



Activity Report 2017

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Activity Report (PDF)

Overview of NIB's operations, sustainability management and governance in 2017.



Highlights longpage →

NIB's Annual Report 2017 at a glance.



NIB Environmental Report (PDF) →

Full report of NIB Environmental Bonds in 2017.



Financial Report (PDF) →

The Report of the Board of Directors and the complete Financial Report 2017.



Annual Report 2017 – → A Summary (PDF)

A summary of NIB's activities and results in 2017.

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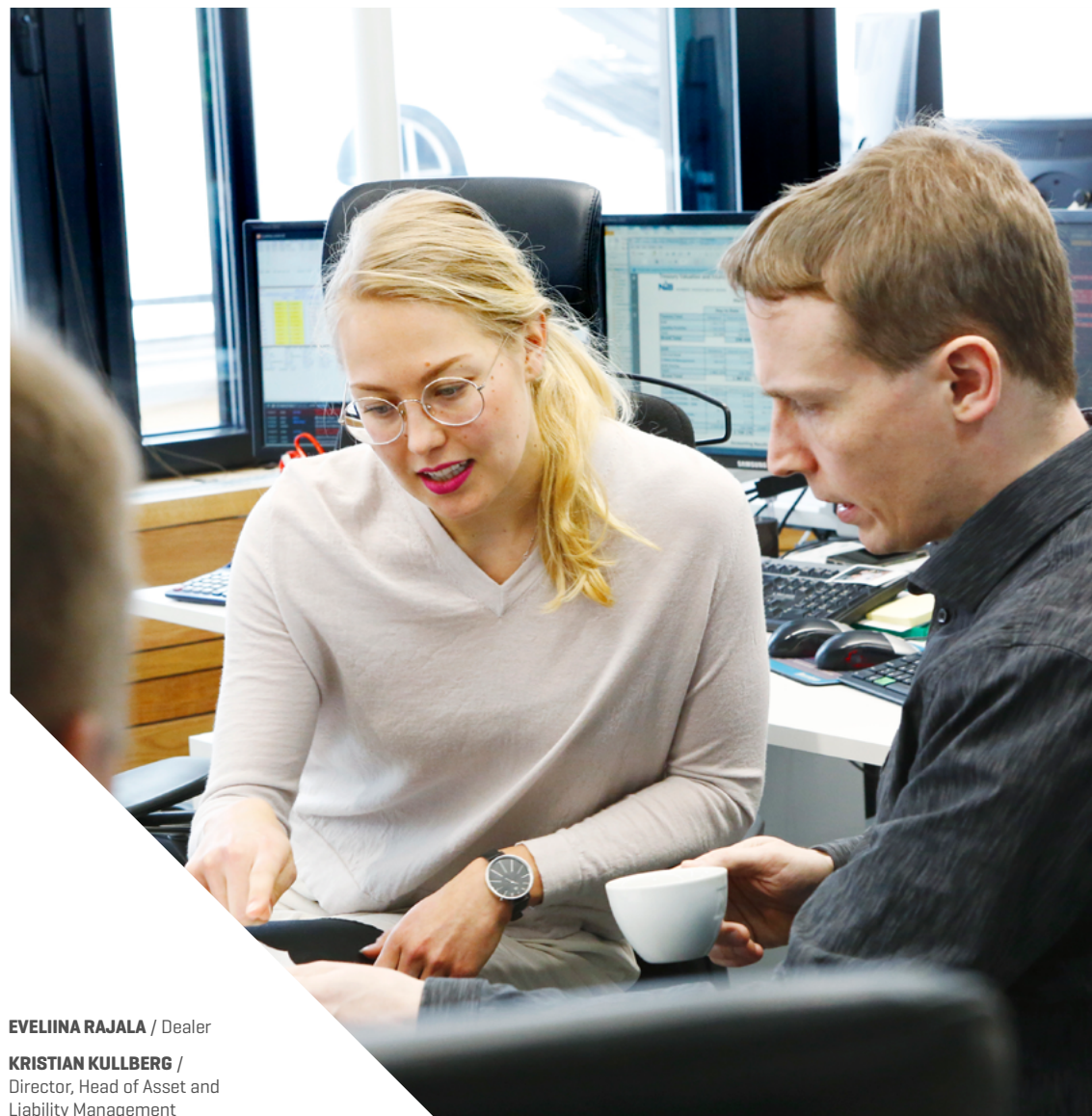


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EVELIINA RAJALA / Dealer

KRISTIAN KULLBERG /
Director, Head of Asset and
Liability Management

Year 2017



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About NIB

NIB's vision is a prosperous and sustainable Nordic-Baltic region. The Bank finances projects that improve competitiveness and the environment of its member countries.

