


Corporate Policy	 Norfund <i>Partner risk assessment policy</i>			
Policy issued by:	Policy approved by:	Originally issued:		Revision date:
Administration	Board	08.12.2015		

Partner risk assessment policy


Introduction

This document outlines Norfund's procedures for the prevention of Sanctionable Practices in our investees. Sanctionable Practices refers to bribery, corruption, fraud, money laundering, terrorist financing, coercion, collusion, obstruction and other illegal practices. The procedures will be applied to all investments in Norfund.

The procedures are based on the recommendations of the Financial Action Task Force (FATF), which are internationally endorsed global standards against money laundering and terrorist financing, and provide guidance on identifying and mitigating integrity risks. As Norfund is entirely exempted from the scope of the Norwegian Act No. 40 of 10 June 1988 on financing activities (FAA), Norfund is not regarded as a "financial institution" in Norway and does not have obligations under the Norwegian Act no. 11 of 6 March 2009 on Anti Money Laundering (the "AMLA"). However Norfund will follow procedures based on the guidelines from Financial Action Task Force (FATF) required for financial institutions. These procedures are elaborated in this document.

These procedures are applicable when establishing a business relationship, when any material changes in the initial relationship occur and in the monitoring of the relationship. New and existing partner relationships are as a result subject to the procedures. In this context, a "Partner" refers to an investee company and the investors in the investee company.

Elaborated guidelines for each stage in the investment process are to be found in the Investment manual (IM).

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Guidelines and Procedures

Risk Assessment in different investment stages

Norfund has a zero-tolerance for corruption. Risks related to business integrity are present in our markets. Norfund will therefore thoroughly and consistently assess business integrity risks prior to entering into any business relationship and throughout the investment cycle.

Risks identified during Business integrity due diligence and monitoring will be addressed through appropriate mitigation measures.

Roles and responsibilities

Norfund's Project Manager (PM) is responsible for identifying and following up any integrity related matters through the investment process, in consultation with the relevant Head of Department and project team members.

Screening and Clearance in Principle


A guideline and standardised instruction for the identification of integrity and corruption risks are available in the IM.

In Principle Approval investment papers provided to the Investment Committee and the Board should identify potential business integrity risks in the investment that should be further investigated in Business integrity due diligence.

Initial Business Integrity Due Diligence

Prior to entering into any investment, the PM should ensure that appropriate Business integrity due diligence investigations are performed on the relevant Partners. The initial Business integrity due diligence builds on the FATF recommendations and guidance on mitigating partner risk and should include:

- i) Identifying and verifying the Partners' legal identities and domiciles using reliable independent source documents;
- ii) Identifying the ultimate beneficial owners of the above entities (if applicable) to a level of at least 10% economic interest. This should include an understanding of the ownership and control structure of the Partner. If there is any basis to believe that a beneficial owner owning less than 10% represents integrity risks and/or is involved in sanctionable practices, that owner should be subject to initial business integrity due diligence;

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- iii) A sanctions list and politically-exposed person check on the Partners (including key management individuals and board members) and each of the identified beneficial owners using an internationally accepted database (e.g. Thomson Reuters World-Check online);
- iv) Identifying the use of agents and intermediaries and verification that their remuneration is in line with the scope of work and generally accepted practices;
- v) A search of readily available information in the public domain; and
- vi) Ensuring that the transactions being conducted are consistent with Norfund's knowledge of the Partner, their business and risk profile, including, where necessary, identification of the source of funds.

See section on 'Record keeping' for more guidelines on archiving of information obtained.

Norfund requires transparency of beneficial ownership of our Partners. The phrase "ultimate beneficial owner" refers to the natural person(s) who ultimately owns or controls a Partner and/or the natural person on whose behalf a transaction is being conducted, i.e. a beneficial owner is the real person who ultimately owns, controls or benefits from a company or trust fund and the income it generates. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.


Politically Exposed Persons

Politically Exposed Persons (PEP) refers to individuals or their close relatives who are or have been entrusted with prominent public functions¹. The Initial Business integrity due diligence should assess whether any of the beneficiaries of the investment (e.g. owners, management, agents, consultants) should be identified as PEPs and whether their positions could potentially have given rise to sanctionable practices.

The presence of a PEP who may potentially have abused their position shall always trigger the application of enhanced Business integrity due diligence, as described below.

Establishment of a business relationship with a PEP is not contrary to Norfund's policy. However, business relationships with PEPs require that appropriate enhanced Business Integrity due diligence has been undertaken to determine that there is no or minimal risk of sanctionable practices.

¹ Practical guidelines regarding definition are available in the Norfund Investment Manual.

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Enhanced Business integrity Due Diligence

If there are integrity concerns based on the Initial Business Integrity Due Diligence in relation to a Partner, an appropriate enhanced due diligence should be performed. The enhanced Business Integrity due diligence should seek to ensure that the Partner has not undertaken any Sanctionable Practices or represents an unacceptable partner risk. The enhanced Business integrity due diligence should include:

- i) Obtaining additional information on the Partner or individual, their background and reputation;
- ii) Obtaining additional information on the intended nature of the business relationship and on the reasons for intended or performed transactions;
- iii) Information on the source of funds or wealth of the Partner;
- iv) Review of the use of intermediaries, in particular those interfacing with public authorities; and
- v) Review of historical financial transactions related to the investment.

Third-party consultancies and advisors will be used on an as-need basis when undertaking an enhanced Business integrity due diligence.


Following the completion of the enhanced Business Integrity due diligence, the PM should obtain the approval of HoD to commence or continue the business relationship. Where there remains significant uncertainty or doubt, the HoD should consult with the Management Team before proceeding further with the investment.

Business integrity statement

PMs must confirm that they have followed Norfund's Business Integrity Procedures as outlined in the IM, by issuing a statement on business integrity and related reputation risk, taking into account any bribery and corruption risks considered relevant. This statement should be included in the Final Approval investment paper, and would be used by the Investment Committee and the Board in their assessment of these issues.

Ownership and portfolio management

Integrity risks identified pre- and post-investment will be followed up as part of Norfund's portfolio management. The guidelines state that project audits should be undertaken every two years for high risk projects or when the circumstances give rise to a new audit. For other projects, the undertaking of project audits is at the discretion of the Head of Department in consultation with the PM.

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Payments

All disbursements shall be made by bank transfer. Cash payment shall not be accepted.

Reporting Suspicions

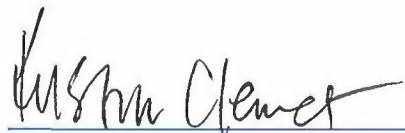
Reasonable suspicions concerning the presence of Sanctionable Practices must not be ignored. Reference is made to further information in: Reporting Policy regarding financial irregularities and Norfund's Procedures for Whistleblowing.

Record keeping

The documents and results pertaining personal data from the Business integrity due diligence and/or enhanced Business integrity due diligence and investigation monitoring, shall be kept in a KYC sub-folder of the Project folder in the electronic archives with access restricted to the PM, HoD, CEO and Compliance Officer.

Training

Norfund employees should regularly be given guidance and training on matters related to prevention of Sanctionable Practices.



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