



NORDIC
INVESTMENT
BANK

20

Impact Report

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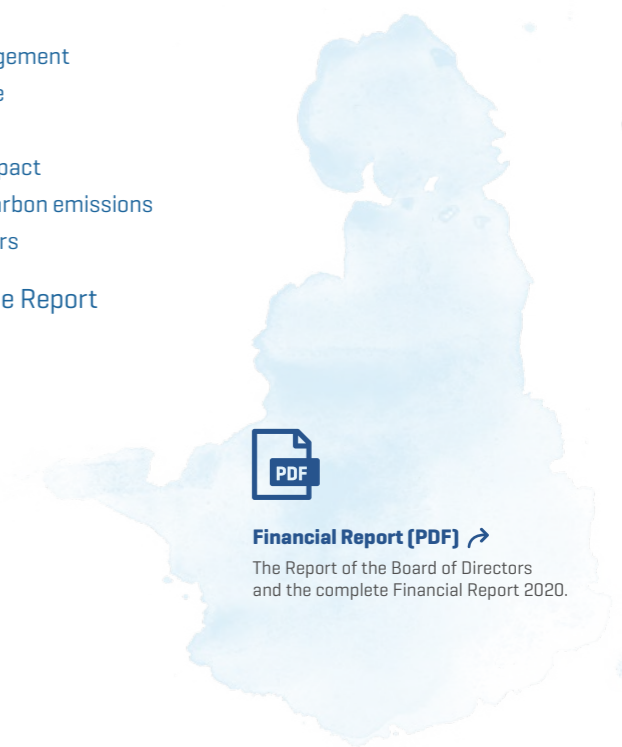
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Financial Report (PDF) ↗

The Report of the Board of Directors and the complete Financial Report 2020.

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This is NIB

We are the international financial institution of the Nordic and Baltic countries. We work towards a prosperous and sustainable Nordic-Baltic region. Our mission is to finance projects that improve the productivity and benefit the environment of the Nordic and Baltic countries. The Bank can also take a stabilising role during economic crisis.

The mission was given by the Bank's owner countries to address the needs of the region and the challenges it is facing - sustainable growth, technological innovation, climate change, the development of circular economy and the protection of marine environments.

The Nordic Investment Bank (NIB) provides sustainable, long-term financing to customers in both the private and public

sectors on competitive market terms to complement commercial lending. Our products include corporate and sovereign loans, loans to municipalities, loans to public-private partnerships, loan programmes, investments in labelled bonds, project & structure finance and lending outside the member countries.

NIB acquires the funds for its lending by borrowing on the international capital markets. The Bank's triple-A credit rating has been assigned by Standard & Poor's and Moody's uninterruptedly since NIB was first rated in the early 1980s. NIB's credit rating reflects its high asset quality, capital adequacy, strong balance sheet and ownership.

In order to fulfil its mission, the Bank is required to be financially strong. NIB therefore aims to earn a sufficient return from its business operations to guarantee its owner countries a reasonable return on capital.

45 YEARS OF OPERATION

Located in Helsinki, Finland, NIB is an international financial institution (IFI). The Bank was established by the five Nordic countries in 1975 to overcome investment barriers and attract commercial lending. In 2005, the three Baltic countries joined NIB on equal footing with the original members.



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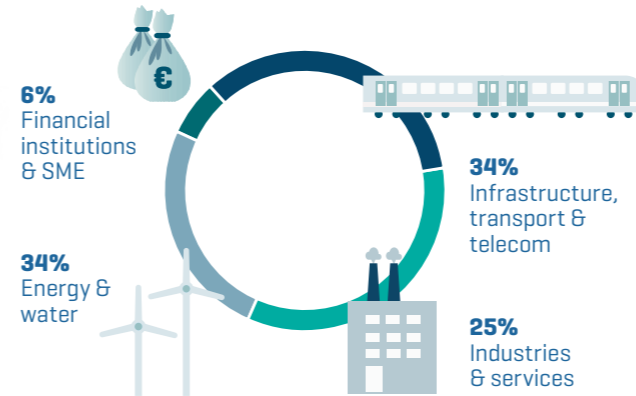
NiB's Statutes updated

expanding financing capabilities and ensuring efficient control of NiB's operations



Loans disbursed:

EUR 4,853 mn



Covid-19 response

NiB Response Bond framework launched and EUR 1,470 million disbursed in response loans



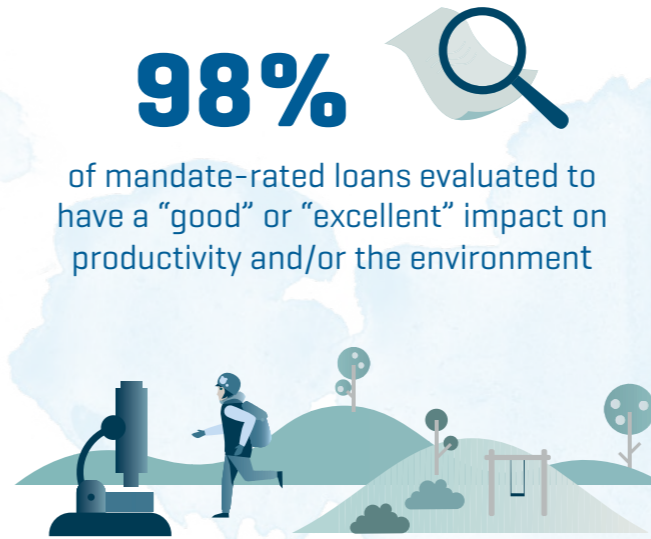
EUR 7.5 bn

raised in new funding, including two NiB Response Bonds, NiB Environmental Bond, and Nordic-Baltic Blue Bond



98%

of mandate-rated loans evaluated to have a "good" or "excellent" impact on productivity and/or the environment



Organisational changes

further strengthening NiB's activities and ensuring continued adherence to sound banking principles



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President's review

NIB exists for you

The coronavirus pandemic has shown us the systemic nature of crises and the severe effect they can have on our societies and economies. In 2020, we have all had our resilience tested—ranging from the global economy and its institutions—to you and me having had to adapt to a new way of living. If nothing else, the pandemic has made us abundantly aware how interdependent we are with one another and the planet we live on.

NIB's member country region has, like so many other regions in the world, experienced an abrupt decline in economic output. In March 2020, the Nordic and Baltic Ministers, who are Governors of NIB, urged the Bank to take swift action to help alleviate the impact of the Covid-19 crisis. While NIB's mandate is to finance projects that improve productivity and benefit the environment, the Bank can also have a stabilising role during economic crises.

Our immediate response was to issue NIB Response Bonds and make Response Loans available to member countries and sustainable businesses facing short-term liquidity problems due to the coronavirus crisis. While we finance larger businesses directly, small and medium-sized companies have access to our lending via financial intermediaries.

In 2020, we disbursed EUR 4,853 million in loans (EUR 2,676 million in 2019). Of this, EUR 1,470 million were Response Loans. Due to record-high lending, we increased our funding programme and raised EUR 7.5 billion in new funding through 38 bond transactions. Of this, we issued a three-year, EUR 1 billion NIB Response Bond in March 2020, and another three-year, SEK 4 billion (EUR 366 million) NIB Response Bond in April 2020.

Although dealing with the coronavirus crisis is essential, it is of utmost importance that long-term challenges, such as climate change, shall not be forgotten. Financing jobs may come first and the green transition second during this crisis, but these two things need to go hand-in-hand in the long run. If we do not get the green transition right—that all of us feel included—the green transition could become detested, and not receive the support it needs. Equal economic opportunities are an important driver for productivity and long-term sustainable growth.

What is needed is impact, and that is the focus of our Impact Report 2020. Here you can read how we are working towards a prosperous and sustainable Nordic-Baltic region, how our staff educate themselves further on sustainable finance online with the Stockholm School of Economics Executive Education, and what impact the projects we finance have on society and the environment.

NIB has reported according to the Global Reporting Initiative (GRI) annually since 2007. In this report you will also find our first attempts at providing information in accordance with the Principles for Responsible Banking (PRB) and the Task Force on Climate-related Financial Disclosures (TCFD). We are all on a learning curve and share experiences on climate risks and ESG thinking. To ensure that we are on the right track, we have sought limited assurance on key indicators for our sustainability reporting.

In 2020, the Bank was also set on another trajectory, one that will increase NIB's lending ability, improve institutional governance, maintain triple-A rating and allow for equity participation as a new form of financing. I am referring to the Bank's updated Statutes that came into force in July 2020.



NIB will continue its mission to provide long-term financing to projects that ensure sustainable growth and lasting impact on the productivity and environment of the Nordic-Baltic region. In short, NIB exists for you.

Henrik Normann, President & CEO

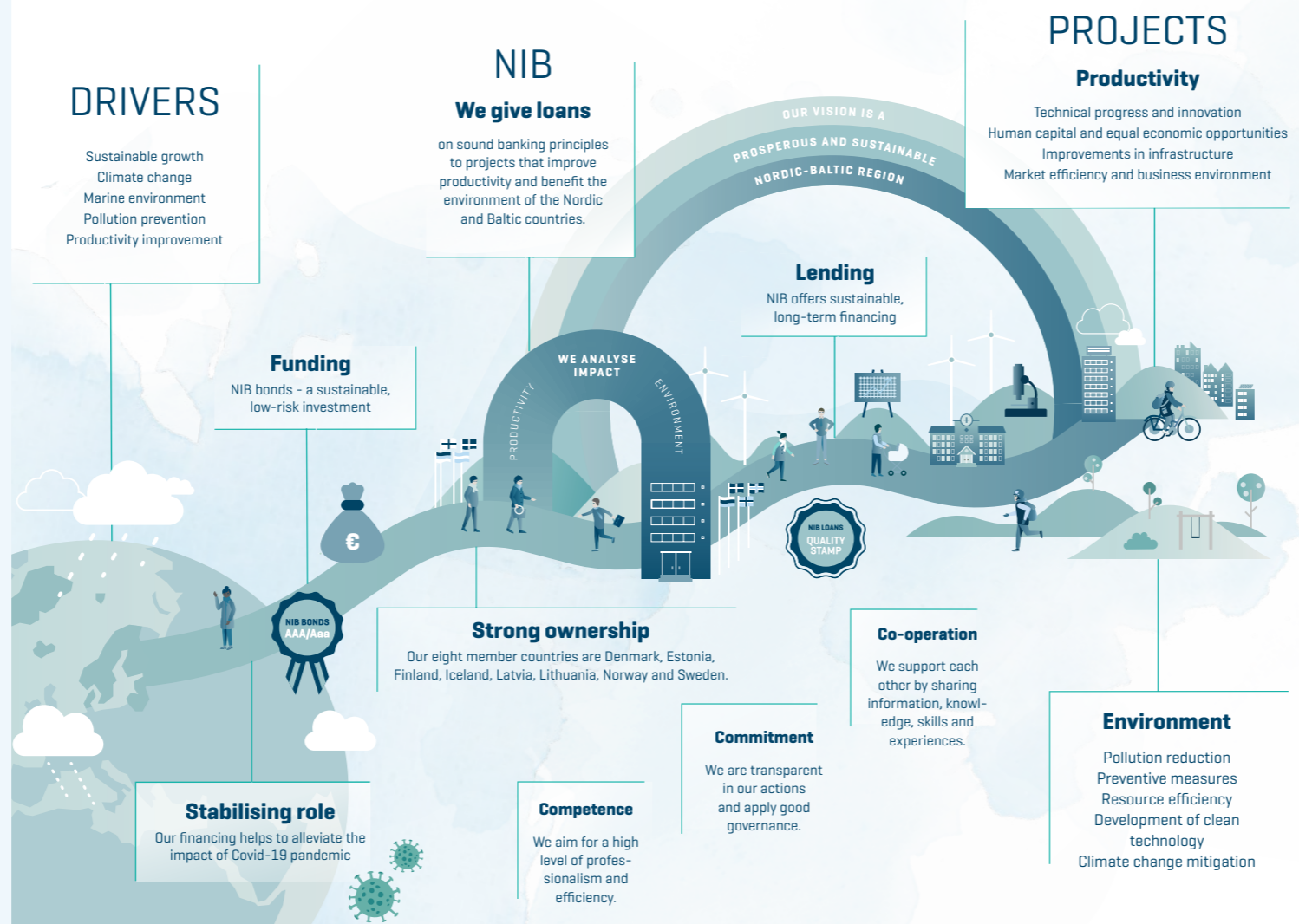
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How we finance the future



NIB finances projects that improve productivity and benefit the environment of the Nordic and Baltic countries. This mission, given by our Nordic and Baltic owner countries, is well suited to meet current challenges that drive our business: productivity improvement, pollution prevention, marine environment, sustainable growth, climate change.

We meet our global investors, they buy our bonds and we get the funds for our lending.

Next, we analyse and evaluate loan proposals carefully to ensure that they are in line with our mission to finance projects that improve productivity and benefit the environment of our member countries. We also assess the environmental, social and governance (ESG) factors of all our clients.

Then it is time to make loan deals with our customer. The projects we are financing help to build a more prosperous and sustainable Nordic-Baltic region.

We also have a stabilising role during crisis. In March 2020, our owner countries urged the Bank to support economic activity and help companies in dealing with the serious consequences caused by the coronavirus Covid-19 pandemic. We reacted immediately by issuing Response Bonds and offering Response loans to alleviate the social and economic consequences of the Covid-19 pandemic.

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Funding

NIB acquires the funds for its lending by borrowing on the international capital markets. We seek to adapt our borrowing to investors' preferences in terms of currency, maturity and structures. NIB's bonds enjoy the highest possible credit rating.

In 2020, the Bank acquired funds for its operations by borrowing EUR 7.5 billion on the international capital markets through 38 transactions. This was approximately EUR 1.5 billion higher than originally planned, in support of substantially higher lending requirements due to the Covid-19 outbreak.

At the end of the year, the outstanding debt amounted to EUR 29.1 billion.

Due to the consequences of the coronavirus Covid-19 pandemic in 2020, we responded very quickly to the request for supporting our member countries in the form of a newly established [NIB Response Bond framework](#) and [NIB Response Bond issuances](#). The Bank issued two NIB Response Bonds, a [three-year EUR 1 billion](#) and a [three-year SEK 4 billion](#) transaction.

In addition, the Bank carried out its original funding strategy, including issuing two USD 1.5 billion global benchmark transactions with a [three-year](#) and [five-year](#) maturity. NIB continued to see strong demand in the Nordic currencies, 22% of the total issuance was denominated in NOK and SEK currencies. The Bank also returned to the Kauri market

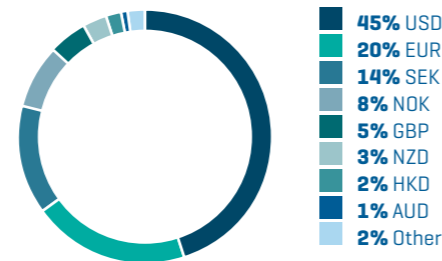
after two years, by issuing a [five-year NZD 400 million bond](#). For a full list of funding transactions, please [click here](#).

Although short-term and immediate responses to the crisis through the Response Bonds were needed, NIB continued its long-term sustainable funding strategy addressing environmental challenges. The Bank raised a total of EUR 643 million under its [NIB Environmental Bond \(NEB\) programme](#), consisting of a [seven-year EUR 500 million](#) NIB Environmental Bond and a [five-year SEK 1.5 billion](#) Nordic-Baltic Blue Bond.

Year 2021 will mark NIB's ten-year anniversary of issuing environmental bonds.

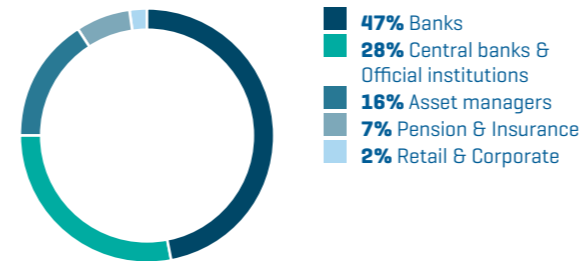
New borrowings in 2020

as of 31 Dec 2020
%, currency distribution



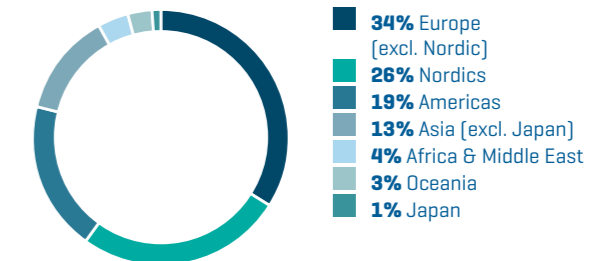
New borrowings in 2020

as of 31 Dec 2020
%, investor type distribution



New borrowings in 2020

as of 31 Dec 2020
%, geographical distribution



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Total NEB issuance 2020

NIB continued its long-term sustainable funding strategy addressing environmental challenges and issued a total of EUR 643 million in environmental bonds in 2020 (EUR 693 million in 2019). NIB's total issuance under its NIB Environmental Bond Framework during 2011-2020 now stands at EUR 4.9 billion.

During the years, more than ninety projects have been financed with the proceeds from NIB Environmental Bonds (NEBs). For more information on all NEB [transactions](#) and [projects](#), please visit [our website](#).

In the year 2021, the Bank will celebrate its tenth anniversary of issuing bonds under the NIB Environmental Bond Framework. A seven-year EUR 500 million NIB Environmental bond, financing a variety of different projects within the framework's all eligible categories, was issued in the spring 2020 (see [the news](#) and [press release](#)). This is the sixth year in a row that NIB issues a EUR 500 million environmental bond.

The second bond for the year issued under the NEB framework was a SEK 1.5 billion Nordic-Baltic Blue Bond (see [the news](#) and [press release](#)). This bond was a follow-up to the [inaugural blue bond](#) issued in 2019. The use of the blue bond proceeds will be

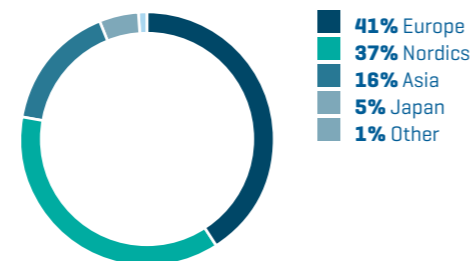
allocated to selected wastewater treatment, water pollution prevention and water-related climate change mitigation projects. In 2020, Environmental Finance granted NIB with the Award for Innovation - Use of Proceeds for its Nordic-Baltic Blue Bond. More information on the blue bonds and the projects financed are available on [NIB's website](#). For impact see [here](#).

NIB ENVIRONMENTAL BOND ISSUANCE 2020

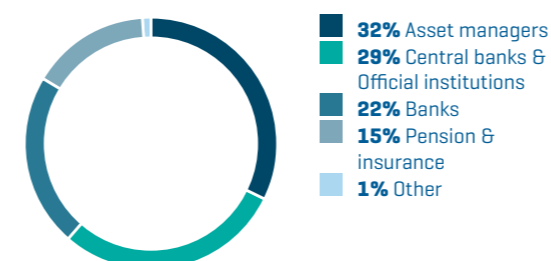
| | Currency | Amount in millions | Coupon | ISIN | Value date | Maturity date |
|-------------------------|----------|--------------------|---------|------------------------------|------------|---------------|
| Nordic-Baltic Blue Bond | SEK | 1,500 | 0,100 % | XS2243312407 | 13.10.2020 | 13.10.2025 |
| Environmental Bond | EUR | 500 | 0,000 % | XS2166209176 | 30.4.2020 | 30.4.2027 |



NEB investors 2020
%, by geographical region



NEB investors 2020
%, by investor type



NIB ENVIRONMENTAL BOND FRAMEWORK

PROJECT CATEGORIES

- Energy efficiency
- Renewable energy generation
- Transmission, distribution and storage systems
- Clean transport solutions
- Water management and protection
- Resources and waste management systems
- Green buildings

Graphs include all projects financed under the NEB Framework in 2020. The NEB Framework covers both Environmental Bonds and Nordic-Baltic Blue Bonds. Visit [NIB's website](#) for a list of all NEB issues.

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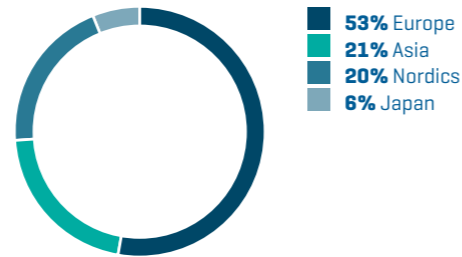
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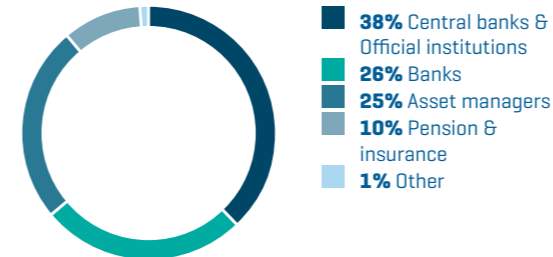
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ENVIRONMENTAL BOND

Environmental Bond investors 2020
%, by geographical region

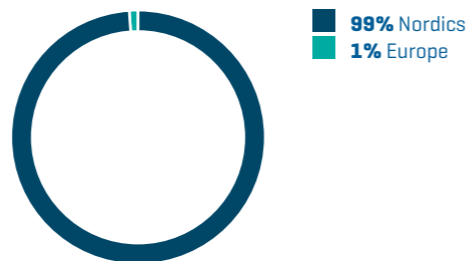


Environmental Bond investors 2020
%, by investor type

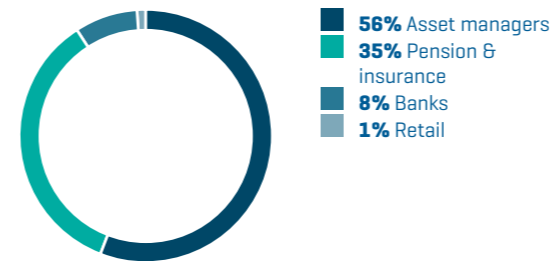


NORDIC-BALTIC BLUE BOND

Nordic-Baltic Blue Bond investors 2020
%, by geographical region



Nordic-Baltic Blue Bond investors 2020
%, by investor type



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NEB issuance 2011-2020

NIB ENVIRONMENTAL BOND ISSUANCE 2011-2020

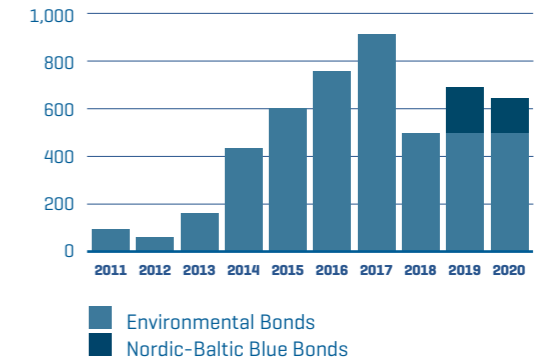
NIB has brought environmental bonds to the market every year since 2011. By the end of 2020, the Bank had issued a total of EUR 4.9 billion in NEBs.

Total issuance: EUR 4,877 million (EUR 4,542 million in Environmental Bonds & EUR 335 million in Blue Bonds)
Number of bonds issued: 23
Number of currencies: 6

PROJECTS FINANCED 2011-2020

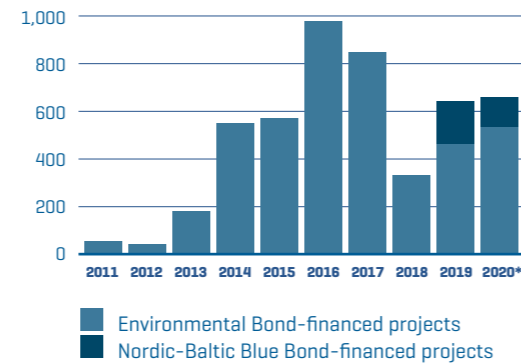
By end of 2020, NIB has financed a total of 110 projects with NEB proceeds. Of these projects, 96 were financed with Environmental Bonds for a total of EUR 4.5 billion. 14 projects were financed with Blue Bonds for a total of EUR 308 million. For impact see [here](#).

NIB Environmental Bond issuance 2011-2020
in EURm



NEB-financed projects 2011-2020

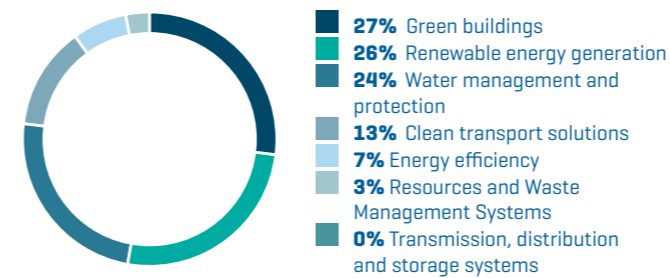
in EURm



*This does not include disbursements to environmental projects, which have not yet been covered by environmental bonds.

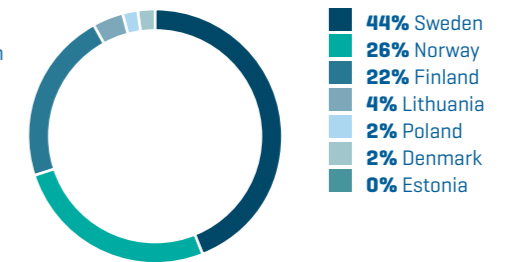
NEB-financed projects 2011-2020

%, projects by NEB category



NEB-financed projects 2011-2020

%, by country



Graphs include all projects financed under the NEB Framework, which covers both Environmental Bonds and Blue Bonds. Visit [NIB's website](#) for a list of all NEB-financed projects.

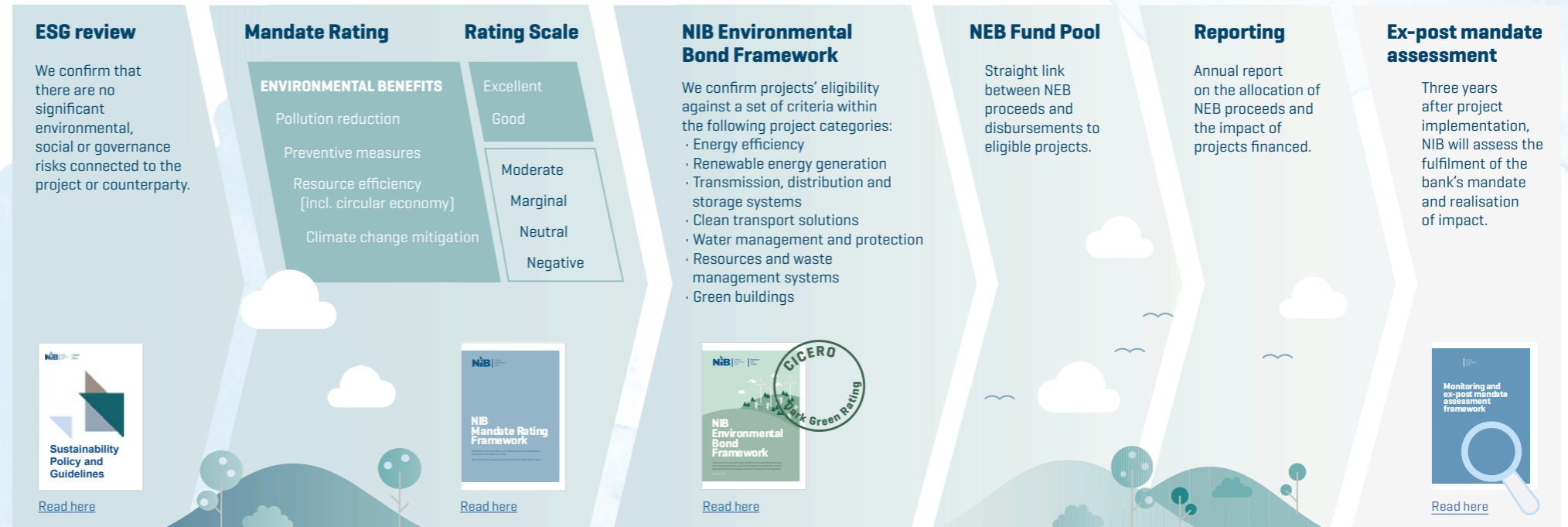
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NEB project selection process



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NIB Response Bonds

In March 2020, the Bank's Nordic and Baltic owner countries called upon NIB to make additional loans available to member countries and sustainable businesses that are facing social and economic consequences due to the Covid-19 pandemic.

We therefore established a [NIB Response Bond framework](#) allowing for Response Bond issuances for selected loans. The framework lays out the principles for the issuance of NIB Response Bonds, including disclosure on the project selection process, use of proceeds, management of proceeds, and reporting.

During 2020, the Bank issued two NIB Response Bonds, one in March and one in April: the first was a [three-year EUR 1 billion bond](#) and the second was a [three-year SEK 4 billion bond](#).

Loans financed by NIB Response Bonds support the provision of products and services contributing to health conditions and maintaining living standard for groups challenged by the Covid-19 virus. Loans will benefit people of all ages and socioeconomic groups in the member countries, such as by preventing unemployment and sickness as well as by supporting child- and elderly care.

For more on the projects financed by the NIB Response Bonds, see [here](#).

NIB RESPONSE BONDS 2020

EUR 1 bn

0.000% Bond due 2023

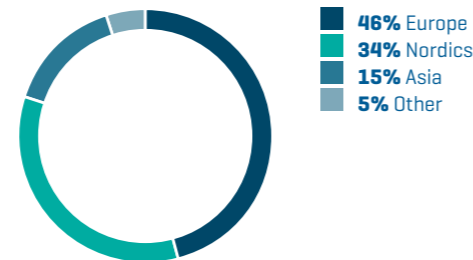
SEK 4 bn

0.125% Bond due 2023



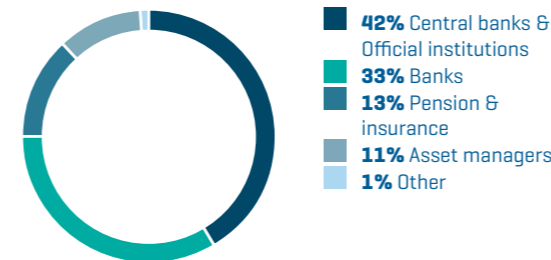
Response Bond investors 2020

%, by geographical region



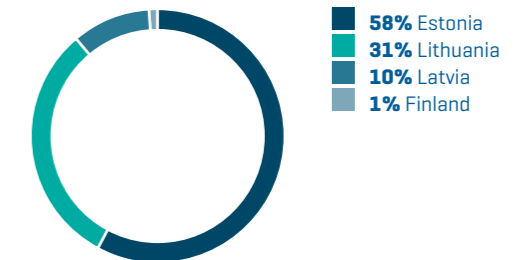
Response Bond investors 2020

%, by investor type



Response Bond-financed projects

%, projects by country



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Working with investors in 2020

Can you hear me?

Alexander Ruf,
Director, Funding and
Investor Relations

It is stating the obvious, when saying that the pandemic changed work life profoundly for everybody at NIB. How did work change for a member of the funding and investor relation team?

Like many other units, also the small three-person funding team split to different locations. Some initial technical challenges had to be tackled; a spot to work from in the apartment found, and new routines for family life established.

One of the first concerns became communication within the team and business partners. However, with nearly everybody being in the same situation, it turned out that communicating via different chats and regular video meetings fast became a new normal.

Other concerns were around technology. Do I have enough access to market data to take decisions about funding costs, are bank systems accessible so that risk is managed properly and transactions are captured? Mostly, those concerns proved to be unfounded. Although in unusual circumstances, funding happened very much in the usual way.

"Challenge impressively mastered", one could think. Even innovations such as Response Bonds to finance pandemic-related loans got off to a very good start.



However, as time went by gaps opened up. It took some time, but after a while investor meetings started to happen virtually. Yet after meetings, a sense of missing feedback often prevails. There is a lack of non-verbal interaction and social norms in distance meetings - clearly that chat over a handshake is more than just "small talk".

Rather impressively large industry events like the annual World Bank meeting or established routines like year-end bank meetings did not cease, but even enlarged the number of participants in the digital space. Still, I had the same experience that something is missing. Maybe it is because one has to start every meeting with the sentence "Can you hear me", rather than with "Nice to meet you - How are you"?

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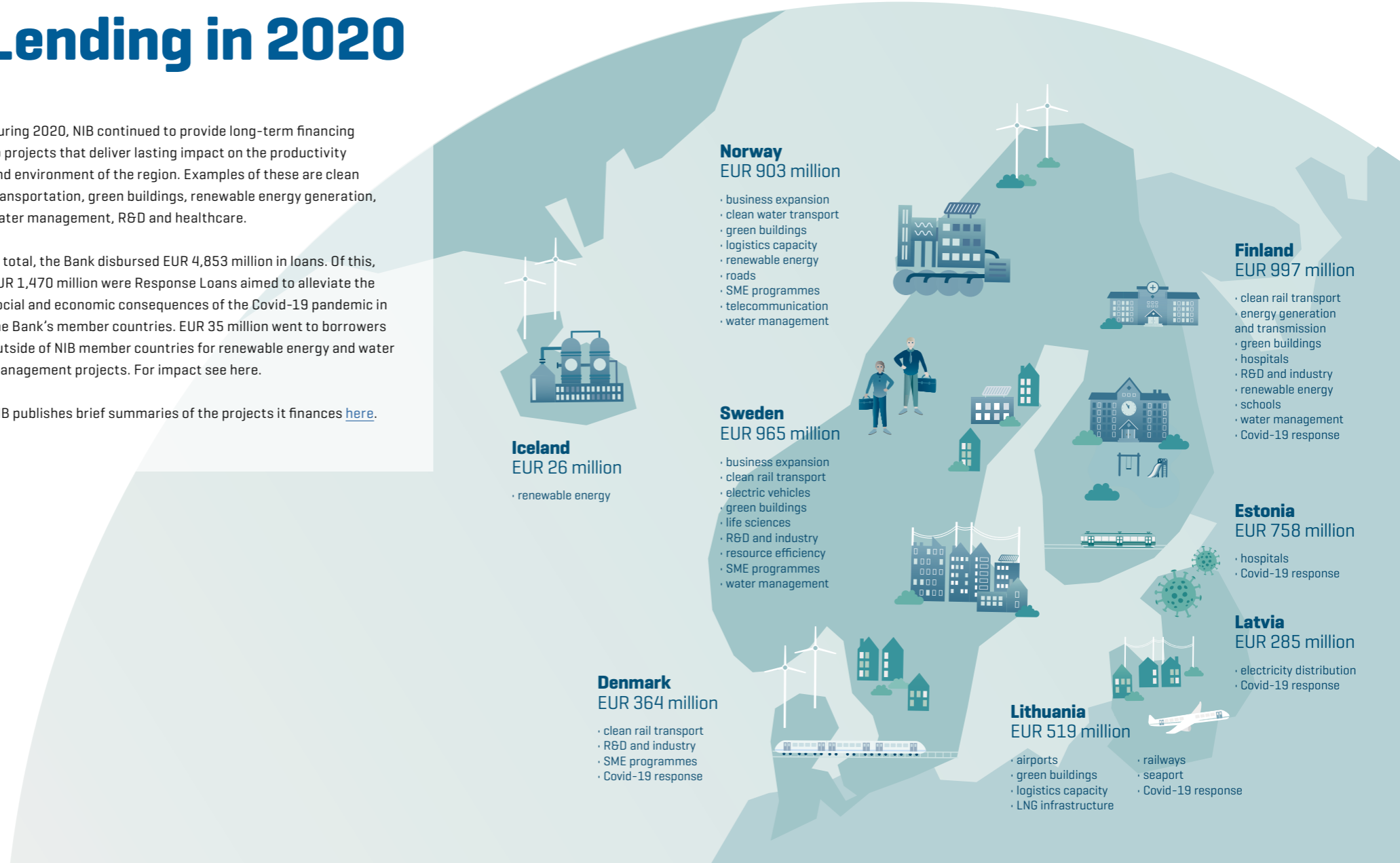
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Lending in 2020

During 2020, NIB continued to provide long-term financing to projects that deliver lasting impact on the productivity and environment of the region. Examples of these are clean transportation, green buildings, renewable energy generation, water management, R&D and healthcare.

In total, the Bank disbursed EUR 4,853 million in loans. Of this, EUR 1,470 million were Response Loans aimed to alleviate the social and economic consequences of the Covid-19 pandemic in the Bank's member countries. EUR 35 million went to borrowers outside of NIB member countries for renewable energy and water management projects. For impact see here.

NIB publishes brief summaries of the projects it finances [here](#).



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What NIB's loans offer?

Basically, NIB offers long-term investment loans. Generally, NIB can offer financing up to a maximum of 50% of any given investment project. However, loans can be multifaceted, depending on the sector, perceived credit risk and potential borrowers' preferences.

In most cases, the tenor of a loan offered by NIB will be longer than those offered by commercial banking or the bond market, for example. This NIB can offer on attractive commercial terms due to its international and long-term funding capabilities as an AAA/Aaa-rated counterpart.