NIB offers long-term loans to complement and leverage commercial lending. Loans are extended according to sound banking principles and on market terms.

The Bank acquires the funds for its lending activities by borrowing on the international capital markets. NIB has the highest possible credit rating of AAA/Aaa. This way, the Nordic and Baltic member countries can finance the transition to more sustainable societies.

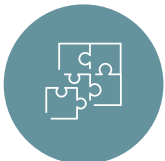
Located in Helsinki, Finland, NIB has an international staff of some 190 experts.

How we create value



BONDS

NIB issues bonds to finance its operations



LOANS

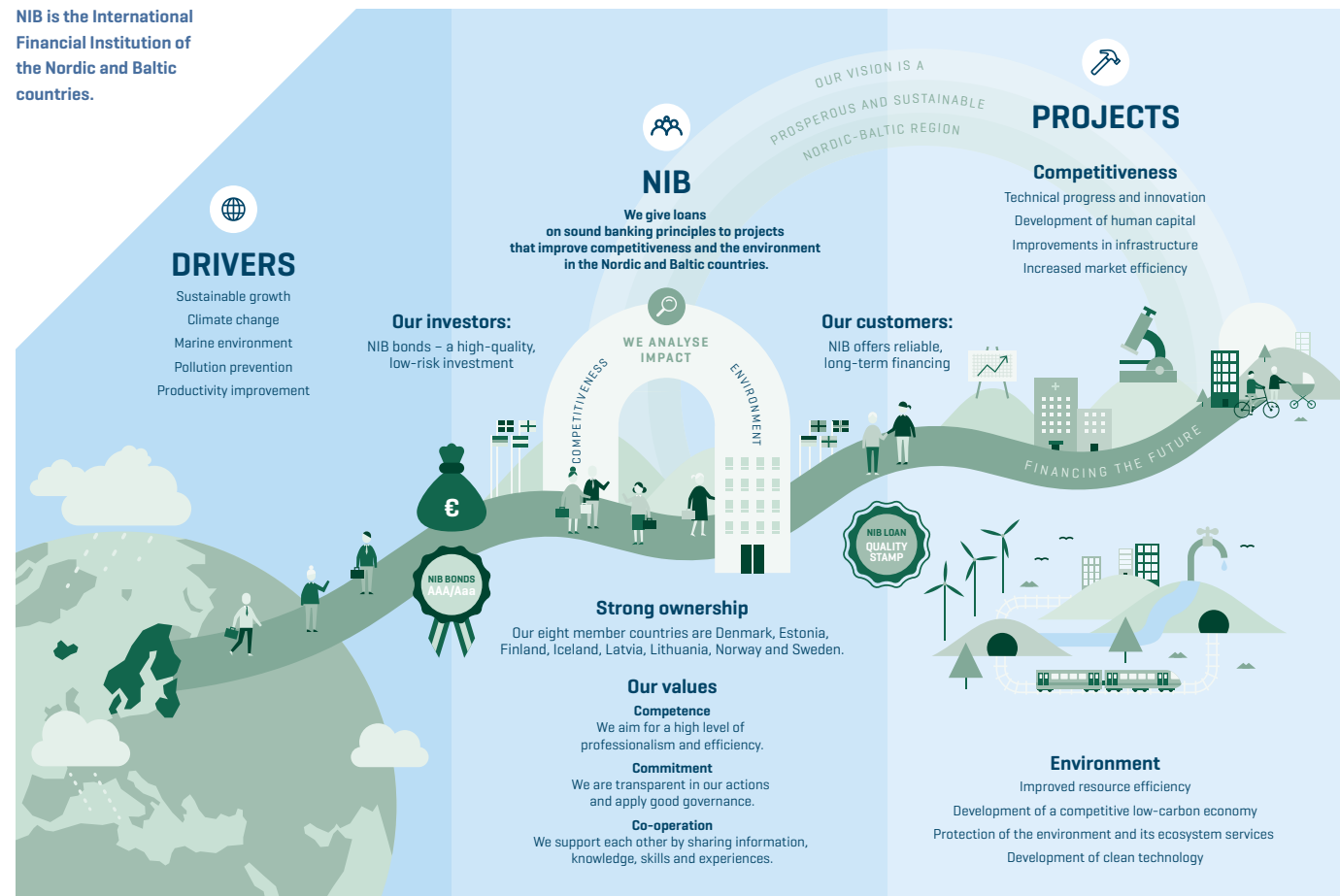
NIB provides loans to projects fulfilling its mission



