

# Transparency Act Statement 2024

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## Introduction

Norfund is the Norwegian Investment Fund for developing countries, investing to create jobs, improve lives and support the transition to net zero. Norfund is owned and funded by the Norwegian Government through the Ministry of Foreign Affairs.

Norfund's overall mandate is defined by [the Norfund Act of 1997](#). The Act states that Norfund's role is to assist in building sustainable businesses and industries in developing countries by providing equity capital and other risk capital. In addition to our core development mandate, Norfund is currently also managing the Norwegian Climate Investment Fund and a dedicated mandate for investments in Ukraine.

A more detailed description of Norfund's structure and area of operations can be found on our website [\[LINK\]](#) and annual report [\[LINK\]](#).

This account outlines Norfund's approach to due diligence assessments in accordance with the [Norwegian Transparency Act](#).

In addition to the Norfund Act, Norfund has a governance framework consisting of statutes and instructions adopted by our owner (including relevant elements of the general framework for government owned entities), a set of policies and instructions adopted by the board of directors and underlying steering documents adopted by the administration. Together, these documents provide the governance framework under which Norfund operates.

The Norfund governance framework encompasses the requirements, procedures and guidelines for handling actual and potential adverse impacts on fundamental human rights and decent working conditions (hereafter "adverse impacts").

This account aims to provide an overview of (i) relevant parts of the Norfund governance framework, (ii) identified actual adverse impacts and significant risks of adverse impacts in our business operations as part of our due diligence requirements and (iii) measures and procedures to mitigate such risks and impacts.

More information on Norfund's approach to responsible investment practices can be found in the "Responsible Investor" chapter of Norfund's annual report 2024 (when published).

## Our approach

Norfund's approach to due diligence aligns with the OECD Guidelines for Multinational Enterprises, relevant provisions in Norwegian legislation, including [the Equality Act](#), the [Working Environment Act](#), and [the Accounting Act](#).

Norfund applies a risk-based approach in assessing our investment activities and general operations, by continuously assessing the likelihood and potential materiality of breaches of our principles and guidelines, including fundamental human rights and labour rights. We predominantly focus on risks assessed to be particularly relevant, our specialized sector knowledge, recommendations from Norwegian authorities, and relevant networks and forums where Norfund participates.

We carry out risk-based due diligence to avoid and address adverse impacts associated with our investment activities and general operations, including our supply chain. This account is structured as follows:

- Norfund as an employer
- Norfund as a purchaser
- Norfund as an investor

## Grievance mechanism

In addition to due diligence, it is instrumental to have a well-functioning grievance mechanism to enable detection of potential or actual adverse impacts.

Norfund's [Whistleblowing channel service](#) makes it possible for employees, business partners and any other external stakeholder to report claims and allegations of illegal, unethical or other unacceptable circumstances within Norfund itself or related to Norfund's investments. Norfund's whistleblowing channel is managed by an external third party and ensures full confidentiality and best practice handling of incoming claims and allegations. In 2024 Norfund obtained an external assessment on whether Norfund's Whistleblowing Standard and Procedure align with requirements set out in the UNGP Principle 22 on remediation, Principle 29 on operational-level grievance mechanism, and the effectiveness criteria outlined in Principle 31. The external assessment concluded that "Norfund's overall procedures and framework concerning the safeguarding of human rights and human rights due diligence, are robust and generally align well with the expectations and requirements set out in the various principles of the UNGP, including Principles 22, 29 and 31."

In 2024, Norfund received a total of 3 claims and allegations through the whistleblowing channel, none of which were concluded to entail actual or potential adverse impacts in relation to Norfund's investment activities or general operations.

# Norfund as an Employer

## The Norfund Team

Norfund places a high value on its employees, recognizing that they are the cornerstone of our success. Our workforce is diverse, bringing together individuals from various backgrounds, cultures, and experiences to contribute to our mission. We believe that a motivated and engaged workforce is vital for achieving our organizational objectives and driving sustainable development.

## Code of Conduct

Our Code of Conduct sets ethical standards for employees, focusing on human rights, responsible decisions, proper work conditions and integrity. All employees review and sign the policy upon joining the team, and annually thereafter. The Code of Conduct is built on the five core values of our cultural platform – The Norfund Way:



The integrity to be me:

**Be courageous**

How I do my work:

**Serve the mandate**

How I interact with my team:

**Be kind**

My responsibility as a role model/leader:

**Walk the talk**

How we relate to our community:

**Make a difference**

- **The Integrity to Be Me:** To *be courageous* refers both to taking on the expected responsibility in your position, as well as the courage that is required in order to act with integrity.
- **My Work:** To *serve the mandate* refers to the way you preserve Norfund's assets, reputation, and interests.
- **Our Working Environment:** To *be kind* refers to the way you are expected to contribute to a safe, inclusive, and friendly working environment.
- **Being a Role Model:** To *walk the talk* refers to the way you are expected to acknowledge and understand your responsibility when you are a leader, a project manager, or in other ways act as a role model.
- **How We Relate to Our Community:** To *make a difference* refers to how we impact as a commercial investor with a development mandate.

