



NORDIC
INVESTMENT
BANK

Integrity Report 2019

Foreword by the President

This past year saw a number of companies within the Nordic and Baltic regions come under investigation for integrity-related failures. These incidents remind us to be continuously vigilant; to keep asking whether our actions are the right ones, and whether we are living up to the standards which our stakeholders expect from us.

At NIB, we have continued to strengthen our integrity due diligence process to enhance our assurance that our clients are aligned with the integrity standards that we adhere to. We will also continue our approach of working with existing and potential new clients that have experienced challenges in relation to corruption and other unlawful behaviour. By providing proactive assistance, NIB aims to reduce corruption risks in future projects and to strengthen our clients' ability to mitigate these risks, which they may face in their operations.

We are also enhancing our systems to improve efficiency. Over the past year, the Office of the Chief Compliance Officer introduced two technology initiatives to improve the integrity due diligence process and in the screening of clients. As a bank, we aim to utilise technology to help us make the most effective use of the data, that we gather and generate as part of the bank's operations.

In December 2019, NIB signed up to the Principles for Responsible Investing, an investor initiative that works to understand the investment implications of environmental, social and governance [ESG] factors. The international network supports signatories in incorporating these factors into their investment and ownership decisions. Good governance and accountability are a critical part of sustainable financing, which is at the heart of NIB's mandate.

Henrik Normann
President & CEO

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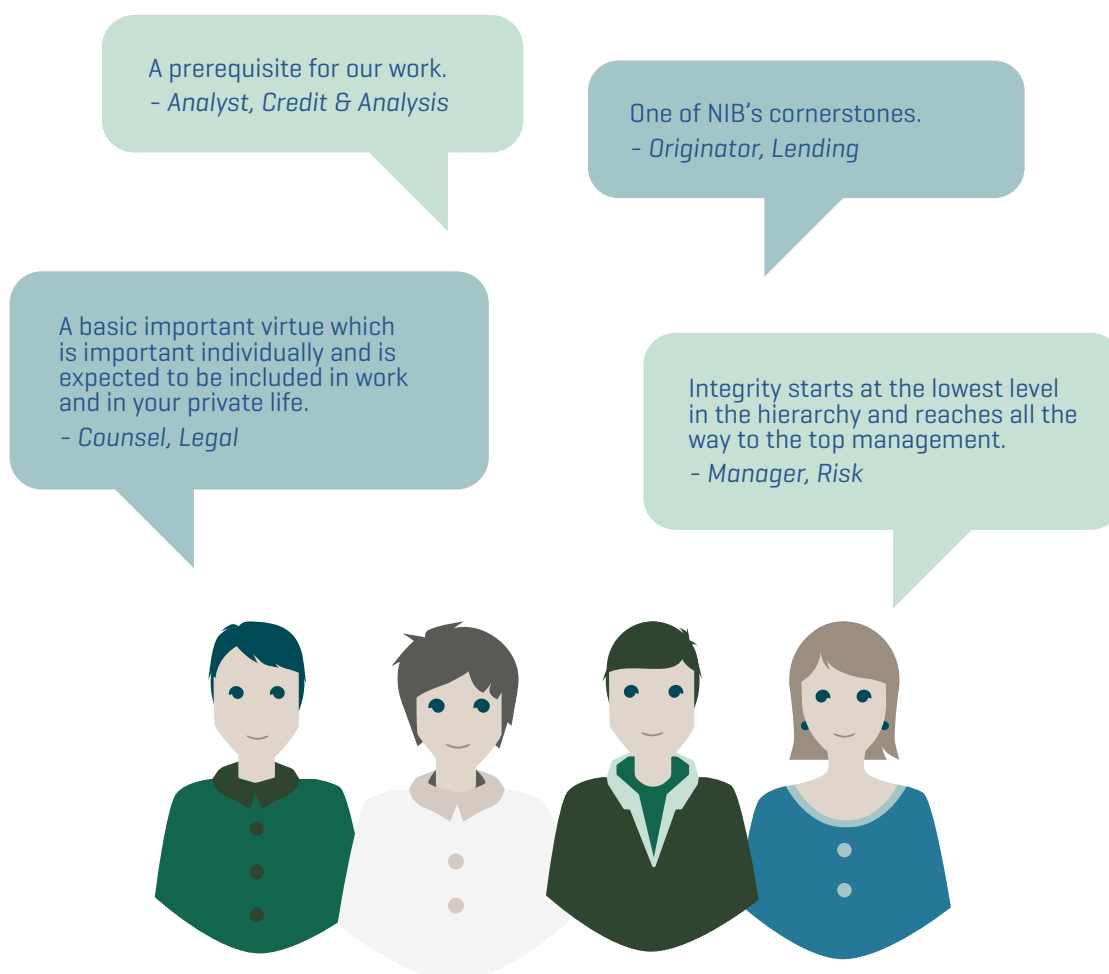
1 NIB's Integrity Framework

