

NEFCO

# Ethics & Compliance Report 2024



# Highlights

## About Ethics and Compliance at Nefco

Ethics and Compliance play a central role in advancing and supporting Nefco’s ethics and compliance efforts across all operations. The compliance function at Nefco was established in 2020 and consisted in 2024 of the Chief Ethics and Compliance Officer and three staff members.

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Linda Lundqvist, Nefco's Chief Ethics and Compliance Officer

## 2024 in brief

During 2024, 288 integrity due diligence (IDD) reviews were carried out, five complaints were reviewed and two investigations of Prohibited Practices were initiated. In addition, a new whistleblower process was launched for secure, anonymous reporting; a pilot programme for a compliance review was initiated together with the Basel Institute; and a new e-learning course on personal data handling was prepared (launched in January 2025).

More information on Nefco’s work on ethics and compliance during 2024 is available in this report.

In 2024, Nefco’s Ethics and Compliance team was declared winner in one of the categories of the ICA Compliance Awards, namely Small Compliance Team of the Year (fewer than five members) in the Financial Services category. The awards are arranged by the International Compliance Association.

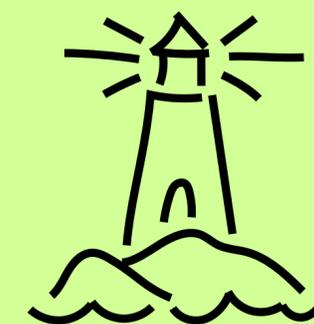
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## Integrity Due Diligence

A key part of Nefco’s preventive integrity work is the scrutiny of potential new counterparties to identify actual or potential integrity risks.

→ [Read more](#)



## Whistleblowing

Nefco has launched a new whistleblower mechanism, where any form of report, concern or complaint can now be submitted.

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# About Ethics and Compliance at Nefco

Nefco is dedicated to cultivating a culture based on ethical behaviour and integrity. This includes a commitment to ensuring that the funds entrusted to Nefco are managed with the highest ethical standards and used exclusively for their intended purposes.

The Ethics and Compliance Department (Ethics and Compliance) plays a central role in advancing and supporting Nefco's ethics and compliance efforts across all operations. Its responsibilities include:

- Offering guidance and training, and raising awareness among staff and management on topics related to integrity and compliance.
- Managing the 'Integrity Due Diligence' (IDD) process for both new and existing partners.
- Working closely with other departments to ensure that Nefco's standards for ethics, integrity, and anti-corruption are effectively implemented in projects.

- Receiving and investigating reports of integrity violations and non-compliance.
- In collaboration with Nefco's Legal Department, developing policies, rules, guidelines, and other documents related to ethics, integrity and accountability

## About this report

Reports on the first years of Ethics and Compliance's operations were presented to the Board of Directors at the meetings on 1/2021, 1/2022, 1/2023 and 1/2024. This document provides an overview of the department's activities conducted throughout 2024.



## The Ethics and Compliance function

The compliance function at Nefco was established in 2020, and in 2024 it consisted of the Chief Ethics and Compliance Officer and three staff members. The Chief Ethics and Compliance Officer reports administratively to the Managing Director and operates independently of Nefco's operational departments.

The team works with the compliance functions at bilateral agencies and other international organisations, including the corresponding functions at the Nordic Investment Bank (NIB) and the Nordic Development Fund (NDF) with which Nefco shares premises. To ensure Nefco remains up to date on developments relating to standards and best practices in the area of ethics and compliance among international financial institutions, during the year, Ethics and Compliance was represented at the annual IFI Private Sector Integrity meeting, and it became a member of the Ethics Network of Multilateral Organizations (ENMO). In addition, Ethics and Compliance participated in ad hoc meetings with colleagues in other organisations, including to discuss compliance matters relating to co-financed projects.

## Legal framework

Nefco has a robust and comprehensive legal framework in place to ensure that its activities are carried out with high ethical standards. Nefco's legal framework is benchmarked against and aligned with member country legislation, international standards and best practices applied by other international financial institutions (IFIs).

All public policies and rules relating to ethics and compliance at Nefco are available on [our website](#).

In 2024, Ethics and Compliance initiated and supported the process to establish a Staff Council at Nefco, which is to be consulted on matters directly affecting staff. In addition, the work to establish procedures for a staff grievance mechanism was initiated, to be completed in the first half of 2025.

## Planned activities for 2025

Ethics and Compliance will continue to work on strengthening its whistleblower procedures. While provision on whistleblower protection is included in both the Policy on Anticorruption and Compliance and the Policy on Prevention of Sexual Abuse, Sexual Exploitation and Sexual

Harassment, a separate whistleblower policy will be established in 2025.