## HR Policy

The purpose of the HR policy is to set out the main governing principles for activities related to human resources (HR) in Norfund and describe how Norfund aims to recruit, develop, and retain employees. The policy is built on the principles in Norfund's Code of Conduct and applies to all employees in Norfund. All HR activities shall adhere to all local applicable laws and regulations related to working conditions, privacy, and the environment. In addition we adhere to core conventions and recommendations of the International Labour Organizations (ILO).

Health, Safety, Security and Environment (HSSE) is also a key focus for Norfund, and we strive to offer a safe, secure, and healthy work environment. In Norfund employees work as one team and contribute to each other's success. We have zero tolerance for bullying and harassment.

### **Enterprise Risk Management (ERM)**

In line with our commitment to responsible business conduct, we conduct risk analyses twice per year with the purpose of assessing and mitigating key risks across our organisation including:

- Employee health and safety.
- A sound organizational culture.
- Compliance with labour and ethical standards.

Norfund employees are particularly exposed to travel risk related to our mandated investment regions, many of which qualify as high-risk destinations. Mitigating measures are in place to reduce vulnerability and ensure the safety of our employees when travelling. Norfund's crisis management team has received training on travel security, and we have arrangements with a third-party service provider that offers assistance before, during and after travel. In addition, there are regular training sessions and classroom training on travel security and focus sessions with the extended management team on how we can ensure compliance with our travel guidelines.

### **Work Environment Committee**

To ensure compliance with workplace regulations and foster a safe and inclusive environment, we maintain a Work Environment Committee (WEC). This committee meets at least four times per year to address workplace issues, monitor employee health and safety, and proactively resolve concerns. The committee includes representatives from both the employer and employee side, ensuring balanced and transparent discussions. The Safety Representative is always a member of the WEC.

### **Trade Union**

As an employer, we are committed to adhering to international frameworks for workers' rights and to a workplace free from harmful influences. We promote inclusion and diversity in the workplace and support the right to organize and bargain collectively. There are quarterly meetings between Norfund and representatives for the trade union, with the focus being to protect workers' rights, negotiate wages, and ensure fair working conditions.

### **A sound organisational culture**

We promote a balanced work-life approach, understanding the importance of well-being in maintaining productivity and job satisfaction. Our leadership emphasizes the value of employee input, encouraging feedback and collaboration to shape a thriving workplace culture.

We conduct regular employee-pulse surveys throughout the year to evaluate satisfaction, engagement, and overall well-being. By gathering feedback, we aim to identify areas of improvement and implement changes that can enhance our workplace culture and satisfaction. The surveys are anonymous, and all employees are encouraged to provide feedback and add comments to the questions

## Norfund as a Purchaser

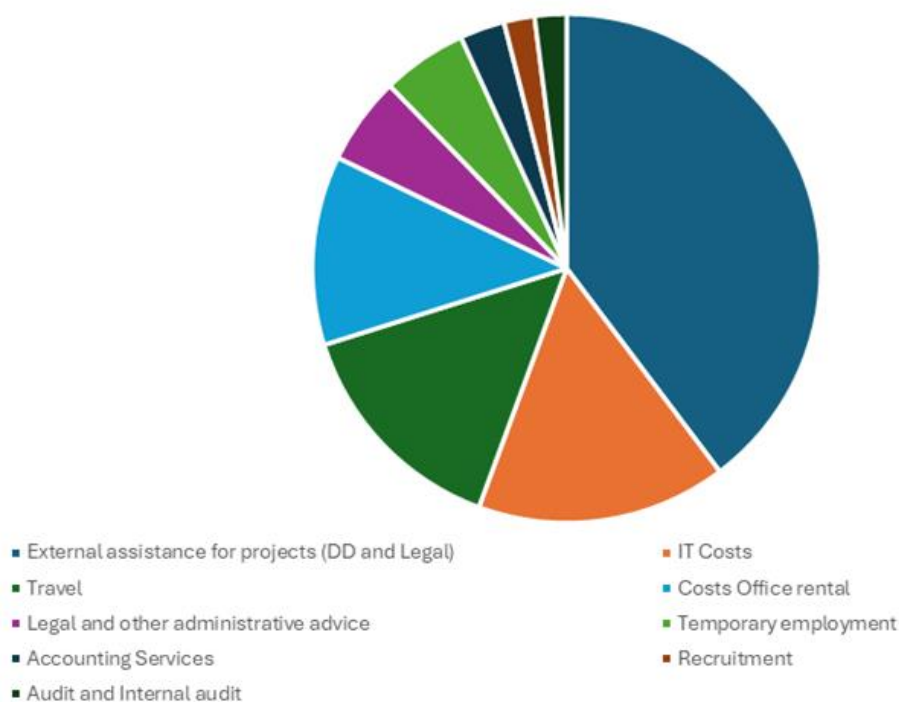
Norfund's operations encompass suppliers with specific competencies from our core markets abroad as well as suppliers to our Norwegian headquarters and our regional offices. Finding the right supplier, especially for our investment activities demands scrutiny of competence, price and behavioral aspects. Norfund is committed to responsible procurement throughout our supply chain with a particular emphasis on sustainability (see more on our eco-lighthouse certification below). Our procurement requirements are documented in our governance framework to ensure compliant and responsible purchases.