NIB'S MANDATE FULFILMENT

To qualify for a loan, the borrower defines an investment project with the Bank that forms the basis of the Bank's mandate assessment and potential loan sizing. NIB's mandate is to finance projects that improve the productivity and benefit the environment of the Nordic and Baltic countries.

Through dialogue and information sharing with the borrower, NIB's analysts review the sustainability aspects and rate the proposed project's productivity and environmental impact. The Bank's findings will be discussed with the borrower, including its advice on how the investment project can become even more impactful, based on the incremental investment cost. The Bank is also willing to consider financing of investments in manufacturing industries with high CO₂ emissions, for example, where strong and significant environmental transition impacts can be realised from an investment project.

As part of the environment or productivity mandate analysis and rating, the Bank establishes and agrees a set of performance indicators with the customer about what the investment should



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achieve. Typically, three years after the completion of an investment project, the Bank will have a follow-up dialogue with the borrower as an ex-post mandate assessment to establish whether these pre-set indicators have been achieved.

For projects with a significant positive environmental impact, the Bank is ready to qualify its findings through the issuance to the borrower of an "NIB Green Financing Certificate" for the project being financed.

FURTHER ANALYSIS

Once the mandate fulfilment has been successfully identified, separate tracks are immediately initiated with the borrower's active involvement: 1) one focusing on the Environmental Due Diligence of the project's various impacts; 2) one concerning the conceived credit risk of the potential loan; and 3) finally, the necessary checking of compliance issues with the borrower.

For environmental due diligence, NIB's sustainability experts check and ensure that the regulatory environmental requirements are achieved, fulfilling both local and wider EU or World Bank standards, depending on the geography of the project. It is the policy of the NIB, through an active and high-level involvement in the work of establishing fulfilment of internationally acceptable taxonomies, to ensure that the Bank can support its customers in living up to internationally recognised standards.

For credit risk due diligence, the Bank's analysis experts—through close dialogue with the client—discuss the borrower's financial situation, the expected financial impact on the investment, and the security structures that may be needed for an investment loan to be offered. Such an analysis is supported by making a peer analysis of similar borrowers in relevant and comparable industries or sectors.

In addition to the concluded risk rating, the analysis includes an internal ESG analysis and an associated NIB rating of the borrower, again including industry comparisons.

Finally, the Bank also performs an Integrity Compliance Due Diligence analysis of the borrower, based on information from the borrower and international searches.

We are happy to share and discuss our general findings and observations with the borrower, including recommendations of potential areas of improvement. Through this detailed analysis of the various aspects of a borrower's situation and future prospects, a loan from the NIB is often considered a quality stamp for the borrower.

All in all, the various above-mentioned analyses and dialogue with the borrower form the basis of a conclusion on the loan amount, tenor, security, pricing and flexibility the Bank can offer in response to a specific loan request. The NIB also has the capability of offering Key Performance Indicator-linked loans in which, for example, pricing or tenors can be adjustable subject to the fulfilment of certain pre-agreed impact achievements.

As no one size fits all, in each lending case, the Bank negotiates such terms with the borrowers, leading to a mutually acceptable loan agreement.

Finally, having entered into a loan agreement, it is the policy of the Bank to make public certain information about the project to inform all stakeholders of the perceived impact and benefits of the project towards for a prosperous and sustainable Nordic-Baltic region.

“Through this detailed analysis of the various aspects of a borrower's situation and future prospects, a loan from the NIB is often considered a quality stamp for the borrower.”



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ESG integration at NIB

As we enter the third decade of the century, the global sustainability and climate agenda remain a priority. Targets have been set, and frameworks and agreements are mainly in place. Yet following through on them demands a fundamental rethink of how we use environmental, human and financial resources to promote green and sustainable economic growth. The required transition will need investments in physical assets that must also change entire business models at the company level and reinvent entire value chains across company clusters.

NIB has assessed the environmental benefits and productivity gains, as well as the environmental and social risks, of all loans for more than a decade. In 2020, building on this experience and to further strengthen its ability to capture and understand the systemic changes required by our clients, NIB developed a framework and started to assess the environmental, social and governance (ESG) factors of all its clients. This includes an assessment of clients' climate strategies, long-term targets and overall alignment with the Paris Agreement on Climate Change.

All clients are assessed for their ESG performance using external data providers and information from direct client engagement. Sector overviews, benchmark data when available, and exchange of information with the client form the basis of rating the client's ESG performance, from over-achiever to under-performer, and to identify the relevant ESG risks and opportunities.

As the integration of sustainability with the NIB's clients' operations becomes increasingly relevant, the Bank expects its clients to manage ESG issues effectively and have clear strategies in place to further integrate sustainability in their business models. The NIB recognises this is a transition, and is committed to supporting



Luca De Lorenzo,
Head of Sustainability & Mandate

its clients with knowledge sharing to foster sustainability and ESG integration.

Furthermore, the "S" is an important and sometimes overlooked element of the ESG factors. NIB is convinced that equal economic opportunities and social considerations are an important driver for productivity and long-term sustainable growth. We expect our clients to participate in building strong, productive and well-functioning societies.

Overall, NIB believes that this renewed ESG approach can further strengthen its ability to deliver on its mission for a prosperous and sustainable Nordic-Baltic region. It allows to capture and assess wider systemic change within our clients, and support them in their long-term transition pathways.

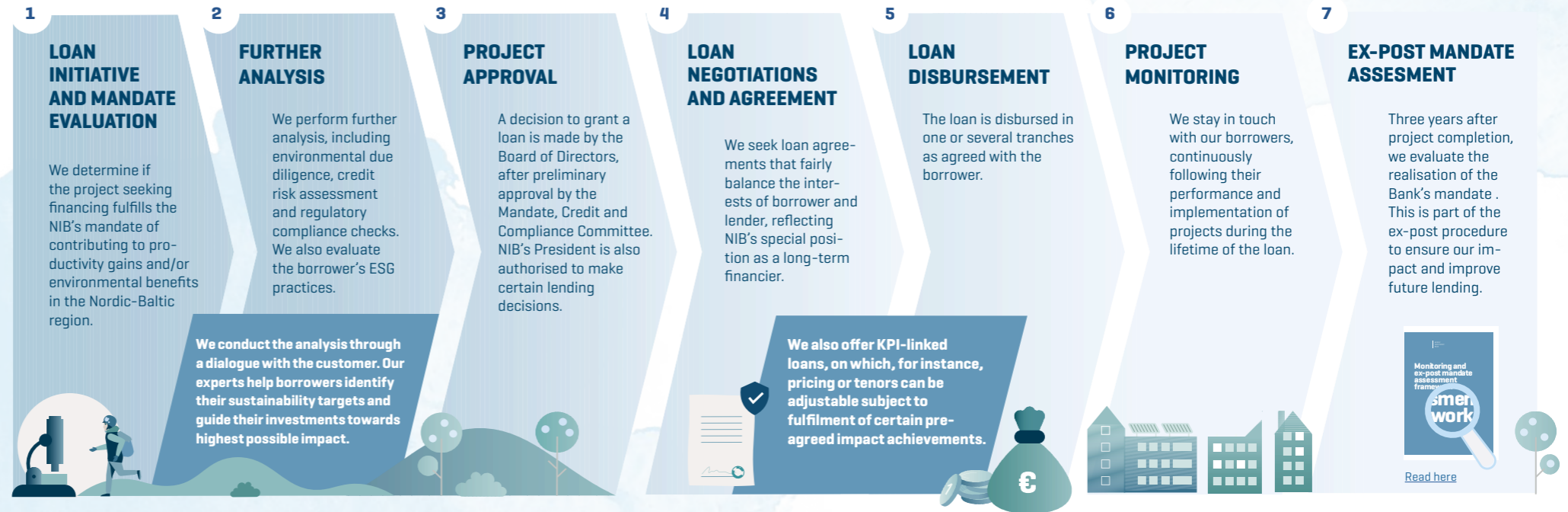
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Credit and mandate process



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Working with borrowers in 2020

A sense of purpose

Harald Rokke, Director,
Team Coordinator,
Infrastructure & Project
Finance - Infrastructure

The pandemic year of 2020 has been a very particular year to all of us. The way we conduct our lending operations across eight countries has radically changed. We have only met a very few of our customers and colleagues in person since March 2020.

I have been able to spend a lot of time at the office, but most of us have not. This has made me realise how much I appreciate my colleagues, but also how much we depend on technology. If it had not been for NIB's IT department, Bart Simpson's quote "We're in deep, deep trouble" would have been most valid.

Our IT service staff was already up to speed and their relentless efforts enabled us to continue running the Bank with high precision. With this pandemic, I think our entire staff has taken a giant leap technology wise, and we have become more flexible in terms of how we do our daily business.

Talking about business, the pandemic has brought on plenty of new challenges and I am truly proud when I tell friends and family about the efforts we make to help businesses and member countries severely hit by the pandemic.

The pandemic has made me reflect more on the importance of both our mandates; improve productivity and benefit the environment. The role that banks have in assuring productivity in



the long term has come into a new light for me. The pandemic is terrible and has severely struck many, but it also shows human beings' ability to change behaviour when needed - and we do need to change - not only to save humanity but also to safeguard the diversity of our planet.

The pandemic has displayed our vulnerability, and my confidence in humanity has risen. The way we live and the way we think in business will improve for the better, and I believe NIB's role in this has become even clearer than before. This is a great platform for the Bank.

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Working at NIB

OUR WORK COMMUNITY

At the end of 2020, NIB had 193 employees in permanent positions. Of these, 81 were women and 112 were men. In addition, 29 employees worked in temporary positions, of which 12 were women and 17 were men. The average age of permanent employees was 48.2 years. During the year, the average number of permanent employees (including fixed-term contracts) was 199.1.

By end of the year, 31 men and 13 women worked in managerial positions. The average length of employment at NIB was 12.2 years. Our exit turnover rate during the year stood at 8.9%. The number of permanent employees holding a university degree was 142, corresponding to 74% of NIB's staff. Overall, our people represented 26 nationalities.

In 2020, 6 new people were recruited for permanent positions and 14 for temporary positions. Of the 6 permanent position recruitments, 2 were women and 4 were men.

In the context of changing NIB's Statutes, the President decided in 2020 on some organisational changes to further strengthen NIB and to adhere to sound banking principles. The changes were undertaken in several phases during summer and autumn 2020.

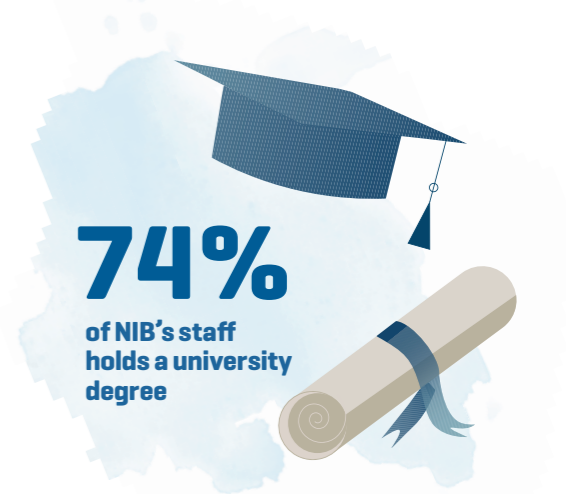
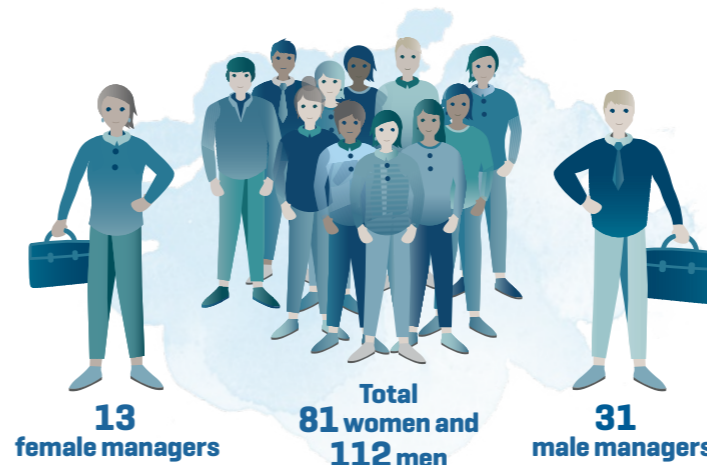
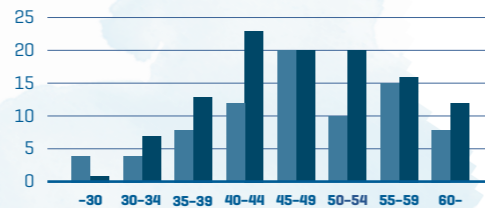
NIB now has six departments instead of the previous seven. The Lending department was reorganised by integrating origination, portfolio management and analysis functions into new sector-oriented business units. The objective of the re-organisation is to improve NIB's client value proposition in terms of sustainability, environment, social, governance (ESG)

and sector expertise. In addition, the change will further clarify client responsibilities, streamline loan processing and promote economic capital optimisation and net interest income growth.

In order to strengthen the Bank's second line of defence, a new Risk & Compliance department was established. The department covers all Risk functions as well as Compliance and Business Continuity & Security. The department is headed by the newly appointed Chief Risk Officer, who is also a member of the Executive Committee.

The treasury and finance functions were merged into one Treasury & Finance department. IT and most of the current Business Services functions were merged into one IT & Business Services department.

Employees by gender and age group as of 31 Dec 2020



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SKILLS DEVELOPMENT

The dedication of NIB's employees and the continuous development of professional skills are of major importance to the Bank's performance. Therefore, NIB offers its staff various training opportunities to support professional growth and to enhance the ability to address future work challenges and changes in the way we work. In addition, seminars are arranged periodically for the whole staff on topics such as financial market developments, IT development and wellbeing.

During 2020, the majority of NIB's training and education programmes were carried out virtually due to the restrictions imposed on us by Covid-19. NIB provided virtual training sessions for the whole staff on topics such as impactful online presence, living through uncertainty, leadership, economic capital and ESG. The Bank also launched a concept of HR quarterly wellbeing sessions for all employees in 2020. The first wellbeing session addressed Covid-19-related remote work circumstances and addressed how energy and work motivation could be maintained during these exceptional times. Training was also arranged during 2020 for NIB's managers on inclusive work environments, norms and unconscious bias.

To further strengthen the professional identity and competence of staff, NIB also initiated a new development programme for its lending department called "Sustainable finance". The focus is on increasing employees' understanding of the business environment and clients' needs with an emphasis on the sustainability issues that are particularly relevant to the financial sector. The programme objective is to strengthen insights into various topics within sustainable finance, and to get an outside-in perspective.

Training for specific and individual needs was carried out mainly in virtual format during 2020. The average number of training days per employee was 3.2 in 2020.

NIB encourages individual career planning for its staff. For this purpose, personal appraisal and development discussions between supervisors and employees are held at least twice a



Attending the Sustainable Finance training programme in November.

year. NIB also offers job rotation possibilities across different departments within the Bank to support career development and to increase employees' understanding of NIB's processes. In 2020, five job rotations took place within the Bank.

EQUALITY, DIVERSITY AND INCLUSION

NIB's fundamental objective as an employer is to include the promotion of a balanced diversity among staff, the equal treatment of employees and the prevention of any discrimination on the basis of gender, nationality, ethnic origin, age, family status, religion, political activities or any other comparable status. To safeguard these objectives, NIB has an Equality, Diversity and Inclusion Plan in place, which specifies aims

and practical actions to be taken. For the period 2019-2021, the plan highlights three main focus areas: equality and transparent principles in remuneration, promotion of diversity in recruitments, and promotion of an inclusive work environment. NIB also has as an internal equality, diversity and inclusion working group, comprising of stakeholders from various departments (including HR and the Sustainability and Mandate Unit). The working group's mandate is to take concrete actions and put forward proposals for management considerations on equality, diversity and inclusion matters, including the implementation of the plan and its targets.

In 2020, NIB launched an [external webpage](#) named Working at NIB that addresses in further detail equality, diversity and

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inclusion aspects at NIB. The aim of the website is to share information about NIB as an employer in a transparent manner and to describe the working community. The purpose is also to increase the attractiveness of NIB on the job market when recruiting new employees.

WORK ENGAGEMENT AND INTERNAL COOPERATION

NIB conducts periodically a work engagement survey among its staff. The purpose of the survey is to collect feedback on matters related to the work environment, management and wellbeing at work.

A survey about "Working under changed conditions" was conducted among NIB's staff members in spring 2020. The aim of the survey was to gain insight into how NIB's staff was handling the Covid-19 situation and how the remote working conditions were perceived. The survey results showed that staff valued the efforts and flexibility shown by NIB in arranging provisions for remote work, including catering for virtual communication and IT tools. It was perceived that NIB took appropriate actions with respect to health and safety. Most staff members were able to maintain their efficiency and performance levels. The lack of social interaction and face-to-face work engagement with colleagues was listed as a downside to remote working by many.

A full-scale work engagement survey, that was postponed due to the exceptional circumstances caused by the pandemic, will be conducted in January 2021.

NIB has a Cooperation Council that aims to promote communication and cooperation between the employer and the employees on all issues related to the working conditions at NIB, and to achieve mutually acceptable solutions. The Council consists of four members representing the staff and four members representing the Bank. In 2020, the Cooperation Council met four times.

WELLBEING, HEALTH AND SAFETY AT WORK

NIB seeks to promote employee wellbeing, health, and safety in the work environment. The Bank offers its staff extensive use of health and medical care, and supports physical exercise activities. During 2020, the focus has been on safeguarding the wellbeing, health and safety of staff due to the pandemic. A number of actions have been taken to this effect, including preventive measures such as providing the staff with the possibility to utilise physical training activities online, arranging virtual wellbeing sessions, launching a Covid-19 website where relevant information is gathered and shared with staff, and providing the staff extensive Covid-19 testing possibilities as part of NIB's occupational health care and medical services.

NIB has in place its Occupational Health Care Action Plan, which includes regular health checks for employees, ergonomic services, and vaccinations. The plan is supported by NIB's dedicated healthcare team.

Safety measures in the workplace include the prevention of occupational risks and the provision of information and training opportunities. The aim is to eliminate hazards to both physical and mental health. In 2020 and continuing 2021, focus is put on maintaining safety measures at NIB's office premises due to the Covid-19 circumstances, including establishing a rotation for staff whereby the majority works remotely and at the same time maintaining social distancing and wearing face masks at the office.



We ensure ergonomic work conditions to staff both at the office and at home

We provide physical online training activities and arrange virtual wellbeing sessions

We offer our staff extensive use of occupational health and medical care services

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We support staff ergonomics in working remotely, making chairs, tables and displays available.

PENSIONS AND INSURANCE

NIB provides pension and insurance cover for its employees.

The pension cover for the staff consists of a statutory employment-related pension and a supplementary pension. From its establishment NIB has chosen to include its staff in the host country's pension system applicable to state officials and thus the Finnish public sector pension system forms the basis for the pension benefit. NIB's permanently employed staff are also beneficiaries under a supplementary private group pension insurance scheme.

The insurance cover for employees consists of statutory insurance cover and supplementary insurance cover. The statutory insurance cover includes group accident,

unemployment and group life insurance. In addition, NIB provides, inter alia, disability, medical and travel insurance as well as a supplementary pension insurance for its employees.

WORKING HOURS

The Bank applies flexible working hours to all employees, who have defined, regular working hours. A positive flexitime balance can be taken as time off, in accordance with NIB's rules. Employees may work part-time for the purpose of taking care of children living permanently in the employee's household. At present, part-time childcare leave may be granted until the end of the second year of the child's basic education.

Flexible remote work arrangements have been introduced by way of necessity during 2020 as a result of the Covid-19 situation.

FAMILY BENEFITS

Employees are granted maternity, paternity, parental and childcare leave according to Finnish legislation. NIB pays the employee's salary for a maximum of six months, depending on the length of the leave, providing certain criteria are fulfilled. This benefit applies to both female and male employees.

CODE OF CONDUCT

As an international financial institution, NIB's employees have particular responsibility for their actions and behaviour, both on and off duty. The Bank has a Code of Conduct for the Staff in place that provides staff guidance on business ethics and standards, as well as professional and personal conduct.

THE OMBUDSMAN

NIB has an independent Ombudsman, who is available to all staff members. The purpose of the Ombudsman is to enhance cooperation and mutual understanding within the Bank regarding questions related to employment matters, and to help maintain and develop a safe and professionally attractive working environment.

Ombudsman activities in NIB were carried out in 2020 in a slightly different way than before due to the pandemic. Personal face-to-face consultations were cancelled due to the pandemic, but the Ombudsman remained available via e-mail and telephone.

The Ombudsman's period in office ended on 31 July 2020 due to retirement, but it was agreed that the Ombudsman would remain available for consultation until a new Ombudsman was appointed.

In December 2020 NIB's Board of Directors appointed Kari Lautjärvi as the new Ombudsman for NIB, his period commencing 1 January 2021.

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INCLUSIVE WORKPLACE AND ANTI-HARASSMENT

NIB is committed to creating an inclusive and diverse work place free of harassment, where conflicts are addressed and resolved as soon as possible. All employees are entitled to be treated with dignity and respect.

Harassment is defined as offensive behaviour, which interferes with work or creates an intimidating or hostile work environment. Harassment may, for example, relate to gender, age, nationality, ethnic origin, religion, physical attributes or sexual orientation. Harassment clearly violates the standards of conduct expected of NIB's staff.

Employees experiencing any form of harassment are encouraged to report the case to their immediate supervisor, the head of department or the head of human resources. The Ombudsman may also be contacted for consultation on an employee's rights and the conflict resolution mechanisms available. Harassment can also be reported to the Compliance function.

In November 2020, the HR and the Equality, Diversity and Inclusion working group at NIB started to work on an anti-harassment road map with a clear, step-by-step process overview for employees on where to turn if harassment-related concerns arise. The aim is to launch the roadmap at the beginning of 2021.

ONGOING HR DEVELOPMENTS

In 2020, NIB's Human Resources unit launched and took part in several development projects and initiatives, such as the introduction of virtual wellbeing sessions and impactful online presence training for the whole staff, as well as sustainable finance virtual education programme tailor-made for NIB. In 2020, HR also initiated a number of revision initiatives, including a larger scale revision of NIB's personal appraisal and development discussion framework, work on which will continue in 2021. Bank-wide HR policy document updates were also initiated in 2020, including the establishment of an HR operating model and a HR strategy document.

Origins of staff

as of 31 Dec 2020
number, distribution by country

| | |
|----------------------|-----|
| Finland | 126 |
| Sweden | 13 |
| Denmark | 8 |
| United Kingdom | 6 |
| Norway..... | 6 |
| Germany | 5 |
| Latvia | 3 |
| France | 2 |
| China | 2 |
| Estonia | 2 |
| Iceland | 2 |
| Romania..... | 2 |
| Russia | 2 |
| Canada | 2 |
| Malaysia | 1 |
| Ireland | 1 |
| Argentina | 1 |
| Austria | 1 |
| Italy | 1 |
| Bolivia | 1 |
| Portugal..... | 1 |
| Lithuania..... | 1 |
| Australia | 1 |
| India | 1 |
| Vietnam | 1 |
| Brazil | 1 |



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NIB'S LEGAL STATUS

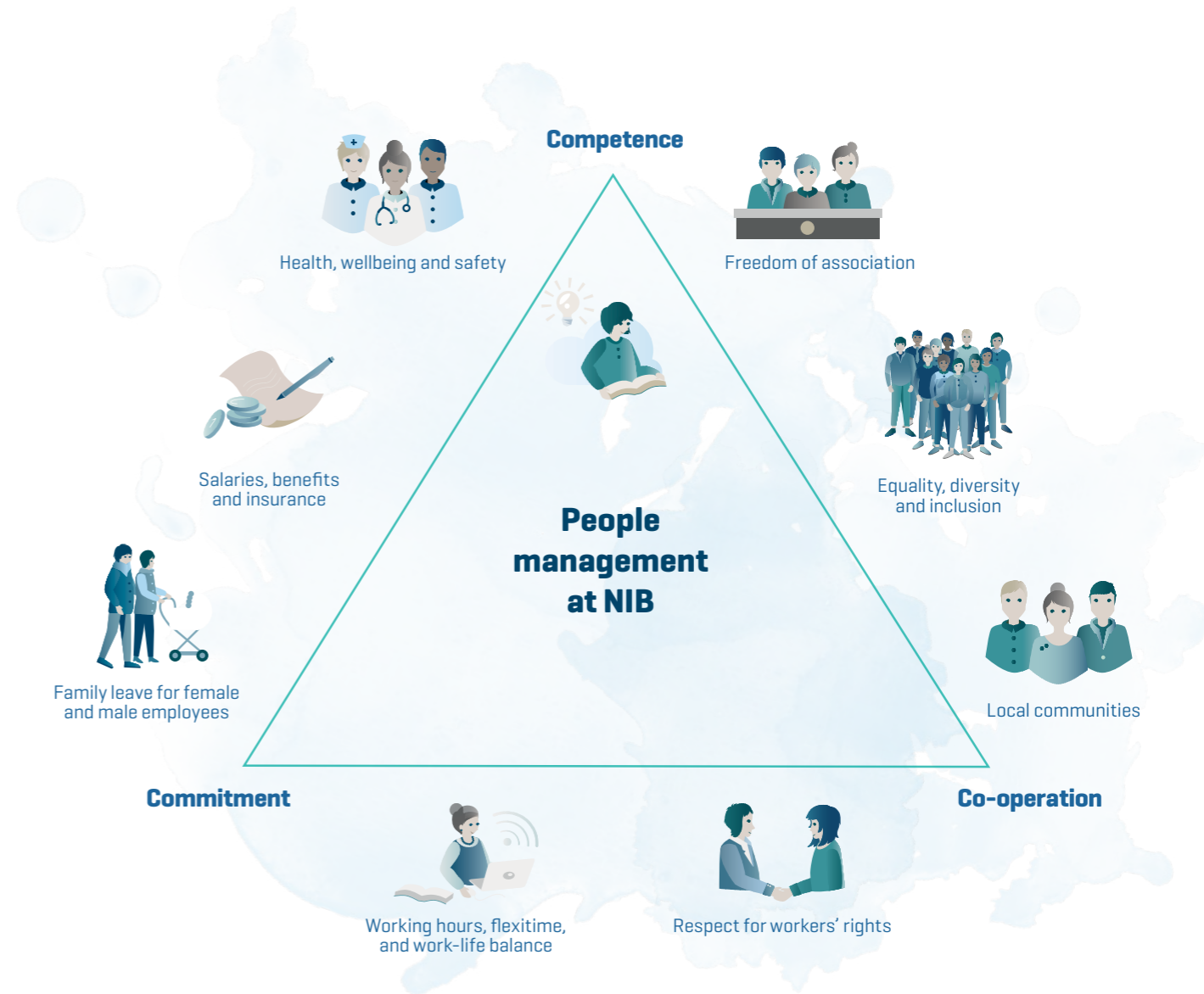
NIB staff are employees of an international organisation, more specifically an international financial institution (IFI). Based on NIB's legal status as an IFI, the Bank has established its own provisions for its employees and, as a general rule, national employment-related legislation, including labour law, does not apply within NIB. There are, however, some defined exceptions, particularly with regard to the host country's legislation for taxation, social security and pensions. National legislation and procedures under which collective bargaining takes place are not applicable to NIB. NIB's [Code of Conduct](#) allows, however, freedom of association for its staff, with reference to general democratic principles.

As NIB enjoys immunity from national jurisdiction (court proceedings) in employment-related matters, the Bank has established arbitration procedures for employment-related disputes. NIB's independent Ombudsman can be consulted by staff in employment-related matters and may act as a mediator between the employees and the Bank.

More information can be found in the Bank's [Arbitration regulations](#), [Ombudsman Regulations](#) and the [Staff regulations](#).

PEOPLE MANAGEMENT AT NIB

NIB emphasises good management of human resources internally and in the projects it finances. Respect for employees' and workers' rights as well as international employment standards are basic elements of sustainable and good business practice. NIB does not tolerate discrimination based on gender, race, nationality, ethnic origin, religion, disability, age or sexual orientation internally or in any of the projects it finances.



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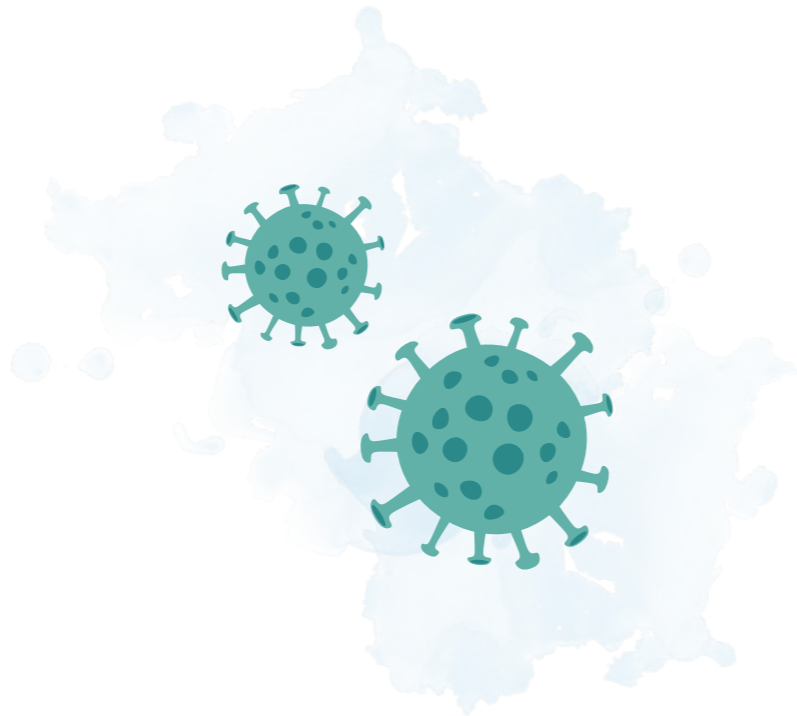
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Furthermore, NIB requires its clients to comply with international standards on the employment of minors. The use of forced labour is not accepted by NIB. Sound management of health and safety issues among workers and communities is essential for the productivity and efficiency of the business, as is respect for their livelihoods.

As an employer, NIB has introduced its Equality, Diversity and Inclusion Plan that specifies the aims and practical actions to be taken in order to promote an inclusive, diversified balanced working environment free from harassment or discrimination.



Business continuity during the pandemic

Since the outbreak of the Covid-19 pandemic, NIB has taken a number of actions in order to protect its staff and to ensure business continuity. Located in Helsinki, the Bank follows the advice and practices of the Finnish government and health care authorities, and, in addition, continuously shares experiences with peer institutions, such as other IFIs.

The overall responsibility for NIB's business continuity and security is held by the Operational Risk and Security Control unit. When the epidemic reached Finland in March, a separate coronavirus coordination group was established within the Bank. This group is responsible for following the guidelines from the authorities and implementing relevant safety actions. The Executive Committee takes the decisions regarding all internal measures proposed by the coordination group.

When Finland authorised the emergency powers act in mid-March 2020, most NIB employees moved to remote working. In line with the Bank's business continuity plan, a core group of staff stayed in the office to safeguard the most critical business functions and operational systems. In order to decrease physical contacts, the core group worked in three separate and isolated office spaces.

In Finland, the epidemic curve began to drop quickly after the nation-wide restrictions had been introduced by the Government. By July, the number of daily new cases was close to zero, and most NIB employees returned to office work after the summer holidays. However, already in mid-August the first signs of a second wave of the epidemic were noticed, and the Government's recommendation for distance work was continued.

Compared to many other parts of Europe, the Covid-19 situation in Finland was relatively stable during autumn and winter 2020 in anticipation of the vaccines. Since August, NIB has allowed for a controlled rotation of people working at the office. This ensures keeping the Bank's functions operational. The safety measures at the office include maintaining a safe distance from others, wearing facemasks, and an increased focus on hygiene and cleaning. As the majority of staff have continued to work remotely, most meetings are held online.

Meanwhile, the Bank continues to follow the situation closely, and is ready to adjust the business continuity and safety actions in accordance with new recommendations from the authorities.

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Executive Committee

As of 31 December 2020

Members

Mr Henrik Normann [1953]

- President and CEO, joined NIB in 2012
- Denmark

Ms Hilde Kjelsberg [1963]

- Vice-President, Chief Risk Officer, Head of Risk & Compliance, joined NIB in 2006
- Norway

Mr Gunnar Okk [1960]

- Vice-President, Chief Operating Officer, Head of IT & Business Services, joined NIB in 2006
- Estonia

Mr Heikki Cantell [1959]

- General Counsel, Head of Legal, joined NIB in 2007
- Finland

Mr Björn Ordell [1973]

- Vice-President, CFO, Head of Treasury & Finance, joined NIB in 2015
- Sweden

From 1 January 2021, Hilde Kjelsberg is First Vice-President, Chief Risk Officer, Head of Risk & Compliance; Björn Ordell is First Vice-President and Deputy CEO, CFO, Head of Treasury & Finance.



From left: Gunnar Okk, Björn Ordell, Henrik Normann, Heikki Cantell and Hilde Kjelsberg

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Associate members

Søren Kjær Mortensen [1958]

- Acting Head of Lending, joined NIB in 1999
- Denmark

Jukka Ahonen [1969]

- Senior Director, Head of Communications, joined NIB in 2007
- Secretary to the ExCo
- Finland

Vera-Maria Lehtonen [1974]

- Head of Human Resources, joined NIB in 2007
- Finland

Luca De Lorenzo [1979]

- Head of Sustainability & Mandate, joined NIB in 2018
- Italy

From 1 January 2021, Søren Kjær Mortensen is Vice-President, Head of Lending and a member of the Executive Committee.



From left: Søren Kjær Mortensen, Jukka Ahonen, Vera-Maria Lehtonen and Luca De Lorenzo

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Pro-rated to NIB's share of financing



BUILDINGS

Gross floor area of new and refurbished buildings financed totalled **164,000 square meters**, of which **green building projects cover 130,000 square meters** [79%].

Own carbon-neutral energy generation (solar or geothermal) of **1,700 MWh** in these buildings corresponds to annual energy need of **70 single-family houses**.

HUMAN CAPITAL DEVELOPMENT

EUR 243 million for **five healthcare facilities** in Finland and Estonia, improving the public service provision to around **810,000 people** living in catchment area of the facilities.

ONLENDING TO SMES AND ENVIRONMENTAL PROJECTS

Seven loan programmes with financial intermediaries totalling **EUR 277 million** for onlending to SMEs and environmental projects in Norway, Sweden and Denmark.

WASTEWATER TREATMENT

Wastewater treatment projects added **wastewater treatment capacity of 45,000 PE**. The projects reduce **6 tonnes of phosphorous** and **70 tonnes of nitrogen** discharges annually.

R&D PROGRAMMES

Seven R&D loans totalling **EUR 485 million**. The loans finance product innovation in Sweden, Denmark and Finland.

ELECTRICITY NETWORKS

EUR 253 million for electricity network projects, providing **2,061 kilometres of distribution and transmission networks** in Iceland, Finland, Latvia, Sweden and Norway. This increases reliability of supply and decreases energy losses.

ELECTRICITY AND THERMAL HEAT GENERATION

Renewable energy projects contribute to annual increase of **738 GWh of generated electricity and thermal energy**.

The increase equals the energy need of approx. **29,500 single family houses**. Avoided emissions are around **338,000 tonnes** of CO₂e per annum, corresponding to 85% of the total net reduction.

CO₂ REDUCTION

Disbursements to projects contribute to annual **CO₂ reduction of 399,000 tonnes** and **CO₂ increase of 2,300 tonnes**.

The **net reduction of 396,000 tonnes** equals the annual carbon footprint of **40,000 people** in our region.

CLEAN TRANSPORTATION

Clean transportation projects, mainly within electrified rail, resulted in **60,000 tonnes** of CO₂e avoided [15% of total net reduction]



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Article

The role of innovation in resilient economies

By Marina Unnérus,
Senior Economist

With a long tradition of supporting R&D and innovation, all the capital cities and other larger cities in the Nordic countries continue to be strong economically, with a high concentration of knowledge-intensive activities. The Nordic Investment Bank considers it highly relevant to support investments in human capital and skills where there is a high potential future demand to take advantage of knowledge-based resources. Within this segment, NIB extend loans to innovative firms in their development and commercialisation of new products, science facilities and research infrastructure for universities.

A commonly shared view is that resilience—or the true health of the economy—is formed by several determinants of productivity, of which the key elements in advanced economies are intangible assets and intellectual capabilities.

RESILIENCE

At a micro level, that of industries and companies, investment in human capital and R&D contributes to increasing the stock of knowledge by creating fertile ground for innovations and

the diffusion of novel practices to develop new high value-added products, services and processes. This allows for job creation, labour productivity and better allocation of resources, contributing to effectiveness and efficiency for the economy overall. However, new technologies and innovations alone are insufficient to solve current societal challenges, and more fundamental transformations are nonetheless equally important.

