

Policy on Anticorruption and Compliance

Adopted by the Board of Directors of the Nordic Environment Finance Corporation on 12 December 2019 with entry into force as of 1 January 2020.

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Responsible Department/ Function

Ethics and Compliance

Document version history and review dates

Document name	Adopted by	Adopted on	Entry into force as of	Information Classification
Policy on Anticorruption and Compliance	Board of Directors	12.12.2019	1.1.2020	Public
Resolution of the Board of Directors on Fighting Corruption	Board of Directors	27.9.2007	27.9.2007	Public
Resolution on Fighting Corruption	Board of Directors	7.10.2005	7.10.2005	

This Policy shall be reviewed at least every five (5) years.

1. Introduction

1.1 Nordic Environment Finance Corporation (NEFCO) was established by the Nordic countries to promote investments having a Nordic environmental interest. This is achieved by facilitating investments related to green growth and climate mitigation and adaptation globally.

1.2 NEFCO is committed to ensuring that NEFCO Funds are used for their intended purposes, and to taking all reasonable steps to ensure that resources entrusted to NEFCO are managed with the highest level of integrity. The purpose of this Policy on Anticorruption and Compliance (the "Policy") is to establish the principles NEFCO applies in its work to prevent and combat abuse, coercion, collusion, corruption, fraud, obstruction, money laundering and financing of terrorism (Prohibited Practices).

1.3 Prohibited Practices are not tolerated in any NEFCO Activities. NEFCO acts proactively to prevent Prohibited Practices and takes all reasonable measures to ensure that any alleged Prohibited Practices are reported and appropriately investigated and addressed. This Policy also sets out principles for protection of whistleblowers and witnesses, and NEFCO acknowledges their importance in exposing and addressing different kinds of wrongdoings.

1.4 NEFCO endeavors to align its policies and procedures with international standards and best practices and is cognizant of the principles and policies applied by other international financial institutions and measures and recommendations issued by recognized agencies specialized in relevant subject matters. Furthermore, NEFCO recognizes the standards and principles on integrity and accountability prevailing in the Nordic countries.

1.5 NEFCO has established an independent compliance function, the Ethics and Compliance Department (Ethics and Compliance), to strengthen the focus on integrity, ethics and accountability, and to support the Managing Director and the Board of Directors in managing efficiently the organization's compliance risks. In addition, a Committee on Fighting Corruption comprising of senior NEFCO staff and, where relevant, representatives from the other Nordic international financial institutions¹, shall promote integrity internally and support Ethics and Compliance .

1.6 This Policy will be complemented by other Policies established by the Board of Directors as well as rules and guidelines issued by the Managing Director for the purpose of implementing the principles and objectives set out in this Policy.

¹ The Nordic international financial institutions are NEFCO, the Nordic Development Fund (NDF) and the Nordic Investment Bank (NIB).

2. Definitions

For the purpose of this Policy, the following terms and abbreviations shall have the meaning set out below:

"Appeals Panel" has the meaning assigned to it in Article 6.4.

"Conflict of Interest" means a situation where the interest of a Covered Person could, or could be perceived to, improperly influence the performance his/her official duties.

"Covered Person(s)" means entities and individuals covered by this Policy in accordance with Article 3.

"Ethics and Compliance" means the Ethics and Compliance Department.

"NEFCO Activity" any activity which is financed, administered or supported by NEFCO, or proposed to be financed, administered or supported by NEFCO, specifically including, but not limited to procurement and any projects financed by NEFCO.

"NEFCO Funds" means funds held, administered, committed or disbursed by NEFCO, whether NEFCO's own funds or funds belonging to a third party.

"Prohibited Practices" means any of the practices set out in Article 4.3.

"Retaliation" means any detrimental act, direct or indirect, recommended, threatened or taken against a Whistleblower or Witness or a person associated with a Whistleblower or Witness because of his or her report of a suspected wrongdoing or in cooperation with an investigation by NEFCO.

"Sanction" means any of the sanctions set out in Article 6.2.

"Sanctions Panel" has the meaning assigned to it in Article 6.3.

"Witness" means any person or entity who is not the subject of an investigation but who provides information or evidence or otherwise cooperates in good faith with an investigation of a wrongdoing.