PROJECTS

Projects financed by NIB improve competitiveness and the environment

NIB is the International Financial Institution of the Nordic and Baltic countries.



Impact of projects financed by NIB in 2017

Projects that have agreed financing from NIB during the year have the following total estimated impact:

CO₂ reduction

NIB loans in 2017 contributed to an annual reduction of **49,000 tonnes** of CO₂ emissions, and an increase of **4,000 tonnes**.

The net reduction equals taking **36,000 cars** off the road.*



*Assuming 100g of CO₂ emissions per kilometre and an average annual driving distance. Source: Trafikanalys Sweden.

Electricity and thermal heat generation

NIB loans to renewable energy projects in 2017 contributed to an annual increase of **0.1 TWh** in electricity and thermal heat generated.

This increase equals the energy need of **4,500 single family houses**.



Wastewater treatment

In 2017, NIB financed **eight wastewater treatment projects** in Sweden and Finland.

The projects added a **population equivalent of 290,000** in wastewater treatment capacity.



Onlending to SMEs and environmental projects

Nine loan programmes were signed with financial intermediaries in the Nordics, totalling **EUR 478 million**

for onlending to SMEs, mid-caps and environmental projects.



R&D programmes

Seven loans were agreed for financing **R&D** investments totalling **EUR 635 million**

for innovation and product development in Sweden, Denmark and Finland.



Green buildings

In 2017, NIB financed **three green building projects** with certification in accordance with LEED Platinum or BREEAM Excellent.

Combined, the green building projects cover **316,500 square metres** to be certified.





President's review

The Nordic-Baltic region is facing globalisation, climate change, urbanisation and rapid technological progress along with the rest of the world. In the annual report for 2017 we show the results and impact of NIB's long-term lending projects helping to tackle these challenges and benefit from them.

During the year, most of our loans to support the competitiveness of our Nordic-Baltic member countries went to investments in R&D, infrastructure and energy projects. The majority of loans to benefit the environment were for projects improving wastewater treatment and water supply, with municipal investments being a main driver.

Sustainability is at the very heart of NIB's mission and the Bank serves as a tool for the Nordic and Baltic countries in financing the green transition. In this report you can also read about how NIB's lending projects relate to the UN Sustainable Development Goals.

We have continued the high level of lending throughout 2017 with 55 agreed loans, totalling EUR 3.7 billion, and a disbursement of EUR 3.1 billion. NIB made a profit of EUR 211 million [EUR 212 million in 2016].

You can find more information about our loan projects on our website at www.nib.int.

The Bank also raised EUR 5.9 billion in new funding and continued to issue NIB Environmental Bonds. NIB issued seven NIB Environmental Bonds totalling EUR 920 million and further anchored its position as the biggest Nordic issuer of green bonds. Read more about the environmental impact of our green bonds [here](#).

As part of NIB's special initiatives launched in recent years, loans and green bond investments to the Baltic countries increased to EUR 202 million.

NIB functions as a catalyst and is part of creating high standards in its lending to projects that increase competitiveness and benefit the environment. As our Nordic and Baltic member countries are rather advanced on a global scale, it means that we often go for the last decimal in increasing productivity gains or reducing CO₂ emissions. As such, NIB is a part of a wider process in reaching a more sustainable and low-carbon Nordic-Baltic region.

