grievances and, to date, no E&S-related grievances have been received.

60. The applicant has a Disclosure Policy that confirms its commitment to transparency and accountability through the provision of timely, orderly, consistent and balanced disclosure of information. The policy has five key objectives: (i) enhance efficiency and effectiveness of the applicant's operations and management; (ii) ensure access to information for stakeholders, partners and the public on a timely, appropriate and accurate manner; (iii) ensure the greatest degree of transparency in all its activities through the effective dissemination of information to stakeholders and the public at large; (iv) strengthen the credibility and reputation of the organization in terms of its transparency and accountability; and (v) enable clients, shareholders and stakeholders to make informed decisions.

61. Information is disclosed through a wide range of channels including the applicant's website, annual report, social media pages, printed media, radio and television as well as written communication. The Disclosure Policy outlines the types and communication channels used for the applicant's various stakeholders (customers, general public, regulators, media, employees/staff, Board, shareholders and project-related stakeholders). The applicant's ESSP and provisions of its Disclosure Policy require transparency and public access to information regarding environmental and social issues, particularly by affected and potentially affected communities and external stakeholders, allowing them sufficient time to review, seek clarification and additional information and provide their inputs. E&S documents are to be disclosed on the applicant's and its clients' websites, as well as in locations convenient to affected people, in both English and the national language as applicable. The applicant also provided a commitment letter expressing its willingness to disclose the E&S-related information regarding GCF-funded projects, in line with the GCF Disclosure Policy requirements.

62. The AP finds that the applicant's system of external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its track record, partially meets the GCF revised Environmental and Social Policy to the extent applicable to accreditation, GCF interim ESS standards and GCF Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk Category I-2 projects/programmes with respect to PS 1-8. The relevant gap is identified in paragraph 57 and is reflected by the corresponding condition for accreditation in section 4.2.

### 3.3 Gender

63. Gender-related aspects are governed by the applicant's Gender Policy (2021), Harassment Policy and Service Rules and Regulations (2021), aimed at alignment with the national laws such as the National Gender Equality Policy of Bhutan, the Constitution of Bhutan, the Labour and Employment Act and international frameworks such as the Convention on the Elimination of Discrimination Against Women and the Convention on the Rights of the Child. The key objectives of the Gender Policy are to enhance gender equality within the organization and its business operations; ensure that the applicant's activities (including project/retail financing) benefit women and men equally in order to reduce the gender gap; and increase awareness and sensitization on gender issues. The applicant is currently developing a Gender Action Plan to implement its gender ambitions.

64. The Bank of Bhutan Gender Policy outlines its overall commitment to promote gender equality including equal rights, treatment and compensation and taking a gender sensitive approach, while encouraging the involvement of vulnerable groups and mainstreaming gender across its own operations and lending activities. The policy's guiding principles include equity and equality, inclusiveness, empowerment, accountability and alignment with national policies and priorities. The Gender Policy also includes a clear statement of the applicant's commitment to contribute to the prevention and elimination of all forms of inequality and zero tolerance for discrimination. The Gender Policy provisions are integrated into the applicant's existing policies and procedures. Commitment to the implementation of the Gender Policy is evident at the institutional level, where the applicant has already made good progress towards gender balance with 52 per cent of its employees overall and 33 per cent of the management team being women, and 45 per cent of the retail lending being to female customers.

65. The Gender Policy outlines the key questions and guidance the applicant plans to utilize in assessing and mainstreaming gender-related aspects for lending activities. At the project level the applicant plans to assess gender aspects related to division of labour and patterns of decision-making, access to and control of resources, assets and benefits, including of project benefits, differences in needs and priorities as well as the existing gender relations, inequalities and barriers and constraints to achieving gender equity and equality. Assessments will include the collection and review of sex disaggregated data and proposed strategies to address any gender gaps and enhance gender relations. Collection and assessment of gender-related data, as well as aspects related to monitoring and evaluation, are planned to be integrated into the applicant's Monitoring and Evaluation Framework. The detailed procedures and tools to implement the Gender Policy at the project level have not yet been developed, and a track record in implementing the Gender Policy at the project level through gender assessments and monitoring reports, as well as independent gender audits, are not yet available as result.

66. The Gender Policy outlines the applicant's overall commitment to develop internal gender capacity, including through staffing, training and making the necessary budget available, and several steps have already been taken to establish an effective organizational structure. A Gender Committee was set up in 2022, comprising the Company Secretary, the Manager of Human Resources, the Head of the Legal Division and a Branch Manager, and is responsible for overseeing gender-related and harassment-related policies, their effective implementation and any related issues. The Gender Committee reports directly to the management team. The applicant has also designated the Deputy Head of Corporate Strategy as the Gender Focal Point, responsible for leading on the development of the applicant's Gender Action Plan and its implementation. The Gender Focal point has undertaken initial training on gender issues and has extensive experience on working with and supporting senior management (Board, Chief Executive Officer etc.) which is critical during the current stage to ensure strategic oversight of the Gender Action Plan development. Training on gender and harassment policies has been incorporated and delivered since 2022 as part of the induction programme for all new staff. Further training at the Board and management level, as well as for staff, tailored to their specific roles and responsibilities is planned, including annual training.

67. The applicant is in the process of developing a Gender Action Plan with defined key next steps, timelines and deliverables, including for mainstreaming gender at the project level. The Gender Action Plan should include the development of the gender-related processes and procedures for lending; the long-term organizational structure, including staffing, roles, responsibilities, and the training plan; incorporation of gender aspects into the monitoring and evaluation framework of the applicant; and specific budget resources allocated for its implementation.