"Whistleblower" means any person who voluntarily, in good faith and on reasonable grounds, reports, attempts to report, is believed to be about to report, or is believed to have reported a suspected Prohibited Practice, illegal behavior or serious misconduct.

3. Scope of the Policy

3.1 This Policy applies to all NEFCO Activities where NEFCO Funds are used or committed and applies to the following entities and individuals:

- (a) The members of NEFCO's Board of Directors, the Managing Director and NEFCO staff;
- (b) Borrowers, recipients and beneficiaries of NEFCO Funds in relation to a NEFCO Activity;
- (c) Consultants, service providers, suppliers and contractors procured by NEFCO for its own account, and consultants, service providers, suppliers and contractors procured by a borrower, recipient or beneficiary of NEFCO Funds in relation to a NEFCO Activity for the purpose of the NEFCO Activity and financed by NEFCO Funds (entities and individuals listed in i) - iii) above jointly referred to as "Covered Persons").

3.2 NEFCO shall include appropriate language in its agreements and contracts with Covered Persons relating to a NEFCO Activity to ensure proper implementation of this Policy. Such language shall include an obligation for borrowers, recipients and beneficiaries to include appropriate language for the implementation of this Policy in the agreements and contracts with consultants, service providers, suppliers and contractors financed by NEFCO Funds.

4. Principles and obligations

4.1 NEFCO requires all Covered Persons to adhere to the highest ethical standards including, among others adherence to applicable NEFCO policies, rules, and code of conduct as well as contractual requirements and relevant professional standards on conduct, integrity and ethics.

4.2 In accordance with relevant and applicable code of conduct, all Covered Persons shall avoid any actual or perceived Conflict of Interest in relation to any NEFCO Activity and shall without delay disclose any actual or potential Conflict of Interest to Ethics and Compliance.

4.3 A Covered Person may not engage in any of the following Prohibited Practices in relation to any NEFCO Activity:

- i. **Abuse**, which means theft, misappropriation, waste or improper use of property or assets related to a NEFCO Activity, either committed intentionally or through reckless disregard.
- ii. **Coercion**, which means the impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party for the purpose of improperly influencing the actions of a party.
- iii. **Collusion**, which means an arrangement between two or more parties designed to achieve an improper purpose, including for the purpose of improperly influencing the actions of another party.

- iv. **Corruption**, which means the promise, offering, giving, receiving, or soliciting, directly or indirectly, anything of value or any undue advantage, or any act or omission that involves the abuse of authority or functions, for the purpose of influencing or causing to influence improperly the actions of another party, or for the purpose of obtaining an undue advantage for oneself or for another party.
- v. **Fraud**, which means any act or omission, including misrepresentation or concealing a material fact, that knowingly or recklessly misleads, or attempts to mislead, a party for the purpose of obtaining a financial or other benefit or undue advantage for oneself or for a third party, or to avoid an obligation.
- vi. **Obstruction**, which means:
 - 1. Deliberately destroying, falsifying, altering or concealing evidence material to an investigation;
 - 2. Making false statements to investigators in order to materially impede an investigation;
 - 3. Failing to comply with requests to provide information, documents or records in connection with an investigation;
 - 4. Threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to a NEFCO investigation or from pursuing an investigation; or
 - 5. Materially impeding NEFCO's contractual rights of audit or access to information.
- vii. **Money Laundering**, which means
 - 1. The conversion or transfer of property, knowing that such property is derived from criminal activity, to conceal and disguise the illicit origin of the property, or assisting any person who is involved in the commission of such activity to evade the legal consequences of this action;
 - 2. The concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing such property is derived from criminal activity;
 - 3. The acquisition, possession or use of property knowing, at the time of receipt, that such property was derived from criminal activity; or
 - 4. Participation or assistance in any of the activities above.
- viii. **Financing of Terrorism**, which means the provision or collection of funds, by any means, directly or indirectly, with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out terrorist activities².

² "Terrorist activities" shall have the same meaning as set out in Article 2 of the International Convention for the Suppression of the Financing of Terrorism.

4.4 Covered Persons shall take all reasonable steps to prevent and avoid Prohibited Practices, including indirectly condoning, encouraging or participating in Prohibited Practices.

