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- Promote protection of biodiversity and ecosystems. Adverse impacts on biodiversity and ecosystem services are being exacerbated by climate change and pose material risks to human welfare and health, societies and businesses. Impacts on biodiversity and ecosystem services are particularly important in Norfund's markets and Norfund is committed to help protect and conserve biodiversity, maintain the benefits from ecosystem services and promote the sustainable management of living natural resources, thereby enhancing the resilience and sustainability of our portfolio companies.
- Respect human rights and promote decent work. Norfund respects human rights, as defined by the International Bill of Human Rights, and draws on the United Nations Guiding Principles on Business and Human Rights (UNGPR). We are committed to promoting compliance with ILO's Declaration on Fundamental Principles and Rights at Workⁱⁱ which covers the elimination of child labour, forced labour and discrimination in the workplace, protection of employees' freedom of association and the right to collective bargaining, and a safe and healthy working environment. Decent work also covers working conditions and terms of employment (including wages)ⁱⁱⁱ, and employee access to grievance mechanisms.
- Encourage diversity and gender equality. We work to strengthen equality and equity across all levels in investees and through the products and services they offer. This also requires addressing gender-based discrimination, violence and harassment. Norfund is committed to promoting compliance with the ILO Convention on Violence and Harassment.
- Seek positive community outcomes. Norfund aims to avoid or minimize the risks and impacts to community health, safety, and security that may arise from project related activities and identify opportunities for development benefits. In cases where involuntary resettlement is unavoidable, we require mitigation measures such as fair compensation, including the reconstruction and improvement to livelihoods and living conditions. When indigenous peoples and other vulnerable and marginalized groups are affected, their specific needs must be addressed. Informed consultation and participation with indigenous peoples throughout the project process is a core requirement and may include Free, Prior and Informed Consent under certain circumstances.
- Protect clients and consumers. Norfund is committed to promote the delivery of safe, responsible, and fair services to clients and consumers. When investing in financial service providers, we are guided by the Client Protection Pathway^{iv} where relevant, which encompasses appropriate product design and delivery, prevention of over-indebtedness, transparency, responsible pricing, fair and respectful treatment of clients, privacy of client data, mechanisms for complaint resolution and governance.

4. E&S sustainability framework

Norfund will only invest in projects that are in line with 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.

We acknowledge the importance of harmonised E&S standards with broad market recognition and seek to align our own standards with those of our peers. Norfund has endorsed the EDFI Principles for Responsible Financing of Sustainable Development and commit to operate in accordance with the EDFI Statement on Climate and Energy Finance and Harmonised EDFI Environmental and Social Standards^v.

			
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The IFC Performance Standards for Environmental and Social Sustainability (“IFC PS”) and the World Bank Environmental, Health and Safety Guidelines are the main frameworks for operationalizing Norfund’s sustainability commitments. The IFC PS cover a comprehensive array of environmental and social topics:

- Assessment and Management of Environmental and Social Risks and Impacts (PS1)
- Labor and Working Conditions (PS2)
- Resource Efficiency and Pollution Prevention (PS3)
- Community Health, Safety, and Security (PS4)
- Land Acquisition and Involuntary Resettlement (PS5)
- Biodiversity Conservation and Sustainable Management of Living Natural Resources (PS6)
- Indigenous Peoples (PS7)
- Cultural Heritage (PS8)


A central element of the IFC PS is the application of a mitigation hierarchy to anticipate and avoid adverse impacts on workers, communities, and the environment, or where avoidance is not possible, to minimize, and where residual impacts remain, compensate/offset for the risks and impacts, as appropriate.

We take a proportionate approach and adjust our requirements to the nature, size and risk profile of each investee. In specific situations it might be necessary to apply additional international guidelines and industry standards to manage key risks and impacts.

5. Operationalisation

E&S risk management is integrated into the investment process as outlined in the Investment Manual, and is supported by training, procedures and tools. The organisation has dedicated specialists on environmental, climate and social issues that work with investment teams and investees to identify, assess and manage relevant issues throughout all investment phases, from screening to exit.

Appraisal of E&S risks is incorporated into the analysis and decision-making processes. Our investment process starts with the screening of the project against relevant exclusion lists and standards, an assessment of Paris Alignment and material climate risks, and a risk categorisation based on the project’s potential E&S risks and impacts. If the project passes these checks and receives initial approval from our investment/credit committee, we conduct due diligence to assess E&S risks and impacts and determine

				
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risks and opportunities.

We seek to exit responsibly and conduct post-exit analyses to draw lessons from our investments and improve internal systems.

6. Stakeholder engagement

Stakeholder engagement is important for successful management of E&S risks and impacts. Norfund engages actively in discussions with stakeholders and takes part in working groups and networks (such as EDFI and 2X Global^{vi}) aiming to further strengthen our approach to sustainability. We also expect investees to identify and engage with their key stakeholders and disclose information as required by national laws and applicable international standards.

Norfund seeks to be transparent about our approach to risk management. Norfund is a signatory of the