Internally, a grievance mechanism for staff will be launched, providing staff a possibility to have any decisions made by Nefco related to the Legal Framework for Staff reviewed by an external legal expert, to assess if such decisions are in compliance with the legal framework and who will provide its recommendation after a review to the Managing Director.

An internal compliance report platform will be introduced to facilitate the submission of annual reports on financial and business interests as well as request for approvals of external activities, as regulated in the Code of Conduct for Staff.

Based on the external review of the IDD- rules and procedures, any identified gaps will be addressed to ensure Nefco's IDD practices are kept up to date.



# Preventive integrity work

Prevention and proactive work are important parts of Nefco's integrity and compliance efforts. By providing advice, support, information and training, Ethics and Compliance aims to ensure that Nefco staff and their counterparties understand Nefco's standards and expectations regarding compliance and integrity.

## Integrity Due Diligence

A key part of Nefco's preventive integrity work is the scrutiny of potential new counterparties to identify actual or potential integrity risks. Nefco's Integrity Due Diligence (IDD) process is benchmarked against and aligned with international 'Know Your Customer' standards and requirements used in the finance sector and among other IFIs.

Every new potential counterparty of Nefco, for both financing and consultancy contracts, undergoes an IDD review. In general, this consists of a review of beneficial ownership, legal and corporate structure, sanctions screening and adverse media checks and analysis. Nefco applies a risk-based approach and adjusts the scope of the review to the perceived risks. For full IDD reviews, Nefco requires details on all ultimate beneficial owners (UBOs) with a 10% or greater

stake in a counterparty. Depending on risk, Nefco may collect data on all UBOs, including those below the 10% threshold, and screen them against sanctions lists. Additional information may also be required from third parties involved in the project for sanctions screening.

The review and analysis of IDD data result in a compliance risk rating - low, medium or high - reflecting the identified integrity risks. IDD reviews are updated on a regular basis, in general, annually or semi-annually, depending on the assigned risk rating and the circumstances of each project.

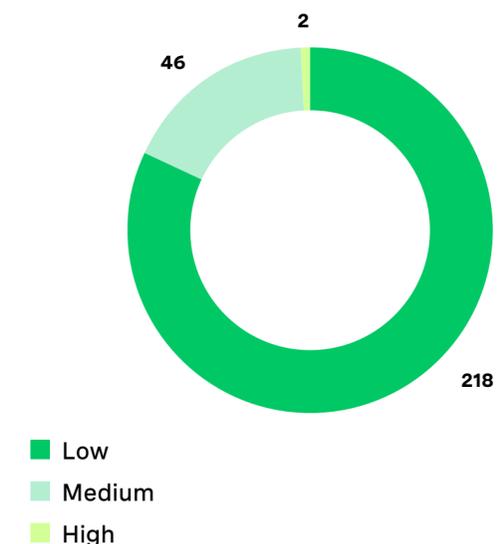
Where a medium rating is proposed, mitigating measures are indicated and the case is reviewed, not only by the integrity analyst and project manager, but also by the head of the relevant department and the Chief Ethics and Compliance Officer before finalisation.

During 2024, a total of 295 IDD reviews were initiated and 288 were completed<sup>1</sup>, of which 166 were full IDD reviews and the remainder updates of existing IDD reviews or simplified IDD, which are performed in relation to low-value contracts with low compliance risk.