1.1 NIB Standards

The Nordic Investment Bank (NIB or the Bank) is committed to following international best practices and market standards in the areas of accountability, governance, corporate social responsibility, transparency, and business ethics. Furthermore, the Bank also has in place controls to prevent money laundering, breaches of relevant sanctions and corruption.

As an international financial institution (IFI), the Bank has endorsed the IFI Uniform Framework for Preventing and Combating Fraud and Corruption (IFI Uniform Framework), and has aligned its policies and procedures accordingly. The Framework was agreed upon and signed by large multilateral organisations, including the World Bank, the International Monetary Fund and the European Bank for Reconstruction and Development.

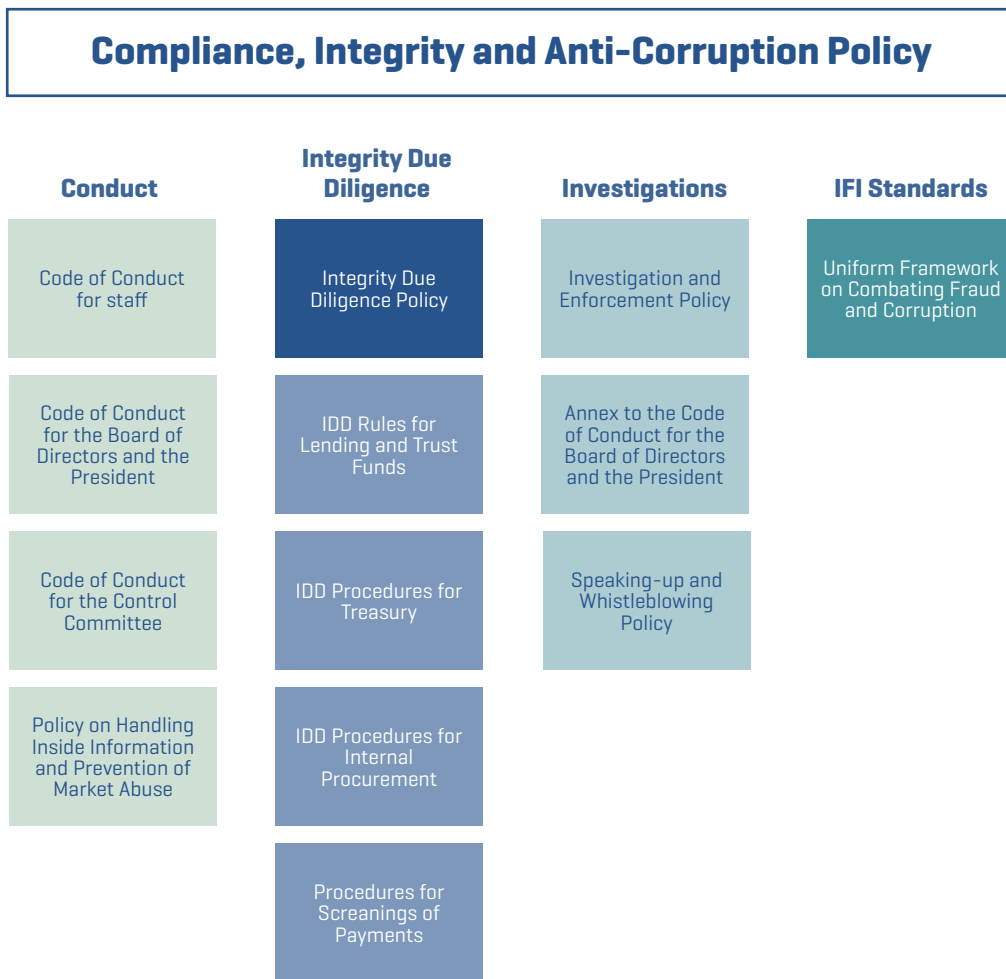
OUR STAFF'S VIEWS ON INTEGRITY



1.2 NIB Integrity Policies

NIB’s anti-money laundering (AML) and anti-bribery and corruption (ABC) controls include a number of policies and processes covering an array of themes. For example, NIB has approved policies on investigations and enforcement, speaking-up and whistleblowing, prevention of market abuse and handling of inside information, integrity due diligence (including sanctions), as well as a number of codes of conduct applicable to the Bank’s staff and its different decision-making bodies.

NIB’S INTEGRITY POLICIES



■ Indicates internal documents

1.3 Office of the Chief Compliance Officer (OCCO)

The Office of the Chief Compliance Officer (OCCO) is responsible for overseeing and coordinating matters relating to integrity and reputational risks and provides independent expert advice to staff, management and the Board of Directors on compliance matters. Moreover, OCCO is responsible for overseeing the implementation of the Bank's AML and ABC controls by the operational units and management.

The Chief Compliance Officer (CCO) reports to the President and has unrestricted access to the chairpersons of the Board of Directors and the Control Committee. The CCO meets with the Board of Directors and the Control Committee on a regular basis throughout the year and reports on OCCO's activities on an annual basis.

A. Preventative

Through its preventative work, OCCO aims to ensure that the Bank's staff and counterparties meet NIB's compliance and integrity standards. The preventive work entails a range of tasks; from mapping out the risks the Bank is facing to mitigating risks by establishing appropriate procedures and controls. These procedures and controls are reviewed regularly in order to maintain any residual risks at a level that is acceptable to the Bank, and to meet market expectations created by a changing regulatory landscape.