Based on previous experience, regions more resilient to economic shocks are also those with a highly skilled and flexible labour force. Firms with high R&D intensity are often also more efficient and innovative, which is obviously an advantage in any post-recovery when adapting to changing demands and external environments.

The deep disruption caused by Covid-19, which among other things has exposed the complexity and vulnerability of global markets, will entail a long period of adaptation of the business landscape to the new normal. Business operations going forward will definitely require adjustments to the R&D portfolio to keep pace with changing expectations and consumer behaviour.

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WIDER BENEFITS

In the sample of NIB-financed R&D investments, characteristics shared by successful companies are the unique state-of-the-art innovations developed over decades, and world-leading expertise regardless of sector or company size. Indicators such as R&D intensity and the commercialisation rates are usually higher than industry average, and the products are typically considered a global benchmark. High value-added products, services or processes also provide considerable wider benefits by contributing to finding solutions to societal challenges such as climate change, clean energy, human health and food security. Industry private sector innovation is offering substantial benefits and opportunities for humankind. Innovation priorities in the private sector may not, however, always reflect the needs in the wider society if the potential of capitalising on the innovations is limited. Public sector involvement is therefore relevant to optimise the social return and provide incentives for more sustainable solutions and transformative effects in reshaping economies and societies making productivity more widely distributed.

SYNERGIES

Most of these high-performing companies form part of clusters where spillover effects contribute to sector-specific knowledge and broadly benefit other companies and industries. Collaboration is extensive, ranging from active partnership in international organisations to cooperation with academia, research institutes and other firms supporting the downstream effects and knowledge dissemination. Universities play a key role in modern innovation systems as educators of the future

workforce, with access to massive intellectual resources and as the places where research is conducted. By concentrating complementary economic activities, science, technology, talent and industry, several benefits and synergies are likely to drive innovation and offer growth opportunities.

SKILLS DEVELOPMENT

According to the companies included in the NIB's R&D portfolio, the most valuable innovation assets are undoubtedly a highly skilled and specialised workforce, which is difficult to replace given the complex combination of advanced studies, technical capabilities and experience.

Given the massive labour transformation driven by technology, urbanisation, digitalisation and climate change, opportunities for economic prosperity and societal progress will depend in the years to come on the capacity to adapt and adjust, as well as the ability to create new tasks in which labour has a comparative advantage.

SPEEDINESS

Since innovation cycles are accelerating, the growing reliance on software and automation also has consequences for R&D labour demand. New sources of talent and sector specialists are needed for digital transformation efforts. As noted during recent years, automation has strongly contributed to innovation, because it has been possible to accelerate processes and deal with big datasets which have previously been too large or complex. Productivity gains from this transformation have been a result of a wider spectrum of innovation, optimisation and improved efficiency of research and trials, as well as new tools.

COMPETITIVENESS

While the Nordic region is ranked among the most innovative in the EU, the United States invest the largest sum in R&D globally. The US technology giants dominate the digital platforms while China has strengthened its innovation capacity during the recent decades and is becoming an innovation powerhouse.

To capitalise on available scientific and strong industrial base and leverage its comparative advantage, current R&D models need to accommodate new skills quickly. Artificial intelligence applications are expanding to wide range of sectors and if Europe wants to drive the global green and digital transition, continued advancement in cooperation between industry, public sector, and academia will be imperative to provide significant economic and strategic benefits.

Especially more efforts are needed when it comes to public support spent on basic deep research which is the bedrock of the knowledge infrastructure. The largest share of world-changing innovations are the outcome of basic research. In addition, by combining public sector incentives and funding with commercial innovation capacity this is also a mechanism for dynamising private companies and reducing risk for private venture capital. Europe still lags behind when it comes to supporting innovation ideas beyond the start-up phase and scaling-up business ventures.

Instead of being constrained by traditional R&D processes and creating knowledge in-house, the interconnection of the global markets provides extensive cooperation opportunities. Expanding networks and capabilities to interdisciplinary clusters and stakeholders in novel ways will therefore be necessary to take advantage of synergies and prevail in the seismic shift in activities and disruptive technologies to maintain or regain competitiveness.

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CASE Valmet: R&D

Valmet develops and produces technologies, services and automation mainly for the pulp, paper and energy industries. NIB has disbursed a [EUR 50 million loan](#) to Valmet to finance R&D investments in the company's four focus areas between 2019 and 2022. Two of the areas, New Bio-Based Materials and Digitalization, mostly involve the development of solutions that are new to the market or to the company's existing product lines. The other areas aim to improve cost and resource efficiency across the company's product lines.

Valmet's products affect the environmental performance of its customers. The R&D focus areas 2019-2022 included particularly two environmentally relevant topics: 1) Resource efficiency with a target to reduce the use of raw materials, water, energy and chemicals and 2) New bio-based materials with a target to develop technology that supports the use of new bio-based fuels and materials to replace fossil-based alternatives.

Valmet R&D investments have in NIB's view been effective. This is shown in the relatively high share of new products in total sales, and the company estimates that the results of its R&D have yielded significant cost savings. It therefore appears that R&D investments have yielded significant returns for Valmet.

In 2020, Valmet was included in the Dow Jones Sustainability World and Europe indices for the seventh consecutive year. The Climate Disclosure Project scored Valmet with the best A and second best A- ratings in their climate programme ranking during 2018-2020 for their actions and strategy to mitigate climate change. The R&D activities focusing on developing sustainable solutions contribute to these high ratings.

Large companies with well-designed management processes decide their R&D expenditures based on the expected private return on investment for the company. However, from a societal perspective, many companies should invest more, because the focus on private returns neglects the social returns from R&D.

To increase R&D investments that bring social benefits such as knowledge transfer between companies and workers, most governments have tax and subsidisation schemes that facilitate investment, as well as collaboration between companies and academia. For the same reasons, funding of R&D investment accounts for a significant share of the NIB's corporate lending. Being an integral part of the Nordic forestry cluster—which consists of engineering, bioenergy and paper and pulp companies—financing Valmet's R&D investment fits this portfolio well.

"This is the second NIB loan to Valmet and I am very happy that NIB can continue to support Valmet in their R&D investments in the company's four focus areas during years 2019-2022. By financing Valmet's R&D, I believe NIB can have a positive impact on the environmental performance of the whole Nordic energy and forest industry clusters, and that NIB can support even further the development and adoption of sustainable solutions."

Kim Krokfors, Senior Banker



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Article

Electrified transport fulfilling NIB's mandate

By **Johan Ljungberg**,
Chief Environmental Analyst



Electrification of the transport system is one of the keys to delivering carbon-neutral mobility for goods and people. Transport sector electrification is essential for meeting the European Union¹ goals of decarbonisation and energy security, as it accounts for 25% of all CO2 emissions in Europe.

The Nordic Investment Bank has worked extensively in our member countries to promote effective transport solutions that both increase productivity and promote a shift to more carbon neutral modes of transport. It is part of our mission to finance projects that improve the productivity and benefit the environment of the Nordic and Baltic countries.

Electrification will be introduced at different paces in the four transport modes considered here: road; waterborne transport; aviation; and rail.

ROAD

In the urban road transport sector, the technology for electric passenger cars, vans and buses is available and getting closer to fulfilling the needs of all potential customers.

NIB supports the rollout of electric cars and charging infrastructure via corporation and lending to savings banks for on-lending in our member countries. For larger fleets of electric buses and light rail operations in urban public transport, NIB has worked with public transport operators.

However, the electrification for long-range trucks and coaches remains a matter of further research. For these transport modes, advanced biofuels produced from feedstock—which do not create an additional demand for land, and in combination with fossil free hydrogen inputs—can also contribute significantly to the decarbonisation of transport.

¹ [Electrification of the transport system, studies and reports, European commission, 2017](#)

WATERBORNE TRANSPORT

For waterborne transport, hybrid propulsion will increasingly be used in different ship types and sizes, with growing adaptation to the burning of alternative fuels, for example, biofuels and hydrogen. Zero-emission vessels, in which batteries are used instead of diesel engines, will be limited to smaller vessels or those with short distance operations.

NIB recently participated in the financing of the Norwegian ferry operator [Fjord1 ASA](#) to finance the purchase of twelve new hybrid electric ferries, which are to be deployed on three different ferry routes in Norway.

For port operations, all ships will increasingly plug into the grid, for “shore-side” electricity supply, to reduce emissions of NOx and particulate matter that affects local air quality, for example.

AVIATION

In aviation, electrification will not go beyond very small and short-range aircraft or operations on the ground in the next decades. NIB's participation in improving the climate actions of the air traffic system is limited to reducing emissions from ground vehicles in airport operations.

RAIL

Rail transport is already widely electrified in our member countries, but there are still opportunities for the further expansion of the infrastructure for electrified rail and increasing the capacity on existing lines.

In 2020, NIB extended a loan to [Danske Statsbaner \[DSB\]](#) for the purchase of electric locomotives and trainsets. The investment is part of DSB's efforts to modernise and develop the rail transport sector in Denmark. The acquisition of a new electric train fleet will provide additional capacity in response to urbanisation and population growth, as well as enabling a shift from less efficient transport modes to rail.

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CASE SJ: Rail transport capacity

In 2020, NIB and the Swedish railway operator SJ AB signed a [loan facility of SEK 1.5 billion](#) (EUR 144 million) to partly finance the purchase of 30 premium intercity trains. The loan is 100% financed by NEB proceeds. The new train fleet will be used in long-distance traffic, providing new capacity and enabling more frequent departures.

The new trains will meet anticipated increasing travel volumes and are very likely to benefit the labour mobility and integration of the largest urban areas in Sweden and the Scandinavian capitals. Rail infrastructure is critical to the overall economy, especially around the largest urban areas and cities, and is seen as a key enabler of growth.

Electric intercity trains are also considered the most efficient mode of transport, with the lowest emissions of greenhouse gases per passenger and kilometre. The 30 additional trains will have the capacity to carry out 2.3 billion person-kilometres per year.

As in all infrastructure projects, it is challenging to forecast the extent to which other modes of transport would have been utilised in the absence of the project. It would probably have been a mix of cars, buses and aircraft, all modes with larger negative impacts than electric trains.

For example, if the same number of person-kilometres were carried out by average cars, and assuming that each car transported two people, the equivalent CO₂ emission would have been more than 200,000 tonnes per year (tank to wheel). Moreover, other combustion emissions would also have been generated, such as nitrogen oxide and carbon monoxide. The calculation illustrates the magnitude of emission savings to which the additional train capacity can contribute in terms of greenhouse gas emissions.



"This project illustrates the magnitude of emission savings to which the additional train capacity can contribute in terms of greenhouse gas emissions."

Marina Unnérus,
Senior Economist



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CASE Ida-Viru Central Hospital: Healthcare

Ida-Viru Central Hospital is the largest healthcare provider in Ida-Viru County. The hospital provides healthcare services in two locations, the Ahtme and Järve districts, and is therefore an important part of Estonia's public service infrastructure. The hospital is part of the strategic Hospital Network, which is the backbone of the country's specialised medical care services, providing both in- and out-patient care, as well as emergency care services.

NIB granted [a loan](#) to finance the infrastructure investments at the Ida-Viru Central Hospital between 2019 and 2023. In Ahtme, the investments include extensions to the curative care hospital and the health centre buildings, as well as the renovation of an old block of the hospital. Meanwhile, in Järve, the main outcomes are the construction of a new primary health centre and the renovation of the outpatient clinic.

The main improvement as a result of the project will be a significant increase in the service quality provided to patients. Currently, the hospital provides a service in physically worn-out buildings that negatively affect the patients' experience at the hospital.

In addition, as a result of the investments, there will be financial savings due to the buildings' improved energy efficiency and an increase in the theoretical output capacity [number of patients/beds]. The Covid-19 pandemic, which has tested the limits of healthcare systems to the very edge, has severely highlighted the importance of an adequate healthcare infrastructure.

It is not expected that the project will directly affect treatment outcomes. However, secondary effects may play an important role, because a better physical environment



may affect patients' wellbeing, improving the in-hospital stay experience. Research suggests that in some cases the hospital's physical environment can have an effect not only on the perception of the quality of service but more importantly, on patient treatment outcomes and recovery times as well. Studies on these topics provide a wide range of results, but most capture the importance of space per patient and room layout, lighting, the use of colours, acoustics and noise levels, and smells.

The investment will improve not only the accessibility to the healthcare in one of the least socioeconomically developed regions of Estonia, but will play an essential role in the hospital's efforts to attract and retain new and existing staff. The emigration of medical staff is currently a substantial problem for the Estonian healthcare system.

"Estonia and most of the countries in the Nordic-Baltic region are facing ageing population-related challenges in the future. The issue is particularly pronounced in the Ida-Viru region. The development of healthcare together with relevant infrastructure will therefore be of vital importance in upcoming decades. I am proud that NIB has the opportunity to contribute with our long-term financing."



Gunnar Okk, Chief Operating Officer

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Impact of NEB-financed projects in 2020

During 2020, NIB financed projects with NEB proceeds equivalent to EUR 531 million. Division of NEB funds across project categories and geographies are shown in the figures below. Impact from NEB-financed projects is part of impact from NIB's lending.

GREEN BUILDINGS AND ENERGY EFFICIENCY MEASURES

NIB allocated NEB funds of EUR 240 million to construction of eleven green buildings, all to be certified according to LEED Platinum or BREEAM Excellent or Outstanding. One of the financed projects, Lidl Sweden's new store in Visby is in addition certified according to the new certification scheme NollCO₂, intended for climate-neutral buildings. In addition to green

buildings, a total of EUR 7 million of NEB funds were allocated to a project improving energy efficiency in buildings.

RENEWABLE ENERGY GENERATION AND TRANSMISSION

Renewable energy projects comprised hydropower in Sweden and Norway, with total NEB allocations of EUR 129 million. In addition, EUR 8 million of NEB funds financed two transmission and distribution projects in Sweden and Finland.

CLEAN TRANSPORT SOLUTIONS

Three clean transport projects were allocated a total of EUR 129 million NEB funds in 2020. The projects are connected to electrified rail and ferry transports.

RESOURCES AND WASTE MANAGEMENT

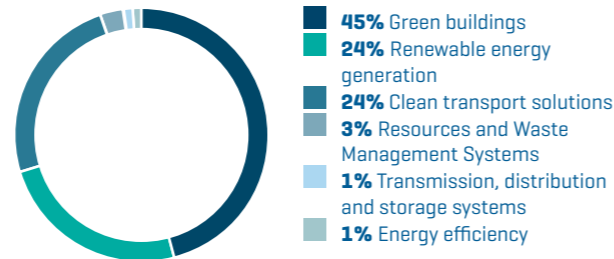
The remaining part of NEB funds in 2020, a total of EUR 18 million, was allocated to projects in waste management, resulting in increased recycling and recovery of metals from industrial residues.

PROJECTS FINANCED BY THE NORDIC-BALTIC BLUE BOND PROCEEDS IN 2020

Proceeds from the Nordic-Baltic Blue Bond have been allocated to six projects, amounting to a total of EUR 127 million. All of the financed projects are connected to improving wastewater treatment and sludge management. One of the Blue Bond projects, [Hias IKS](#) in Norway, is presented as case study in this report. Division of Blue Bond funds across geographies is shown in the figure below.

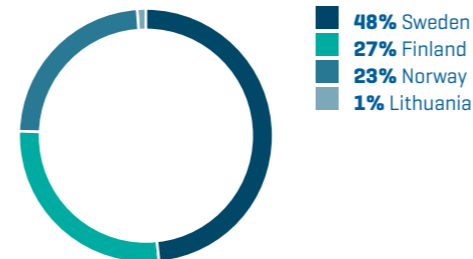
Environmental bond-financed projects in 2020

%, projects by NEB category



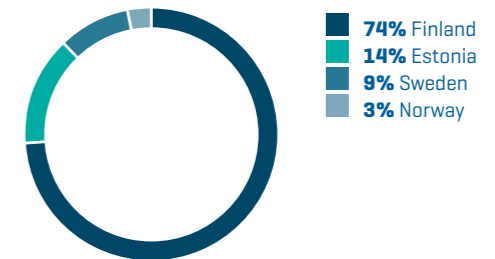
Environmental bond-financed projects in 2020

%, projects by country



Nordic-Baltic Blue Bond-financed projects

%, projects by country



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IMPACT OF ENVIRONMENTAL BOND-FINANCED PROJECTS 2020
[pro-rated to NIB's share of financing]



Green buildings
83,000 m² gross floor area
400 MWh/a own carbon-neutral energy generation



Clean transport solutions
7,700 t CO₂e/a avoided



Renewable energy generation
51 MW added capacity
29,400 MWh/a added generation
7,800 t CO₂e/a avoided



Resources and waste management systems
12,500 t/a waste treated



Transmission, distribution and storage systems
339 MW connected renewable transmission capacity



IMPACT OF BLUE BOND-FINANCED PROJECTS 2020
[pro-rated to NIB's share of financing]



Water management and protection
56,000 PE added wastewater treatment capacity
69 t/a reduced nitrogen discharges



Project specific impact data is published on our [website](#). You can read about NIB's methodology for assessing impact [here](#).

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CASE Kuurnan Voima: Hydropower

One of the main sustainability issues with hydropower is its impact on aquatic biodiversity. Kuurnan Voima wanted to address this issue on the Pielisjoki river in North Karelia, Finland. The company initiated a collaboration to promote the natural reproduction cycle of landlocked freshwater salmon, an endangered species that has been unable to reproduce naturally for 50 years.

As a result, a dedicated five-hectare spawning area was established in 2019, alongside the Kuurna hydropower plant's spillover channel, called Laurinvirta. Kuurnan Voima planned and completed the spawning area in collaboration with the Finnish Natural Resources Institute, the North Karelia Centre for Economic Development, Transport and the Environment, the Regional Council of North Karelia, and the Ministry of Agriculture and Forestry.

In 2020, [NIB financed](#) the refurbishment of the Kuurna hydropower plant on the Pielisjoki river, including both the refurbishment of the existing hydropower plant and the installation of a small-scale hydropower plant in the Laurinvirta spillover channel.

The existing Kuurna hydropower plant currently has two Kaplan turbines with a combined production capacity of 18 MW and an average annual energy generation of 120 GWh.

The refurbishment of the old plant's turbines, generator and automation will increase production capacity and flexibility. The refurbishment also includes the installation of an oil-free turbine runner and other improvements, reducing the risk of accidental lubricant oil leakages into the river.

Kuurnan Voima has committed to keep the required flow sufficiently high for the salmon spawning area by ensuring continuous water flow in the Laurinvirta spillover channel. Due to

the continuous flow required in the channel, the productivity of the Kuurna hydropower plant will decrease. The installation of an additional small-scale hydropower plant in the spillover channel will both secure the water flow for the spawning area and harness energy from the spillover water flow.

Overall, the investments at Kuurnan Voima will significantly increase the efficiency and capacity of the hydropower station. The annual production has increased by approximately 18 GWh, corresponding to approximately 5,000 tonnes of CO₂ emissions being avoided annually. NEB funds are allocated to this project during 2021 and the project impact will thus be included in next year's NEB impact report.

"Kuurnan Voima has set an excellent example for others on how to harness renewable energy from water on the terms of the surrounding aquatic ecosystem."

Kari Jaukkuri, Senior Banker



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CASE Orkuveita Reykjavikur: Geothermal energy

Iceland's geographical position at the junction of two tectonic plates gives the country not only incredible landscapes, but an abundant and renewable source of geothermal energy.

However, care must be taken to ensure that its utilisation is not too aggressive in relation to how rapidly it renews itself. If the geothermal wells are exploited too quickly and at a non-sustainable drawdown of their capacity, the power plant will ultimately lose the capacity to generate electricity.

The key to managing the geothermal system is to have a good balance of harnessing steam and hot water and allowing fresh cold water to replenish the system. This delicate balance requires the active management of the system by drilling both new production and reinjection wells.

The forthcoming investments that [NIB financed](#) include both new make-up wells and additional reinjection wells for geothermal fluids. The investments also include an additional new steam pipeline from one of the well areas to allow for more capacity from the area.

Even though geothermal energy is renewable, it can still release significant amounts of CO₂ to the atmosphere from gases contained in the rock. The Hellisheiði and Nesjavellir power plants have a very low natural release of CO₂ from the wells, around 20 gCO₂/kWh. By comparison, it ranges from 4–740 gCO₂/kWh worldwide. The very low natural emissions combined with the reinjection of CO₂ into the ground results in an overall CO₂ footprint from the generation of 10 gCO₂/kWh.

The investments made by Reykjavik Energy in the distribution network are divided into three main areas: the strengthening and replacing of the network's old equipment; harbour electrification; and the installation of smart meters.

General investments in cabling, transformer stations, circuit breakers and low-voltage cubicles will strengthen the security of supply and further increase the company's customer base, potentially increasing its productivity.

Investments in the existing network are necessary not only because of a general increase in consumption, but because of a change in consumption habits and the network's increasingly decentralised generation.

The electrification of the harbour area will allow shore-to-ship power, thereby reducing the emissions from ships running on auxiliary diesel power when moored at the port.

In connection with general investments in the distribution network, investments in a rollout of electric smart meters will be carried out in the years to come. The need to take meter readings physically will be eliminated as a result, providing some cost savings for the company. The company will also have a significantly better awareness of the current state of the network, which will allow better planning of investment projects. NEB funds are allocated to this project during 2021 and the project impact will thus be included in next year's NEB impact report.

"A strong electric network is a pre-requisite for economic growth. In Iceland, a secure electric network is even more important, because the network has no external connections. Many aspects of Icelanders' everyday life depend on the availability of secure and affordable electricity."

Johan Ljungberg, Chief Environmental Analyst



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Nutrient recycling in a blue bioeconomy

NUTRIENTS – A VALUABLE RESOURCE, BUT AN ISSUE FOR THE BALTIC SEA

Significant investment programmes for improved wastewater treatment have resulted in halving the nutrient input into the Baltic Sea during the last two decades. However, despite joint efforts in the region, nutrient loads from mainly agriculture and wastewater treatment sector remain higher than maximum allowable input levels. The latest assessment of the Baltic Sea environmental health showed that over 97% of the area still suffers from eutrophication¹.

It is clear that continued investment is required to protect the Baltic Sea. However, investment in surface water protection is much more than simply reducing pollution. What needs to be addressed is the nutrient oversupply in the Baltic region, inefficient nutrient utilisation, and the need to improve nutrient security in the region.

Both phosphorus and nitrogen are critical for food production, but currently more than 50% of the nutrients applied to crops are being lost to the hydrosphere. Additional nutrients are introduced into the Baltic Sea area via mineral fertilisers and manure derived from imported animal feed, which together make up 80% of all nitrogen, and 75% of phosphorus applied to crops in the region. At the same time, the system already contains enough nutrients in different biomass to fully cover the phosphorus need and 61% of the nitrogen need for crop fertilisation. These biomass materials are mainly treated as waste and are currently underutilised.

Phosphorus

Virgin phosphorus is extracted as phosphate containing apatite mineral via mining. The mining and further processing of the phosphate has negative impacts on landscape, biodiversity, surface water and air. Phosphorus is a limited resource with the majority of the global resources located in politically unstable areas. The EU has listed phosphorus as one of 30 critical raw materials, as phosphorus is critical for the EU economy and the supply is linked to several risk factors.

Nitrogen

Industrial nitrogen fertilisers are made from ammonia (NH₃), which is produced by an energyintensive process. Usually natural gas supplies the hydrogen needed and the nitrogen (N₂) is derived from the air. Nitrogen fertilisers account for more than half the total energy use in commercial agriculture.



Lena Korkea-aho,
Senior Environmental Analyst

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UNLOCKING THE ECONOMIC POTENTIAL OF NUTRIENT RECYCLING

Sustainable use and better lifecycle management of plant nutrients are important elements of the revised EUSBSR Action Plan² and upcoming HELCOM Regional Nutrient Recycling Strategy³ to be adopted by the Baltic Sea coastal area countries in 2021. The aim is to close nutrient loops, reduce nutrient input to the aquatic environment to the natural level and secure availability of regional nutrient resources. These plans recognise that maximal utilisation of regionally available resources of nitrogen and phosphorus for agricultural production are key actions for climate change mitigation, scaling up the circular economy, and reducing eutrophication in surface waters in the Baltic Sea Region.

The increasing circularity of nutrients and the attempt to restore more natural biochemical nutrient flows is technically possible, but requires a systemic change. In a circular system, waste becomes raw material, waste managers become nutrient producers, or nutrient sellers become nutrient leasers. The pace of change depends on the markets, but also regulation,

technological development and most of all, attitudes. Besides reducing environmental impact and achieving cost savings, recycling nutrients can create new business opportunities for various bioeconomy sectors. In Finland alone, nutrient recycling is estimated to have an annual economic potential of around EUR 510 million, including both new business opportunities and benefits resulting from reduced eutrophication of the Baltic Sea. This estimated added value exceeds by far the overall value of fertilisers imported to Finland⁴.

Key actions for sustainable nutrient management in agriculture include fertilisation according to plant needs, good soil health for optimal nutrient intake, efficient manure management, and returning nutrients from agricultural side streams to the fields. An example of circular agriculture is Palopuro agroecological symbiosis, a cooperative food production system at Knehtilä farm in Finland that integrates crop and livestock production with food processing and energy generation, ensuring nutrient and energy self-sufficiency. In 2019, NIB financed the construction of a [biogas plant](#) in connection with this farm.

In addition to local agricultural nutrient cycles, various technological solutions to recover nutrients from wastewater, wastewater sludge and organic waste are being developed and implemented. In 2020, NIB financed its [first project](#) for biological phosphorus removal from wastewater and capturing phosphorus from sludge in the form of struvite.

Researchers in the Baltic Sea region are also looking for new possibilities for recycling nutrients, such as using algae that can grow in wastewater by using the available phosphate and nitrogen. Algae offer a natural way to remove nutrients from the water and create a nutrient-rich biomass for use elsewhere. Algae can be combined with fish cultivation or year-round greenhouse cultivation. Another option is to combine algae cultivation with an existing industry to create biorefinery production of lipids, biogas and fertilisers, for example. Future technological developments in the blue bioeconomy may also provide new solutions for the Baltic Sea, such as addressing the problem of blue-green algae or the removal of nutrients from bottom sediments⁵.

What is the blue bioeconomy?

The concept bioeconomy refers to the economic growth realised through renewable raw materials. Adding “blue” in front of bioeconomy shifts it to water-based industries. The blue bioeconomy means business that is based on the sustainable use of renewable aquatic resources and water expertise. Different solutions within the blue bioeconomy, such as increased nutrient recycling can contribute to improving the state of water resources in the Baltic Sea region.

¹ HELCOM [2018]. State of the Baltic Sea – Second HELCOM holistic assessment 2011–2016.

² EUSBR [2020]. EU Strategy for the Baltic Sea Region – Action Plan, Agreed by the NC Group 6 July 2020.

³ HELCOM Baltic Marine Environment Protection Commission [2020]. First draft of the nutrient recycling strategy [code 6-26].

⁴ Sitra [2015]. The economic value and opportunities of nutrient cycling for Finland. Sitra Studies 104.

⁵ Jokinen K. and Tyystjärvi E. [2020]. The potential of algae as a future aquaculture product in Finland.

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CASE Hias IKS: Water

NIB has a [framework loan agreement](#) (2019–2022) with the inter-municipal company Hias IKS regarding optional investments to upgrade its drinking water production and sewage treatment capacity in Hamar, Southern Norway. In 2020, NIB disbursed NOK 147 million under the framework agreement. The financed projects contribute to environmental targets such as pollution prevention, climate change mitigation and adaptation, and the circular economy. In 2020, Environmental Finance awarded NIB their Impact Project Investment of the Year in the water category for financing the project.

Drinking water in the Hamar region is supplied from Lake Mjøsa, which is Norway's largest lake. A warmer climate is increasingly negatively impacting the raw water supply by causing higher turbidity, no ice cover during the winter and poor layering and mixing of the water. This results in lower oxygen levels. Improved drinking water treatment is required to tackle the lower quality of the raw water and improve security systems for hygienic protection against viruses and parasites. The main water supply investment is to replace the outdated Hamar drinking water plant, which was built in 1954. The project will improve water quality, increase the treatment capacity by 30% and reduce water losses in the supply network.

With its partners, Hias has developed and patented a new biological phosphorus removal process for wastewater treatment. This will be implemented in full scale at the wastewater treatment plant in Ottestad, excluding the use of precipitation chemicals and improving the recovery of phosphorus from the wastewater treatment sludge. In addition to traditional sludge management, Hias will implement the recovery of phosphorus from the liquid generated in the dewatering of sludge. The recovery process includes the addition of magnesium chloride to the phosphorus-rich liquid in a reactor, generating struvite. Approximately 28 tonnes of phosphorus can be recovered annually in the form of struvite, with a potential use as slow-release fertiliser.



“Sludge management and recovery of energy and nutrients is an integral part of wastewater treatment systems. It is a privilege to finance the implementation of a newly developed wastewater treatment method, resulting in less chemical use and a high-quality fertiliser product.”

Lena Korkea-aho,
Senior Environmental Analyst



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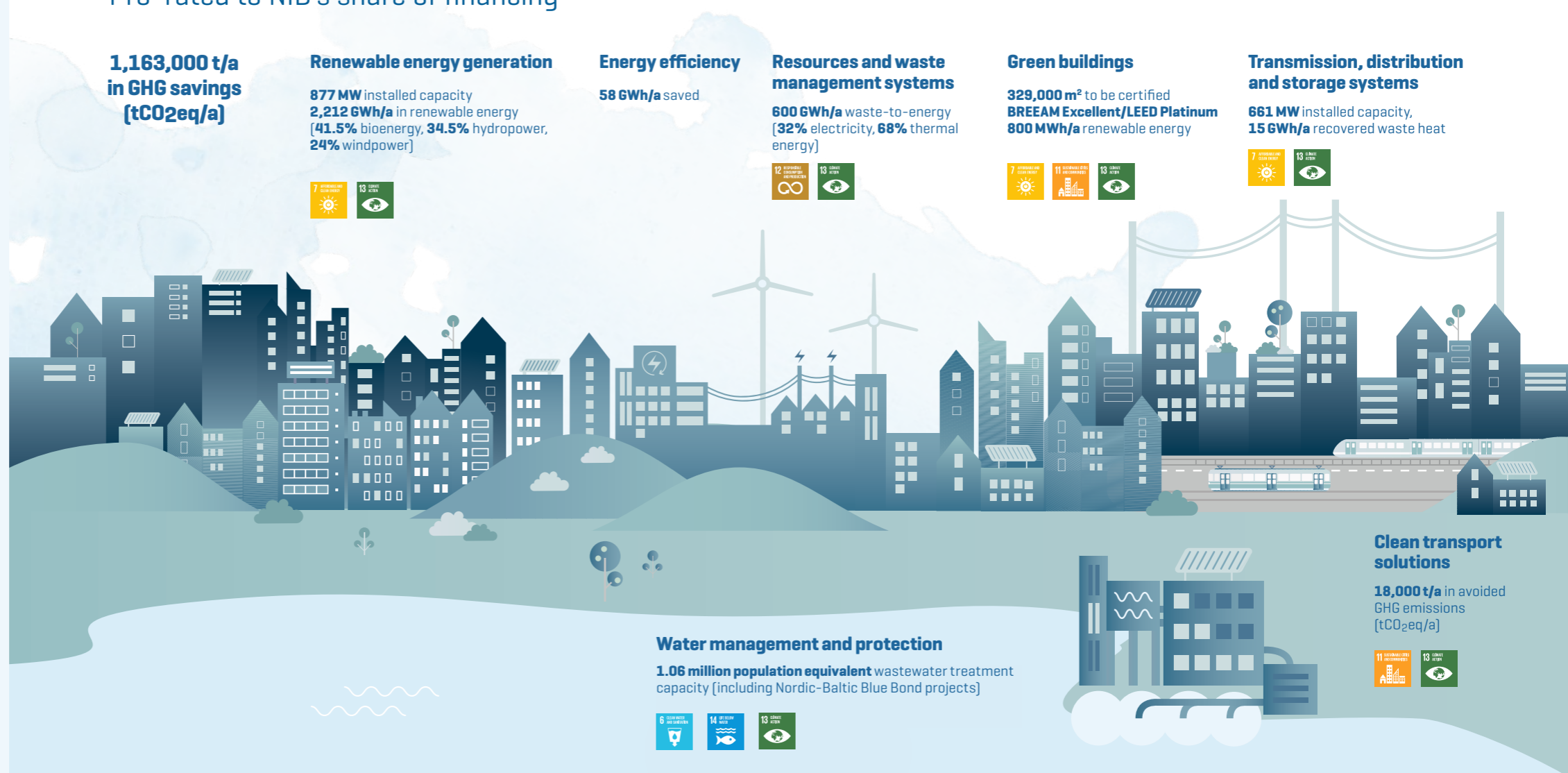
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Impact of NEB-financed projects 2011-2020

Pro-rated to NIB's share of financing



1,163,000 t/a
in GHG savings
(tCO₂eq/a)

Renewable energy generation

877 MW installed capacity
2,212 GWh/a in renewable energy
(**41.5%** bioenergy, **34.5%** hydropower,
24% windpower)



Energy efficiency

58 GWh/a saved

Resources and waste management systems

600 GWh/a waste-to-energy
(**32%** electricity, **68%** thermal energy)



Green buildings

329,000 m² to be certified
BREEAM Excellent/LEED Platinum
800 MWh/a renewable energy



Transmission, distribution and storage systems

661 MW installed capacity,
15 GWh/a recovered waste heat



Water management and protection

1.06 million population equivalent wastewater treatment capacity (including Nordic-Baltic Blue Bond projects)



Clean transport solutions

18,000 t/a in avoided GHG emissions (tCO₂eq/a)



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Response Loans to the Baltic countries

By Ville Mälkönen,
Senior Economist

The Covid-19 pandemic has had profound social impacts in all of NIB's Nordic and Baltic member countries, ranging from health to financial security. The Baltic countries implemented several emergency measures to contain the virus and to ensure the healthcare system has capacity to treat patients with complications of Covid-19.

Common containment measures have thus far involved travel bans, cancellations of public events and closure of economic activities.

The measures kept the infection rates well below the EU average during the second and third quarters of 2020. In the fourth quarter, the infection rates increased placing significant pressure on the healthcare systems of the countries, which have on average fewer healthcare workers in relation population than other NIB member countries.

The containment measures reduced economic activities in the countries and thus increased financial distress among households and companies. The governments of the Baltic countries anticipated this and that the crisis will affect both cost and revenue sides of public finances.

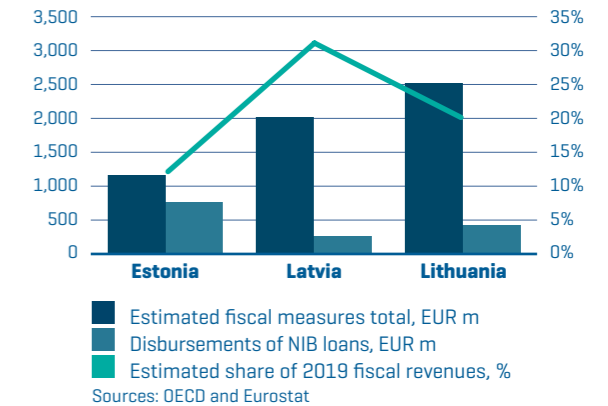
The responses from the governments included, among other things, measures to boost the healthcare systems, temporary changes in taxation and contributions as well direct subsidies and loan guarantees for households and businesses. The national estimates from the spring of 2020 indicate that implementation of these measures would require on average a 21% increase in funding of public expenditures.

To help the Baltic countries, NIB disbursed EUR 1.4 billion in loans to the governments using the proceeds of NIB Response Bonds. These bonds are globally among the first bond offerings dedicated to finance measures supporting healthcare systems, households and businesses during the pandemic.

In 2020, NIB disbursed EUR 10 million from a [EUR 100 million credit facility](#) with the ferry operator Tallink

Estimated Covid-19 related expenditures and loans from NIB

EUR million



Silja Oy. Disbursements from this facility also meet the use of proceeds criteria in [NIB's Response Bond Framework](#), as the company's ferry connections constitute an important traffic corridor between Finland, Estonia, Latvia and Sweden in terms of cargo, commuting passengers and tourism. During the year before the pandemic, the ferries of Tallink Silja served nearly 10 million passengers and transported 380,000 cargo units between the countries.

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CASE Demant: Response loan

Demant is a longstanding client of NIB with three loans financing the company's exceptionally high-quality R&D operations since 2015. The Demant Group hearing healthcare and technology group offers solutions and services to help people overcome hearing loss and connect and communicate with the world around them. The company plays an important role in global hearing healthcare and plays a vital part in developing innovative technologies in audiology and audio. At the end of 2020, Demant had more than 16,500 employees globally.