4.5 Covered Persons shall without delay report any alleged or suspected Prohibited Practices, illegal behavior or serious misconduct in NEFCO Activities to Ethics and Compliance. For avoidance of doubt, no clearance or approval by a supervisor is required for NEFCO staff prior to reporting.

4.6 Ethics and Compliance shall promptly investigate any report of suspected Prohibited Practices in accordance with applicable rules and procedures established by NEFCO.

4.7 Covered Persons are obligated to cooperate with NEFCO and its representatives in case of an investigation of Prohibited Practices.

5. Measures to prevent Prohibited Practices

NEFCO shall adopt and maintain appropriate procedures and measures to prevent Prohibited Practices, including:

- (a) Conduct due diligence of potential counterparties in accordance with NEFCO's Policy on Integrity Due Diligence, in order to avoid engaging with sanctioned entities or entities presenting unacceptable risks for money laundering, terrorist financing or other types of financial crime or misconduct;
- (b) Ensure and promote transparency, integrity and openness in procurement processes where NEFCO Funds are used through its procurement rules and procedures and relevant supplementary rules and guidelines;
- (c) Include in all financial documentation relating to use of NEFCO Funds contractual rights for inspection and access to information in order for NEFCO to be able to monitor and audit any use of NEFCO Funds; and
- (d) Provide training for and raise awareness on how to prevent and detect Prohibited Practices in NEFCO operations among staff, management, members of the Board of Directors and counterparties.

6. Sanctions and remedies

6.1 NEFCO shall pursue disciplinary, contractual, judicial and/or other actions where it has been established that Prohibited Practices have taken place.

6.2 NEFCO may decide to impose any of the following Sanctions on a Covered Person that is found to have engaged in Prohibited Practices:

- (a) A written censure of an individual's or entity's conduct (Reprimand);
- (b) A decision that an individual or entity is ineligible, either permanently or for a stated period of time, to be awarded and/or to participate in any NEFCO Activity and/or otherwise benefit from NEFCO Funds (Debarment);
- (c) A decision that an individual or entity is required to comply with certain remedial, preventative or other measures as a condition to avoid Debarment. Failure to comply with such measures in the prescribed time period shall result in automatic Debarment in accordance with the decision (Conditional Non-Debarment);
- (d) A decision that an individual or entity is subject to Debarment with a conditional release under which Debarment shall be terminated upon compliance with conditions set forth in the decision (Debarment with Conditional Release); or
- (e) Other Sanctions, which may include, but are not limited to, the restitution of funds and the imposition of fines representing reimbursement of the costs associated with investigations and proceedings relating to a Prohibited Practice that NEFCO has established that the individual or entity has engaged in.

6.3 Decisions on Sanctions shall be made by a Sanctions Panel, consisting of the Managing Director, a senior NEFCO staff member and an external expert. The senior NEFCO staff members and the external experts shall be nominated on case-by-case basis by the Committee on Fighting Corruption, and appointed to the Sanctions Panel by the Board of Directors.

6.4 A decision by the Sanction's Panel to impose a Sanction may be appealed to an Appeals Panel, consisting of the chair and the deputy chair of the Board of Directors. The Appeals Panel may engage such expertise as it deems necessary and appropriate.

6.5 NEFCO may decide to make public a final decision on a Sanction.

6.6 NEFCO shall establish rules for handling reports and investigations as well as procedures for Sanctions and appeals. Disciplinary measures imposed against NEFCO staff members who are found to have engaged in a Prohibited Practice will be handled in accordance with applicable staff rules and regulations.

6.7 Legal documentation relating to NEFCO Funds shall include appropriate remedies for dealing with breaches of relevant undertakings under such legal arrangements including, but not limited to, suspension of disbursement, repayments and indemnification, which will be applied as deemed appropriate and relevant by NEFCO.

6.8 NEFCO may refer information relating to a Prohibited Practice to national authorities if deemed appropriate. The decision for such referral shall be made by the Managing Director, following a recommendation by Ethics and Compliance, in consultation with Ethics and Compliance and the General Counsel.