A further critical element of the preventative work is ensuring that borrowers and counterparties are subject to scrutiny in terms of business integrity and reputation, and ensuring that staff members are of high integrity and follow the principles and norms established in the Code of Conduct.

Training plays a key role in preventing and combating corruption, money laundering, fraud, misconduct, etc. OCCO organises and provides training with the objective of raising awareness among staff. The annual training programme is approved by the Board of Directors in connection with OCCO's Activity Plan.

B. Investigative

OCCO is responsible for receiving and investigating all allegations of prohibited practices (corruption, fraud, coercion, collusion, theft, obstruction, money laundering and terrorist financing) and complaints of non-compliance with the Bank's policies. The Bank maintains a reporting channel for such complaints and allegations in accordance with the Bank's Speaking Up and Whistleblowing policy. The CCO, in collaboration with the Head of Internal Audit, conducts preliminary assessments of all reported complaints and allegations. If an allegation is linked to a NIB-financed project or activity and meets the criteria established in the Investigations and Enforcement Policy, it is referred to OCCO for investigation.

If there is sufficient evidence to support the allegation or complaint, a findings report is presented for decision to the President (for cases related to staff) or to an independent Sanctions Panel (for cases involving prohibited practices related to counterparties). The Sanctions Panel is made up of three members, one internal and two external.

2 OCCO Activities in 2019

2.1 Maintaining NIB's Integrity

2.1.1 Integrity Due Diligence

Policy and process developments

During 2019, NIB continued to strengthen the Integrity Due Diligence (IDD) process applicable to the Bank's operations. Two initiatives towards this objective were:

- Updating the IDD internal rules applicable to Lending operations to ensure clarity regarding responsibilities and to modify the frequency of reviewing portfolio clients assessed as presenting Medium Compliance Risk; and
- Development of IT tools that will help to ensure a consistent auditable record and ongoing monitoring.