When procuring goods and services for or on behalf of Norfund, special care shall be exercised to ensure that the entire process:

- Complies with Norfund's governance framework and compliance system, in particular related to appropriate approval processes and powers of attorney;
- Is in accordance with Norfund's [Code of Conduct](#) and [Business Integrity Policy](#);
- Adheres to high standards of responsibility in terms of environmental, social and economic sustainability; and
- Adheres to relevant local, national and international regulations and standards.

Working with suppliers who share our commitment to ethical practices and transparency is important to us. When selecting suppliers, we require all suppliers of goods and services, contractors, consultants and business partners to acknowledge and adhere to our Supplier's [Code of Conduct](#). The Supplier Code of Conduct sets out key requirements such as compliance with laws and regulations, proper business conduct and adherence to fundamental human rights and labor conditions.

Procurements in 2024 divided on Supplier categories



In 2024, Norfund purchased goods and services for approximately MNOK 152 from 62 suppliers. Of these 62 suppliers, 18 suppliers accounted for 80% of the total procurement costs.

Norfund's largest procurement category is external project advisory in connection with due diligence and legal services for our investment activities. This type of advisory suppliers is deemed to entail very limited potential for adverse impacts in rendering their services. Likewise, our normal "office" suppliers (IT, accountancy services, office rent etc) are also deemed to entail very limited potential for adverse impacts. In conclusion, Norfund as a purchaser has been assessed as low risk for adverse impacts.

### **Eco-Lighthouse**

Norfund is certified as an *Eco-Lighthouse*, which is a management system assisting businesses in reducing their negative environmental impact and improving working conditions in their supply chain. *Eco-Lighthouse* is a key tool for ensuring due and proper assessments of our suppliers and service providers. For the purposes of aligning with the requirements of the *Eco-Lighthouse* certification, Norfund assessed and updated its procurement routines and procedures, with particular emphasis on sustainable procurements related to operations to reduce our social and environmental (negative) impact. Considering the scale of global supply chains and related business activities, ensuring sustainable procurements is deemed to have significant positive impact, affecting social and environmental aspects such as consumption, waste, and climate emissions. Norfund's procurement routine is mandatory for all our procurements, emphasizing necessity and certified suppliers. Approximately half of our material suppliers are either certified as an *Eco-Lighthouse* or have obtained appropriate ISO-verification, and we aim to increase such portion going forward.

### **Priorities for 2025**

We continuously strive to improve our routines and processes. In 2025, our work on responsible procurements will focus on responsibility awareness training with respect to our procurement practices and requirements. Also, the Norfund Enterprise Risk Management framework will be reviewed and assessed to ensure continued regulatory compliance. We further envisage reviewing our supplier contracts for IT and will consider tender processes targeting sustainable choices and how we can have a positive impact through our procurements.

## Norfund as an investor

### Governance framework

Norfund carries out risk-based due diligence to avoid and address actual and potential adverse impacts associated with our investment activities. Our assessments and due diligence normally covers a wide spectrum of risk elements, including financial, market/macro, political, governance, business integrity and environmental and social risks in the markets where we operate.

Key components of our governance framework here are Norfund's [Policies for Environmental and Social Sustainability](#) (E&S Policy) and [Business Integrity](#), which gives direction for Norfund's E&S and business integrity work.

Most relevant for this account is Norfund's approach to environmental and social issues in our investment activities.