After a strong beginning to the year, the company experienced a slowdown in revenue growth in mid-March 2020, when the coronavirus outbreak impacted its main markets—Europe and North America. Due to the nature of hearing care and fitting, where the user and hearing care professional interacts personally, the shut-down of societies created a halt in activities in clinics. Furthermore, the typical hearing aids user is in the 60+ age group that was most affected by different recommendations and restrictions due to the pandemic. This resulted in a relatively fast and notable decline in activity level.

Approaching the second half-year, Demant saw positive recovery in almost all markets, and the trend continued until almost the end of the year, delivering strong revenue in the second half year, and although the hearing healthcare market is still not normalised in the beginning of 2021, Demant guides on high growth rates in the year to come.

The [coronavirus Response Loan](#) provided by NIB removed uncertainties and gave Demant the confidence to maintain investments in the future in a very difficult period of time. The company's adequate financial position also allowed its R&D operations to continue at full scale keeping the company on track for further growth.

"NIB is extending Response Loans to businesses in our member region to help them bridge the economic impact of the Covid-19 pandemic. This particular loan aims to support Demant in ensuring adequate financing to cope with challenging market conditions in hearing healthcare."

Vagn Lundhøj, Senior Banker



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NIB and climate change

The Paris Climate Agreement aims to limit the global temperature rise to well below 2°C over pre-industrial levels by 2100, and attempts to restrict it to below 1.5 °C. In 2018, the Intergovernmental Panel on Climate Change estimated that human activities had already caused approximately 1.0°C of global warming. According to the UNEP Emissions Gap Report 2020, global greenhouse gas (GHG) emissions continued to grow for the third consecutive year in 2019, reaching a record 59.1 GtCO₂e, including land-use change.

Climate change poses a significant global threat to the environment, the economy and societies. In NIB's business environment, the Nordic-Baltic region, climate transition risks are estimated to be high – driven by ambitious climate policies, the development of transformative technologies by best-in-class companies and changing consumption patterns. There is also evidence that physical risks have begun to materialise due to large temperature variability and an increase in heavy rainfall and flooding. Yet, the physical risks in the region are expected to be relatively low compared to the world's hardest hit geographies according to current climate models.

Tackling the climate challenge will force all players in the market to adapt their business models, strategies, pricing and production methods. Operating costs and revenues are likely to vary more than in the past and before new sustainable technologies and production methods have been implemented.

The banking sector plays a key role in addressing climate risks. Climate change is likely to impact the valuation of assets, which may lead to impairments and credit losses. Banks are

required to properly adjust their risk management frameworks, ultimately including their capital and liquidity adequacy assessments. Although common and globally agreed climate risk management principles are not yet in place, the regulatory landscape is developing quickly. For example, the European Banking Authority (EBA) and the European Central Bank (ECB) have published guidance and expectations in 2020, describing how banks should manage climate-related and environmental risks in their operations.

Climate change creates both risks and opportunities for banks, including NIB. Banks' financing decisions impact the allocation of capital between customers and projects. This creates opportunities to finance new sustainable projects and technologies, and to support the transformation to a greener economy. On the other hand, a changing climate is likely to change customers' risk profiles, leading to increased requirements for banks' risk management frameworks.

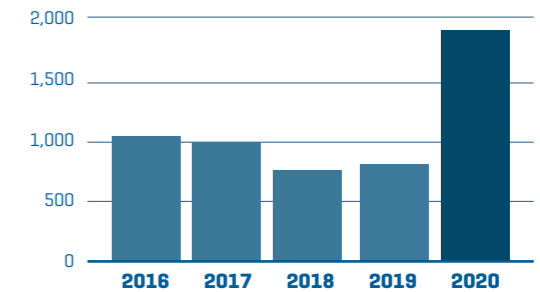
All this increasingly affects our operating environment and business model. As an international financial institution with a sustainability mandate, we are committed to supporting the transition to net-zero emissions. NIB [signed up](#) to the principles of the Task Force on Climate-related Financial Disclosures (TCFD) in December 2019 and is working on implementing its recommendations. This report is part of those actions and aims to inform our stakeholders about how NIB is responding to climate change.

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In general, NIB follows the three-lines-of-defence (3LOD) model, in which the first-line business functions (Lending and Treasury)

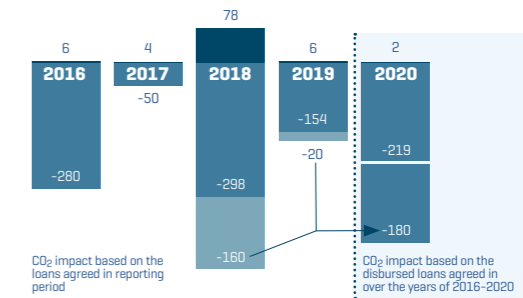
Environmental loans

of loans disbursed, excluding Lending Green Bond purchases and unallocated credit facilities
EUR m



CO₂* impact of NIB's financing

Thousands of tonnes of CO₂ per year



CO₂ impact based on the loans agreed in reporting period
CO₂ impact based on the disbursed loans agreed in over the years of 2016-2020

■ Decrease ■ Increase
■ Disbursed in 2020, agreed in the years before

* CO₂ is CO₂ equivalent, pro-rated to NIB's share of financing.

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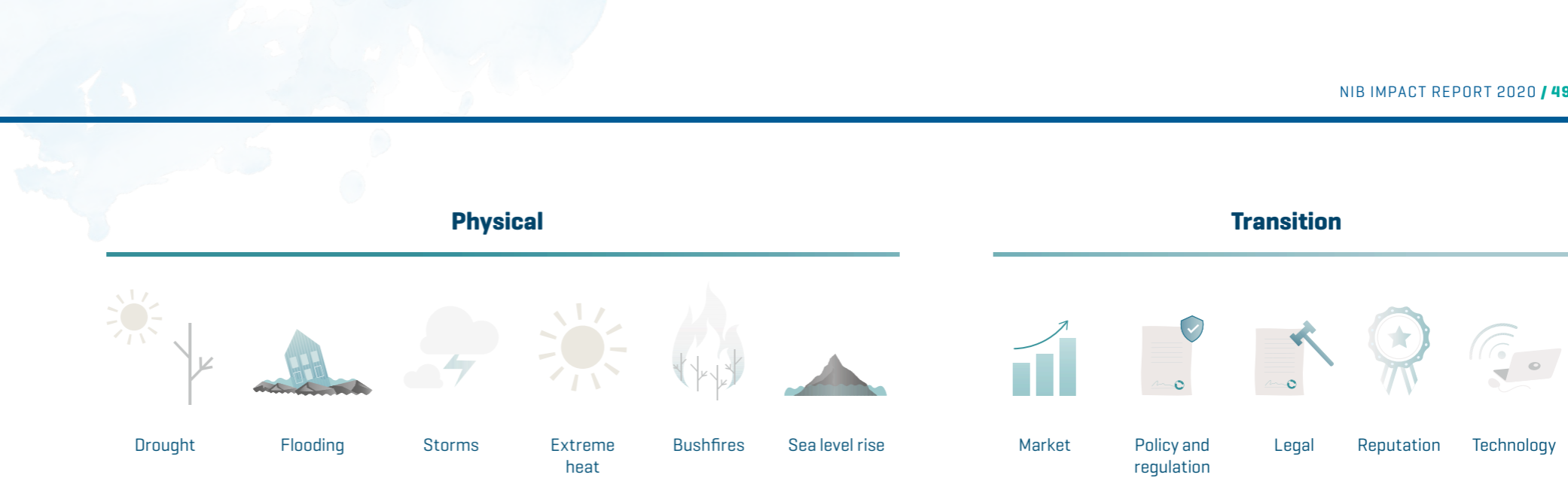


Figure 1: Physical and transition risks

are responsible for managing day-to-day risks within their own operations and activities. Lending is responsible for loan origination, monitoring and mandate fulfilment in accordance with the Bank's willingness to take risks. Treasury provides support by executing the funding strategy and managing liquidity, as well as balance sheet risks (Asset and Liability Management).

The second line of defence consists of functions that monitor and oversee the risk taking of the first-line functions. At NIB, the Risk & Compliance department acts as the second line of defence. It independently controls the risk positions of the Bank and implements the Bank's risk management-related policies and practices as approved by the Board of Directors. The Risk & Compliance department has the overall oversight responsibility for identifying, measuring, assessing, monitoring and reporting risks across risk types and organisational units.

NIB's overall sustainability governance is described in the Bank's [Sustainability Policy & Guidelines](#) and on [page 71](#) of this Report. The governance of the sustainability risks the Bank takes as part of its operations adheres to the overarching governance model for risk management.

NIB is currently in the process of further developing and specifying its risk management policies and procedures to integrate climate risk as a driver of established risk types.

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Climate-related risks and opportunities in the Nordic-Baltic region

The TCFD and the emerging practice of climate scenario analysis within the financial sector divides the climate-related risks into two main categories: 1) transition risks; and 2) physical risks:

Transition risks are related to society's transition to a low-carbon economy and comprise the following:

- **Policy risks:** arising from climate policies driving mitigation and adaptation efforts
- **Legal risks:** evolving e.g. through the treatment of environmental liabilities (and potential subordination of creditors) and/or litigation against clients or their creditors
- **Technology risks:** technological innovations support the transition to a low-carbon economy and may create market disruptions with potential winners and losers
- **Market risks:** changing consumption patterns are causing shifts in the supply and demand for products and services
- **Reputational risks:** associated with e.g. lack of climate commitment or poor performance.

Physical risks are related to the actual physical impacts of climate change on society and the economy and comprise the following:

- **Acute risks:** driven by the increasing number and severity of extreme weather events such as storms, floods and droughts
- **Chronic risks:** arising from the gradual change in climate patterns causing e.g. sea level rise or heat waves.

Physical risks depend on geographical location and can have a financial impact on organisations directly through damage to assets or indirectly through value chain disruptions. The physical risks in the Nordic-Baltic region appear relatively low in a global setting according to current climate models. The infrastructure in the region is generally well developed, which further helps to mitigate these risks. However, we see some physical risk drivers materialising, such as warmer winters and an increase in heavy rainfall and flooding. These changes need to be considered for infrastructure upgrades such as stormwater management systems and flood protection and for hydropower assets, as they may affect power generation capacities.

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The high transition risks in the Nordic and Baltic countries are driven by ambitious climate policies. The EU targets net-zero CO₂ emissions by 2050, with a 55% reduction in emissions by 2030 from 1990 levels. Finland's objective is to achieve carbon neutrality by 2035, and Sweden's target is 2045. Several Nordic companies are also best-in-class players within their industries, and invest in developing and implementing transformative technologies to improve the climate performance of their operations and products. The EU Emissions Trading Scheme was revised in 2018 to align with more ambitious policies, leading to higher prices for emission allowances.

The use of fossil fuels is the main source of GHG emissions and must be significantly reduced to combat climate change. The heat map in Figure 2 depicts the level of transition risks for the climate-sensitive sectors, using four risk factor pathways.

Figure 3 shows the total use of fossil and renewable energy in the Nordic-Baltic region in 2014–2018. Figure 4 shows the division between the main fossil fuels in 2018. Denmark, Finland and Sweden have announced a phase-out of coal by 2030 at the latest, and in Finland, approximately 50% of solid fossil fuels consist of peat. The main fossil fuel used in Estonia, not included in Figure 4, is oil shale, with ca. 195,000 TJ in 2018.

The carbon intensity of electricity generation in Iceland, Norway and Sweden is below 100 gCO₂e/kWh, and in Denmark and Finland ca. 170–200 gCO₂e/kWh. In Latvia and Lithuania, power generation is more carbon-intensive due to the greater use of natural gas. In Estonia, it is close to 1,000 gCO₂e/kWh, due to the extensive use of oil shale.

Figure 3 indicates that the share of renewables in energy use compared to fossil energy is quite high throughout the eight Nordic and Baltic countries (NB8), except for Estonia and Lithuania. The renewables mix is characterised by the following regional features:

- *Hydropower:* Norway leads, with ca. 500,000 TJ in 2018, and the share is also high in Sweden, Iceland and Finland

| SECTOR | DIRECT EMISSIONS COST | INDIRECT EMISSIONS COST | LOW-CARBON CAPEX | REVENUE | OVERALL |
|-------------------------|-----------------------|-------------------------|------------------|---------|---------|
| Oil & Gas | ● | ● | ● | ● | ● |
| Agriculture | ● | ● | ● | ● | ● |
| Real Estate | ● | ● | ● | ● | ● |
| Power Generation | ● | ● | ● | ● | ● |
| Metals & Mining | ● | ● | ● | ● | ● |
| Industrials | ● | ● | ● | ● | ● |
| Transportation | ● | ● | ● | ● | ● |
| Services and Technology | ● | ● | ● | ● | ● |

● Low ● Moderately Low ● Moderate ● Moderately High ● High

Figure 2: Sectoral transition risks associated with low-carbon transition

[Source: UNEP FI (2020): [Beyond the horizon. New Tools and Frameworks for Transition Risk Assessments from UNEP FI's TCFD Banking Programme.](#)]

- *Wind power:* Denmark and Sweden lead, with ca. 50,000–60,000 TJ each in 2018
- *Photovoltaics:* the share is generally low
- *Bioenergy:* a high share in Finland and Sweden, with ca. 400,000–500,000 TJ each in 2018
- *Geothermal energy:* a high share in Iceland, with ca. 177,000 TJ in 2018.

Norway and Sweden, with their ample renewable energy sources, are also electricity exporters.

The investments in renewable energy capacities are expected to continue to further decarbonise the energy generation sector, and the cost of wind power has considerably decreased. The

decarbonisation of large-scale district heating systems still poses a challenge in areas where fossil fuels are used, and the sustainability of bioenergy remains an issue of uncertainty.

Buildings account for around 40% of the EU's energy use and 36% of the CO₂ emissions. Real estate in the Nordic countries is characterised by high operational energy efficiency, and the number of green buildings certified according to international and national schemes has grown. In the Baltic countries, national renovation programmes to improve the building stock's energy efficiency are still running, and the number of certified green buildings is low. The share of embodied carbon emissions is increasing as buildings' operational energy performance improves. The future opportunities in the real estate sector

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include renovations to propel the existing building stock to a net-zero pathway, top-class green buildings, and solutions to reduce the embodied carbon emissions during the production of building materials.

Key upcoming challenges and opportunities in the Nordic-Baltic region come with the decarbonisation of the transportation, metals and mining, and industrials sectors. This is expected to follow the trends of increasing electrification and decarbonisation of the hard-to-abate sectors. Both trends require large scale investment in renewable capacities to increase the availability of green electricity. Further, strengthening power grids and build-up of the electrical charging infrastructure will be required. Hydrogen is also expected to play a key role in this and opportunities to implement carbon capture, utilisation and storage solutions are being explored, but these markets are in still in their infancy.

A specific Nordic feature of the materials sector is the development of the bioeconomy. The first innovations for producing sustainable alternatives to fossil fuel-based materials and chemicals have already reached an industrial scale, and the trend is expected to continue.

The Nordics and Baltics are also highly digitalized nations. The transfer of continuously increasing data volumes consumes more energy, and there is a need to develop and implement solutions that improve energy efficiency.

Impact on NIB's business

NIB contributes to a prosperous and sustainable Nordic-Baltic region through its mandate to provide long-term loans to projects that improve productivity and benefit the environment. All projects proposed for financing are therefore assessed for their potential contribution to this mandate. The mandate fulfilment is

rated on a five-grade scale from "negative" to "excellent".

The productivity growth drivers are technical progress and innovation, infrastructure improvements, human capital and equal economic opportunities, and development and improvements in market efficiency and the business environment. The drivers for environmental benefits are climate change mitigation, preventive measures (including climate change adaptation), resource efficiency and pollution reduction. In addition, all projects undergo a sustainability review to identify significant environmental and social risks.

NIB has set annual targets for the mandate fulfilment of loans. At least 90% of NIB-financed projects should achieve a "good" or "excellent" mandate rating for their impact on productivity and/or the environment. In 2020, this percentage was 98%. It was further defined that 35% of projects should achieve a "good" or "excellent" rating in their environmental impact.

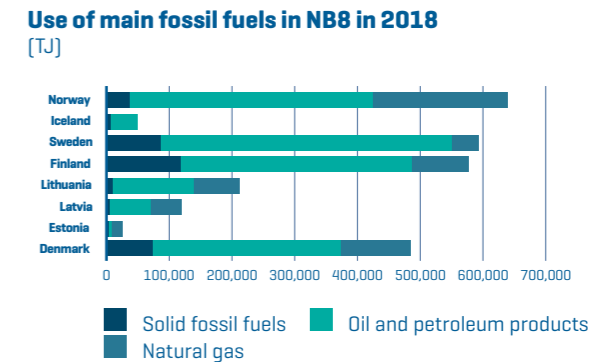
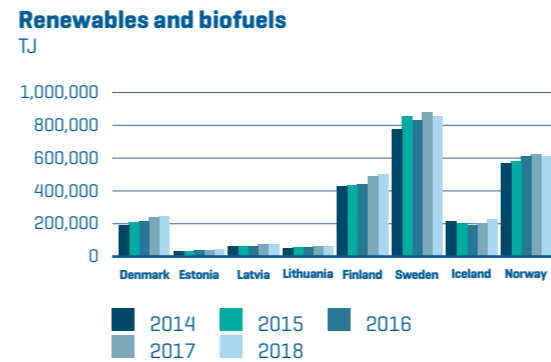
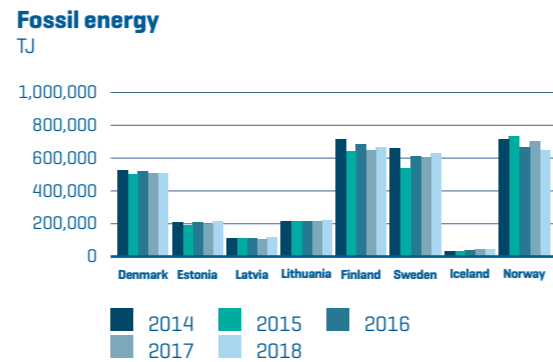


Figure 3: Gross inland consumption of fossils and renewables in NB8 in 2014-2018 [Source: Eurostat 2021]

Figure 4: Use of main fossil fuels in NB8 in 2018 [Source: Eurostat 2021]

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NIB's climate-related risks and opportunities

NIB is exposed to climate-related risks mostly through its lending and treasury counterparties, and their operations and value chains. At the end of 2020, the Nordic and Baltic countries accounted for 95% of NIB's lending exposure [classified by risk owner's country of domicile]. In these countries the primary risk driver [thus far] have been the transition risk.

All the trends described above provide opportunities for NIB's financing. Many also require investment in transformative technologies that can genuinely advance the carbon-intensive sectors in the direction of the net-zero pathway. The technology and market risks of such investments are typically higher. physical risks in the Nordic-Baltic region appear low in a global context. Nevertheless, infrastructure upgrades to adapt to observed and forecasted weather patterns are still required and NIB's financing can play a crucial role in implementing them. We also exposed to physical risks outside our member countries through our counterparties, whose operations are global.

NIB plans to establish a climate strategy to better address risks and opportunities during 2021. To capture the opportunities and support the transition to the net-zero economy, the Bank will also explore innovative loan products linked to borrowers' sustainability performance. Such products can provide access to sustainable finance for companies that need a transformative change to their business models and operate outside the traditional green sectors.

RISK MANAGEMENT

NIB's approach to assessing and disclosing climate-related risks at the project and counterparty levels follows the principle of double materiality in accordance with the EU's Non-Financial Reporting Directive, as shown in Figure 5.

Two dimensions need to be considered in each case: how climate change affects a counterparty (financial materiality); and how the operations of a counterparty potentially affect the climate (environmental and social materiality). Both dimensions

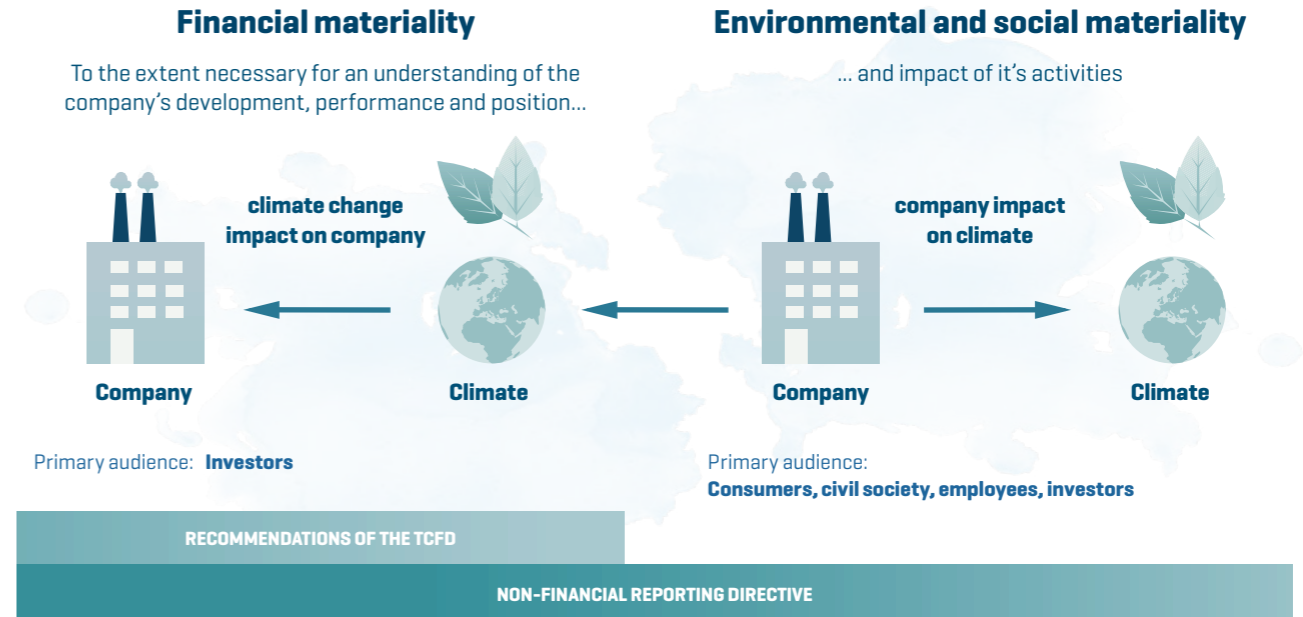


Figure 5: Double materiality of climate-related impacts [Source: EC Guidelines on Non-financial Reporting: Supplement on climate-related information (2019)]

are important, because they are interconnected, each with the potential to affect the value of a company or its collateralised assets positively or negatively. As a lender, NIB is exposed to these risks especially through its lending operations. As climate policies and markets evolve, and as relevant data and disclosures become more readily available and standardised, NIB aims to develop its risk assessment methodologies further.

Risk identification, assessment and management processes

NIB has a long tradition of assessing the environmental benefits, productivity gains (including social impacts), and sustainability

risks of all loans. The mandate rating covers the identification and assessment of opportunities based on NIB's [Mandate Rating Framework](#). The sustainability review covers the identification and assessment of environmental and social risks based on NIB's [Sustainability Policy and Guidelines](#). These processes, along with traditional credit risk analysis, have guided the development of NIB's lending policies.

The sustainability reviews have been performed on a project level in the past. Since 2020, NIB has developed its processes further and expanded the coverage of the analyses from project level to a counterparty [and value chain] level. It is essential to

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understand and systematically review the relevant climate risk dimensions of business models of lending counterparties, as well as the risks associated with the geographies of their operations. As of writing, NIB implemented the following measures:

- We developed a framework for assessing the environmental, social and governance (ESG) issues our lending clients face. Special emphasis is placed on their climate strategies, targets, governance and performance. This will build a more robust basis for managing the climate risks and opportunities at the portfolio level.
- NIB established the Responsible Investment Framework and began to incorporate ESG factors, including climate issues, in its investment decisions in its treasury operations. Each portfolio manager is responsible for considering ESG factors when making investment transactions. ESG data is also used in the selection of counterparties for hedging and funding transactions.
- We started the revision of NIB's Sustainability Policy and Guidelines and plan to complete it in 2021. The scope of the revised policy will be Bank-wide. It will incorporate the new ESG approaches for lending and treasury operations, and contains an exclusion list, defining the types of activity that NIB will not finance or invest in. The scope of exclusions for fossil fuel-related activities will be revisited. New baseload power plants fuelled with coal or fuels with a similar fossil carbon intensity have been on NIB's exclusion list since 2012.

NIB is committed to considering material sustainability factors in its decision making (see [page 71](#) on sustainability governance) and engaging with its counterparties about them during the due diligence process.

The TCFD primarily focuses on the disclosure of the financial impact of climate-related risks and opportunities. NIB is working on systematically integrating climate risks and opportunities with the counterparty analysis and incorporating climate risks in risk management at the portfolio level. Table 1 provides breakdown

| INDUSTRY SECTOR | GICS CODE(S)* | LOAN EXPOSURE 2020 (EUR MILLION) | SHARE OF TOTAL PORTFOLIO 2020 (%) |
|---|----------------|----------------------------------|-----------------------------------|
| Oil & Gas, Gas Utilities | 1010, 55102010 | 68 | 0.3% |
| Electric Utilities, Multi-Utilities | 551010, 551030 | 3,955 | 18% |
| Transport, Automobiles & Components | 2030, 2510 | 2,404 | 11% |
| Metals & Mining | 151040 | 370 | 2% |
| Chemicals | 151010 | 278 | 1% |
| Paper & Forest Products, Containers & Packaging | 151050, 151030 | 387 | 2% |
| Real Estate | 4040 | 1,529 | 7% |

Table 1: Lending exposure to sectors with high climate transition risk (preliminary analysis)

* Global Industry Classification Standard

of NIB's lending exposure by industry sector that are relevant for assessing the transition risks according to the UNEP FI heat map (Figure 2). While providing a starting point for identification of higher transition risks, the sector-level exposures do not necessarily imply that our counterparties and loans have high sensitivity to transition risks, as strategy nor readiness are factored in and climate scenario analysis has yet to be performed. The Electric and Multi-Utilities sector includes both electricity and heat generation, as well as electricity transmission and distribution. Since NIB's clients within this sector are mainly Nordic and Baltic energy companies, the exposure to fossil fuels is limited.

During 2021-2022, NIB aims to enhance the processes for identifying and assessing climate-related financial impacts at the counterparty and portfolio levels, including the following:

- Developing sectoral climate risk heat maps for portfolios
- Exploring market best practices and resources (climate data, scenarios, and models) for incorporating climate risk analysis more closely in credit risk analysis at the individual obligor and portfolio levels.

Integration with overall risk management

Climate risk management in the financial sector has been debated for several years now. A large number of publications has been issued by various think-tanks, authorities (like central banks) and standard setters. It is clear that financial sector entities – banks, insurance companies and asset management companies – and their business models are affected by climate change, and requirements for adequate entity-level risk management frameworks are increasing.

NIB is not directly subject to banking regulation, but aims to follow market practices, regulations and guidelines in its risk management practices to the relevant extent. This also applies to climate risk management, and the new practices will be implemented to the extent deemed relevant for NIB's purposes. In Europe, recent publications include the ECB guidance on climate risk management¹, as well as guidance from the EBA on ESG management². Both standard setters expect that banks will start to take new climate and environmental risks into account in their risk management frameworks and incorporate them as

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drivers of established risk categories [i.e. credit risk, market risk, liquidity risk and operational risk]. However, as of today, the risk assessment and quantification methodologies and tools remain in their infancy but are rapidly evolving. As described above, NIB monitors the regulatory landscape and is developing its risk management framework further in broad alignment with evolving expectations and requirements. In 2020, climate risk was introduced as a qualitative risk category in our ICAAP framework. It was deemed important that climate risk be identified as one of the risk drivers that might ultimately affect NIB's capital and liquidity position, even though this is not perceived to be immediate and was not yet quantifiable. From 2021, NIB aims to further the integration of climate risk into its overall risk management framework at least as follows:

- Defining and integrating climate risk into the Risk Appetite Statement (RAS)
- Reviewing existing risk governance model from climate risk management perspective
- Identifying and implementing methodologies to assess climate risk at the portfolio level
- Designing and implementing climate risk reporting procedures.

METRICS AND TARGETS

Climate metrics and targets of NIB's financing

In this report, the CO2 impact of NIB's financing per year and the climate-related impacts of loans disbursed in 2020 are provided. To measure climate-related impacts, the following metrics are used:

- Added renewable generation [GWh/a]
- Change in energy use [absolute GWh/a or relative %]
- Change in GHG emissions [tCO₂eq/yr] based on the methodologies of the International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting

- For transformative industry and circular economy projects other quantitative indicators to evaluate climate risks and benefits are also used, such as the carbon intensity of production or the carbon footprint of products
- Green building certification
- Environmental R&D investments.

As part of our expanded diligence assessing the material ESG issues of our borrowers, we will collect (to the extent available) and use the following, inter alia, climate performance metrics from 2021 onwards:

- Share of business in brown vs green segments
- GHG emissions (scope 1, 2 and 3)
- Carbon intensity of business operations
- Climate targets and KPIs
- Climate-related reporting frameworks.

NIB does not have specific climate targets for the lending business yet, but intends to establish them in connection with the development of the climate strategy. The planned actions explained under "Risk Management" will support the work.

Climate metrics and performance of NIB's internal operations

The Bank calculates the environmental impact of its own operations, including the carbon footprint (scope 1, 2 and 3) according to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. NIB has taken various measures to reduce the climate impact of internal operations and offset its net CO₂ emissions. For disclosure, see [page 77](#) in this report.

COOPERATION AND EXTERNAL INITIATIVES

We place great importance on cooperating with, learning about and developing the sustainable finance market with other financial institutions. NIB participates in international and regional forums to promote sustainable finance, and assess and report impacts.

The most notable actions taken during 2019–2020 include:

- [signing](#) the Task Force on Climate-Related Financial Disclosures (TCFD), Principles for Responsible Investments (PRI) and the Principles for Responsible Banking (PRB)
- participating in [Phase II of the UNEP FI TCFD programme](#) for banks with 38 other global financial institutions and continuing with Phase III in 2021
- [joining](#) the Network for Greening the Financial System (NGFS) as an observer. The purpose of the NGFS is to help strengthen the global response required to meet the goals of the Paris Agreement
- the [re-election](#) of NIB as a member of the Executive Committee of the Green Bond Principles (GBP) and the Social Bond Principles (SBP), and participating in various working groups, including Sustainability-Linked Bonds and Climate Transition Finance
- participating in the consultations of the [EU Technical Expert Group on Sustainable Finance](#) on the EU Taxonomy for Sustainable Economic Activities and the EU Green Bond Standard.

¹ ECB Guide on climate-related and environmental risks - Supervisory expectations relating to risk management and disclosure report on institutions' climate-related and environmental risk disclosures (November 2020)

² EBA Discussion paper on management and supervision of ESG risks for credit institutions and investment firms (October 2020)

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NIB's own ecological impact

Managing internal operations

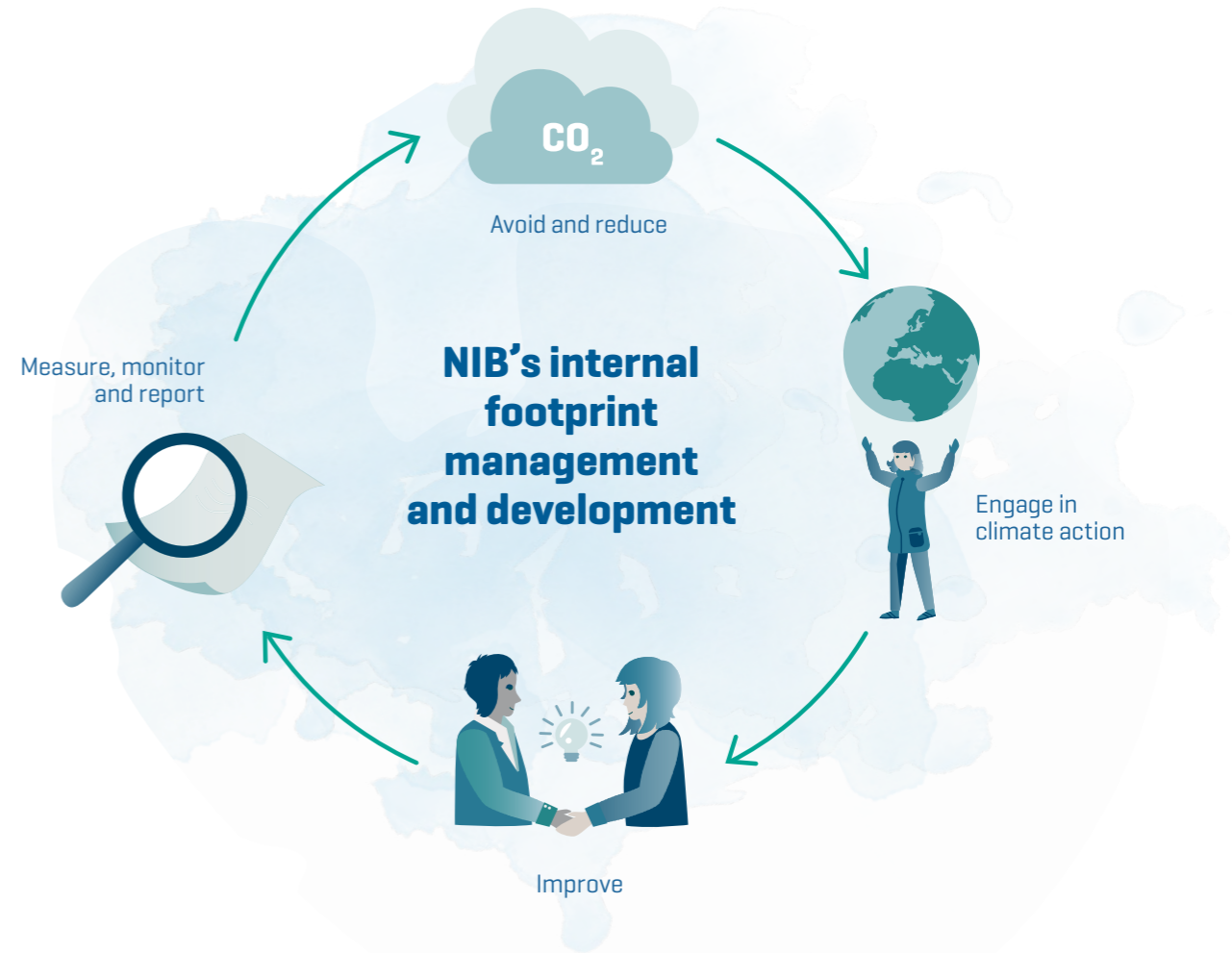
Since the outbreak of the Covid-19 pandemic, NIB has taken actions to protect its staff to ensure safe working conditions and strong business continuity. With regard to the facilities management of NIB's office building at Fabianinkatu in Helsinki, Finland, this has meant reorganising internal services such as cleaning procedures, lunch arrangements and the moving of work stations to safeguard social distancing. These and other efforts made it possible for NIB's office premises to remain open throughout 2020, with a strict maximum office presence, and with most of the staff working remotely.

NIB's main environmental impacts have been identified, and consist of travel and the office premise's energy utilisation and waste. The pandemic had a considerable impact on our internal operations, and we saw a significant reduction in business travel, energy utilisation, the amount of waste and thus our carbon emissions in 2020.

RENOVATION

During 2020, we finalised the NIB office building renovation started in 2015. Besides a complete technical building renewal based on a condition study made in 2012, we also refurbished the interior.

The work has been conducted in accordance with the BREEAM existing building refurbishment standard to the Excellent level. During the renovation, we conducted a workspace study to identify how the premises and facilities were utilised. Based on the results, NIB decided on modern multi-workspace facilities and flexible working solutions to enhance cooperation among staff.



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All office premises have been equipped with automation and presence-controlled LED lighting systems, automated heating, and cooling and ventilation systems working intuitively and efficiently to ensure ideal working conditions for the staff. The new state-of-the-art technical units of our refurbished building enable a more efficient monitoring and reporting of the facilities' functions.

GREEN POWER

In 2020, we continued our path to low-carbon operations, with NIB starting to purchase carbon-free district heating. Since January 2020, district cooling has been carbon-free in the Helsinki region. As NIB already went green in its electricity purchasing seven years ago, our use of electricity, heating and cooling is now certifiably emission-free.

EV CHARGERS

After NIB renewed its company car policy in 2019, we quickly saw an increase in the purchases (including private) of electric vehicles (EV). NIB initially installed 15 EV charging stations in its garage in 2018. In 2020, we increased that number to 30.

NIB owns two company cars used for administrative purposes. One was sold and replaced by a hybrid vehicle in 2018, and the second was switched to a hybrid, pending delivery in 2021.

DIGITALISATION

In 2020, we started several new digitalisation projects. By implementing e-invoicing and other core system tools we expect to enhance our digital archiving and thus reduce paper consumption. The disposing of certain paper archives have temporarily added to the amount of paper waste.

RECYCLING

During the renovation, we renewed most of the furniture. However, some of the old furniture has been restored. The furniture we deemed obsolete has been offered to the staff by organising flea markets. The recycled and sold items consist of cupboards, chairs, tables, lamps, dishwashers, refrigerators, and other household items and kitchenware.