Support to Operational Units

OCCO continued to provide advice to operational units, including Lending, Treasury and Legal. As established in the IDD Policy and the IDD Rules for Lending, OCCO acts as the second line of defence for the IDD process. In practice, this means that OCCO provides advice and recommendations to the operational units, senior management and the Board of Directors whenever the Compliance Risks are Medium or High.

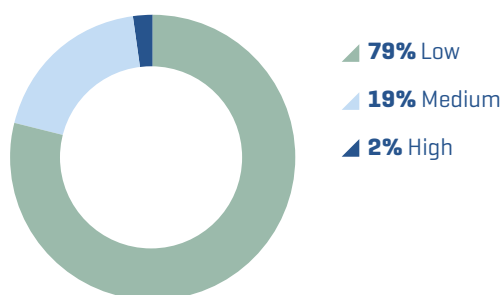
▲ Lending

The number of IDDs conducted for Lending operations increased over the number conducted in 2018. Process improvements and increased staff awareness are considered to be the main drivers for this increase.

OCCO was involved in the review and assessment of 78 transactions. The level of complexity and OCCO's engagement varied from project to project and ranges from a simple internal assessment to a review of a borrower's policies requiring extensive client engagement.

IDDs CONDUCTED FOR POTENTIAL NEW LENDING

Figure 1: Compliance Risk Ratings



▲ Treasury

OCCO continues to work closely with the Treasury to ensure that its operations are carried out with a high level of integrity and following the IDD rules applicable to Treasury operations. During 2019, particular effort was invested in ensuring that new asset classes are also subject to IDD.

▲ Legal - Procurement of goods and services

In connection with NIB's rules for the selection of its vendors and suppliers, OCCO and the Legal department [responsible for coordinating the IDD in the procurement process] have continued to cooperate in order to ensure that the procurement process follows best practices and our counterparties are of an acceptable reputation. The process is risk-based, catering for enhanced due diligence in connection with contracts that have a high monetary value or are of strategic importance.

2.1.2 Code of Conduct

The Code of Conduct for the Board of Directors and the President was reviewed during the first quarter to align, to the extent appropriate, with the changes introduced in the Code of Conduct for Staff that was approved by the Board of Directors at the end of 2018. The Board of Governors adopted the updated version of the Code of Conduct for the Board of Directors and the President on 24 May 2019.

Furthermore, OCCO continued to provide advice to staff in relation to the Code of Conduct for the Staff on questions related to gifts, business trips, perquisite positions and declarations of financial and business interests.

2.1.3 Training

During the reporting period, OCCO organised a number of training courses specifically focusing on IDD and sanctions. The trainings targeted the units involved in the screening process.

Moreover, the eLearning module for the Code of Conduct and Speaking-up and Whistleblowing Policy was launched in early 2019. The eLearning was completed by all staff and was also used to provide training for all new employees.

2.2 Investigating allegations of Prohibited Practices, Misconduct and Complaints

At the beginning of the year, OCCO had six investigations registered as open. During the reporting period, one new investigation was registered and completed, and three previously registered investigations were closed based on the national law enforcement agencies' decisions to close the cases.

OCCO received four allegations during 2019. Three of the allegations pertained to external prohibited practices and one was a complaint against NIB. Following the preliminary assessment of these allegations, one was registered as an investigation. Following the investigation, it was determined no fraudulent practice had been committed.