The E&S policy sets out relevant sustainability objectives and frameworks that guide Norfund's work and outlines how environmental and social considerations are integrated into the investment process. This policy applies across all mandates and investees.

Through our investment activities, Norfund seeks to strengthen investees' E&S performance and prevent adverse environmental and social impacts. The policy explicitly affirms Norfund's commitment to respecting human rights, as defined by the [International Bill of Human Rights](#), and promoting decent work. Norfund draws on the [United Nations Guiding Principles on Business and Human Rights \(UNGP\)](#) and is committed to promoting compliance with [ILO's Declaration on Fundamental Principles and Rights at Work](#).

### E&S Sustainability Framework

Norfund will only invest in projects that are in accordance with and subject to the [EDFI Exclusion List](#), [EDFI Fossil Fuel Exclusion List](#) and **Norfund Fossil Fuel Standard**. Investees must comply with applicable laws and regulations while working towards compliance with international environmental and social standards.

To ensure consistency with best practices, Norfund aligns its standards with recognized frameworks and peers. Norfund has endorsed the [EDFI Principles for Responsible Financing of Sustainable Development](#) and commits to operate in accordance with the **EDFI Statement on Climate and Energy Finance** and **Harmonised EDFI Environmental and Social Standards**.

The [IFC Performance Standards \(IFC PS\) on Environmental and Social Sustainability](#) and the [World Bank Environmental, Health, and Safety Guidelines](#) serve as Norfund's primary operational frameworks. These globally recognized benchmarks define clients' responsibilities in managing environmental and social risks, including:

1. Assessment and Management of Environmental and Social Risks and Impacts
2. Labour and Working Conditions
3. Resource Efficiency and Pollution Prevention
4. Community Health, Safety and Security
5. Land Acquisition and Involuntary Resettlement
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources
7. Indigenous Peoples

## 8. Cultural Heritage

Each standard includes human rights considerations. A key principle of the IFC PS is the application of the mitigation hierarchy, which prioritizes avoiding and minimizing negative impacts on workers, communities, and the environment.

Norfund applies a proportionate approach, tailoring requirements based on the investee's nature, size, and risk profile. In some cases, additional international guidelines and industry standards may be necessary to address specific risks and impacts.

### **Due Diligence Process**

E&S risk assessment and management is integrated into the investment process and outlined through detailed manuals, guidelines, working procedures, tools and templates within our governance framework.

The organisation has a team of twelve dedicated E&S specialists who work with investment teams and investees to identify, assess, and manage relevant issues throughout all investment phases, from screening to exit. Each regional office is supported by an E&S specialist with in-depth knowledge of the local context and regulatory requirements.

Screening: Our investment process starts with screening the project against relevant exclusion lists and assigning the project a risk category, reflecting our assessment of the potential E&S impacts and risks. This assessment considers criteria such as the project's sector, country context, purpose of financing, size of the transaction, etc. Our approach is aligned with EDFI's E&S Standards, and the categories assigned are defined as follows:

- High Impact / Risk (A) includes business activities with significant potential adverse social or environmental impacts or risks that are diverse, irreversible, or unprecedented.
- Medium High Impact / Risk (B+) are financed business activities with generally limited potential adverse social or environmental impacts or risks that are site-specific and readily addressed through mitigation measures but having some specific features which can have significantly larger adverse social or environmental impacts.
- Medium Low Impact / Risk (B) are business activities with limited potential adverse social or environmental impacts or risks that are site-specific and readily addressed through well-known mitigation measures.
- Low Impact / Risk (C) are business activities with minimal or no adverse social or environmental impacts or risks.

Due diligence: If the project passes initial screening and receives initial approval from our investment/credit committees, we conduct due diligence to identify and assess E&S risks and impacts (including human rights and working conditions) and determine their significance. We have a 'boots on the ground' principle as our main due diligence approach, as we believe visiting and meeting our investees, their facilities and workers are essential to fully assess the environmental and social conditions of our prospective investments. Our approach is risk-based, and the risk category, together with other project characteristics, influences the depth of E&S due diligence, E&S requirements, and the degree of E&S expert involvement necessary in the project cycle.

Due diligence also includes evaluating the potential investee's capacity, commitment and track record in managing such issues, determining how gaps and opportunities can be addressed and assessing whether the risk profile, including mitigation measures, meets Norfund's risk appetite.



The findings of this phase inform the final investment decision. E&S specialists are part of the investment committees, ensuring that environmental and social considerations are integrated into the decision-making process.