The proceeds from the flea markets were donated to UNICEF to aid children and families adversely impacted by the Covid-19 pandemic.

REMOTE SERVICES

Business travel was suspended in the spring of 2020, with only necessary travel allowed in accordance with the authorities' recommendations. This increased our use of online communication tools such as Microsoft Teams. The pandemic also made it necessary to adapt and change NIB's IT systems and services. We increased the capacity of the Bank's virtual private network, making it possible for our staff to access our IT services remotely.

WORKING ELSEWHERE

In mid-March 2020, most staff started to work remotely. In line with the Bank's business continuity plan, a core group of staff remained in the office to safeguard the most critical business functions and operational systems. To decrease physical contact, the core group worked in three separate and isolated office spaces.

In Finland, the epidemic curve began to drop quickly after the nationwide restrictions had been introduced by the government. By July, the number of new daily cases was close to zero,

and most employees of NIB returned to office work after the summer holidays. However, the first signs of a second wave of the epidemic were observed in mid-August, and we decided to continue with the government's distance work recommendation.

We have provided daily lunches, with a decreased offering, due to fewer staff in the offices.

With fewer staff at the office premises, the new and improved automation system controlling the lighting, heating, cooling and ventilation has demonstrated its functions well. Due to so many of the staff working remotely, we have seen a decrease in the use of energy at the Bank's premises.

During the pandemic, NIB has paid special attention to the health of staff from a wellbeing perspective. NIB wants to support staff ergonomics in working remotely, making chairs, tables and displays available.

CLEANING

Due to the pandemic, we have increased the number of daily cleaning staff. During office hours the cleaners continuously wipe the contact surfaces that people often touch. As a consequence, the amount of cleaning supplies have increased. We are currently in the process of tendering a new contract for cleaning services. The current increase in cleaning needs has provided us with a good insight in how to further evaluate the environmental and sustainability aspects of cleaning. We expect to finalise the process in 2021.

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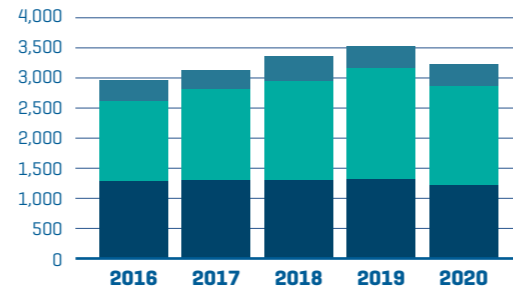
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NIB's direct environmental impact

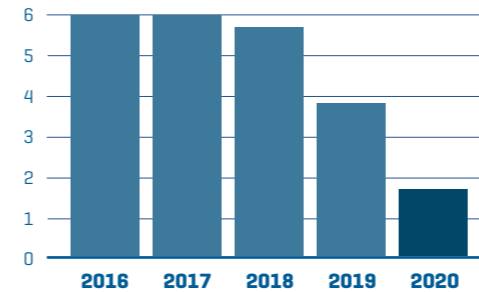
| | 2016 | 2017 | 2018 | 2019 | 2020 | change from previous year % |
|--|-------|-------|-------|-------|-------|-----------------------------|
| Electricity (MWh) | 1,280 | 1,300 | 1,308 | 1,316 | 1,225 | -6.9% |
| District heating (MWh) | 1,348 | 1,535 | 1,654 | 1,864 | 1,657 | -11.1% |
| District cooling (MWh) | 349 | 311 | 430 | 368 | 363 | -1.4% |
| Energy total (MWh) | 2,977 | 3,146 | 3,392 | 3,548 | 3,245 | -8.5% |
| Water (m ³) | 2,738 | 2,990 | 3,576 | 3,293 | 2,171 | -34.1% |
| Paper; copy and printing (tonnes) | 6.0 | 6.0 | 5.7 | 3.8 | 1.7 | -55.3% |
| Business flights (million km) | 4.2 | 4.1 | 4.0 | 3.7 | 0.8 | -78.4% |
| Business flights, CO ₂ (t) | 491 | 443 | 438 | 405 | 93 | -77.0% |
| Recycled paper; office, newspapers, magazines and brochures (tonnes) | 12.0 | 10.1 | 10.1 | 5.1 | 6.2 | 21.6% |
| Other waste (tonnes) | 15.4 | 22.2 | 25.6 | 22.4 | 16.1 | -28.1% |
| - Bio waste | 11.0 | 14.1 | 15.4 | 13.7 | 9.5 | -30.7% |
| - Energy waste | 1.2 | 1.6 | 1.6 | 1.6 | 1.2 | -25.0% |
| - Mixed waste | 3.2 | 6.5 | 8.6 | 7.1 | 5.4 | -23.9% |
| Commuter benefit coupons (signed for in number of persons) | 140 | 156 | 158 | 151 | 158 | 4.6% |

Energy
MWh

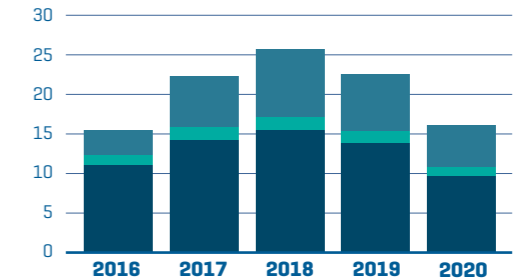


- Electricity
- District heating
- District cooling

Paper; copy and printing
Tonnes



Waste
Tonnes



- Bio waste
- Energy waste
- Mixed waste

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Carbon emissions from internal operations

NIB's most substantial carbon impact arises from its lending operations. However, we believe it is important to work continuously to reduce the carbon impact of our own internal operations. Our aim is to regularly measure, monitor, improve, manage and transparently report our internal carbon footprint and the progress made. You can read about how we do it [here](#).

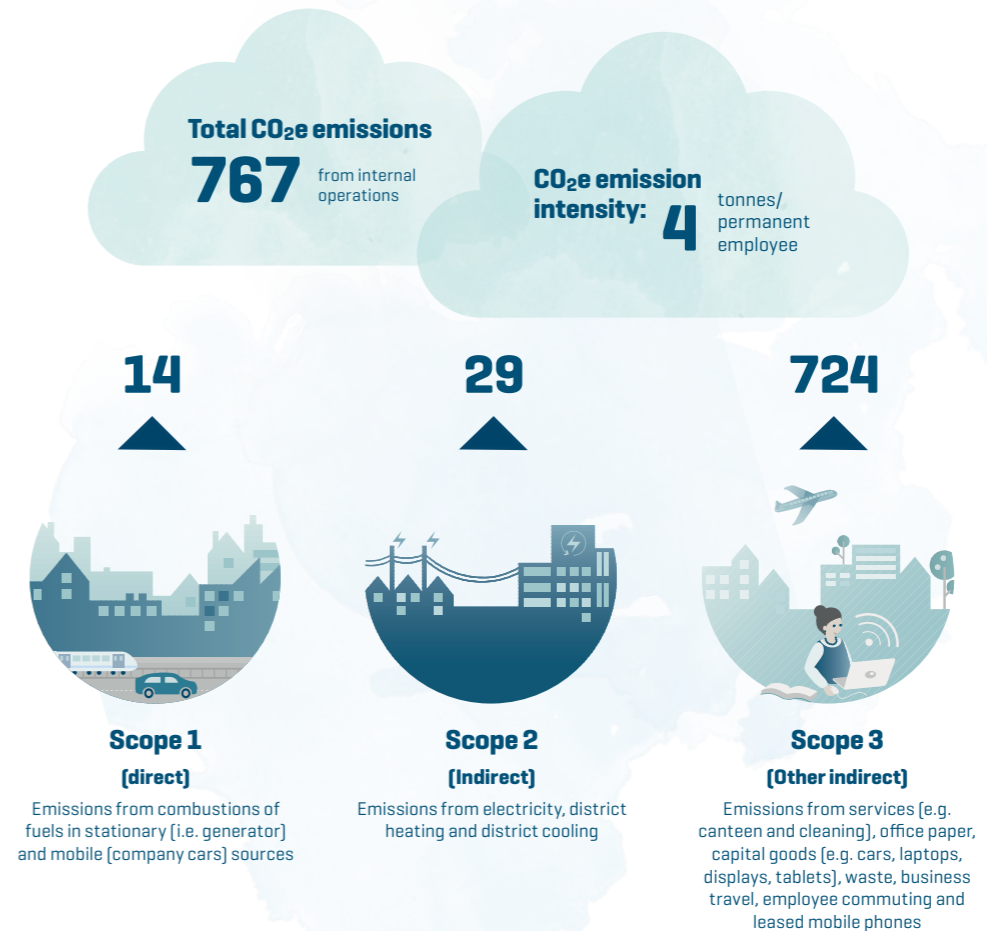
In 2019, we developed a tool that helps us perform extensive carbon footprint calculations for our internal operations. This has helped us identify various actions to reduce our own carbon footprint. We have also calculated our 2018 footprint, which is now the baseline year.

In 2020 our internal carbon footprint was 767 tonnes of CO₂e, decreasing significantly (44%) from 1,378 tonnes in the previous year.

OFFICE BUILDING

One of the actions that significantly contributes to our carbon emissions is the use of energy. Since 2013, NIB has purchased 100% renewable electricity through guarantees of origin.

In 2020, we increased our efforts significantly, and our sources of energy for the offices at Fabianinkatu 34, Helsinki became carbon free. Our offices are now heated with carbon-free recycled heat and are also cooled with carbon-free district cooling. This had a significant impact on our internal carbon footprint, sharply reducing our scope 2 carbon emissions to 29 tonnes in 2020, from 355 tonnes in 2019. We are also



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investigating the possibility of installing photovoltaic cells on our property. We continue to adjust our building automation further to avoid any unnecessary electricity use.

BUSINESS TRAVEL

As an international financial institution, business travel is an unavoidable part of our operations, with flights significantly adding to our emissions. The Covid-19 pandemic has sharply reduced the amount of travel. In 2020, travel constituted only 13% of the Bank's total emissions, compared with 33% in 2019. Before the pandemic, NIB had already built a broadcasting studio

at its headquarters, allowing staff to give online presentations and further reducing business travel.

Concerning our direct carbon emissions, NIB started a process to procure a new hybrid car for administrative purposes. After the procurement, the entire NIB administrative fleet will be hybrid cars.

ENGAGEMENT IN CLIMATE ACTION

We understand that our footprint cannot be entirely avoided. We therefore engage in climate action and volunteer our support to climate projects, both in the NIB's member countries and

in the world's least developed countries. NIB funds projects that reduce greenhouse gas emissions and advance the UN Sustainable Development Goals. In 2020, we compensated tonne by tonne our carbon emissions of 2018 and 2019. We also started to cooperate with Hiilipörssi, a carbon marketplace for the restoration of ditched peatlands in Finland, contributing to biodiversity protection, ecosystem services and climate action.

For details about our carbon emissions and a description of the boundary, scope and calculation methods, see [Sustainability Note—About our internal carbon emissions](#).

NIB's climate action projects support the UN Sustainable Development Goals



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Capital structure

NiB's capital base consists of authorised capital subscribed by its member countries and accumulated profits.

The Bank's authorised capital was EUR 8,368.8 million as of 31 December 2020. The paid-in capital at the end of the year amounted to EUR 845.5 million. The remainder of NiB's authorised capital is subject to call if the Bank's Board of Directors deems it necessary for the fulfilment of the Bank's debt obligations. The Bank's equity consists of the paid-in portion of the authorised capital and accumulated reserves. As of 31 December 2020, the Bank's equity amounted to EUR 3,860.8 million.

Further information on the composition of the Bank's equity is provided in the statement of financial position and the statement of changes in equity in NiB's Financial Report 2020.

NiB's member countries have subscribed to the Bank's authorised capital and guaranteed the special loan facilities mentioned below in proportion to their gross national incomes. The countries' share of the authorised capital is shown on the map of member countries.

In view of the Bank's solid capital position, the high quality of its assets, its sound liquidity and fulfilment of its public policy mandate, the leading international rating agencies, Standard & Poor's and Moody's, have accorded NiB the highest possible

credit rating, AAA/Aaa, for long-term obligations and A-1+/P-1 for short-term obligations. NiB first obtained the highest possible credit rating in 1982. The Bank has continuously maintained this credit rating since then.

MEMBER COUNTRIES

Share of authorised capital and rating by credit rating agencies Moody's and Standard & Poor's as of 31 December 2020.

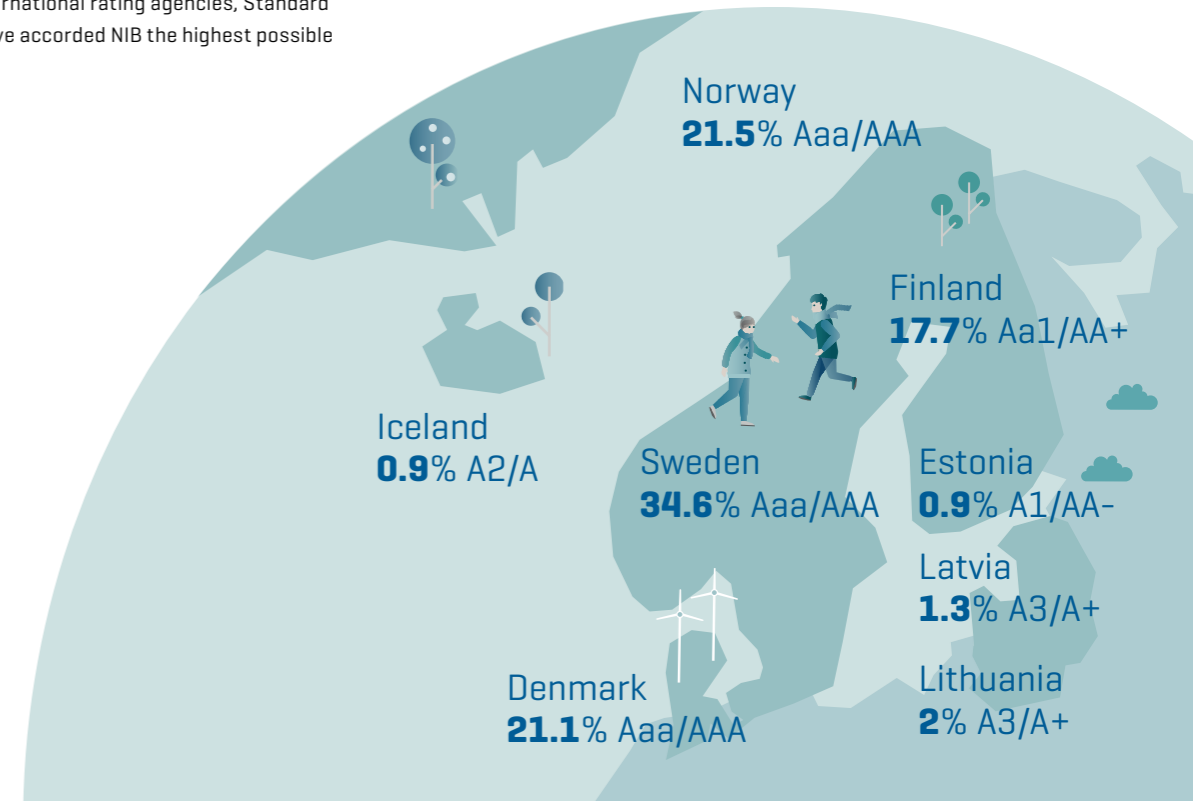
Capital base

% , as of 31 Dec 2020



- Callable capital
EUR 7,523m (66.1%)
- Accumulated general reserves
EUR 3,015m (26.5%)
- Paid-in capital
EUR 846m (7.4%)

Total EUR 11,384m



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INTRODUCTION

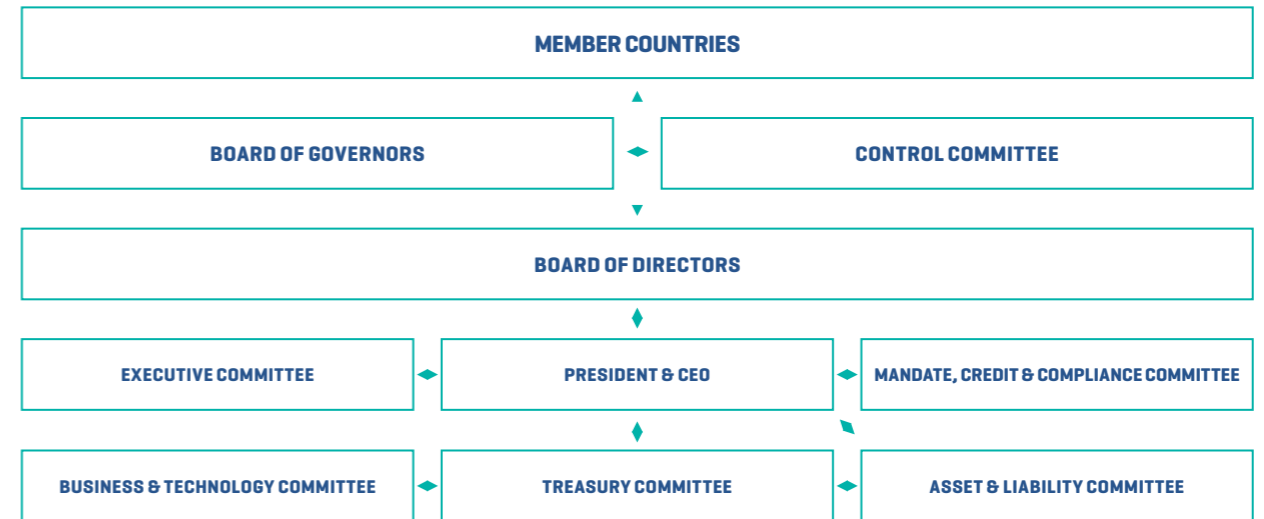
NIB was established as an international financial institution on 4 December 1975 between Denmark, Finland, Iceland, Norway and Sweden by an international treaty. The Bank commenced operations on 2 August 1976. As of 1 January 2005, Estonia, Latvia and Lithuania became members on equal terms. NIB is governed by its constituent documents, which are available [here](#). The constituent documents currently in force include the Agreement concerning the Nordic Investment Bank between its member countries of 11 February 2004 (the "Membership Agreement") and the related Statutes. These entered into force in 2005 and both were last amended in 2020. The constituent documents also include the Host Country Agreement between the Government of Finland and the Bank of 20 October 2010.

NIB's governance structure is set out in the Agreement and the Statutes. The Statutes define the relations between and mandate of the Bank's governing bodies: the Board of Governors, the Board of Directors and the Control Committee. According to the Statutes, NIB also has a President and the staff necessary to carry out its operations.

NIB promotes integrity, transparency, predictability, accountability, responsibility and disclosure as general principles enhancing and furthering good governance. NIB aims to follow best practices in the field of corporate governance.

GOVERNING BODIES OF THE BANK

The governing bodies of the Bank are established pursuant to the Agreement and Statutes and carry out their functions in accordance with their respective Rules of Procedure.



BOARD OF DIRECTORS

The Board of Governors has the powers granted to it in Section 13 of the Statutes. The Board of Governors is composed of eight governors. The Minister designated by it as its Governor represents each member country. The Board of Governors appoints a Chair for a term of one year according to the rotation scheme it has adopted. The Board of Governors holds an annual meeting and such other meetings as deemed appropriate.

Until 31 May 2020, the Governor for Iceland, Bjarni Benediktsson Minister of Finance and Economic Affairs, served as Chair. The Governor for Lithuania serves as Chair until 31 May 2021. This role was taken until 12 January 2021 by Vilius Šapoka

who was Minister of Finance following which the new Minister of Finance of Lithuania Gintare Skaiste was appointed.

The Board of Governors held its annual meeting by written procedure on 26 May 2020.

CONTROL COMMITTEE

The Control Committee is a supervisory body established to ensure that the operations of the Bank are conducted in accordance with the Statutes. It is composed of at least 10 members with the maximum number of members being twelve. The Nordic Council and Parliaments of Estonia, Latvia and Lithuania appoint one member from each country and the

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Board of Governors appoint two to four members including the chair and deputy chair. The members appointed by the Board of Governors are referred to as the Chairmanship and administer the responsibilities and tasks of the full Committee, monitor the Bank’s financial position, risk levels, capital and liquidity position and oversee the performance of the audit of the Bank’s financial statements, carried out by the external auditors. The full Committee focuses on monitoring fulfilment of NIB’s purpose and in particular its mandate and mission. The full Committee and the Chairmanship each deliver a report annually to the Board of Governors concerning their monitoring tasks as set out in the Rules of Procedure. The Control Committee appoints the external auditors to carry out the audit of the Bank’s financial statements.

To enhance its governance, the Control Committee can appoint an independent expert to assist the Chairmanship in financial and audit matters.

The Control Committee holds at least one meeting each year where the annual report concerning the previous financial year shall be examined. The Chairmanship meets independently at regular intervals each year.

In addition to the two ordinary Control Committee meetings, the Chairmanship, currently comprised of Peter Engberg Jensen (Chair) and Toomas Vapper (Deputy Chair), held nine meetings in 2020.

BOARD OF GOVERNORS

All the powers of the Bank that are not vested with the Board of Governors are vested with the Board of Directors. The Board of Directors approves projects to be financed by the Bank and adopts policy decisions concerning the operations of the Bank, in particular the general framework for financing, borrowing and treasury operations and their management. The Board of Directors may delegate its powers to the President to the extent it considers appropriate.

The Board of Directors is composed of eight directors and eight alternates appointed by each member country. The Board of Directors appoints from among its members a Chair and a Deputy Chair for a term of two years according to the rotation scheme adopted by the Board of Governors.

The Board of Directors held nine ordinary meetings during 2020, as well as seven extra online meetings. All ordinary meetings were held online due to the pandemic situation except for the meeting in February. Sven Hegelund (Sweden) served as Chair since 1 June 2018 and chaired the first nine meetings in 2020. Esther Finnbogadóttir (Iceland) took over from 1 June 2020 and chaired the following seven meetings of the Board of Directors. Three separate seminars were held for the Board of Directors.

PRESIDENT

The President is responsible for conducting the Bank’s current operations and is appointed by the Board of Directors for a term of five years at a time.

Since 1 April 2012, Henrik Normann has been the President and Chief Executive Officer of the Bank. The Board of Directors has extended the appointment of Henrik Normann as President and CEO until 31 March 2021.

ADVISORY BODIES TO THE PRESIDENT

The President is assisted and advised by the Executive Committee, the Mandate, Credit and Compliance Committee, the Asset and Liability Committee and the Treasury Committee, which all operate in accordance with their respective Rules of Procedure.

Executive Committee

The Executive Committee assists and advises the President in general management and decision-making concerning NIB,

including all aspects of the performance, policy and financial soundness of the Bank. The Executive Committee consists of the President and Heads of Department as ordinary members. In addition, the Executive Committee has three associate members. The President appoints the ordinary and associate members. The Board of Directors confirms the appointment of the ordinary members. The Executive Committee meets formally approximately twice a month.

In 2020, the Executive Committee held twenty seven meetings. The meetings are ordinarily chaired by the President, who reaches decisions after having consulted the members. The Executive Committee also meets informally at the commencement of every working day.

Mandate, Credit and Compliance Committee

The Mandate, Credit and Compliance Committee assists and advises the President in management and decision-making concerning mandate, credit and related integrity and compliance matters as well as the overall risk culture of the Bank. The Committee is responsible for preparation and decision-making related to certain lending activities and counterparty ratings for lending, treasury and mandate matters. The Committee grants loans within the powers delegated to the President by the Board of Directors and in line with the guidelines and instructions given by the Board of Directors. The President exercises his executive powers concerning lending operations in the Committee. The Mandate, Credit and Compliance Committee is composed of the President and the Head of Lending, the Chief Financial Officer, the Chief Risk Officer, the General Counsel and the Chief Operating Officer. The Mandate, Credit and Compliance Committee is chaired by the President or, in the absence of the President, another member (other than the Chief Risk Officer). The Committee meets at regular intervals every week. In 2020, the Mandate, Credit and Compliance Committee met seventy-nine times.

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Asset and Liability Committee

The Asset and Liability Committee [“ALCO”] is a body established to assist and advise the President in monitoring and steering NIB’s balance sheet and capital adequacy development, and NIB’s risks on an aggregate level. ALCO is composed of the members of the Executive Committee. The President chairs the Committee. The Asset and Liability Committee meets approximately six times a year, but can convene more frequently if necessary. In 2020, the Asset and Liability Committee met eleven times.

Treasury Committee

The Treasury Committee assists and advises the President in the management and decision-making concerning NIB’s Treasury operations, more specifically with respect to NIB’s capital markets (funding) and derivatives activities, asset and liability management, and portfolio management. The Treasury Committee consists of the President, the Chief Financial Officer and a designated risk officer. The President chairs the Committee. The Treasury Committee usually convenes once a month. In 2020, the Committee met ten times.

Other internal committees and councils

In addition to the advisory bodies to the President, the Bank has the following permanent internal committees and councils: the Business and Technology Committee, Business Integrity Council, Trust Fund Committee, the Internal Sustainability Council and the Cooperation Council. The President is not a member of these internal committees and councils but appoints the members (save for staff representatives on the Cooperation Council who are elected by the staff). The internal committees and councils also operate in accordance with their respective Rules of Procedure or other applicable rules.

The Business and Technology Committee prioritises, directs, monitors and governs NIB’s enterprise architecture, change requests and projects to achieve NIB’s strategic goals. The

Committee meets on a regular basis approximately ten times a year. In 2020, the Committee met thirteen times.

The Business Integrity Council aims to enhance the awareness of integrity and corruption risks among the Bank’s staff and stakeholders. The Council deals with both corruption prevention and cases of suspected corruption. The Council generally meets twice a year and gives recommendations to the President for decision-making. In 2020, the Council met one time.

The Trust Fund Committee ensures that the purposes of the trust funds managed by NIB are fulfilled in the most efficient way. The Committee also approves the activity plan of the trust funds as well as proposed allocations from trust funds. The Committee gives its recommendations to the respective donor(s) for their final decision. In 2020, the Committee met fifteen times.

The Internal Sustainability Council aims to strengthen NIB’s sustainability agenda for its in-house activities. The Council has eight members, representing functions dealing with internal sustainability matters. Decisions and action points proposed by the Council are approved by the President. The Council meets at least quarterly and reports to the Executive Committee. In 2020, the Council met three times.

The Cooperation Council aims at increasing the effectiveness of interaction between NIB and the staff and promoting communications and initiatives between NIB and the staff in issues related to working conditions and the work place. The Council consists of four members representing the Bank and four representing the staff. The President appoints the representatives of the Bank while the representatives of the staff are elected by vote. The Cooperation Council meets at least quarterly. In 2020, the Council met four times.

REMUNERATION AND INCENTIVE PROGRAMMES

The Board of Governors determines the remuneration and attendee allowance for the Board of Directors and for the Control Committee. The President’s terms of employment, including

remuneration, are determined by the Board of Directors. The Control Committee approves the remuneration of the external auditors. The principles for the remuneration of staff are set out in the Compensation Regulations approved by the Board of Directors. The Bank applies a fixed salary-based system which reflects the work profile, qualifications, individual competence and the results that NIB expects the employee to achieve as well as a small performance premium programme that rewards excellent and extraordinary performance on a yearly basis.

RISK MANAGEMENT FRAMEWORK

NIB aims to follow relevant international financial sector regulations and best practices in the area of risk management. The Bank has established a risk, capital and liquidity management framework, with high-level statutory requirements stipulated in the Statutes and the Principles for Capital and Liquidity Management, supported by a Risk Appetite Statement [RAS] and an Internal Capital Adequacy Assessment Process [ICAAP].

The Bank’s risk management framework comprises risk policies and procedures formulated for the identification, measurement, monitoring and reporting of risks including a comprehensive limit system for managing the exposure to quantifiable risks. The Bank recognises that effective risk management is based on a sound risk culture, which is characterised, among other things, by a high level of awareness concerning risk and risk management in the organisation. Regular training of staff in risk-related matters is part of the Bank’s risk management practices.

The three-lines-of-defence model provides the basis for NIB’s risk governance. The model aims to provide clear segregation of duties between units that enter into business transactions with customers or otherwise expose the Bank to risk, and units in charge of risk assessment, risk measurement, monitoring and control.

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At NIB the first line business functions, Lending and Treasury, are responsible for managing day-to-day risks within their own operations and activities. Lending is responsible for loan origination and mandate fulfilment in accordance with the Bank's willingness to take risk. Treasury provides support by executing the funding strategy and managing the liquidity as well as balance sheet risks (asset and liability management).

The second line of defence consist of functions that monitor and oversee the risk-taking of the first line functions. At NIB, the Risk & Compliance department acts as the second line of defence. It independently controls the risk positions of the Bank and implements the Bank's risk management related policies and practices as approved by the Board of Directors. The Risk & Compliance department has the overall responsibility for identifying, measuring, assessing, monitoring and reporting on risks across risk types and organisational units. The department is responsible for the Bank's risk models, tools, policies and frameworks (like ICAAP and RAS) as well as the day-to-day monitoring of market, liquidity and operational risks. It also monitors and reports regularly on credit risk at portfolio level and on capital and liquidity adequacy.

The Compliance function belongs to the second line of defence and oversees, coordinates and reports on matters relating to compliance and integrity risks. The Chief Compliance Officer reports to the Chief Risk Officer (CRO), has a dotted reporting line to the President and has unrestricted access to the Chair of the Board of Directors and the Chair of the Control Committee. The activities and mandate of the Integrity and Compliance Office are set forth in the Integrity and Compliance Policy.

The Chief Risk Officer (CRO) heads the Risk & Compliance department and reports to the President. The CRO is a member of the Executive Committee and the Mandate, Credit and Compliance Committee, with the role and purpose to ensure that risk considerations are properly taken into account, to influence

decision-making and, when necessary, challenge decisions that give rise to material risk. The CRO has unrestricted access to the Chair of the Board of Directors and the Chair of the Control Committee. An important objective is to engage the senior management, Board of Directors and the Control Committee in constructive dialogue on key risk issues.

NIB's Internal Audit adheres to international professional standards established by the Institute of Internal Auditors. The task of the Internal Audit function is to provide assurance on the effectiveness of the Bank's internal control, risk management and governance processes, and to make recommendations to the management. Internal Audit provides an independent evaluation of the controls, risk management and governance processes. The Head of Internal Audit reports to the Board of Directors and the Control Committee and works administratively under the auspices of the President. The activities and mandate of the Internal Audit function are set forth in the Internal Audit Charter.

UPDATING OF NIB'S STATUTES

In order to ensure continued adherence to sound banking principles and allow the Bank to maintain its relevance in supporting its member countries, the Board of Directors and the management developed improvements to the Statutes of the Bank. As a result, at its annual meeting on 24 May 2019, the Board of Governors approved substantial amendments to the Statutes. Certain changes also required approval of the member countries and an amendment to the Membership Agreement was agreed and signed on 28 February 2020. This Amending Agreement and the amendments to the Statues came into effect on 29 July 2020.

- The amendments consist of the following:
- replacing the statutory gearing limit with a risk-based comprehensive framework for capital and liquidity management, in accordance with sound banking principles,

and introducing minimum requirements for capital, liquidity and leverage;

- discontinuing the special loan facilities for Project Investment Loans (PIL) and Environmental Investment Loans (MIL). The outstanding amounts under the PIL and MIL facilities have become part of NIB's ordinary lending and new lending of this type will in future also constitute ordinary lending. In addition, the special credit risk fund for PIL has been converted into paid-in capital and the Member countries' PIL guarantees into callable capital. The MIL guarantee has simply been cancelled and not converted to callable capital;
- improving institutional governance, clarifying the role of the Control Committee and the external auditors, and strengthening the role of the Chairmanship of the Bank's Control Committee; and
- allowing for limited equity participation as a new form of financing for the Bank, in addition to loans and guarantees, with the unanimous pre-approval of the Board of Directors.

In addition, more comprehensive provisions regarding capital and liquidity management are included in the Principles for Capital and Liquidity Management approved by the Board of Governors. The Principles provide a framework for NIB's owners, through the Board of Governors, to adjust the general capital and liquidity management principles at NIB, set and adjust quantitative monitoring limits above the minimum requirements in the Statutes, and give direction to the Board of Directors and senior management on the capital and liquidity management at NIB. Sound and comprehensive strategies for capital and risk management allow the Bank to maintain the highest possible issuer credit rating and obtain funds from the capital markets on advantageous terms, which is a key factor for the implementation of its mandate.

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Board of Directors

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ICELAND

Ms Esther Finnbogadóttir
 Chair of the Board
 Elected: 2016
 Attended meetings: 16
 Head of Division,
 Ministry of Finance and Economic Affairs

Alternate
Mr Jón Gunnar Vilhelmsson
 Elected: 2020
 Attended meetings: 5
 Head of Division,
 Ministry of Finance and Economic Affairs

Alternate
Ms Steinunn Sigvaldadóttir
 Elected: 2016
 Attended meetings: 2
 Head of Division, Ministry of Finance
 and Economic Affairs

NORWAY

Mr Ole Hovland
 Deputy Chair of the Board
 Elected: 2019
 Attended meetings: 15
 Director General,
 Ministry of Finance

Alternate
Ms Kristin Langeland Ervik
 Elected: 2020
 Attended meetings: 2
 Acting Assistant Director General,
 Ministry of Finance

Alternate
Mr Sindre Weme
 Elected: 2017
 Attended meetings: 12
 Director, Norges Bank

DENMARK

Ms Julie Sonne
 Member of the Board
 Elected: 2016
 Attended meetings: 13
 Head of Division, Ministry of Industry,
 Business and Financial Affairs

Alternate
Ms Helle Dam Sørensen
 Elected: 2018
 Attended meetings: 7
 Chief Special Advisor, Ministry of Industry,
 Business and Financial Affairs

Alternate
Mr Rasmus Rønne-Ahm
 Elected: 2020
 Attended meetings: 4
 Special Advisor, Ministry of Industry,
 Business and Financial Affairs

ESTONIA

Mr Madis Üürike
 Member of the Board
 Elected: 2005
 Attended meetings: 16
 Advisor,
 Ministry of Finance

Alternate
Ms Merle Wilkinson
 Elected: 2017
 Attended meetings: 14
 Advisor of the State Treasury Department,
 Ministry of Finance

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FINLAND

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| <p>Mr Pekka Morén Member of the Board Elected: 2016 Attended meetings: 16 Director, Ministry of Finance</p> | <p>Alternate Mr Petri Peltonen Elected: 2015 Attended meetings: 14 Under Secretary of State, Ministry of Economic Affairs and Employment</p> |
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LATVIA

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| <p>Ms Līga Kļaviņa Member of the Board Elected: 2019 Attended meetings: 14 Deputy State Secretary on Financial Policy Issues, Ministry of Finance</p> | <p>Alternate Ms Inese Sudare Elected: 2019 Attended meetings: 15 Deputy Director of Financial Resources Department, The Treasury of the Republic of Latvia</p> |
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LITHUANIA

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| <p>Ms Jurgita Uzieliene Member of the Board Elected: 2017 Attended meetings: 16 Deputy Director, EU and International Affairs Department, Ministry of Finance</p> | <p>Alternate Ms Dovilė Jasaitienė Elected: 2013 Attended meetings: 16 Head of the International Affairs Division, Ministry of Finance</p> |
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SWEDEN

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| <p>Mr Sven Hegelund Member of the Board Elected: 2012 Attended meetings: 16 Former State Secretary</p> | <p>Alternate Ms Camilla Kastengren Elected: 2020 Attended meetings: 0 Department Secretary, Ministry of Finance</p> |
| <p>Alternate Mr Björn Fritjofsson Elected: 2019 Attended meetings: 9 Economist, Ministry of Finance</p> | |

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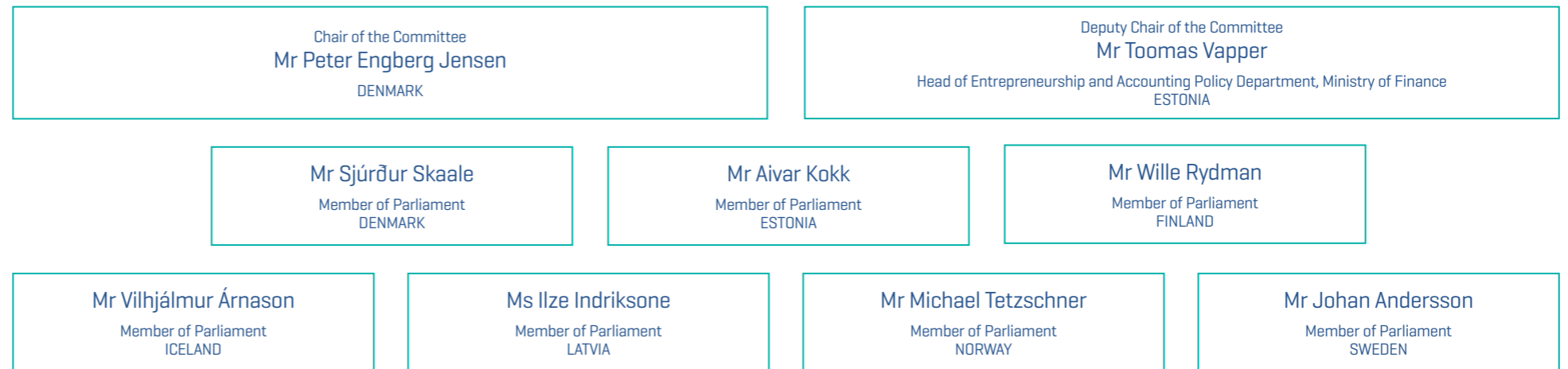
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Control Committee

As of 31 December 2020



Lithuania's appointment of a new member of the Control Committee was pending.