FIGURE 2: INVESTIGATIONS OVER THE PAST FIVE YEARS (2015–2019)

	ONGOING AT THE START OF THE YEAR	REGISTERED DURING THE YEAR	CONCLUDED DURING THE YEAR	PENDING AT END OF YEAR	SANCTIONS DECISIONS BY NIB	REFERRALS TO NATIONAL AUTHORITIES
2019	6	1	3	4	-	-
2018	6	2	2	6	1	-
2017	5	2	1	6	-	-
2016	6	2	3	5	-	-
2015	4	3	1	6	-	-

3 Reporting

NIB promotes good governance in the projects it finances and strives to be transparent in its operations. The Bank is guided by the principles of transparency, predictability, accountability, responsibility and disclosure. These principles strengthen the Bank's commitment to ensure compliance with NIB policies and rules, for example, when it comes to sustainability, disclosure of information and procurement.

In this regard, NIB has a Speaking up and Whistleblowing Policy, which provides protection and confidentiality to staff and other stakeholders, including witnesses in investigations, who report in good faith any wrongdoing to OCCO. Moreover, the Policy establishes that retaliation against whistle-blowers is prohibited and describes the Bank's procedures for protecting whistle-blowers.

All staff and external parties are encouraged to report to OCCO any allegation of Prohibited Practice, Misconduct or Complaint.

4 Cooperation with peers

NIB cooperates with other IFIs and national authorities on a regular basis to ensure that the Bank remains in line with current developments.

The collaboration with other IFIs' compliance and investigation functions is important in supporting OCCO to maintain its high level of professionalism and for the benefit of the Bank's general integrity and anti-corruption work. NIB strives to harmonise its policies and processes with those of other IFIs and to increase information sharing with the aim of improving the effectiveness of investigations and due diligence processes. In 2019, OCCO participated in various IFI meetings where integrity matters were discussed.

NIB also collaborates with the anti-corruption functions of its sister organisations, the Nordic Development Fund (NDF) and the Nordic Environment Finance Corporation (NEFCO) with regard to training, information sharing, and aligning policies and procedures.

5 Glossary

Anti-bribery and corruption controls means NIB's controls for ensuring that activities carried out by staff and counterparties meet NIB's integrity standards, and for managing the risk of corruption and unethical business practices.

Anti-money laundering controls means policies, procedures, and processes designed to mitigate the risks of money laundering.

Complaint means allegations that the Bank, its borrowers or other entities responsible for the implementation of NIB funded projects have not complied with NIB's policies and related procedures.

Compliance Risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation that an entity may suffer as a result of its failure to comply with compliance laws, rules and standards.

High Compliance Risk means whenever a risk indicator presents a Compliance Risk that falls outside NIB's risk tolerance. In cases where the Compliance Risk is High, the activity or operation shall not move forward. Indicators presenting High Compliance Risk are considered 'deal-breakers'.

Low Compliance Risk means whenever there are no risk indicators identified, or when the identified risk indicators pose low compliance risk for NIB.

Medium Compliance Risk means whenever a risk indicator presents some degree of Compliance Risk. Indicators presenting Medium Compliance Risk could remain within or outside NIB's risk tolerance subject to the outcome of an Enhanced Due Diligence.

Misconduct means any intentional or negligent failure by the Bank's own staff or consultants/experts appointed by the Bank to observe or comply with the Bank's policies.

Prohibited Practices means a corrupt practice, fraudulent practice, coercive practice, collusive practice, theft, obstruction, money laundering or terrorist financing.



Reporting Allegations of Fraud or Corruption

Any person suspecting that corruption or any other type of Prohibited Practice [fraud, coercion, collusion, theft, obstruction, money laundering, and terrorist financing] has occurred in connection with a NIB-financed activity is encouraged to report this allegation to the Bank.

All alleged cases of internal or external misconduct and Prohibited Practices can be reported to the Chief Compliance Officer by email: Corruption@nib.int

Reporting of Complaints of Non-Compliance with the Bank's Policies

If you believe you are or will be adversely affected by a project financed by NIB due to non-compliance with a NIB policy (e.g. the sustainability policy and guidelines, the public information policy), you may submit a complaint to the Chief Compliance Officer by email: Complaints@nib.int

Allegations or Complaints can also be reported by post to:
Confidential: For the Attention of the Chief Compliance Officer
Nordic Investment Bank, Fabianinkatu 34, 00171 Helsinki, Finland