7. Whistleblower protection

7.1 NEFCO shall take all reasonable measures to ensure that Whistleblowers and Witnesses are protected against Retaliation when reporting to or providing information or otherwise cooperating with NEFCO in relation to a Prohibited Practice or other forms of serious wrongdoings. Whistleblowers may remain anonymous or request that their identity be kept confidential consistent with the need to conduct an adequate and thorough investigation. NEFCO cannot provide physical or legal protection for Whistleblowers or Witnesses.

7.2 Ethics and Compliance shall promptly investigate any reports of suspected or alleged Retaliation in accordance with applicable rules and guidelines established by NEFCO.

7.3 Individuals making false or malicious allegations of suspected Prohibited Practices shall not enjoy the protection under Article 7.1 above.

7.4 Reporting a suspected Prohibited Practice or acting as a Witness shall not protect a Whistleblower or Witness from Sanctions or other measures arising from their own wrongdoing. However, the Whistleblower's or Witness' reporting and cooperation shall be taken into consideration when determining appropriate Sanction or other remedy.

7.5 If an act of Retaliation or a false or malicious allegation of Prohibited Practice is undertaken by:

- (a) NEFCO staff, such an alleged or suspected act will be treated as potential misconduct and handled in accordance with applicable staff rules and regulations; or
- (b) an external party, NEFCO may declare such a party to be ineligible to participate in NEFCO Activities in accordance with applicable rules and guidelines established by NEFCO.

7.6 Protection against Retaliation shall be extended to a Whistleblower who reports a suspected Prohibited Practice to an entity outside NEFCO, if the Whistleblower can show that:

- (a) Such reporting is necessary so as to avoid: (i) a significant threat to public health and safety; (ii) substantive damage to NEFCO operations; or (iii) violations of national or international law;
- (b) The established internal mechanisms are inadequate because: (i) the Whistleblower has reasonable grounds to believe that s/he would be subject to Retaliation; (ii) the Whistleblower has reasonable grounds to believe that evidence relating to the suspected Prohibited Practice will be concealed or destroyed; or (iii) the Whistleblower has previously reported the suspected Prohibited Practice through the established internal mechanisms (and not on an anonymous basis), and was not informed in writing of the status of the matter within six (6) months of such report, and
- (c) The Whistleblower does not accept and has not accepted payment or any other benefit from any party for such report.

8. Roles and responsibilities

8.1 The main roles and responsibilities in relation to the principles established in this Policy are set out in Articles 8.2 – 8.7 below.

8.2 The Board of Directors shall

- i. establish relevant policies;
- ii. monitor compliance and integrity work by receiving and requesting reports and updates;
- iii. be represented in the Appeals Panel.

8.3 The Managing Director, supported by the NEFCO Management Committee when relevant, shall

- i. promote and stress the importance of integrity in all aspects of NEFCO's operations;
- ii. issue rules and guidelines to complement and ensure implementation of this Policy;
- iii. participate in the Sanctions Panel.

8.4 Ethics and Compliance shall

- i. advise staff, management and Board of Directors on integrity matters;
- ii. review complaints and grievances relating to alleged breaches of NEFCO policies;
- iii. investigate alleged misconduct;
- iv. ensure that relevant policies and rules are up to date;
- v. coordinate cooperation with compliance functions in relevant international financial institutions;
- vi. provide training to staff.

8.5 Staff shall

- i. comply with internal procedures and rules when carrying out their tasks;
- ii. without delay report any suspicious Prohibited Practice they become aware of;
- iii. cooperate in any investigation carried out by Ethics and Compliance.

8.6 The Committee on Fighting Corruption shall

- i. raise awareness on compliance and integrity matters within NEFCO;
- ii. support Ethics and Compliance in investigation by providing expertise on specific matters as requested;
- iii. recommend updates/additions on policies and rules.

8.7 Other Covered Persons shall

- i. cooperate with NEFCO during the integrity due diligence process;
- ii. comply with this Policy and contractual commitments on integrity and ethics in all aspects of NEFCO activities

9. Implementation of the Policy

9.1 The Managing Director shall issue rules and guidelines and establish operational and administrative procedures to implement the principles set out in the Policy.

9.2 Any measures or action taken under this Policy are without prejudice to NEFCO's privileges and immunities as set forth in NEFCO's constituent documents or in applicable national or international law.

9.3 This Policy shall become effective on 1 January 2020.