External auditors appointed by the Control Committee

Ms Terhi Mäkinen

Partner, Authorised Public Accountant,
Ernst & Young, Finland

Ms Mona Alfredsson

Partner, Authorised Public Accountant,
Ernst & Young, Sweden

The Control Committee met 2 times in 2020.

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Board of Governors

As of 31 December 2020

Mr Vilius Šapoka
Chair of the Board
Minister of Finance*
LITHUANIA

Mr Simon Kollerup
Minister for Industry, Business and Financial Affairs
DENMARK

Mr Martin Helme
Minister of Finance
ESTONIA

Mr Matti Vanhanen
Minister of Finance
FINLAND

Mr Bjarni Benediktsson
Minister of Finance and Economic Affairs
ICELAND

Mr Jānis Reirs
Minister of Finance
LATVIA

Mr Jan Tore Sanner
Minister of Finance
NORWAY

Ms Magdalena Andersson
Minister of Finance
SWEDEN

*Until 11 December 2020
The Annual Meeting of the Board of Governors was held in according to written procedure by 26 May 2020.

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Sustainability notes

About this report

NIB reports on its activities, impact and sustainability performance on an annual basis. This report covers the period of 1 January to 31 December 2020, which is NIB's financial year. Our previous report covered the 2019 financial year and was published on 11 March 2020.

An independent third party, KPMG, has provided limited assurance on the sustainability information in this report. The scope of the assured information is indicated in the Independent Assurance Report on page 84.

SCOPE OF THIS REPORT

NIB is the international financial institution of the eight Nordic and Baltic countries. The Bank's only office is located in Helsinki, Finland. NIB does not have any subsidiaries.

NIB's main impact stems from its lending to projects that improve the productivity and benefit the environment in its member region as well as in other countries. The Bank's smaller impact arises from the running of its organisation; including its headquarters. NIB therefore reports separately on its own internal impact and on the impact of NIB-financed projects. See page 55 for more information on NIB's internal sustainability management and learn more about NIB's lending-related impact on page 31.

DISCLOSURE IN RELATION TO COMMITMENTS AND INITIATIVES

This report reflects our disclosure in the context of several commitments and initiatives we are participating in.

- NIB's Impact Report 2020 has been prepared in accordance with the [GRI Standards](#): Core option, and includes relevant parts of the GRI G4 Financial Services Sector Disclosure.
- On an annual basis, NIB also reports on the impact of projects financed by the proceeds of [NIB Environmental Bonds \(NEBs\)](#). Learn more about NEB-financed projects on page 38.
- This report partly covers the disclosures recommended by the [Task Force on Climate-related Financial Disclosure \(TCFD\)](#). See the TCFD disclosure index on page 86 for references.
- NIB is reporting on the implementation of the [Principles of Responsible Banking \(PRB\)](#). See the PRB index on page 87 for references.

NIB's annual reporting suite comprises NIB's Financial Report 2020 and this report, both of which are available on our website at [Our year in brief](#).

We welcome any comments, questions or suggestions regarding this report or our performance. Please send an email to info@nib.int



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Sustainability management

NIB works towards a prosperous and sustainable Nordic-Baltic region by providing long-term loans to projects that aim to address current and future challenges. These challenges include the need to facilitate sustainable development and technological innovation, climate change mitigation and adaptation, the development of a circular economy and environmental protection. Hence, sustainability is at the core of NIB’s business model.

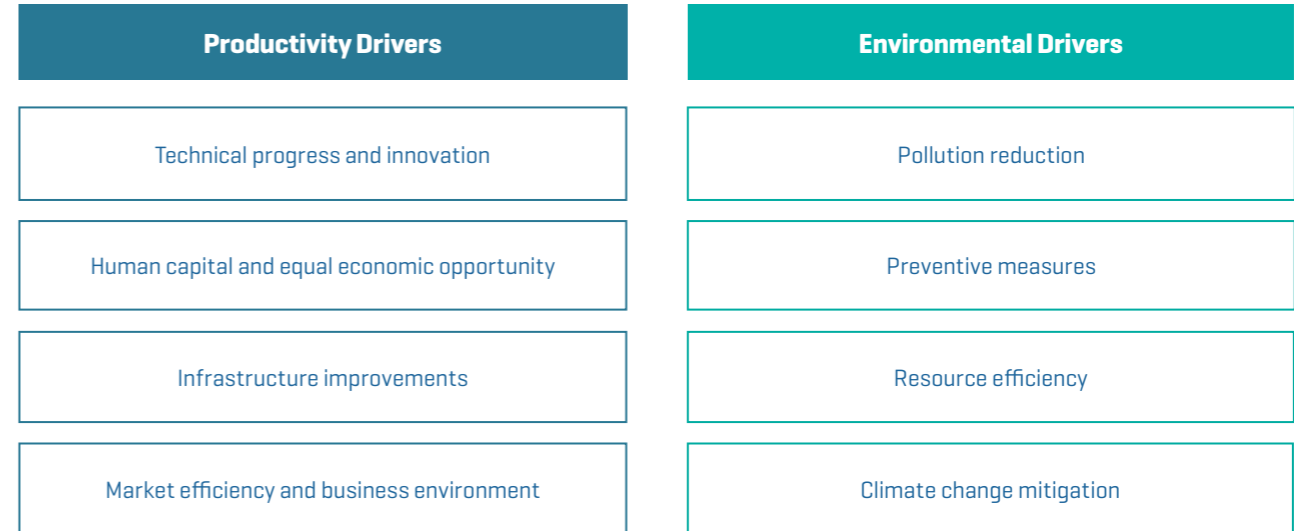
OUR APPROACH TO SUSTAINABILITY

The Covid-19 pandemic significantly impacted the sustainability debate in the Nordic and Baltic countries in 2020. However, it is clear that the long-term issues we are facing have not lost their relevance.

To build resilient, prosperous and well-functioning societies, we need to rethink the way we use environmental, human and financial resources. This shift will require time, coordination and effort. NIB is committed to play its role as an international financial institution and to finance elements of this transition. The Bank also works to further develop and supply financial and investment products that support green investments and enable sustainable economic activities.

Climate change remains one of the most pressing threats of our time, and we recognise that climate-related risks and opportunities affect both our customers and our business strategy. The task at hand is enormous, and will require systematic, well-managed change to achieve. NIB is committed to address the climate challenge in accordance with the Paris Climate Agreement.

DRIVERS OF NIB’S LENDING ACTIVITIES



NIB also recognises the special protected status of the Baltic Sea and its importance for sustainable growth in the Nordic-Baltic region. The Bank therefore finances water management projects that focus on the mitigation of eutrophication, elimination of hazardous substances, improved status of biodiversity and marine safety. Further, NIB also has a focus on the protection of the Arctic region’s nature.

Going forward, the Bank will keep on supporting “dark green” sectors. However, it is equally important to engage with the sectors that are harder to transition. In 2021, NIB will continue to develop on its mandate and further integrate systematic ESG analysis of its counterparties. This will allow NIB to engage in long-term dialogues and transition strategies with clients.

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Yet, the transition to a green economy can also cause social tensions by generating winners and losers, which could potentially indicate a backlash against sustainability. Covid-19 has put further strain on our societies. While NIB has always considered social aspects in its financing, this will become even more relevant for supporting societal equity and wellbeing going forward.

NIB'S POLICY FRAMEWORK

NIB's risk management framework is designed to manage the Bank's risk-taking in the context of its mission and strategy. NIB's risk-bearing capacity builds on careful customer selection, project-by-project mandate review and a thorough credit process. Therefore, financial strength and robust governance contribute to maintaining the Bank's competitive position as well as its strong capital and liquidity position.

NIB's **Sustainability Policy & Guidelines** cover the environmental, social and governance dimensions of NIB's activities. In line with the policy, all projects considered for financing undergo a sustainability review to identify significant environmental and social risks. NIB is committed to consider these risks when making financing decisions. In 2020, NIB started the process of revising its Sustainability Policy to adapt it to the current business environment and the specific challenges the Nordic-Baltic region is facing.

NIB's **Mandate Rating Framework** guides the Bank's economists and environmental analysts in assessing a project's impact on productivity and the environment, and defines the drivers for NIB's lending activities. Mandate rating is a compulsory part of the credit process. The Framework was last revised in 2018, and provides a robust methodology for assessing project-level impact.

Environmental opportunities in projects include resource efficiency, pollution reduction and preventive measures. Projects mitigating climate change are emphasised in particular, and the Bank will finance investments that contribute to the reduction of greenhouse gases, improvement of energy efficiency and promotion of added renewable energy capacity.

Projects contributing to productivity gains are naturally required to comply with NIB's Sustainability Policy & Guidelines to ensure that they are in line with acceptable environmental and social standards. While it is understood that not all adverse impacts of a project can be avoided, NIB requires that they are appropriately reduced, mitigated or compensated for.

The implementation of NIB-financed projects is monitored on an ongoing basis. When a project has reached operating maturity (normally within three years after completion), it receives an ex-post evaluation to assess if adherence to NIB's Sustainability Policy and mandate criteria have been fulfilled. The principles for this process are set out in NIB's **Monitoring and Ex-Post Mandate Assessment Framework**. The process supports NIB in identifying possible areas for improvement in order to increase performance in the future.

To build resilient, prosperous and well-functioning societies, we need to rethink the way we use environmental, human and financial resources. This shift will require time, coordination and effort. NIB is committed to play its role as an IFI and to finance elements of this transition.

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SUSTAINABILITY GOVERNANCE AT NIB

The **Control Committee** is NIB’s supervisory body, and ensures that operations are conducted in accordance with the Bank’s Statutes. The Committee is responsible for appointing the external auditors of the Bank’s accounts and annually reports to the Board of Governors. It also monitors the integrity and compliance practices of the Bank.

NIB’s **Board of Directors (BoD)** approves the Bank’s risk management policies as well as the Sustainability Policy and Guidelines, and has the overall responsibility for overseeing that the Bank operates according to the respective principles, commitments and guidelines. Individual credit proposals are

approved by the BoD. The BoD annually approves the target for the mandate fulfilment of NIB’s overall lending and the target for environmental financing.

The **President & CEO** is responsible for the conduct of the current operations of the Bank and shall follow the guidelines and instructions given by the BoD, as stated in the Statutes. The **Executive Committee** [ExCo] consists of NIB’s senior managers and supports the President in the general management and decision making concerning the Bank. The President and ExCo review and approve the annual mandate fulfilment targets.

The **Mandate, Credit and Compliance Committee** [MCC] is chaired by the President and responsible for decisions on loans,

within the powers delegated to the President by the BoD. In its decision-making about a proposed loan, the MCC considers, among other things, mandate rating and sustainability and integrity issues.

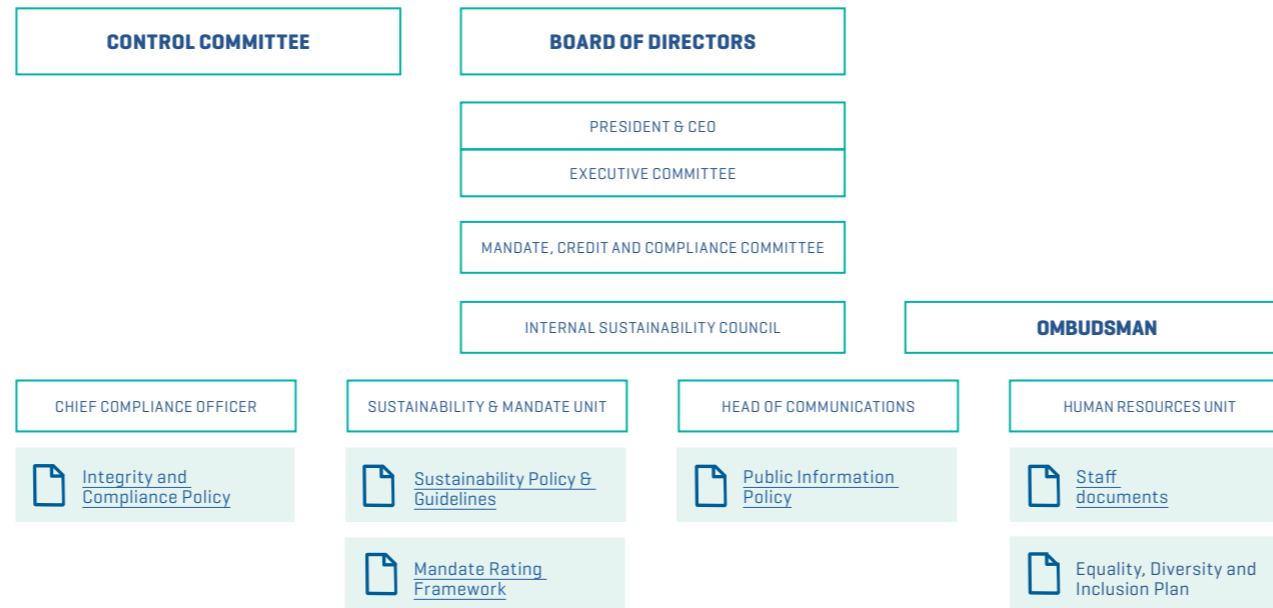
The **Sustainability & Mandate Unit** [SUM] is responsible for the development and regular review of the Sustainability Policy and Mandate Rating Framework. SUM assesses the potential sustainability impact and mandate fulfilment of all projects proposed for financing. The unit oversees that these assessments for credit proposals are performed in line with NIB’s policies, and informs credit decision making in the MCC. The Head of SUM is also an associate member of the Executive Committee and takes part in all ExCo meetings.

The **Internal Sustainability Council** acts as a central reference group for all sustainability matters concerning NIB’s internal operations. The Council is headed by the Head of SUM, and defines annual actions and targets for the Bank’s internal sustainability work. Decisions and action points suggested by the Council are approved by ExCo.

The **Chief Compliance Officer** heads the Bank’s compliance function, the Integrity & Compliance Office, and is responsible for the development, implementation and maintenance of NIB’s Integrity and Compliance Framework, and handles allegations of misconduct in relation to NIB’s policies and procedures. Read more in NIB’s [Integrity Report 2020](#).

NIB’s **Human Resources unit** is responsible for handling all employment-related issues, including matters concerning equality, diversity and inclusion. NIB has an independent Ombudsman, who can be contacted by all staff members and is a means of safeguarding the rule of law within the Bank. Read more about Working at NIB.

As defined in NIB’s Public Information Policy, the **Head of Communications** is responsible for communicating NIB’s sustainability performance and impacts.



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Stakeholder dialogue

As the international financial institution of the Nordic and Baltic countries, NIB engages with a wide variety of stakeholders. As defined in our Public Information Policy, our main stakeholders are our staff, customers, investors, political decision-makers and public administrations, non-governmental organisations, the media, and the general public in the Nordic and Baltic countries.

STAKEHOLDER ENGAGEMENT IN A REMOTE ENVIRONMENT

It is important for NIB to be aware of our customers' evolving needs, and we continuously aim to improve our understanding of their expectations towards us. Similarly, keeping our investors informed of our activities is a main priority.

The coronavirus pandemic and the resulting lockdown, remote working environment and travel restrictions significantly impacted the way we engaged with our stakeholders in 2020. In face of these restrictions, maintaining the dialogue was crucial.

In our latest stakeholder survey (2018), lending customers and investors signalled an appreciation for bilateral contacts with NIB. While client visits and roadshows were not possible for most of 2020, regular online meetings, phone calls and webinars were organised.

Throughout the year, our sustainability analysts continued to assess and monitor projects, and held web-based meetings with clients. Site visits had to be postponed, but virtual tours are being considered as an option in the future.

NIB also continued to take part in online seminars and panel debates on global trends and on issues that are specifically relevant for the Nordic-Baltic region.

For NIB employees, who moved to remote working in March, regular webcasts were held to give updates on the Bank's performance and business continuity. Internal webpages informing about the pandemic situation, remote working provisions, and health and safety were launched.

ONGOING COMMUNICATION ABOUT OUR ACTIVITIES

As described in [NIB's Public Information Policy](#), the Bank discloses information on all agreed loans on its website. This includes information on the borrower, the loan sum, the loan maturity and a project description. The projects' compliance with the Bank's mandate is published as well. More detailed information on these loans can be found under [Agreed loans on our website](#).

Further, we communicate information about our Funding activities and the bonds we issue. On an annual basis, we report on the impact of projects financed by the proceeds of NIB Environmental Bonds.

NIB also publishes regular newsletters informing interested parties about the Bank's activities.

Category A projects

Loan projects with potentially negative social or environmental impacts are classified as Category A projects. These projects are required to undergo a full environmental impact assessment (EIA). The EIAs are published on NIB's website for public comment for a period of 30 days. This is one way for stakeholders to give comments and voice their opinions on projects before the Bank makes a decision on financing. Communication is managed via the email address info@nib.int.

In 2020, NIB published information about six Category A projects, and received no responses. NIB eventually signed loan agreements for three of these projects during the year.

Reporting misconduct, corruption and non-compliance

Anyone suspecting misconduct or any other type of prohibited practice (corruption, fraud, coercion, collusion, theft, obstruction, money laundering, and terrorist financing) having occurred in connection with NIB-related activities is encouraged to report this allegation to the Bank's Integrity & Compliance Office.

This can be done by submitting the relevant contact forms (available in English and in the eight Nordic and Baltic languages on NIB's website) to NIB's Chief Compliance Officer or by contacting NIB via email or by phone. Reports can be made anonymously, and the Bank's Code of Conduct for the Staff and the Speaking up and Whistleblowing Policy grant protection for whistle-blowers. More information is [available on NIB's website](#).

Stakeholder surveys

Every three years, NIB conducts a comprehensive stakeholder survey among its lending clients, investors and political decision-makers of the Nordic-Baltic region. The surveys aim to improve NIB's understanding of what our key target groups expect from us, and where their interests lie. The most recent survey was carried out in 2018, and the next survey is scheduled for 2021. Read more in [Defining what matters](#).

NIB also conducts regular work engagement surveys among its staff. The purpose of the surveys is to get feedback on the work environment and the management, as well as individual motivation and well-being.

The most recent survey was carried out in March 2018. A shorter survey on "working under changed conditions" was carried out in May 2020, to gather feedback on NIB's remote working provisions and the working environment during the Covid-19 outbreak. The next full-scale work engagement survey will be carried out in 2021. Read more in [Working at NIB](#).

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| | KEY STAKEHOLDERS | MODES OF INTERACTION | 2020 ACTIVITY EXAMPLES |
|--|--|--|---|
| Customers | Private and public companies, institutions, municipalities, sovereign countries, banks and other IFIs | Online meetings, webinars, newsletters and press releases, social media, other correspondence | <ul style="list-style-type: none"> 59 new loans signed EUR 1,470 million disbursed in Covid-19 response loans SMEs reached via seven new loans disbursed to financial institutions |
| Investors | Central and commercial banks, pension and insurance funds, asset managers and government entities | Online meetings, investor events, newsletters, webinars, other web-based communication | <ul style="list-style-type: none"> Two USD benchmark bonds issued Two NIB Environmental Bonds issued Two NIB Response Bonds issued Virtual roadshows |
| Political decision-makers and public administrations | State representatives in Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden, as well as other selected countries where NIB operates | Our owners govern NIB via representatives on the Board of Governors (BoG), Board of Directors (BoD) and Control Committee (CC). | <ul style="list-style-type: none"> The BoD held sixteen meetings. All meetings, except one in February, were held online. The CC held two meetings. |
| NGOs | Non-governmental organisations raising awareness on environmental protection and social aspects | <p>Publishing information on signed loans</p> <p>Inviting comments to loan projects with potentially extensive environmental impacts, known as Category A projects</p> | <ul style="list-style-type: none"> Contributions to NGOs working to protect the Baltic Sea in the form of expertise and donations Publication of information about six Category A projects |
| Media | Mainly the financial media | Press releases, newsletters, emails and phone interviews with press representatives | <ul style="list-style-type: none"> Press releases on agreed loans Interviews with NIB's directors and experts Answering questions from the media Offering background information to journalists |
| General public | Anyone interested in NIB's operations | Meetings, website, newsletters, press releases, online annual reports, social media | <ul style="list-style-type: none"> Staff giving presentations about NIB and its mission at various events, to student groups & NGOs Dialogue via info@nib.int |
| Staff | NIB is headquartered in Helsinki and had a total of 222 employees at year-end 2020. | Meetings, intranet, staff plenum, work engagement surveys, induction for new employees, in-house training | <ul style="list-style-type: none"> Webcasts for the staff Internal seminars and training Regular Cooperation Council meetings |

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Cooperation

NIB cooperates with other international financial institutions and organisations to develop sound, coordinated and effective ways of promoting sustainable finance. In this context, the Bank participates in a number of international and regional forums to develop common standards and principles for greening the financial system.

Here is a list of NIB's main external initiatives and engagements between 2006–2020:

- In June 2020, NIB was re-elected as member of the Executive Committee of the Green Bond Principles (GBP) and Social Bond Principles (SBP). [The "Principles"](#) are a voluntary set of guidelines that promote the integrity, transparency and development of the green bond market. NIB was first elected member of the GBP's Executive Committee in June 2016. During 2018–2020, NIB acted as chairman of the Committee. NIB is one of the coordinators of the Q&A Guidance Handbook and contributes to various work streams, such as the core Impact Reporting working group.
- In 2020, NIB joined Phase II of the [UNEP-FI TCFD banking pilot project](#) with 38 other global financial institutions. The

programme focused on the identification, assessment and management of climate risks and opportunities.

- In 2019, NIB took part in the consultations of the [EU Technical Expert Group on Sustainable Finance](#) (TEG), which was set up by the European Commission to assist it in developing a unified taxonomy for sustainable economic activities, an EU green bond standard, and methodologies for low-carbon indices and metrics for climate-related disclosure.
- NIB joined the [Network for Greening the Financial System](#) (NGFS) as an observer in 2019. The NGFS is composed of central banks and financial supervisors. Its purpose is to help strengthen the global response required to meet the goals of the Paris Agreement.
- NIB signed the [Principles of Responsible Investment](#) (PRI), the [Principles for Responsible Banking](#) (PRB) and the [Task Force on Climate-related Financial Disclosures](#) (TCFD) in December 2019.
- Since 2013, NIB applies the [International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting](#). CO₂ estimates are an important parameter in assessing a project's eligibility for financing under the Bank's environmental mandate. In 2015, IFI working groups developed sector specific accounting

principles for renewable energy, energy efficiency and the transportation sector on the basis of the harmonised approach to project-level greenhouse gas accounting.

- NIB works together with the [Baltic Marine Environment Protection Commission](#), also known as HELCOM, to develop common environmental objectives and actions for the Baltic Sea.
- The Bank also participates in the Multilateral Financial Institutions' Working Group on Environmental and Social Standards (MFI-WGESS), a platform for MFIs to work together on issues related to responsible financing and sustainable development.
- Since 2006, NIB is signatory to the [European Principles for the Environment](#) (EPE) concerning environmental management in the financing of projects.

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How we calculate impact

GENERAL PRINCIPLES

Impacts of financed projects are estimated ex-ante (before the event) according to a set of environmental and other sector-specific indicators in line with harmonised impact reporting approaches agreed with other international financial institutions (IFI's) under the Green Bond Principles¹. NIB finances projects in various stages of completion, therefore the ex-ante impact reflects information available to NIB at the time of the agreed loan. NIB bases the ex-ante impact estimates on the information provided by the client and on information available to NIB in official public data sources. When possible, the data provided by the client is benchmarked to similar NIB-financed projects and verified using relevant sources. If the initial data provided to NIB is expressed as a range of estimate, the conservative end of the range is used for the purpose of impact reporting. The ex-ante impact estimates are not updated during the project execution or after completion. For projects in which it is not possible to come up with meaningful impact estimate, the impacts are not reported.

NIB reports reduced emissions based on direct reductions within the project financed, or alternatively indirect emission reductions in comparison with a baseline or an alternative reference scenario. Should a project partly replace existing

capacity or directly impact on the operation of other production units, only the difference in impact is reported. Aggregated impacts are pro-rated to NIB's share of financing, i.e. disbursed loan amount compared to the total project cost.

ENERGY GENERATION AND ENERGY EFFICIENCY

Estimates for energy generation are provided by clients or are based on public documentation. For intermittent renewable energy generation (e.g. wind power), the P90 estimate is used to mitigate uncertainty on the final generation and connected impact.

Changes in energy use are estimated based on comparison of before and after investment, or using relevant baselines or alternative reference scenarios.

Greenhouse gas calculations are based on the Harmonized Approach to Greenhouse Gas Accounting, agreed with other IFI's and coordinated by UNFCCC². The EU grid emission factor for electricity, calculated as a combined margin (combination of built and operating margin), is used. For thermal energy, emission factors for the specific district heating system are utilised for calculation of changes in emissions.

For comparison of added renewable energy with the average annual energy use in single-family houses, an assumption of

25 MWh/yr is applied. This assumption is conservative and based on different statistics for the Nordics³. Comparison of greenhouse gas savings with the carbon footprint per capita are based on Eurostat on "Greenhouse gases (CO₂, N₂O and CH₄ in CO₂ equivalent)" for the NIB member countries (excluding Iceland)⁴.

TRANSMISSION AND DISTRIBUTION OF ENERGY

Impacts describing the investments into electricity networks are expressed as kilometres of networks. The number includes both distribution and transmission networks including overhead lines and underground cables. Both extension and replacement of existing cables is accounted for. Renewable energy connected to the grid is expressed as connected capacity, or where feasible, as transmitted energy. Greenhouse gas savings are reported only for projects where energy is saved or recovered directly within the system as such, not for indirect benefits arising from transmitted renewable energy.

TRANSPORTATION

Estimates for changes in transportation modes are expressed as transport kilometres for persons or tonnes of freight and the associated greenhouse gas savings assuming that equivalent fossil fuel based transports are replaced. The transport

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estimates are based on modelling conducted by the client. To validate client data and, or when client data is not available, NIB uses the Network for Transport Measures database⁵, or equivalent data sources for estimating greenhouse gas savings.

WATER MANAGEMENT AND PROTECTION

The main indicator for wastewater projects is the added or upgraded treatment capacity presented as population equivalents (PE). One PE approximately equals the pollution load in household sewage produced by one person. The value of one PE expressed as biochemical oxygen demand is 60-70 grams of oxygen per day (BOD5 or BOD7), depending on the applicable national standards for wastewater treatment. Projects include expansion of existing wastewater treatment capacity or replacement of less efficient wastewater treatment solutions, e.g. by connection of households to centralised plants or refurbishment of wastewater treatment.

Reduction of nutrient discharges due to upgraded wastewater treatment are based on comparison of nutrient load before and after investment, taking into account changes in treated wastewater flow and treatment efficiency.

GREEN BUILDINGS

Indicators for green buildings include gross floor area constructed, certification level and progress, and estimates for own carbon-neutral energy generation (solar or geothermal). These are provided by the client based on technical planning documents available at the time of project assessment. In terms of green building certification, initial certification scorecards are usually reviewed to confirm that the set certification level is achievable. For new green buildings, NIB does not report energy savings compared to energy use levels in national building code.

HEALTHCARE INFRASTRUCTURE

Impacts describing the investments into healthcare infrastructure are expressed in number for persons affected by the infrastructure, when a possible number of people living in the potential catchment area of the healthcare facilities is provided by the client. To validate client data, or when client data is not available, data on people living in the catchment area is obtained from official public source (e.g. national statistical office).

LIMITATIONS

There are categories of projects and investments for which this impact reporting methodology does not apply and where a more limited set of impacts are reported, if any. These categories include e.g. onlending via financial intermediaries, the lending green bond purchase programme, and NIB's Response Loans.

¹ [Impact Reporting](#), International Capital Market Association

² [IFIs - Harmonization of Standards for GHG accounting](#), UNFCCC

³ Assuming 120 m² older house with electric heating and 4 residents. Sources: [Energy statistics for one- and two-dwelling buildings in 2016](#), Swedish Energy Agency; [Energy consumption in households](#), Statistics Norway; [Comparison calculator for the heating options of detached houses](#), Motiva, Motiva

⁴ [Air emissions accounts totals bridging to emission inventory totals](#), Eurostat

⁵ [Network for Transport Measures](#)



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About our internal carbon emissions

We report our emissions according to the Greenhouse Gas Protocol’s Corporate Accounting and Reporting Standard as well as the complementing Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

The calculations of Scope 1-3 include the following sources:

- **Scope 1** is combustion of fuels in stationary sources and combustion of fuels in company owned/controlled cars.
- **Scope 2** is purchased electricity, purchased heat and purchased cooling.

Scope 3 takes into account the upstream emissions from purchased goods and services, capital goods, fuel and energy related activities (not included in the Scope 1 and 2), upstream transportation and distribution, waste, business travel, employee commuting and upstream-leased assets.

Carbon emissions from electricity in the table below are disclosed both location-based and market-based. Market-based takes into account the purchase of Guarantees of Origin. All emissions are stated in tonnes of CO₂-equivalent (CO₂e).

NIB’s investments are excluded from the internal footprint results, as their impact has been calculated separately. Furthermore, the procurement of consultancy services and the 2020 renovation at the NIB headquarters are excluded from the calculation, due to the lack of emission data from ongoing activities.

NIB’s baseline year for the CO₂ calculations is 2018. As NIB does not publish any targets around CO₂ emissions, our main focus in this report is on the changes we registered during 2019 and 2020.

SUSTAINABILITY NOTE - INTERNAL CARBON EMISSIONS

| | NOTE | UNIT | 2018 | 2019*** | 2020 |
|--------------------------------------|------|----------------|--------|---------|--------|
| GENERAL INDICATORS | | | | | |
| Net internal area of offices covered | | m ² | 18,488 | 18,488 | 18,488 |
| Amount of permanent employees | | | 199 | 202 | 193 |

| | NOTE | UNIT | 2018 | 2019*** | 2020 |
|---|----------|--------------------|--------------|--------------|--------------|
| ENERGY CONSUMPTION | | | | | |
| Total energy consumption (NIB headquarters) | 1 | MWh | 3,392 | 3,548 | 3,245 |
| Electricity | | MWh | 1,308 | 1,316 | 1,225 |
| Change in electricity consumption compared to previous year | | MWh | 8 | 8 | -91 |
| Renewable electricity percentage | | % | 100% | 100% | 100% |
| District heating | | MWh | 1,654 | 1,864 | 1,657 |
| District cooling | | MWh | 430 | 368 | 363 |
| Carbon free heating and cooling | | % | 0% | 0% | 100% |
| Total energy consumption / m ² | | kWh/m ² | 183 | 192 | 176 |
| Total energy consumption / permanent employee | | MWh/employee | 17 | 18 | 17 |

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| | NOTE | UNIT | 2018 | 2019*** | 2020 |
|--|------|-------------------------|--------------|--------------|------------|
| SCOPE 1: DIRECT GHG EMISSIONS (TCO₂-EKV)* | | | | | |
| Emission from NIB facilities | 2 | Tonnes | 5 | 9 | 10 |
| Emissions from NIB fleet | 3 | Tonnes | 6 | 7 | 4 |
| Scope 1 GHG emissions | | | 11 | 16 | 14 |
| SCOPE 2: ELECTRICITY INDIRECT GHG EMISSIONS (TCO₂-EKV) | | | | | |
| Electricity, market-based, Headquarters | 4 | Tonnes | 0 | 0 | 0 |
| Electricity, market-based, other own real estates | 5 | Tonnes | 18 | 18 | 14 |
| Electricity, market-based, total | | Tonnes | 18 | 18 | 14 |
| Electricity, location-based, Headquarters | | Tonnes | 171 | 172 | 161 |
| Electricity, location-based, other own real estates | | Tonnes | 8 | 8 | 7 |
| Electricity, location based, total | | Tonnes | 179 | 181 | 168 |
| Heating, Headquarters | 6 | Tonnes | 275 | 294 | 0 |
| Heating, other own real estates | | Tonnes | 20 | 16 | 15 |
| Heating, total | | Tonnes | 295 | 310 | 15 |
| Cooling, Headquarters | | Tonnes | 31 | 26 | 0 |
| Cooling, total | 7 | Tonnes | 31 | 26 | 0 |
| Scope 2 GHG emissions (market-based) | | Tonnes | 343 | 355 | 29 |
| Scope 2 GHG emissions (location-based) | | Tonnes | 505 | 518 | 183 |
| SCOPE 3: OTHER INDIRECT GHG EMISSIONS (TCO₂-EKV)** | | | | | |
| Purchased goods and services | 8 | Tonnes | 216 | 220 | 304 |
| Capital goods | 9 | Tonnes | 74 | 78 | 102 |
| Fuel- and energy-related activities not included in Scope 1 or Scope 2 | 10 | Tonnes | 93 | 97 | 82 |
| Waste generated in operations | 11 | Tonnes | 1 | 1 | 1 |
| Business travel | 12 | Tonnes | 482 | 449 | 100 |
| Employee commuting | 13 | Tonnes | 30 | 30 | 17 |
| Upstream leased assets | 14 | Tonnes | 137 | 132 | 118 |
| Scope 3 GHG emissions | | Tonnes | 1,033 | 1,007 | 724 |
| Scopes 1-3 GHG emissions | | Tonnes | 1,388 | 1,378 | 767 |
| GHG INTENSITIES AND MISCELLANEOUS GHG INFORMATION | | | | | |
| Total Scope 1-3 GHG emissions / permanent employee | | Tonnes/employee | 7.0 | 6.8 | 4.0 |
| Total Scope 1-3 GHG emissions / m ² | | Tonnes / m ² | 0.075 | 0.075 | 0.041 |
| Change in GHG emissions compared to baseline year [2018] | | % | - | -1% | -45% |

* Scope 1, 2 and 3 calculation is based on the Greenhouse Gas Protocol's Corporate Accounting and Reporting standard as well as the complementary Corporate Value Chain (Scope 3) Accounting and Reporting Standard. For more information about the standards, see: <https://ghgprotocol.org/standards>.

** The calculations do not include NIB's investments.

*** 2019 calculation corrected in January 2021 with regards to heating and emissions from NIB fleet.

1 Energy consumption figures relate to NIB headquarters.

2 Emission from NIB's own reserve generator, from which the annual fuel consumption data is collected.

3 The NIB car fleet includes fully owned company cars. NIB has no equipment with cooling agents, so this is excluded.

4 NIB headquarters purchases renewable energy that has the Guarantee of Origin.

5 The calculations include NIB's other facilities.

6 In 2020, the HQ's district heating is based on waste heat.

7 District cooling is the only source of cooling. In 2020, the HQ's cooling is generated by renewable energy sources.

8 The calculations include water and wastewater, canteen, cleaning services and greenery services, and office paper purchases. Data is collected in various ways, using CO₂ per product from suppliers, volumes [t, m³] or the spent-per-product [EUR] category. Some categories are more specific and are based on mass/volumes/pieces. Most are services (e.g. consultant work) and some are hardware.

9 The calculations include purchased cars, copying machines, laptops, displays and tablets. Data is collected in various ways, using CO₂ per product from suppliers, volumes [t, m³] or the spent-per-product [EUR] product category.

10 All sources included and calculation are based on Scope 1 and 2 data.

11 Waste sources from NIB headquarters is included.

12 Flights, hotel stays and taxis included. Service providers provide the data on transport mode, KM and volume [t].

13 Employee commuting estimated in 2018 based on average data from Henkilöliikennetutkimus 2016.

14 The calculations include leased properties and leased IT hardware.

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Defining what matters

This chapter describes our process for identifying the material topics we are reporting on in 2020. This report has been prepared in accordance with the GRI Standards: Core Option. It also includes disclosures from GRI's Financial Sector Supplement.

The aim of our materiality process for this year was to understand what is expected from NIB as a financier of a more prosperous and sustainable Nordic-Baltic region, especially in times of economic crisis. Further, we have sought to deepen the dialogue with our staff to understand and match their expectations of NIB as an employer in a changing work environment.

NIB'S STRATEGY

NIB's wider strategy as the international financial institution (IFI) of the Nordic-Baltic countries is to add value and complement commercial lending to support sustainable development.

