

Transparency Act – requirements for transparency on enterprises' business contacts and suppliers

On 1 July 2022, the “Act relating to enterprises’ transparency and work on fundamental human rights and decent working conditions” - the Transparency Act-, entered into force. As a consequence, more than 9 000 Norwegian enterprises are required to carry out a due diligence.

The Act shall promote businesses' respect for fundamental human rights and decent working conditions in connection with the production of goods and the provision of services, and ensure the general public access to information on how the businesses deal with negative consequences for fundamental human rights and decent working conditions.

Scope of the act

The Transparency Act applies to all “large” enterprises that are resident in Norway. The Act also applies to all larger foreign enterprises that offer goods and services in Norway, and that are liable to Norwegian taxation pursuant to internal Norwegian legislation. For the purpose of the act, larger enterprises means both enterprises that are covered by Section 1-5 of the Accounting Act, and enterprises that on the date of the financial statements exceed the threshold for at least two of the following three conditions

1. Sales revenues: NOK 70 million
2. Balance sheet total: 35 million
3. Average number of employees in the financial year: 50 full time equivalent (in other words – all enterprises that are not defines as “small” under Section 1-6 under the Accounting act)

What does the act mean for your business?

For enterprises covered by the Transparency Act, a due diligence must be carried out for the purpose of assessing human rights and decent working conditions that the enterprise has either caused or contributed towards, or that are directly linked with the enterprise's operations, products or services via the supply chain or business partners. Each business must conduct a survey of and assess actual and potential negative consequences for fundamental human rights and decent working conditions based upon its own business, supply chain and business contacts.

The objective is that the enterprise shall identify the company's actual and potential adverse impacts on fundamental human rights and decent working conditions. The Act also contains requirements to implement risk-reducing measures where necessary.

Section 4 of the Transparency Act provides a description of how the due diligence shall be carried out. The description is in line with the OECD guidelines for multinational companies, and it is assumed in the Act’s preparatory work that the enterprises should follow OECD's due diligence method. This universal method will also make it easier for foreign businesses with operations in Norway to meet the requirements.

The due diligence is not a work that should be carried out only one time, but the work must be repetitive, and should almost be carried out as a reflex, both internally and externally. There is a requirement for repetitive and increasingly thorough assessments of suppliers and other accounts.

By June 30th each year, there is a requirement that the enterprises covered by the Transparency Act report their due diligences carried out in the previous year. This report shall be published for the first time within June 30th, 2023. This report must be signed by the board of directors and the general manager, and is to be published in an accessible place, for example on the company's website, in order for consumers, trade unions, the media, investors and public authorities to be able to seek and receive information about these matters. The statement may also be included in the company's report on corporate social responsibility in the annual report, cf. Section 3-3 (c) of the Accounting Act. In any case, the annual report must contain information about where the report is to be found.

We recommend all enterprises covered by the Transparency Act, but also those that are not currently covered, to start on the work to be compliant with the requirements of the act.