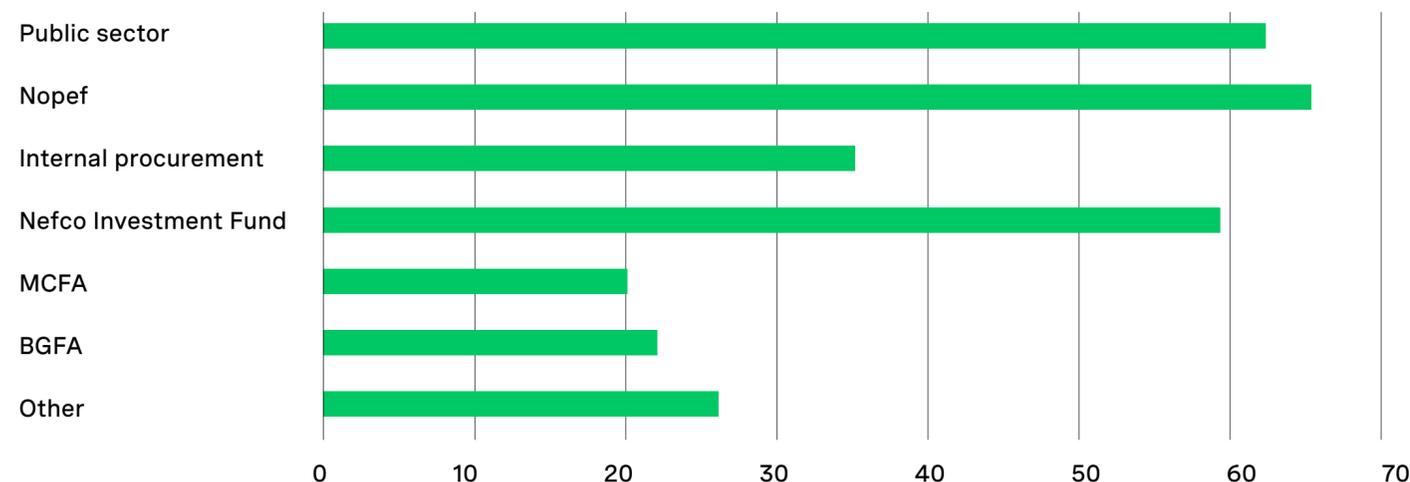
## An overview of IDD reviews in 2024

Country of counterparty	
Ukraine	67
Finland	46
Denmark	35
Sweden	32
Norway	28
Moldova	8
Kenya	8
Zambia	7
UK	6
Iceland	6
Russian Federation	5
USA	4
Estonia	4
Austria	4

## Compliance risk rating



## Type/Product



<sup>1</sup> Some reviews were initiated in 2023 and completed in 2024, while others were initiated in 2024 and completed in 2025.

Nefco operates in a wide range of jurisdictions, many considered high-risk from an integrity perspective, requiring the management of a diverse array of risks. Ethics and Compliance continuously strengthens its procedures to address the unique challenges posed by varying regulatory and governance environments.

During 2024, Nefco handled two IDD reviews for which the compliance risk rating was set as high, which, a general rule, is outside Nefco's risk tolerance. These cases related to the remaining payments under a project in which work was completed, and the risk indicators causing the high risk rating were not directly attributable to the recipient of the payment. A non-payment by Nefco would have been a breach of contract. Based on these circumstances, it was decided that these payments could be made.

In December 2024, Ethics and Compliance engaged a law firm to carry out a review of Nefco's rules and procedures relating to IDD and identify any gaps in relation to current best practices. The external review is planned to be completed during the first quarter of 2025.

## Training and outreach

An important part of Ethics and Compliance's preventive work is to provide information and training, both internally to staff and to Nefco's counterparties, to ensure it is clear what is expected in terms of ethics and integrity when working at or with Nefco.

Nefco has three e-learning courses on topics related to ethics and compliance. The courses are mandatory for all staff and cover the Code of Conduct for staff, Prohibited Practices and, the most recent addition, the handling of personal data.

To provide easily accessible information to any external parties or individuals interested in Nefco's work on ethics and compliance and the requirements we have for counterparties in this area, concise overview material has been prepared and is soon to be made available on [nefco.int](https://nefco.int).

Ethics and Compliance also provides information sessions to counterparties. This year, Ethics and Compliance participated in the BGFA Academy, giving an overview to Nefco's work and expectations on ethics and compliance to BGFA (Beyond the Grid Africa) counterparties.

## Pilot project with Basel Institute on Governance

Following an IDD review of a proposed winning tenderer, where certain risk indicators in the form of previous non-compliance with national legislation were identified, Nefco initiated an in-depth compliance review of the counterparty.

The aim of the compliance review was not only to identify gaps in internal policies and procedures of the counterparty but also to prepare an action plan for addressing such gaps and weaknesses.

In this pilot initiative, Nefco is working together with the Basel Institute on Governance, which brings its solid expertise and hands-on experience from similar programmes in the public sector in Ukraine to this pilot programme. The programme will be completed in mid 2025.



*“It's been a fascinating process to work with the city council and contractor to jointly identify corruption risks and develop customised mitigation measures. Nefco's pilot initiative is the first time either one has had the chance to discuss these issues in an open and trust-based environment.”*

**Juhani Grossmann**

Senior Advisor, Central and Eastern Europe, Basel Institute on Governance

# Investigations and complaints

According to Nefco's legal framework, suspected breaches of Nefco's standards and requirements in the area of ethics and integrity shall be reported to Ethics and Compliance, which will investigate the matter in accordance with applicable policies and rules and make recommendations for measures where relevant.