By providing long-term loans, NIB intends to be a reliable source of funding for its customers and to make a lasting impact on the productivity and the environment of the region. All financed projects are reviewed from a sustainability perspective. This way, NIB aims to address challenges such as declining productivity in advanced economies and the impact of climate change, as well as the need to facilitate resilient growth and environmental protection. Further integration between the member countries' economies is an essential aspect of the Bank's purpose.

GLOBAL TRENDS AND EXPECTATIONS IN 2020

The coronavirus outbreak shaped our sustainability context in 2020. The pandemic exposed vulnerabilities in the global economy and in supply chains. It also highlighted the potentially significant financial impact that non-financial risks can have on businesses and societies. This gave reason for new reflections on the societal role NIB plays.

As an IFI jointly owned by the Nordic and Baltic countries, NIB can support its owners and customers in times of crises.

In [an official statement issued in March](#), the Nordic-Baltic finance ministers, who are the Governors of the Bank, invited NIB to take swift action to help alleviate the impact of the coronavirus pandemic and to support the stabilisation of the economy in the member countries. The Governors urged NIB to increase lending to sustainable businesses facing short-term liquidity problems and to provide loans to financial intermediaries for on-lending to small and medium-sized companies.

These response measures were supported by the recent changes in the Bank's Statutes, effective as of July 2020. The statutory changes expand NIB's financing capabilities and increase the Bank's flexibility. Read more about NIB's corona response and the statutory changes in the [Report of the Board of Directors](#).

INSIGHTS FROM STAKEHOLDER SURVEYS

For the preparation of this report, we drew on the results of the following stakeholder engagement exercises:

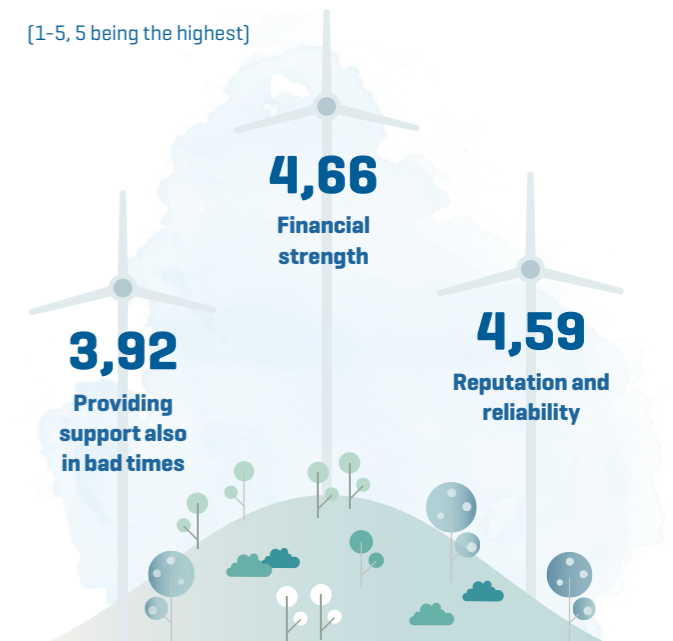
Stakeholder survey 2018

NIB actively and regularly seeks feedback from key target groups on their awareness of the Bank and its reputation, its performance regarding its mandate, and added value.

The most recent stakeholder survey was carried out in 2018. A total of 108 interviews were conducted with lending customers, investors and public authorities. NIB's external partner for conducting the survey was Deloitte. The goal of the survey

NIB'S ADDED VALUE

[1-5, 5 being the highest]



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was to gain insights into relevant issues and future trends. We asked stakeholders to prioritise among NIB’s focus areas and activities, and to give feedback on potential new opportunities. Respondents were also provided with a list of sustainability-related topics that are considered to reasonably reflect NIB’s impact, and were asked to rank the topics according to their importance in relation to the Bank’s mission and their own needs. Open responses were counted as well.

With respect to NIB’s value added, stakeholders highlighted the Bank’s financial strength and its reputation and reliability. Lending clients and public authorities appreciated NIB’s ability to provide support also in bad times. The results also reflect the increasing importance of sustainability. Across all respondent groups, NIB’s mandate was seen as one of the Bank’s most important areas of added value.

Our next stakeholder survey is scheduled for 2021, and is expected to deliver more mature insights into the impact the corona crisis had on our clients’ needs and their expectations towards NIB.

Work engagement survey 2018

NIB periodically conducts a work engagement survey among its staff. The purpose of this survey is to collect feedback on issues related to the work environment, management, and well-being at work. The most recent survey was carried out in March 2018. NIB’s partner for conducting the survey was HR4 Promenade. A total of 183 answers were received, which constitutes a response rate of 90% of all staff members.

The survey results highlighted staff’s appreciation for team work and the sense of purpose found in working for an IFI with a sustainability mandate. Respondents also emphasised the self-development opportunities found in their work and offered by NIB.

For this materiality analysis, the results of the 2018 work engagement survey were supplemented by the results of a shorter staff survey on “working under changed conditions” due to the coronavirus outbreak, conducted in May 2020. The survey’s

aim was to get feedback on NIB’s remote working provisions and management of occupational health and safety, as well as on measures taken to maintain operational efficiency and a positive work environment. Read more in [Working at NIB](#).

The next work engagement survey will be carried out in 2021, and will contain additional questions on NIB’s strategy and business continuity management during the corona crisis.

Board of Directors Survey 2020

This year, we also carried out a survey among our eight Board members and their alternates to gain insight into the Board’s views on NIB’s reporting. We received seven responses. The Board, which is another key internal stakeholder group for the Bank, highlighted NIB’s role in addressing the economic impact of the Covid-19 pandemic, the changes to NIB’s statutes and climate change as the most important issues to report on for 2020. Read more in the [Report of the Board of Directors](#).

More information on our stakeholder engagement can be found in [“Stakeholder dialogue”](#).

THE MOST MATERIAL TOPICS

We have identified the material topics we are reporting on by analysing the results of the stakeholder engagements outlined above in conjunction with NIB’s own strategy and the sustainability context of 2020. The process confirmed the long-term relevance of the topics we had already identified in our previous reports. The topics are interconnected, and it is crucial for NIB to keep them in focus.

While Covid-19 dominated the discourse this year, it also became apparent that global health does not exist in isolation of other challenges. The pandemic raised questions on how remedial actions can contribute to achieving broader policy goals that aim to increase resilience. This includes sustainable development and climate change-related risks and opportunities, which were identified by our stakeholders as a priority issue for NIB’s lending.

In addition, our counterparties have acknowledged the financing of well-functioning infrastructure as another priority for NIB. Public infrastructure – such as hospitals, telecommunication capacity, schools and day-care centres, housing, wastewater treatment and water supply – became a focal point in the debate on societies’ disaster preparedness.

Our most material topics for 2020 are presented in a table on the next page, and are grouped into three core sections: Sustainable finance, meaningful work, and good corporate governance. The UN Sustainable Development Goals (SDGs) that most relate to NIB’s activities and impact are also shown.

The relevant GRI disclosures were mapped as closely as possible to these topics. We claim to report in accordance with the GRI Standards: Core option, but have a few omissions that are specified in the GRI index. We have also developed our own indicators for the topic “Employee wellbeing”, as the standard 403 Occupational Health and Safety does not adequately address the nature of wellbeing-related aspects of working at NIB.



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| MATERIAL TOPIC | TOPIC DESCRIPTION | BOUNDARY | |
|--|--|-------------------------|--------------------------|
| | | INSIDE THE ORGANISATION | OUTSIDE THE ORGANISATION |
| Sustainable finance | | | |
| Financial strength | The Bank's strong financial standing is crucial for maintaining its ability to make an impact in society. When financially strong, NIB can fulfil its mission best and provide long-term funding for projects that support the sustainable development of the Nordic-Baltic region. This is also important for giving support in economically strained situations. | | ● |
| Sustainability impact of loan projects | In line with its mandate, NIB assesses the potential sustainability impact of projects considered for financing. The process addresses a project's environmental impact as well as its impact on society and productivity. Our stakeholders have highlighted NIB's mandate as an important aspect of the Bank's added value. | | ● |
| Finance for renewable energy and climate change mitigation | Climate change is a societal challenge as well as an environmental one, and one of the most pressing issues of our age. Climate change mitigation and adaptation require the adoption of advanced new technologies to, i.e., reduce greenhouse gas emissions and improve energy efficiency. The need to address this challenge was underlined by our internal and external stakeholders, and is in line with NIB's mission to finance a sustainable Nordic-Baltic region. | | ● |
| Finance for well-functioning infrastructure | The quality of regional infrastructure shapes the business environment and supports productivity as well as efficient labour markets. Infrastructure & project finance is one of NIB's main business areas. The Bank finances improvements to transport infrastructure, education, healthcare and human capital. | | ● |
| Good governance | | | |
| Integrity and compliance | As NIB is an international financial institution entrusted with public funds, any issues relating to prohibited practices - such as corruption, fraud, bribery, money laundering and terrorist financing - are regarded as material. Our stakeholders expect high ethical standards from NIB, and expect high standards from ourselves. NIB strives to carry out its activities with the highest integrity and in compliance with the Bank's own rules and best market practices to maintain our reputation and reliability. | ● | ● |
| Meaningful work | | | |
| Professional staff | NIB's staff is one of the Bank's most important assets and a key internal stakeholder group. Without highly skilled personnel, NIB cannot reach its targets and fulfil its mission. External stakeholders especially valued staff's lending and sustainability expertise. Employees have raised teamwork, having a sense of purpose in their work and learning opportunities as the most important aspects of working at NIB. | ● | |
| Employee wellbeing | Ensuring employee wellbeing and providing a sustainable work environment is a core priority of NIB's human resources management. In the context of the Covid-19 pandemic, this aspect plays an even more enhanced role. | ● | |



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Independent Assurance Report to the Management of Nordic Investment Bank

We have been engaged by the Management of Nordic Investment Bank (hereafter “NIB”) to provide limited assurance on selected sustainability indicators presented in NIB’s Impact Report 2020 (hereafter “Selected Sustainability Information”) for the period 1 January 2020 – 31 December 2020.

The Selected Sustainability Information consists of the indicators presented in the following sections of NIB’s Impact Report 2020:

GRI disclosures

GRI 102: General Disclosures 2016

- 102-8: Information on employees and other workers

GRI 305: Emissions 2016

- 305-1 Direct (Scope 1) GHG emissions
- 305-2 Energy indirect (Scope 2) GHG emissions
- 305-3 Other indirect (Scope 3) GHG emissions
- 305-4 GHG emissions intensity
- 305-5 Reduction of GHG emissions

GRI 307: Environmental Compliance 2016

- 307-1: Non-compliance with environmental laws and regulations

GRI 401: Employment 2016

- 401-1: New employee hires and employee turnover

GRI 404: Training and education 2016

- 404-1: Average hours of training per year per employee
- 404-2: Programs for upgrading employee skills and transition assistance programs

- 404-3: Percentage of employees receiving regular performance and career development reviews
- 406-1: Incidents of discrimination and corrective actions taken

Non-financial key performance indicators

- Impact of NIB’s lending on GHG emission
- Sickness absence rate
- Table “IMPACT OF NEB-FINANCED PROJECTS 2020”, page 39
- Table “IMPACT OF BLUE BOND-FINANCED PROJECTS 2020”, page 39

MANAGEMENT’S RESPONSIBILITIES

The Management of NIB is responsible for the preparation and presentation of the Selected Sustainability Information in accordance with the reporting criteria as set out in the company’s own reporting guidelines, see [pages 77-78](#), as well as the GRI Sustainability Reporting Standards, and the information and assertions contained within it. The Management is also responsible for determining NIB’s objectives with regard to

sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

OUR RESPONSIBILITIES

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our assurance engagement on the Selected Sustainability Information in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board IAASB. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Sustainability Information is free from material misstatement.

KPMG Oy Ab applies International Standard on Quality Control ISQC 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures

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regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants IESBA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PROCEDURES PERFORMED

A limited assurance engagement on Selected Sustainability Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Sustainability Information, and applying analytical and other evidence gathering procedures, as appropriate. In the engagement, we have performed the following procedures, among others:

- Interviewed the members of NIB’s senior management and relevant staff responsible for providing the Selected Sustainability Information;
- Assessed the application of the reporting criteria as set out in the company’s own reporting guidelines and GRI Sustainability Reporting Standards reporting principles in the presentation of the Selected Sustainability Information;
- Assessed data management processes, information systems and working methods used to gather and consolidate the Selected Sustainability Information;
- Reviewed the presented Selected Sustainability Information and assessed its quality and reporting boundary definitions and;
- Assessed of the Selected Sustainability Information’s data accuracy and completeness through a review of the original documents and systems on a sample basis.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

INHERENT LIMITATIONS

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

CONCLUSION

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not prepared, in all material respects, in accordance with the reporting criteria stated above.

Helsinki, 15 March 2021

KPMG Oy Ab

Tomas Otterström
Partner, Advisory

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TCFD disclosure index

NIB signed up to the Task Force on Climate-related Financial Disclosures in December 2019. The Bank is committed to disclosing its progress, performance and plans in line with the TCFD recommendations. NIB is taking a phased approach to implementing the TCFD recommendations and aims to integrate them over time.

| DISCLOSURE | PAGE |
|---|----------------------------|
| Governance | |
| a) Describe the Board's oversight of climate-related risks and opportunities | 48, 62, 71 |
| b) Describe the Management's role in assessing and managing climate-related risks and opportunities | 48, 62, 71 |
| Strategy | |
| a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term | 49 |
| b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning | 51 |
| c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario | 52 |
| Risk management | |
| a) Describe the organisation's process for identifying and assessing climate-related risks | 52 |
| b) Describe the organisation's process for managing climate-related risks | 52 |
| c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management | 53 |
| Metrics and targets | |
| a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process | 54, 77 |
| b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks | 54, 79 |
| c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets | 54 |

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PRB content index

This table sets out the reporting and self-assessment requirements for Signatories of the Principles for Responsible Banking. We have provided our response and self-assessment in relation to the principles, making references to where in our reports and website the required information can be found.

| REQUIREMENT | BANK'S RESPONSE AND SELF-ASSESSMENT | REPORTING REFERENCE |
|---|--|--|
| Principle 1: Alignment | | |
| We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks. | | |
| 1.1 Business model description | <p>NIB is the international financial institution of the Nordic and Baltic countries. Our mission is to provide long-term financing on sound banking principles to projects that improve the productivity and benefit the environment in the Nordic-Baltic region.</p> <p>NIB provides loans to private and public limited companies, governments, municipalities and financial institutions. NIB loans are granted for special purposes, that is, projects, investment programmes, and onlending to SMEs and small midcaps. NIB's Lending business areas include public sector & utilities, infrastructure & project finance, industry, services & consumer and financial institutions.</p> <p>NIB is committed to solving the climate challenge in line with the Paris Agreement, whilst building resilient, prosperous and well-functioning societies. NIB has identified the UN Sustainable Development Goals that are most relevant to our business and impact, and mapped them as closely as possibly to the disclosures.</p> <p>In line with our mission, NIB review all loan applications according to the Sustainability Policy and Guidelines. The Sustainability Policy also sets out a list of international frameworks, conventions and frameworks that NIB follows. A list of external initiatives and programmes the Bank is involved in is available on NIB's website.</p> <p>Further, NIB-financed projects have to fulfil the requirements set out in the Bank's Mandate Rating Framework, which sets out guidelines for assessing a project's impact on productivity and the environment. These sustainability and mandate assessments are included in the loan documentation, and form the basis for the decision process of the management and the Board on whether to approve financing for a project.</p> | <p>IR pg. 4 This is NIB</p> <p>FR pg. 3 Report of the Board of Directors</p> <p>IR pg. 81, Defining what matters</p> <p>NIB website:</p> <p>Mandate assessment & project review</p> <p>What we finance</p> <p>Sustainability Policy and Guidelines</p> <p>Mandate Rating Framework</p> |

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| REQUIREMENT | BANK'S RESPONSE AND SELF-ASSESSMENT | REPORTING REFERENCE |
|---|--|---|
| 1.2 Business strategy alignment | <p>Sustainability is at the core of NIB's mission and mandate, as outlined in our Sustainability Policy. The Bank bases its core sustainability principles on several international agreements, frameworks and conventions that support the sustainable business conduct. We also cooperate with other international financial institutions and organisations to develop sound, coordinated and effective ways of promoting sustainable finance.</p> <p>NIB's Sustainability Policy and Mandate Rating Framework guide all of our lending operations in the Bank. Specifically the drivers behind the Mandate Rating Framework well align with global sustainability targets and ambitions.</p> <p>On the productivity mandate, drivers such human capital and equal opportunities, technical progress and innovation well align with SDGs 3, 4, 5, 8, 9.</p> <p>On our environmental mandate, drivers such as climate change mitigation, resource efficiency and pollution reduction well align with SDGs 6, 7, 11, 12, 13, 14, 15 and the Paris Climate Agreement.</p> <p>NIB also has a NIB Environmental Bond programme targeting especially climate action and environmental issues and a NIB Blue Bond programme targeting especially water and sea pollution reduction. In our NIB Environmental Bond reporting, NIB maps the projects financed to the relevant SDGs.</p> <p>We recognise that the transition to low-carbon economies requires ambitious efforts and global co-operation to combat climate change and adapt to its effects as outlined in the Paris Agreement. We report on our climate performance in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).</p> <p>As the international financial institution of the Nordic and Baltic countries, NIB is committed to incorporating economic, social and governance factors in its investments and credit decisions as set out in the Principles for Responsible Investment (PRI) and Principles for Responsible Banking (PRB).</p> <p>NIB plans to perform an impact analysis in 2021, to identify NIB's most significant potential positive and negative impacts on society and the environment in our core Nordic-Baltic business areas.</p> | |
| <p>Principle 2: Impact and Target Setting</p> <p>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p> | | |
| 2.1 Impact Analysis | <p>We have completed an analysis identifying the material topics we are reporting on for 2020, fulfilling some of the requirements in this principle.</p> <p>In 2021, NIB will conduct an impact analysis and reach out to stakeholders in line with the PRB requirements.</p> | IR pg. 81 Defining what matters |

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|---|--|---|
| 2.2 Target Setting | <p>NIB recognises its activities result in an impact on the planet and society in two manners:</p> <ol style="list-style-type: none"> 1. Through the financing done via NIB's lending operations. This represents the majority of NIB's impact. The projects we finance and the allocation of capital drives the impact our loan book carries. 2. Through our internal operations of delivering our products and services to our clients. <p>On the first, NIB sets yearly targets of 90% mandate fulfilment (as defined in the Mandate Rating Framework, therefore supporting SDGs accordingly) and of 35% environmental mandate fulfilment (therefore supporting climate mitigation and other environmental drivers). These targets are set on the total loan amounts the Bank does in any given year.</p> <p>On the second, NIB has set targets for its internal operations as part of our externally audited Green Office Certification. In 2021 we will perform an impact analysis that will address our organisation's most significant impacts in line with PRB. During the impact analysis the target setting will be updated to reflect NIB's business, operating context and scale of operations.</p> | |
| 2.3 Plans for Target Implementation and Monitoring | NIB follows up the mandate targets annually. As part of the TCFD implementation NIB is looking at setting targets at loan book level. | |
| 2.4 Progress on Implementing Targets | See NIB Impact Report 2020. | IR pg. 6 President's review |
| Principle 3: Clients and Customers | | |
| We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations. | | |
| 3.1 Policies and practices | <p>NIB is committed to following best practices and market standards in the areas of accountability, transparency and business ethics in order to promote sustainability. Our Code of Conduct outline obligations for our staff and members of governing and supervisory. NIB engages in ESG dialogue with all of its clients and is committed to supporting its clients with knowledge sharing to foster sustainability and ESG integration. Our Sustainability Policy and Guidelines explain how the Bank engages with our customers on ESG matters.</p> <p>In 2020, we became signatory of the Principles for Responsible Investment and supporter for TCFD. These both initiatives require many actions to be taken. In 2020, we have been in the process of drafting our Responsible Investment Framework and updating our Sustainability Policy and Guideline. The work will continue in 2021 to embed the responsible investment approach to our investment portfolio and better incorporate the climate risks into the Bank operations.</p> <p>NIB cooperates with other international financial institutions and organisations to develop sound, coordinated and effective ways of promoting sustainable finance. The Bank also participates in a number of international and regional forums to develop common standards and principles for greening the financial system.</p> | <p>NIB website:</p> <p>Compliance</p> <p>Cooperation</p> <p>Mandate assessment & project review</p> |

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| 3.2 Sustainable practices with clients and customers | In 2020, NIB's environmental lending, out of the total disbursed loans, was 57%, reaching a higher level than in 2019 of 32%. The impact of our financing is disclosed in our Impact Report. NIB has proactively developed its impact reporting, which discloses information on the impacts achieved through our financing. | FR pg. 3 Report of the Board of directors |
| | In 2018, the Bank updated its NIB Environmental Bond framework making it possible for investors to provide funds for the Bank's environmental lending. In 2020, we launched a second Nordic-Baltic Blue Bond under the NIB's Environmental Bond Framework, which enabled our clients to target water related investments addressing the challenges of the Baltic Sea. | NIB website: NIB Environmental Bond Framework |
| Principle 4: Stakeholders | | |
| We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals. | | |
| 4.1 Stakeholder consultation, engagements and partners | As the international financial institution of the Nordic and Baltic countries, NIB engages with a wide variety of stakeholders. | IR pg. 74 Stakeholder dialogue |
| | Our main stakeholders are our staff, customers, investors, political decision-makers and public administrations, non-governmental organisations, the media, and the general public in the Nordic and Baltic countries. | NIB website: Cooperation |
| | In June 2020, NIB was re-elected as member of the Executive Committee of the Green Bond Principles (GBP) and Social Bond Principles (SBP). The "Principles" are a voluntary set of guidelines that promote the integrity, transparency and development of the green bond market. NIB was first elected member of the GBP's Executive Committee in June 2016. During 2018-2020, NIB acted as chairman of the Committee. NIB is one of the coordinators of the Q&A Guidance Handbook and contributes to various work streams, such as the core Impact Reporting working group | Cooperation on sustainability & green finance |
| | In 2020, NIB joined Phase II of the UNEP-FI TCFD banking pilot project with 38 other global financial institutions. The programme focused on the identification, assessment and management of climate risks and opportunities. | |
| | Since 2013, NIB has applied the International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting . CO ₂ estimates are an important parameter in assessing a project's eligibility for financing under the Bank's environmental mandate. | |

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| REQUIREMENT | BANK'S RESPONSE AND SELF-ASSESSMENT | REPORTING REFERENCE |
|--|--|--|
| Principle 5: Governance & Culture | | |
| We will implement our commitment to these Principles through effective governance and a culture of responsible banking | | |
| 5.1 Governance structure | Our Sustainability Policy outlines the sustainability governance of NIB. | NIB website: Sustainability Policy and Guidelines |
| 5.2 Initiatives and measures | The continuous development of professional skills are of major importance to the Bank's performance. NIB's fundamental objective as an employer is to include the promotion of a balanced diversity among staff. | IR pg. 24 Working at NIB |
| 5.3 Governance structure for implementation of the principles | Our sustainability governance is embedded in the overall bank governance structure and as such will support the implementation of the PRB principles. | |
| Principle 6: Transparency & Accountability | | |
| We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals. | | |
| 6.1 Progress on Implementing the Principles for Responsible Banking | <p>Becoming a signatory to the Principles was a natural step given that our mission is to finance projects that improve productivity and benefit the environment of the Nordic and Baltic countries. The mission, given to NIB by its Nordic and Baltic owner countries, addresses future challenges such as climate change, the protection of marine environments, promoting economic and technical progress, high quality education, health care, and resilient infrastructure.</p> <p>We have set out a plan for how to report according to the Principles in the coming years, including an impact analysis, and in which we will implement the spirit of the Paris Agreement and the UN SDGs.</p> | |

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Principles for Responsible Investment

NIB became a signatory of the United Nation Principles for Responsible Investment (PRI) on 6 March 2020. We have thus committed to incorporate environmental, social and governance (ESG) factors into our investment decisions.

NIB is currently in a process of preparing to report according to the principles. NIB is developing a Responsible Investment Framework in which external ESG rating data is used to assign internal scores to Treasury investments.

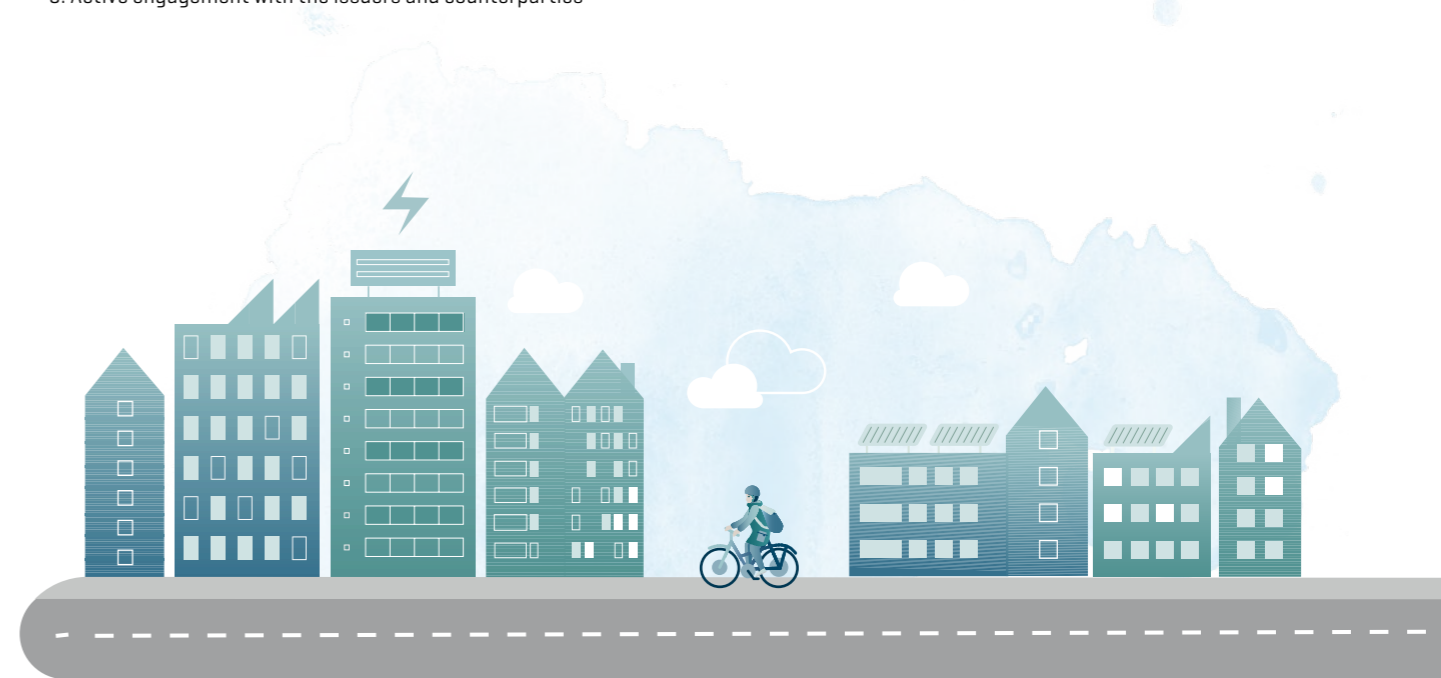
In 2020, NIB selected external ESG data providers. We will use the external data for ESG integration by assigning a score to all issuers and investment counterparties. Findings based on the ESG scores can be used either to favour or avoid companies being evaluated.

The responsible investment approach covers all assets and activities of NIB Treasury, and consists of the following five approaches:

1. Exclusion list
2. Best-in-class approach to tilt the portfolio holdings towards higher ESG performance
3. Sustainable thematic investments
4. Counterparty selection and controversies monitoring
5. Active engagement with the issuers and counterparties

During 2020, the Bank's awareness of ESG issues has further increased. We continued to incorporate these non-financial factors into liquidity investments in a systematic and structured way. These approaches will ensure that ESG factors are integrated into NIB Treasury's daily operations.

NIB is preparing to report according to the PRI commitment in the first quarter of 2022.



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GRI content index

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| GRI 101: Foundation 2016 | | | |
| GRI 102: General Disclosures 2016 | | | |
| Organizational profile | | | |
| 102-1 Name of the organization | Nordic Investment Bank (NIB) | | |
| 102-2 Activities, brands, products, and services | NIB provides long-term loans to private and public limited companies, governments, municipalities and financial institutions to finance projects that improve productivity and benefit the environment of the Nordic and Baltic countries. Financing from NIB complements and leverages commercial lending. Loans are extended on market terms and according to sound banking principles. See pg. 4 This is NIB. | | |
| 102-3 Location of headquarters | Fabianinkatu 34, 00171 Helsinki, Finland | | |
| 102-4 Location of operations | NIB finances projects that are located in the eight Nordic and Baltic member countries, as well as in non-member countries. See NIB's Financial Report 2020 pg. 64 . The Bank's only office is located in Helsinki, Finland. | | |
| 102-5 Ownership and legal form | NIB is an international financial institution (IFI) owned by the governments of Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden. | | |
| 102-6 Markets served | NIB provides loans and guarantees to private and public limited companies, governments, municipalities and financial institutions. The Bank finances projects in several sectors, both in its member countries and in non-member countries. The focus sectors of NIB's operations are the environment, energy, water, innovation, industry, transport, infrastructure and telecommunications. | | |
| 102-7 Scale of the organization | At the end of 2020, NIB employed a total of 222 people. The Bank signed 59 new loan agreements and invested in 4 lending green bonds, resulting in an aggregate total of EUR 5,666 million. Total disbursements were EUR 4,853 million. The profit for the year was EUR 165 million. See NIB's Financial Report 2020 pg. 15 and pg. 69 . | | |

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| 102-8 Information on employees and other workers | <p>As an international organisation, NIB is not subject to national law. Therefore, NIB applies its own legal framework for the staff in employment matters. NIB has five types of employee contracts: permanent contracts (which have no due date), fixed-term contracts (which are 4 years and longer), project contracts, substitute contracts and temporary contracts. NIB divides its employees into two main categories: permanent and temporary employees. Permanent employees refers to permanent and fixed-term contract types. Temporary employees cover all remaining contract types.</p> <p>NIB's only office is in Helsinki, where all staff members are located. By year-end 2020, NIB had a total of 222 employees. Of these, 193 were permanent employees (81 women and 112 men), and 29 employees held temporary contracts (12 women and 17 men). 200 employees worked full-time (79 women and 121 men), and 22 worked part-time (14 women and 8 men). Suppliers or hired labour do not make up a significant share. This data has been compiled based on 2020 timestamp data for all employees. All numbers are based on head count and are per 31.12.2020.</p> | | |
| 102-9 Supply chain | <p>Being a financial institution, NIB does not produce or manufacture any products. The services and goods the Bank needs to support its operations and activities are mainly consulting and training services, IT applications, electronics and other office supplies. In addition, NIB uses external providers for services such as cleaning, security and catering at its premises.</p> <p>As an international organisation, and in line with other international organisations, NIB has established its own internal procurement rules. For projects financed by NIB, separate procurement guidelines are established. Read about NIB's internal procurement and see the Legal framework and policy documents.</p> | | |
| 102-10 Significant changes to the organization and its supply chain | <p>The changes to NIB's Statutes, first announced in May 2019, entered into force on 29 July 2020. See pg. 62 Governance of NIB.</p> | | |
| 102-11 Precautionary Principle or approach | <p>NIB's Sustainability Policy & Guidelines are based around the principle of taking precautions. Before NIB finances any project, the potential economic, environmental and social impacts are assessed in line with the Policy. NIB aims to identify and address concerns pre-emptively.</p> | | |
| 102-12 External initiatives | <p>See IR pg. 76 Cooperation</p> | | |
| 102-13 Membership of associations | <p>See IR pg. 76 Cooperation</p> | | |

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| Strategy | | | |
| 102-14 Statement from senior decision-maker | See IR pg. 6 President's review | | |
| 102-15 Key impacts, risks, and opportunities | <p>NIB provides long-term loans to projects that improve the productivity and benefit the environment of the Nordic and Baltic countries.</p> <p>NIB's Financial Report 2020 pg. 5 Report of the Board of Directors</p> <p>pg. 48 NIB and climate change</p> | | |
| Ethics and integrity | | | |
| 102-16 Values, principles, standards, and norms of behavior | <p>NIB's mission is to finance projects that improve productivity and benefit the environment of the Nordic and Baltic region. This mission was given by the Bank's owner countries to address the needs and challenges the region is facing. In line with the Bank's mission, NIB's core values are competence, commitment and cooperation.</p> <p>NIB has compulsory Codes of Conduct (CoC) that reflect the Bank's values and principles for its staff, Board of Directors, the President and the Control Committee. The CoCs are approved by the Board of Directors, and are publicly available on NIB's website. NIB's Integrity & Compliance Office interprets the Codes, giving advice to staff on their implementation.</p> <p>Training on the CoC is given as an obligatory part of the induction process for new staff. Further, regular training courses on integrity and compliance issues are provided for all employees. As part of the annual financial declaration process, every staff member is required to attest their compliance with the CoC. See NIB's Integrity Report 2020.</p> | | |
| 102-17 Mechanisms for advice and concerns about ethics | <p>The Integrity & Compliance Office (ICO) is NIB's contact point for seeking advice on ethical and lawful behaviour. Reports of misconduct in NIB's operations and activities or allegations of non-compliance with NIB's policies can also be addressed to ICO. The reporting channel is open to all NIB staff members as well as to external parties. All reports are confidential and can be made anonymously. The Code of Conduct for Staff and the Speaking-up and Whistleblowing Policy provide protection for whistle-blowers. Contact forms in English and the eight Nordic and Baltic languages are publicly available on NIB's website. See also NIB's Integrity Report 2020. Additionally, NIB's staff members can also seek advice on ethical and lawful behaviour or report concerns to the Bank's Ombudsman. See pg 24. Working at NIB.</p> | | |
| Governance | | | |
| 102-18 Governance structure | See pg. 62 Governance of NIB | | |

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| Stakeholder engagement | | | |
| 102-40 List of stakeholder groups | See pg. 74 Stakeholder dialogue | | |
| 102-41 Collective bargaining agreements | <p>NIB staff are employees of an international financial institution (IFI). Based on NIB's legal status as an IFI, the Bank has established its own provisions for its employees. National legislation and procedures under which collective bargaining takes place are not applicable to NIB. NIB's Code of Conduct for the Staff allows, however, freedom of association for its staff with reference to general democratic principles.</p> <p>As NIB enjoys immunity from national jurisdiction (court proceedings) in employment-related matters, the Bank has established arbitration regulations for employment-related disputes. NIB also has an independent Ombudsman, whom the employees can consult in any employment-related matters and who may act as mediator between the employee and the Bank. NIB has a Cooperation Council that aims to promote communication between the Bank and the staff on issues related to conditions in the workplace.</p> | | |
| 102-42 Identifying and selecting stakeholders | See pg. 74 Stakeholder dialogue | | |
| 102-43 Approach to stakeholder engagement | See pg. 74 Stakeholder dialogue | | |
| 102-44 Key topics and concerns raised | The key topics raised by NIB's customers, investors and public authorities in the latest stakeholder survey and by NIB's staff in the most recent staff surveys are part of our materiality process, and are grouped into three sections: NIB's role as a sustainable financier; Good corporate governance; and Meaningful work. See IR pg. 81 Defining what matters . | | |
| Reporting practice | | | |
| 102-45 Entities included in the consolidated financial statements | The Nordic Investment Bank (NIB). NIB does not have any subsidiaries. The Bank's only office is located in Helsinki, Finland. | | |

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| <p>102-46 Defining report content and topic Boundaries'</p> <p>102-47 List of material topics</p> | <p>Issues considered to be material or relevant for disclosure in this annual report were identified in different processes. The most significant processes were the Stakeholder Survey for external key counterparties (2018) and the work engagement survey for the Bank's staff (2018), as well as a shorter staff survey on working under changed conditions (2020). Based on these stakeholder interactions, we identified the key attributes and targets that are of high importance for our internal and external stakeholders, and that reflect NIB's economic, environmental and social impacts. These are the central topics we are reporting on in this report:</p> <p>Sustainable finance:</p> <ul style="list-style-type: none"> · Financial strength · Assessment and monitoring the sustainability impact of all loan projects · Financing of renewable energy systems, climate change mitigation & adaption, and well-functioning infrastructure <p>Meaningful work:</p> <ul style="list-style-type: none"> · Professional staff, learning opportunities · Employee wellbeing <p>Good corporate governance:</p> <ul style="list-style-type: none"> · Integrity and compliance <p>See pg. 81 Defining what matters for more information on the materiality process.</p> | | |
| 102-48 Restatements of information | None | | |
| 102-49 Changes in reporting | Changes from 2019: In order to improve clarity and to avoid redundancy, the previously defined material topic "A sense of purpose and teamwork" was integrated into the topic "Professional staff", while the topic "Reputation and reliability" was incorporated in "Integrity and Compliance" for our 2020 report. The topic "Employee wellbeing" was added under "Meaningful work". Topic boundaries were not affected. See IR pg. 81 Defining what matters . | | |
| 102-50 Reporting period | NIB reports on an annual calendar year basis from 1 January until 31 December. This report covers the year 2020. | | |
| 102-51 Date of most recent report | 11 March 2020 | | |
| 102-52 Reporting cycle | Annual | | |