68. The AP finds that the applicant's Gender Policy, procedures, capacities and competencies, and track record partially meet the GCF updated Gender Policy to the extent applicable to accreditation. The relevant gaps are identified in paragraphs 65 and 67 and are reflected by the corresponding conditions for accreditation in section 4.2.

## IV. Conclusions and recommendation

### 4.1 Conclusions

69. Following the assessment, the applicant is found to have the potential to support GCF in implementing its Strategic Plan for 2024–2027 with respect to:

- (a) Bringing complementary to the existing GCF national direct access entity for the country by programming on a larger scale and bringing additional fiduciary instruments;
- (b) The indicative projects/programmes that the applicant intends to submit to GCF within the scope of accreditation recommended by the AP in paragraph 71 below;
- (c) Increasing the portfolio of direct access entities to GCF;
- (d) Enhancing private sector participation by creating enabling environments/de-risking climate investments, etc. through the use of financial instruments such as loans and guarantees; and
- (e) Diversifying the use by direct access entities of appropriate financial instruments, such as loans and guarantees;

70. 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 paragraph 15 above:

- (a) The applicant partially meets the requirements of the GCF basic fiduciary standards, and to the extent applicable to accreditation, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF AML/CFT Policy and specialized fiduciary standard for on-lending and/or blending for loans and guarantees. The gaps are related to external audit quality assessment, publication of procurement guidelines, investigation guidelines and terms of reference for the function. The gaps are identified in paragraphs 20, 23, 29 and 42 above, and are addressed by the corresponding conditions of accreditation in section 4.2 below;
- (b) The applicant partially meets the GCF revised Environmental and Social Policy to the extent applicable to accreditation, GCF interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to the medium E&S risk (I-2) category. The gap relates to the lack of risk-based E&S screening and monitoring tools in the ESMS, provisions on internal and external reviews of the ESMS, E&S training and capacity, including the IFC PS, and operationalization of the GRM on the applicant's website. The gaps are identified in paragraphs 50, 52, 54 and 57 above, and are addressed by the corresponding condition for accreditation in section 4.2 below;
- (c) The applicant has demonstrated that it has a policy, procedures and competencies in order to implement its Gender Policy, which partially meet the requirements of the GCF updated Gender Policy to the extent applicable to accreditation. The gaps relate to the lack of gender-specific processes and procedures to implement the Gender Policy for financing provided, and a Gender Action Plan at the institutional level. The gaps are identified in paragraph 65 and 67 above, and are addressed by the corresponding condition for accreditation in section 4.2 below; and
- (d) The applicant has partly 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. The gap relates to track record of conducting evaluations. The gap is identified in paragraph 42 above, and is addressed by the corresponding condition for accreditation in section 4.2 below.

## 4.2 Recommendation on accreditation

71. The AP recommends, for consideration by the Board, APL163 for accreditation as follows:

(a) **Accreditation type:**

( ) **Maximum size of an individual project or programme:** small;

(i) **Fiduciary functions:**

(1) Basic fiduciary standards; and

(2) Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees); and

(ii) **Maximum environmental and social risk category:** medium risk (I-2).

(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 issuance by GCF of a certificate/confirmation of accreditation under the transitional arrangements adopted in paragraph (m) of decision B.42/13 (in connection with the revised accreditation framework adopted in paragraph (a) of decision B.42/13):

(1) Delivery to GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of:

- a. The adoption by the applicant of an updated internal audit policy which incorporates a requirement for regular internal or external quality assessments;
- b. The adoption by the applicant and publication on the applicant's website of investigation guidelines and procedures for responding to suspected wrongdoing (as defined in the GCF Policy on Prohibited Practices) and the terms of reference for the applicant's investigation function; and
- c. The operationalization of the applicant's accessible and predictable grievance redress mechanism, including access on the applicant's website; and

(ii) Conditions to be met by the applicant prior to the submission of the first funding proposal to the Board:

(1) Delivery to GCF by the applicant, in a form and substance satisfactory to the AP, of a final report of an independent external quality assessment of the overall effectiveness of the applicant's internal audit function prepared by a qualified independent third party; and

(2) Delivery to GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of:

- a. The adoption and implementation of risk-based E&S screening and monitoring tools for small and medium-sized enterprise and corporate lending;

- b. The adoption of updates to the applicant's ESMS which incorporates the requirement for regular updates and internal and external reviews of the ESMS;
- c. Completion of training on the IFC PSs for staff who may be involved in the development and implementation of GCF-funded activities;
- d. The development and adoption of a Gender Action Plan and Gender mainstreaming procedures for lending;
- e. A complete and final evaluation report conducted in line with the applicant's evaluation policy; and
- f. The adoption by the applicant and publication on the applicant's website of a procurement policy and guidelines applicable to procurement in connection with the implementation of GCF-approved projects/programmes.

72. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 71 above, and agrees to the recommendation.

### 4.3 Remarks

73. The applicant is encouraged to consider including elements such as competence and continuous monitoring of professional development within the revised internal audit manual.

74. The applicant is encouraged to operationalize its fraud management committee.

75. The applicant is encouraged to enhance its documentation of management of conflict of interest by developing and sharing with relevant parties the manner in which conflicts would be handled.

76. As the Bank of Bhutan does not yet have dedicated in-house E&S staff it is recommended to utilize external consulting resources when considering projects (e.g., transboundary) that might trigger Indigenous Peoples requirements.

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