## Whistleblowing

To strengthen its whistleblower procedures, Nefco launched a new whistleblower mechanism in 2024. Any form of report, concern or complaint can now be submitted through a secure platform<sup>2</sup> with a dedicated Nefco set-up, where information on the process is available in all languages relevant for Nefco projects, and the report can also be submitted in any of these languages. Any report provided through the platform is first reviewed by an independent law firm, which forwards it to Ethics and Compliance for the next steps if it establishes that it is related to a Nefco activity or Nefco funds and the substance

<sup>2</sup>) Provided by WhistleB

### **A secure platform for reporting misconduct, wrongdoings and complaints**

We encourage anyone who has witnessed or suspects any form of Prohibited Practices (abuse, coercion, collusion, corruption, fraud, obstruction, money laundering, financing of terrorism), misconduct or other types of wrongdoing in a Nefco activity to submit a report through our [secure platform](#).

An individual, group of individuals or legal entity which in its view has, or may be, adversely affected by a decision or action by Nefco or a Nefco counterparty or by a Nefco funded project due to alleged non-compliance with Nefco policies, rules and procedures may file a complaint with Nefco through the dedicated platform.

The first review of the reports will be made by an independent law firm.

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of the complaint is, or should be, covered by Nefco's legal framework. If any part of the report relates to Ethics of Compliance, the report will be handled outside the department. The new mechanism has not only enhanced IT-related security but also allows reporters to be completely anonymous, as any further communication in relation to a report can be carried out on the secure platform. The external review has also strengthened the accountability aspects.

## Complaints

A complaint can be submitted to Nefco by anyone who feels that they have been adversely affected by a decision or action by Nefco or a Nefco counterparty due to non-compliance with Nefco's legal framework. Complaints are reviewed by Ethics and Compliance and a report with conclusions and, where relevant, recommendations is sent to the Managing Director for a decision, following the Rules and Procedures for Complaints Review, available on [nefco.int](https://nefco.int).

During 2024, five complaints were submitted to Nefco and handled by Ethics and Compliance:

One complaint related to a tenderer in Ukraine missing the deadline for the submission of a bid for a Nefco-financed contract due to an air raid alarm. No changes in the tender-related decisions were made, but Nefco will consider measures to support clients allowing electronic submissions of bids as often as possible.

One complaint concerned the replacement of a subcontractor in a Nefco-financed contract between a contractor and a municipal utility company. The review concluded that the replacement of the subcontractor was not a violation of Nefco's legal framework and that any contractual disagreements between the parties not covered by the legal framework were outside the scope of Nefco's complaints review. Nefco will, however, look into possible measures to further strengthen its contract management.

One complaint related to a project which Nefco did consider at its early stages but never provided financing for. Nefco's

complaints review mechanism was therefore not applicable.

One complaint came from a resident in a Nefco-managed infrastructure project regarding some of the utilities in the area. Nefco, through its project team, followed up on the matter and received a confirmation that the issue had been addressed.

One complaint was submitted from an individual who claimed their CV had been unjustly used in a proposal submitted to Nefco. The review concluded that as the individual had been employed by the submitting entity at the time of submission, there was no breach of Nefco's legal framework. Any contractual or employment related disputes between the parties are outside the scope of the complaints review.

The complaints review mechanism is a good tool to address the concerns of external stakeholders, ensure that Nefco carries out its operations in a fair and transparent manner, and help guarantee that Nefco complies with

its own legal framework. The complaints review mechanism also provides a useful opportunity for Nefco to review its procedures and practical routines to identify possible risks or gaps. Generally, at the conclusion of a complaints review, Nefco introduces measures to improve its ways of working. These improvements are implemented whether or not the complaint is found to be substantiated.

## Prohibited Practices

During 2024, two investigations related to possible Prohibited Practices were initiated. In one case, it was concluded that Prohibited Practices could not be substantiated. One investigation is still ongoing.

## Sexual Exploitation, Sexual Abuse and Sexual Harassment

No reports regarding suspected or alleged sexual exploitation, sexual abuse or sexual harassment were received during 2024.

# Personal data protection

Nefco's legal framework on the protection of personal data consists of six different documents and is benchmarked against relevant national and EU legislation. The Chief Ethics and Compliance Officer is appointed to act as the Data Protection Officer at Nefco.

No complaints or requests relating to data subject rights were received by Nefco in 2024.

An e-learning course focusing on informing staff what they need to know and keep in mind when processing personal data at Nefco, including how to act in case of a potential data breach, has been developed and was launched in January 2025.



# NEFCO

*The Nordic Green Bank*

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