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| 102-53 Contact point for questions regarding the report | Communications Unit; Chief Compliance Officer | | |
| 102-54 Claims of reporting in accordance with the GRI Standards | pg. 81 Defining what matters | | |
| 102-55 GRI content index | pg. 93 GRI content index | | |
| 102-56 External assurance | In 2020, NIB's Executive Committee decided to seek independent, external assurance of its sustainability reporting according to the ISAE 3000 (Revised) standard. The assurance was provided by KPMG, who carried out at limited level of assurance. See pg. 84 Independent Assurance Report . | | |
| Material Topics | | | |
| GRI 200 Economic Standard Series | | | |
| GRI 201: Economic Performance 2016 | | | |
| 103-1 Explanation of the material topic and its Boundary | <p><u>NIB's purpose</u> is to make financing available in accordance with sound banking principles and taking into account socio-economic considerations, to carry into effect investment projects of interest to the Nordic and Baltic owner countries, and other countries that receive such financing. In order to fulfil its mission effectively, NIB is required to be financially strong. The Bank therefore needs to earn a sufficient return from its business operations to meet economic obligations, ensure its future lending capacity and to guarantee its owner countries a reasonable return on their paid-in capital. However, NIB is not a profit maximising entity.</p> <p>NIB finances its lending by issuing bonds in the global financial markets. To maintain investor confidence in the Bank as a debt issuer, the Bank is rated by international credit rating agencies. The evaluation covers several areas, including the Bank's business operations, governance structures, and capital and liquidity management. NIB has kept its issuer ratings at the highest possible level (AAA/Aaa) since 1982 when first rated. Having strong external ratings allows the Bank to obtain funding at a favourable cost and to extend financing on competitive market terms. This impact occurs both inside and outside of the organisation.</p> | | |

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| 103-2 The management approach and its components | <p>NIB's constituent documents require that loans be granted in accordance with sound banking principles, that adequate security be obtained for the loans, unless sufficient security is considered to exist under the circumstances, and that the Bank protect itself against the risk of exchange rate losses to the extent practicable.</p> <p>The Bank's risk appetite is defined in its Risk Appetite Statement (RAS), which is approved by the Board of Directors. The RAS aims to align the Bank's willingness to take risk with its statutory requirements, strategic business objectives and capital planning. NIB strives to maintain its issuer rating at the highest possible level, supported by strong capital and liquidity position as well as stable earnings and operational efficiency. Lending goals and targets are proposed by the President and approved by the Board of Directors. The Board decides on NIB's strategic direction. NIB does not publish any lending-related targets.</p> <p>Complaints about misconduct in the Bank's activities and operations, including allegations of corruption, can be addressed to the Integrity & Compliance Office (ICO).</p> | | |
| 103-3 Evaluation of the management approach | <p>NIB publishes annual audited financial statements for the year ending on 31 December on its website www.nib.int, and these financial statements are approved by the Board of Directors and included in the annual report. The Bank publishes an unaudited interim management statement as of 31 March and 30 September. The Bank publishes an interim financial report for the six month period ended 30 June in accordance with the International Accounting Standard 34, reviewed by the external auditors and approved by the Board of Directors. All reports are available on NIB's website.</p> <p>The Board of Directors is responsible for evaluating NIB's management approach and for deciding on targets and adjustments. The Control Committee is NIB's supervisory body and ensures that the Bank's operations are conducted in accordance with the Statutes. The CC is also responsible for the audit of the Bank and submits its annual audit report to the Board of Governors. The CC appoints the Bank's external auditors. See IR pg. 62 Governance Statement.</p> | | |
| 201-1 Direct economic value generated and distributed | <p>NIB's Financial Report 2020 pg. 24 Statement of comprehensive income</p> <p>NIB's Financial Report 2020 pg. 69 Note 18: Capitalisation and reserves</p> <p>NIB's main economic impact stems from its lending operations and the projects the Bank finances. In 2020, NIB disbursed EUR 4,853 million in loans, of which EUR 1,470 million were in Response Loans aimed at alleviating the economic impact of the COVID-19 pandemic.</p> | |   |
| 201-2 Financial implications and other risks and opportunities due to climate change | <p>In 2020, NIB started the process of reporting according to the recommendations set out by the Task Force on Climate-Related Disclosure (TCFD). The process includes the identification of climate-related risks and opportunities and the assessment of their potential impact on NIB's business, strategy and financial planning. See IR pg. 48 NIB and climate change and IR pg. 86 TCFD index.</p> | |  |
| 201-3 Defined benefit plan obligations and other retirement plans | <p>NIB's Financial Report 2020 pg 37 Note 1 Accounting policies</p> <p>NIB's Financial Report 2020 pg 56 Note 7 - Pension obligations</p> | | |
| 201-4 Financial assistance received from government | <p>IR pg. 61 Capital structure and NIB's Financial Report 2020 pg. 69 Note 18: Capitalisation and reserves</p> | | |

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| GRI 203: Indirect Economic Impacts 2016 | | | |
| 103-1 Explanation of the material topic and its Boundary | NIB works towards a prosperous and sustainable Nordic-Baltic region. The Bank consequently finances improvements to infrastructure, education, health and human capital to support well-functioning markets and equal opportunities, which are major drivers for prosperity and productivity growth. The quality of regional infrastructure and infrastructure services shapes the business environment of a region and supports productivity directly by reducing frictions in operations, and indirectly by increasing the efficiency of labour and product markets. The impact mainly occurs outside of the organisation. | | |
| 103-2 The management approach and its components | NIB conducts a sustainability review of all loan applications, according to its Sustainability Policy and Guidelines . With its lending, NIB aims to provide added value in its member countries, especially in respect to innovation, human capital development, energy, transport, telecommunications and environmental improvements. To assess whether the projects considered for financing support the vision of the Bank, NIB has a Mandate Rating Framework , which contains guidelines and tools to assess how the projects provide productivity gains and environmental benefits. | A decision to grant a loan is made by the Board of Directors, after preliminary approval by the Bank's Mandate, Credit and Compliance Committee. NIB's President is authorised by the Board to make certain lending decisions. | |
| | | Complaints and allegations of misconduct and corruption in NIB's activities and operations can be addressed to the Integrity & Compliance Office (ICO) . | |
| 103-3 Evaluation of the management approach | Following project completion, NIB's analysts evaluate the realisation of the estimated productivity gains and/or environmental benefits as agreed during the loan negotiation. This is part of the Bank's ex-post procedure to ensure our impact and learn lessons for future lending. NIB has outlined the process in its Monitoring and ex-post mandate assessment framework . The ex-post evaluation supports NIB in identifying areas for improvement to increase performance in the future. The results are part of NIB's Financial Report pg. 6 Report of the Board of Directors . No adjustments to the management approach were made in 2020. | | |
| 203-1 Infrastructure investments and services supported | Financing of infrastructure, transportation and telecommunications projects is one of NIB's main business areas. Investments in this category primarily include efficiency improvements in transport, logistics and communications. In 2020, approximately 34% of all disbursed loans were related to this business area, totalling EUR 1,657 million. The financed projects include investments in public transport, urban development, telecommunications, airports, hospitals and schools in the Nordic-Baltic region. See IR pg 31 Lending impact . | |   |

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| 203-2 Significant indirect economic impacts | <p>In line with its mandate rating framework, NIB considers both the micro- and economy-wide (direct and indirect) productivity impacts of the projects it finances. Indirect impacts are usually more widely distributed and can create spill over effects that support economies' abilities to create value. Such projects involve investments in infrastructure, healthcare, education, R&D and in financial intermediation to support SMEs. Negative indirect economic impacts mainly occur when an investment is likely to strengthen the market power of a dominant company in an imperfectly competitive market, such as, for example, a large grocery retail chain in a NIB member country. However, the ex-ante quantification of indirect economic impact is rarely feasible, due to data limitations.</p> <p>While NIB is not a policy bank, the projects the Bank finances contribute to meeting international standards and the national policy agendas of NIB's member countries. Since the selection criteria for eligible projects emphasise indirect impacts that are beyond commercial interests and often well aligned with national and regional development goals, the impacts can be considered significant for stakeholders. See IR pg. 31 Lending impact</p> | |   |
| GRI 205: Anti-corruption 2016 | | | |
| 103-1 Explanation of the material topic and its Boundary | <p>NIB is an international financial institution entrusted with public funds. Any concerns relating to prohibited practices (including corruption, fraud, bribery, money laundering and terrorist financing) are regarded as material by the Bank and its stakeholders.</p> <p>Issues relating to corruption or other integrity-related failures can occur within NIB's own operations, in the Bank's client companies and in the projects the Bank finances. The impact may therefore occur both inside and outside the organisation. NIB applies integrity due diligence to its counterparties, and performs regular risk assessments to identify and manage the potential impact of integrity concerns.</p> | | |
| 103-2 The management approach and its components | <p>NIB has anti-money laundering (AML), and anti-bribery and corruption (ABC) controls in place, covering NIB's operations and activities. These policies and processes constitute NIB's integrity and compliance framework and are established to prevent NIB from becoming involved with prohibited activities and other integrity issues.</p> <p>The Bank's integrity framework is outlined in the Integrity and Compliance Policy (last updated 2020), which also sets out NIB's commitments to integrity. NIB's also has Codes of Conduct (CoC) for the staff and the Bank's governing committees, and include provisions for handling conflicts of interest. All policies in the integrity and compliance framework are approved by the Board of Directors, and are publicly available on NIB's website.</p> <p>Responsibility for integrity controls are shared between the Control Committee, the Board of Directors, the President & CEO, the Chief Risk Officer, the Integrity & Compliance Office (ICO) and the staff.</p> <p>ICO is NIB's focal point for all integrity-related matters. See NIB's Integrity Report 2020 for more information on ICO's roles, communication, resources, cooperation and training. ICO also manages NIB's mechanism for reporting misconduct, corruption and non-compliance.</p> | | |

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| 103-3 Evaluation of the management approach | As an IFI, NIB is not under the supervision of any financial or supervisory body, but benchmarks its integrity and compliance policies against the legislation of its member countries and of that of the European Union. NIB complies with the sanctions regimes relevant to its operations. NIB internally audits the effectiveness and implementation of its policies and processes. The Bank has not sought an external audit for its integrity and compliance framework. Further, ICO measures its own performance against the internal goals and targets set out its annual action plan, which is approved by the Board of Directors. Based on the results of the AML risk assessments that was started in 2020, NIB will continue the process of updating its policies, including the Integrity Due Diligence policy, to better capture integrity risk and strengthen its controls. No adjustments were made to the management approach in 2020. | | |
| 205-3 Confirmed incidents of corruption and actions taken | See pg. 12 NIB's Integrity Report 2020 | | |
| GRI 300 Environmental Standards Series | | | |
| 103-1 Explanation of the material topic and its Boundary | NIB's mission is to finance projects that improve productivity and benefit the environment of the Nordic-Baltic countries. Challenges related to climate change, the use of resources and the need for innovation and environmental protection have both an environmental as well as a social dimension, and are therefore seen as material to NIB's business and operations. | | |
| | NIB's main environmental impact stems from the projects the Bank finances in the Nordic-Baltic region and other countries. The smaller impact arises from the running of NIB's organisation; including the Bank's headquarter in Helsinki. NIB therefore reports separately on its own internal impact and the impact of NIB-financed projects. Indicators on energy, GHG emissions, water and environmental compliance are included. | | |

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| <p>103-2 The management approach and its components</p> | <p>In line with the Bank's mission, NIB's sustainability analysts conduct a review of all loan applications, according to the Sustainability Policy and Guidelines. The process addresses a project's environmental impact, including on the climate and biodiversity, and its impact on communities and productivity. The Sustainability Policy also sets out a list of international frameworks, conventions and frameworks that NIB draws on. A list of external initiatives and programmes the Bank is involved in is available here.</p> <p>Further, NIB-financed projects have to fulfil the requirements set out in the Bank's Mandate Rating Framework, which sets out guidelines for assessing a project's impact on productivity and the environment. These sustainability and mandate assessments are included in the loan documentation, and influence the decision process of the management and the Board on whether to approve financing for a project.</p> <p>NIB is committed to supporting sustainable, prosperous and well-functioning societies, and to supporting the transition to an economy where sustainability forms an integral part of businesses' operations and decision-making. The Bank is committed to addressing the climate challenge in accordance with the Paris Climate Agreement, and aims to integrate the management of climate-related risks and opportunities in its business operations. NIB also recognised the special protected status of the Baltic Sea and its importance for sustainable growth in the region.</p> <p>NIB currently does not publish environmental targets set for the projects it finances, but reports annually on the impact of these NIB-financed projects, see IR pg. 31 Impact of loans disbursed.</p> <p>NIB has developed a channel for its stakeholders to express their views or comment on projects with potential significant adverse social or environmental impacts. These projects are classified as Category A projects, and project descriptions are made publicly available for comments for 30 days before the Bank makes a decision on financing. Communication is managed via the email address info@nib.int. In addition, if any persons involved in the activities of NIB observe or have reasonable grounds to suspect misconduct, they are encouraged to report such information. Complaints about the Bank's activities and lending-related issues, including allegations of misconduct and corruption, can be addressed to the Integrity & Compliance Office (ICO).</p> <p>To manage its own environmental footprint, NIB has established an Internal Sustainability Council that functions as a central reference group for coordinating in-house sustainability matters. The Council also defines internal action points and targets.</p> <p>To assess the Bank's own footprint, NIB uses an internal CO₂ calculation tool. The footprint calculation includes direct and indirect greenhouse gas emissions in NIB's value chain, including mobility, energy use, events and catering emissions. NIB aims to become carbon neutral. The Bank is also a member of the WWF's Green Office Programme. See IR pg. 71 NIB's Sustainability management.</p> | | |

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| 103-3 Evaluation of the management approach | <p>For all financed projects, NIB's environmental analysts collect information on the potential impact and assure the quality of the information provided during site visits and interviews with projects staff and relevant stakeholders. The assessed environmental impact is benchmarked against relevant national laws, EU-regulations and standards.</p> <p>NIB's environmental review also includes the categorisation of projects based on their potential negative impact, the definition of risks and planned mitigation measures. For Category A and B projects, site visits and interviews with relevant stakeholders are included. Comments received from the public on Category A projects are taken into consideration when a decision on financing is being made. NIB communicates the results of the environmental impact assessment to the customer, and may give advice regarding prospective projects.</p> <p>NIB publishes relevant information on the emission increase and decrease of projects on its website. For the year 2020, NIB has sought a limited external assurance of the impact data arising from its financed loan projects.</p> <p>Following project completion, NIB's analysts evaluate the realisation of the estimated productivity gains and/or environmental benefits as agreed during the loan negotiation. This is part of the Bank's ex-post procedure to ensure our impact and learn lessons for future lending. NIB has outlined the process in its Monitoring and ex-post mandate assessment framework. The results are part of the Report of the Board of Directors.</p> <p>Regarding its headquarter in Helsinki, NIB monitors its energy consumption and complies with the requirements set out in current EU environmental legislation and the WWF's Green Office programme. The Internal Sustainability Council follows up on NIB's internal sustainability performance in line with the annual action plan. The Council also gathers ideas from employees and works to raise awareness on sustainability topics. Information regarding facilities management and sustainability initiatives is regularly communicated to staff members.</p> | | |
| GRI 305: Emissions 2016 | | | |
| 305-1 Direct (Scope 1) GHG emissions | IR pg. 58 Carbon emissions from internal operations & IR pg. 79 Sustainability note About our internal carbon emissions | NIB is disclosing the information sources for data collection. The emission factor source is Defra (fuel emissions). The biogenic emissions are not calculated and are expected to be close to zero. | |
| 305-2 Energy indirect (Scope 2) GHG emissions | IR pg. 58 Carbon emissions from internal operations & IR pg. 79 Sustainability note About our internal carbon emissions | NIB is disclosing the information sources for data collection. The emission factor sources include Energy Authority, Statistics of Finland and HSY. | |

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| 305-3 Other indirect (Scope 3) GHG emissions | IR pg. 58 Carbon emissions from internal operations & IR pg. 79 Sustainability note About our internal carbon emissions | NIB is disclosing the information sources for data collection. The emission factor sources include e.g. Defra, Finnish Environment Institute and WWF Ilmastolaskuri. The biogenic emissions are not calculated and are expected to be close to zero. | |
| 305-4 GHG emissions intensity | IR pg. 58 Carbon emissions from internal operations & IR pg. 79 Sustainability note About our internal carbon emissions | | |
| 305-5 Reduction of GHG emissions | IR pg. 58 Carbon emissions from internal operations & IR pg. 79 Sustainability note About our internal carbon emissions | | |
| Impact of NIB's lending on GHG emission | NIB estimates that disbursements to projects in 2020, pro-rated to NIB's share of financing, result in an annual CO ₂ reduction of 399,000 tonnes and a CO ₂ increase of 2,300 tonnes. The annual net reduction amounts to 396,000 tonnes. See IR pg. 31 Impact of loans disbursed in 2020 | | |
| GRI 307: Environmental Compliance 2016 | | | |
| 307-1 Non-compliance with environmental laws and regulations | <p>Environmental compliance mainly relates to the projects NIB finances. All projects proposed for financing undergo a sustainability review in accordance with NIB's Sustainability Policy and Guidelines. This review, which is carried out by the analysts of NIB's Sustainability & Mandate unit, ensures that the project complies with internationally and nationally recognised environmental and social standards. The Bank is also a signatory of the European Principles for the Environment (EPE). Another benchmark reference for NIB-financed projects that is often applied is the HELCOM standards for discharges to the Baltic Sea. See pg. 76 Cooperation.</p> <p>Assurance concerning adherence with environmental laws and regulations in NIB-financed projects forms part of NIB's portfolio monitoring.</p> <p>The Bank has established a mechanism for consulting the public about projects with potentially extensive social and environmental impacts (Category A projects). NIB publishes project descriptions and environmental impact assessments on its website for 30 days, inviting all interested parties to comment. Stakeholder input is considered when a financing decision is made. Communication on Category A projects is handled via the email address info@nib.int.</p> <p>NIB's Integrity & Compliance Office is responsible for receiving complaints of non-compliance with NIB's policies including its Sustainability Policy. No complaints regarding non-compliance with the Sustainability Policy were made in 2020.</p> | | |

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| GRI 400 Social Standards Series | | | |
| GRI 401: Employment 2016 | | | |
| 103-1 Explanation of the material topic and its Boundary | <p>NIB's staff is one of the Bank's most important assets and its main internal stakeholder group. Without highly skilled personnel, NIB cannot reach its targets and fulfil its mission. External stakeholders consider NIB's professional staff to be one of the Bank's main strengths.</p> <p>NIB's goal as an employer is to provide a sustainable working environment that encourages personal and skills development, and a good work-life balance. NIB's training and education programmes are an important aspect of the Bank's commitment to fulfilling its mission by investing in employees' skills and expertise. The Bank aims to maintain continuous communication with its staff members and regularly collects feedback. Further, ensuring employee wellbeing and occupational health and safety are a priority of NIB's human resource management. The impact occurs inside of the organisation.</p> | | |
| 103-2 The management approach and its components | <p>NIB's staff are employees of an international financial institution. Based on NIB's legal status, the labour laws or other legislation of the host country Finland, or any other member country, do not automatically apply to its employees. NIB has therefore established its own regulations.</p> <p>NIB's legal framework for the staff covers the relationship under which work is performed at the Bank. The main document is the Staff Regulations, which set out the conditions for employment, compensation, working hours, social security and parental leave. NIB's fundamental principles in respect to its staff are the rule of law, transparency, predictability and equity. The Bank is committed to promoting fair and equal treatment of all its employees and aims for a balanced diversity among staff. NIB supports inclusion and strives to prevent discrimination and harassment.</p> <p>The Human Resources (HR) unit is responsible for handling employment-related matters, including employee wellbeing and training. The Bank has a Cooperation Council, consisting of four members representing the employer (NIB) and four members representing the staff. Staff can report grievances to supervisors, HR business partners and the Integrity & Compliance Office. NIB also has an independent Ombudsman who can be contacted by all staff members in work-related matters. NIB has its own Arbitration Regulations for handling employment-related disputes.</p> <p>NIB's Business Continuity & Security unit is responsible for developing and implementing NIB's security policies, which cover all aspects of physical, personal and knowledge security. The Cooperation Council additionally functions as an occupational health and safety body.</p> <p>Read more about NIB's provisions for its staff, training, internal communication and health & safety in IR pg. 21 Working at NIB and see NIB's Working at NIB webpage.</p> | | |

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| 103-3 Evaluation of the management approach | <p>NIB benchmarks its policies and practices against those of other IFIs. The Bank also collects regular feedback from its staff to evaluate the efficacy of its processes. The Cooperation Council works to promote communication between NIB and its staff, and evaluates the Bank's management approach under consideration of employees' opinions on an ongoing basis.</p> <p>NIB's policies are internally audited, but the Bank has not sought external audit for its employment-related policies. Based on the stakeholder feedback received, NIB will continue its work to improve its training offerings and provisions for employee wellbeing in 2021. See IR pg. 21 Working at NIB and pg. 74 Stakeholder dialogue. No changes to the management approach were made during 2020.</p> | | |
| 401-1 New employee hires and employee turnover | <p>In 2020, NIB hired 6 new permanent employees (2 women and 4 men), resulting in a hiring rate of 3.0%. New hires by age group: 35-39: 1 person, 40-44: 4 persons, 55-59: 1 person.</p> <p>In 2020, 18 people left the Bank (8 women and 10 men). The exit turnover rate stood at 8.9%. Exit turnover by age group: 35-39: 2 persons, 45-49: 1 person, 55-59: 1 person, 60-: 14 persons.</p> <p>Calculations are based on the number of permanent employees in 2020 (193).</p> | |   |
| 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | <p>Note 7 in the Financial Report includes explanations of Pension obligations, Staff loans and Additional benefits for expatriates. See IR pg. 24 Working at NIB for more information about benefits such as insurance, healthcare and parental leave.</p> | <p>Stock ownership is not applicable.</p> |    |

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| Employee wellbeing | | | |
| 103-1 Explanation of the material topic and its Boundary | NIB's goal as an employer is to provide a sustainable working environment for our staff. Employee wellbeing, which includes both mental and physical health, as well as occupational safety are material aspects of this goal. These aspects are also crucial elements of NIB's response to the COVID-19 pandemic. This impact mainly occurs inside the organisation. All of NIB's staff members are working from the Bank's headquarters (and only office) in Helsinki. In 2020, NIB introduced remote working due to the coronavirus outbreak. | | |
| 103-2 The management approach and its components | <p>NIB is an international financial institution, and the work tasks performed at the Bank mainly consist of office work. Occupational health and safety risks therefore comprise mainly of eye- and musculoskeletal symptoms and psychological factors, such as stress and other mental health issues.</p> <p>NIB is committed to promoting employee wellbeing, and endeavours to follow best practices to create safe and healthy working conditions for its staff.</p> <p>NIB's Staff Regulations and internal Staff Rules outline the Bank's ground rules for workplace health and safety. The aim of these provisions is to ensure and maintain a good working capacity of the staff and to prevent sickness and accidents in the workplace. This includes eliminating hazards from the working environment to both the physical and mental health of the staff.</p> <p>NIB has an internal Occupational Health Care Action Plan in place. The Plan is developed and regularly updated in cooperation with the Bank's healthcare provider Lääkärikeskus Aava [Aava]. For the period 2018–2020, the Plan mainly targets mental well-being and ergonomic support. A core element of the Bank's occupational healthcare is the preventive nature of the care, with a special focus on regular health checks for the employees.</p> <p>The Bank has an Occupational Health and Safety Commission that supervises health, safety, hygiene and ergonomics in the work place. The Commission has representatives from the employer's side and the staff, and consists of an occupational health and safety manager, an occupational health and safety agent and a deputy agent. The Manager has the primary responsibility for workplace safety and health. Staff members can report concerns around occupational health and safety to the Commission, to the Human Resources unit and to the Bank's independent Ombudsman.</p> <p>In addition to extensive occupational health care, NIB is providing medical care via a medical insurance scheme. NIB's Human Resources unit is responsible for coordinating healthcare in cooperation with the Bank's occupational healthcare service provider Aava. Regular workplace assessments are carried out together with the occupational health provider to ensure a healthy and safe work environment, and to collect feedback from employees.</p> <p>In 2020, NIB's Human Resources initiated a number of specific programmes and processes for the management of the COVID-19 pandemic. Further, a survey on working under changed conditions was carried out to receive feedback on NIB's remote working provisions and employee wellbeing. See IR pg. 23 Working at NIB</p> | | |

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| 103-3 Evaluation of the management approach | It is the established practises of the Bank to be aligned with the host country Finland's legislation regarding workplace safety and health. NIB aims to adapt and develop workplace safety and health according to changing internal and external circumstances and to avoid health and safety risks in the working environment. Staff feedback is collected in structured work engagement surveys and occupational health questionnaires, and is used by the Human Resources unit, the Cooperation Council and the Occupational Health and Safety Commission to evaluate and develop the management approach. In 2020, no adjustments were made to the management approach. | | |
| Occupational health services | <p>NIB's Occupational Health and Safety Commission, which supervises health, safety, hygiene and ergonomics in the work place, consists of representatives from the employer's side and the staff. The Commission comprises of an occupational health and safety manager, an occupational health and safety agent and a deputy agent, who are elected among the staff representatines in the Cooperation Council.</p> <p>NIB's occupational healthcare service provider is Lääkärikeskus Aava (Aava). Together with Aava, NIB develops and regularly updates its Occupational Health Care Action Plan, and re-assesses the working environment and the management of occupational risks.</p> <p>NIB aims to provide extensive healthcare schemes to its staff members, as well as comprehensive medical care as a supplement to occupational healthcare, via NIB's medical insurance. Medical insurance is provided to staff members who are employed for at least one consecutive year. Temporary staff members, who are employed for less than one year, have access to basic medical care on acute illness.</p> <p>As part of NIB's occupational healthcare scheme, regular health checks for employees, ergonomic services and vaccinations are provided. NIB's healthcare provisions further include a NIB-dedicated healthcare personnel, which includes two doctors, two nurses, two psychologists and one physiotherapist. The doctors and nurses hold regular surgery hours at NIB's premises.</p> <p>Employees' medical data [which includes state of health, illness, disability, treatment or any other comparable medical measure] is considered sensitive personal data, and is handled in accordance with NIB's Privacy Protection Regulations and Data Protection Policy.</p> <p>In 2020, NIB's HR unit initiated a number of new wellbeing initiatives when the majority of staff moved to remote working due to the coronavirus outbreak. Read more about employee wellbeing and health and safety during 2020 on pg. 23 Working at NIB</p> | | |
| Sickness absence rate | NIB reports on employees' sickness absence rate as a percentage of total work time. In 2020, the sickness absence rate stood at 1.55% in 2020, compared to 3.3% in 2019. The number is calculated based on employee timestamp data. | | |

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| GRI 404: Training and education 2016 | | | |
| 404-1 Average hours of training per year per employee | The average hours of training per year per employee for 2020 was 3.2 days. This figure does not include online training completed by employees during the year. | Data on average hours of training by gender and employment category is unavailable. Reporting training days per year per employee is sufficient for our purpose and for tracking progress. We do not plan on reporting on training days broken down by gender or employee category in the future. | |
| 404-2 Programs for upgrading employee skills and transition assistance programs | <p>NIB has support models for its in place, which include individual career counselling programmes and job placement services. Such programmes are paid for by NIB and are facilitated by external service providers. For example, NIB offers a career counselling programme for employees who have been working at the Bank for several years. The programme functions as a development initiative and aims to ensure continued employability of NIB staff. In 2020, NIB also started to develop a young professionals programme, which aims to provide staff at the beginning of their careers with tools for skills development and networking.</p> <p>Pre-retirement planning services are offered to staff reaching old-age pension, which include administrative support and guidance for pension applications, and related off-boarding services.</p> <p>During the year, the Bank offered various tailor-made training opportunities for its staff members. Most training was carried out on an individual level, and was based on employees' specific needs. NIB also offers language training to its employees in English, Swedish and Finnish and, in special circumstances, other work-related languages. See pg 22 Working at NIB</p> | | |
| 404-3 Percentage of employees receiving regular performance and career development reviews | All permanent employees (2020: 193 employees, 87% of total staff) take part in regular, structured appraisal and development discussions with their supervisors, where individual work plans and performance are reviewed. These talks are held at least twice a year. Similar development discussions are also provided to temporary employees. | | |
| GRI 406: Non-discrimination 2016 | | | |
| 406-1 Incidents of discrimination and corrective actions taken | In 2020, no formal claims of discrimination or harassment were reported. See pg. 25 Working at NIB | | |

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| GRI G4 Financial Sector Supplement | | | |
| CATEGORY: SOCIAL | | | |
| Sector specific aspect: Product Portfolio | | | |
| The management approach and its components | <p>In line with the Bank's mission, NIB's sustainability analysts assess all projects proposed for financing for their potential impact on productivity and the environment of the Nordic-Baltic region. This mission fulfilment is rated on a five-grade scale from negative to excellent, and measures a project's compliance with NIB's Sustainability Policy & Guidelines.</p> <p>The <u>Sustainability Policy and Guidelines</u> - which is approved by the Board of Directors - address the environmental and social dimensions of growth, including the impact of NIB's lending on the climate, local communities and human resource management. At least 90% of loans should achieve a good or excellent mandate rating.</p> <p>Further, NIB-financed projects have to fulfil the requirements set out in the Bank's Mandate Rating Framework, which sets out guidelines for assessing a project's impact on productivity and the environment. These sustainability and mandate assessments are included in the loan documentation, and influence the decision process of the management and the Board on whether to approve financing for a project.</p> <p>NIB is committed to supporting sustainable, prosperous and well-functioning societies, and to supporting the transition to an economy where sustainability forms an integral part of businesses' operations and decision-making. The Bank is committed to addressing the climate challenge in accordance with the Paris Climate Agreement, and aims to integrate the management of climate-related risks and opportunities in its business operations. NIB also recognised the special protected status of the Baltic Sea and its importance for sustainable growth in the region.</p> <p>NIB currently does not publish environmental targets for the projects it finances, but reports annually on the impact of these NIB-finances projects, see IR pg. 31 Impact of loans disbursed.</p> <p>NIB has developed a channel for its stakeholders to express their views or comment on projects with potential significant adverse social or environmental impacts (<u>Category A projects</u>). In addition, if any persons involved in the activities of NIB observe or have reasonable grounds to suspect misconduct, they are encouraged to report such information. Complaints about non-compliance with NIB's policies, including the Sustainability Policy & Guidelines, as well as allegations of misconduct and corruption, can be addressed to the Integrity & Compliance Office [ICO].</p> | | |

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| <p>Policies with specific environmental and social components applied to business lines</p> | <p>NIB's Sustainability Policy and Guidelines are approved by the Bank's Board of Directors, and cover the environmental, social and governance dimensions of NIB's activities. In line with the policy, all projects considered for financing undergo a sustainability review to identify significant environmental and social risks. This review addresses a project's environmental impact, including on the climate and biodiversity, and its impact on communities and productivity. The Sustainability Policy also sets out a list of international frameworks and conventions that NIB draws on. The policy includes an Exclusion List of activities the Bank will not finance or invest in.</p> <p>In addition, the Mandate Rating Framework guides the Bank's economists and environmental analysts in assessing a project's impact on productivity and the environment, and defines the drivers for NIB's lending activities. Mandate rating is a compulsory part of the credit process. NIB is committed to consider these risks and opportunities identified in the sustainability review when making financing decisions. The policies are publicly available on NIB's website.</p> | | |
| <p>Procedures for assessing and screening environmental and social risks in business lines.</p> | <p>NIB's environmental and social review is performed by the analysts of the Sustainability and Mandate unit [see also an overview of the review here]</p> <p>The review includes the following key components:</p> <ul style="list-style-type: none"> · categorisation based on assessment of potential negative impact of the project · definition of risks and impact of the project and of planned mitigation measures · benchmark of the project's environmental and social performance with relevant standards · assessment of the commitment and capacity of the client to manage the potential impact · verification that the costs resulting from the environmental and social risks and impacts are factored into the project <p>Based on the categorisation, NIB indicates to the customer what type of environmental information NIB requires. These sustainability and mandate assessments are included in the loan documentation, and influence the decision process of the management and the Board on whether to approve financing for a project. See IR pg. 71 Sustainability management for more information on sustainability governance, monitoring and decision-making.</p> | | |
| <p>Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.</p> | <p>The implementation of NIB-financed projects is monitored on an ongoing basis. When a project has reached operating maturity (normally within three years after completion), it receives an ex-post assessment. Ex-post assessment is based on impact indicators that are determined during the ex-ante assessment of a project prior to loan approval and aims to identify lessons learnt and aspects that can serve as recommendations for improvement. The principles for this process are set out in NIB's Monitoring and Ex-Post Mandate Assessment Framework. All NIB-financed projects receive ex-post evaluations, with the exception of sub-projects in financial intermediary lending within NIB's member countries, which already has an established scheme for reporting. In 2020, fourteen such ex-post assessments were completed.</p> <p>As outlined in the Investigation and Enforcement Policy, the Integrity & Compliance Office handles investigations of alleged non-compliance with NIB's policies, including the Bank's Sustainability Policy and Guidelines.</p> | | |

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| Interactions with clients/ investees/business partners regarding environmental and social risks and opportunities. | NIB's Sustainability and Mandate unit (SUM) is responsible for assessing and monitoring projects, and for interacting with clients on issues relating to environmental and social risks and opportunities. The SUM analysts perform regular interviews with project staff and conduct site visits. The extent and frequency of interactions depend on the type of project financed, and are based on the impact indicators defined during the ex-ante project assessment. NIB's sustainability analysts can also advise clients on how to improve the sustainability impact of a project and how to avoid, mitigate and manage risks. See NIB's Financial Report 2020 pg. 5 Mandate fulfilment | | |
| FS6 Percentage of the portfolio for business lines by specific region, size [e.g. micro/SME/ large] and by sector | NIB's Financial Report 2020 pg. 61 Note 12: Loans outstanding and guarantee commitments | | |
| FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose. | In 2020, EUR 1.9 billion [57% of total loans disbursed] went to projects achieving a significant positive environmental impact. See also NIB's Financial Report 2020 pg. 7 Impact on the environment | | |
| Sector specific aspect: Audit | | | |
| The management approach and its components | NIB has an independent Internal Audit function that regularly evaluates the Bank's controls, risk management and governance processes. Internal Audit has a direct reporting line to the Bank's Board of Directors and to the Control Committee. The annual audit plan is approved by the Board of Directors. A risk-based approach is applied when selecting the audit activities to be included in the plan. The internal audit activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. | | |
| Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures | While a risk-based approach is applied when selecting audit activities, the target is to cover all areas of NIB's operations and activities at least every five years as part of a regular internal audit process. Recent audits related, for example, to sustainability and mandate processes, non-financial risks, green bonds, and the NIB Environmental Bond Framework. No separate auditing system has been implemented for the Bank's environmental and social risk assessment policies. The rectification of reported issues is followed up on a continuous, quarterly basis. In 2020, NIB's Executive Committee decided to seek independent, external assurance of its sustainability reporting according to the ISAE 3000 (Revised) standard. The assurance was provided by KPMG, who carried out at limited level of assurance. See pg. 84 Auditor's Assurance Report . | | |

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| Sector specific Aspect: Active Ownership | | | |
| FS 10 Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues | <p>NIB's Sustainability and Mandate unit (SUM) assesses all projects considered for financing for their potential impact on productivity and the environment. As part of this process, the Bank's sustainability analysts engage with clients on environmental and social issues related to the project implementation.</p> <p>When a project is first assessed, impact indicators are defined (ex-ante appraisal). During the implementation phase of the project, NIB's sustainability analysts regularly monitor the project and its progress in line with the ex-ante indicators. Once a project is operational (usually three years after completion), NIB's analysts aim to follow up on the project's impact. This ex-post assessment is also based on the ex-ante defined indicators.</p> <p>In 2020, NIB agreed 56 new loans, all of which were assessed as part of the sustainability and mandate review The project analyses are available on NIB's website. See also NIB's Financial Report 2020 pg 61 Note 12: Loans outstanding and guarantee commitments for the total number of companies in NIB's portfolio as of 31 December 2020. During the year, NIB's analysts continued to engage with its portfolio clients, and completed 14 ex-post assessments. See NIB's Financial Report 2020 pg. 5 Mandate Fulfillment. See also the Mandate Rating Framework and the Monitoring and Ex-post Mandate Assessment Framework.</p> | <p>NIB does not report separately on the percentage and number of companies held in the Bank's portfolio with which NIB's sustainability analysts engaged with on environmental or social issues.</p> | |

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