**Investment Agreement:** The companies we invest in are required to work towards recognised E&S standards and the investment agreement incorporates specific requirements tailored to each individual investee. Project-specific E&S action plans addressing gaps against relevant frameworks identified during the due diligence phase are included where relevant.

**Monitoring:** Monitoring the project's risk management and identifying opportunities for improving performance are key activities post-investment. We require regular reporting on E&S performance from our investees and track the implementation of the E&S action plans. We use RepRisk to monitor publicly available information about E&S issues related to our portfolio companies. We assess the E&S performance of investees on a four-point scale and prioritise follow-up of projects with the highest residual risk. We also conduct site visits as part of our auditing measures, provide training and may use Norfund's Business Support facility to assist investees in strengthening their understanding and management of E&S risks and opportunities.

## Due Diligence Findings and Mitigating Measures

In 2024, Norfund made 51 investments, the majority of which fell into the two highest risk categories. This distribution aligns with our strategic focus on renewable energy, agriculture, and manufacturing — sectors that inherently carry E&S risks.

**Table 1. E&S Risk Categories for 2024 Commitments**

Inherent risk	% of Projects
High	12%
Medium-high	45%
Medium	22%
Low	22%

Norfund invests in regions characterised by high risk. In 2024, 45% of commitments were to projects in Africa, 39% to projects in Asia, and 16% to projects in Latin America. Our website provides an overview of the projects we invested in last year, including the committed amount, sector, and country of operation.

Each project underwent a thorough assessment against Norfund's sustainability framework. The following table highlights the eight IFC Performance Standards and their relevance to our 2024 investments.

**Table 2: E&S risks identified for 2024 commitments**

IFC Performance Standard	% of projects
1. Assessment and Management of Environmental and Social Risks and Impacts	100 %
2. Labour and Working Conditions	92 %
3. Resource Efficiency and Pollution Prevention	53 %
4. Community Health, Safety and Security	53 %

5. Land Acquisition and Involuntary Resettlement	24 %
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources	27 %
7. Indigenous Peoples	10 %
8. Cultural Heritage	12 %

### **Key Findings and Risk Mitigation Measures**

All projects were assessed against IFC Performance Standard 1 (PS1), which sets expectations for clients' Environmental and Social Management Systems (ESMS). This standard includes requirements related to risk identification, management programmes, stakeholder engagement, and grievance mechanisms for affected communities.

Risks related to labour and working conditions were the most prevalent in 2024, relevant for 92% of investments. These companies must comply with IFC Performance Standard 2 (PS2), covering areas such as occupational health and safety, the right to organise, and supply chain management.

Risks related to the projects' impact on local communities were identified in approximately half of the projects we invested in last year. Business activities may expose local communities to increased risks and adverse impacts related to worksite accidents, hazardous materials, the spread of diseases, or interactions with private security personnel. Norfund requires companies to adopt responsible practices to reduce such risks, including through emergency preparedness and response, security force management, and design safety measures.

Human rights risks were also present in the projects that triggered IFC Performance Standards 5-8. For example, land acquisition and potential involuntary resettlement (PS5) was identified as a relevant risk in 24% of projects. In these cases, Norfund required compliance with IFC PS5, which advises companies to avoid involuntary resettlement wherever possible and to minimize its impact on those displaced through mitigation measures such as fair compensation and improvements to living conditions. Active community engagement throughout the process is essential.

### **Action Plans in Agreements to Mitigate Risks**

All investees are required to comply with our standard E&S requirements. To further strengthen risk management, 78% of 2024 investments also included specific action plans aimed at preventing and mitigating adverse impacts. These action plans were incorporated into project agreements to ensure accountability and implementation.

### **Active Engagement and Provision of Training**

As a value-adding investor, Norfund actively participates in investee governance structures to enhance E&S risk management. In 2024, Norfund required that a 37% of investments established or maintained E&S committees with Norfund's participation.

Training is another key component of our engagement strategy. In 2024, Norfund introduced a new training module focused on strengthening investees' capacity to prevent and manage gender-based violence and harassment in the workplace.

### **Incident Investigations and Corrective Actions**

Norfund requires its investees to report serious incidents and conduct thorough investigations to determine root causes and implement corrective action plans to prevent recurrence. In 2024, Norfund's direct investees reported eight work-related fatalities, with four resulting from road traffic accidents. Over the past three years, traffic-related incidents have been the leading cause of fatalities. To address this, Norfund is piloting a business support initiative designed to enhance investees' road safety management systems.

### **Priorities for 2025**

Norfund is committed to continuous improvement in managing E&S risks. To strengthen our approach to human rights risks, we have formed an internal task force and secured a retainer agreement with a top international consultancy specialising in business and human rights.

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