NIB has reached out to mid-cap companies in the Nordic-Baltic member countries and aims to broaden the long-term lending offering to this important segment.

As I see it, we can impact the future as long as we agree on the direction. For this we have to cooperate. Although the Nordic-Baltic region is already doing relatively well, let's keep in mind that progress is not a given. As a value traditional to our culture, trust is a key to unlock a prosperous and sustainable future.

Henrik Normann, President & CEO

“NIB serves as a tool for the Nordic and Baltic countries in financing the green transition.”



Sustainability

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LENA KORKEA-AHO /
Senior Environmental Analyst

IGORS KASJANOV / Senior Economist

Financing the future

NIB's mission is to finance projects that improve competitiveness and the environment. The mission allows the Bank to address future challenges such as sustainable growth, climate change, the protection of marine environments, pollution prevention and productivity improvements.

To improve the competitiveness of its member countries, the NIB-financed projects support productivity gains through:

- Technical progress and innovation
- Development of skills and human capital
- Improved infrastructure
- Improved market efficiency and business environment

In terms of the environment, NIB lends to projects that lead to:

- Pollution reduction
- Preventive measures
- Resource efficiency
- Climate change mitigation

NIB-financed projects and the UN SDGs

The seventeen UN Sustainable Development Goals (SDGs) set out a global roadmap for tackling economic, environmental and social challenges as part of the 2030 Agenda for sustainable development. The SDGs present a common framework for governments, business and civil society to enhance

the value of their innovations and investments, and to strengthen stakeholder relations.

In line with its mission, NIB has identified the SDGs to which its financed projects, business strategy and sustainability approach can contribute:

NIB-financed projects and the UN Sustainable Development Goals



Sustainable financing in 2017

Companies are increasingly expected to be both profitable and to act responsibly towards society and the environment. For project owners, it is therefore reassuring that NIB reviews all loan projects from a sustainability perspective.

A large part of NIB's lending in 2017 contributed to strengthening competitiveness, which is broadly defined as a region's ability to sustain productivity growth. Financing projects that contribute to this aim is a way for NIB to support societies in reaching higher levels of prosperity and well-being.

Transport infrastructure

The quality and capacity of transport infrastructure can directly impact productivity by increasing connectivity and lowering costs. Further, investments in the transport sector can indirectly contribute to an increased efficiency of labour and product markets, and support business environments and job creation.

In 2017, NIB lent almost EUR 740 million to projects that improve the air, road and rail infrastructure in the Nordic and Baltic countries. These include the expansion of hub airports in the capital regions of Sweden, Lithuania and Denmark, as well as road projects in Norway.

In Denmark, NIB provided a loan of DKK 900 million [EUR 121 million] to finance part of a large-scale investment programme at Copenhagen Airport. The project will increase efficiency by expanding terminals, adding new gates and upgrading the central safety control system.

Projects in the transport sector contribute to the UN Sustainable Development Goals [SDGs] 8 and 9.

Urban infrastructure

Urbanisation is a key driver for infrastructure investments in the Nordic-Baltic countries. The number of people living in urban areas is steadily increasing, and cities are seen as the economic locomotives of the region. To cater to the growing population, investments in core service utilities are needed.

In 2017, NIB lent EUR 654 million to urban infrastructure projects. Of this, more than EUR 200 million helped finance new educational infrastructure. Almost EUR 340 million financed upgrades of municipal water supply and wastewater treatment plants, which will significantly reduce the nutrient discharge into the Baltic Sea.

In Estonia, NIB provided a EUR 20 million loan to the city of Tartu to finance municipal investments for improving the road infrastructure and modernising education facilities. The investments will reduce traffic, improve safety and reduce noise and pollution. The construction of day care centres and schools will significantly improve the educational services in the region.

Projects financed by NIB seek to mitigate the environmental and social impact caused by demographic changes. These projects contribute to the SDGs 4, 6, 11 and 14.

Technical progress and innovation

Financing R&D projects generally yields a higher social return than other investments. The benefits from R&D tend to spill-over to the rest of the economy through knowledge transfer and imitation. Investments in innovation and physical capital are major drivers of productivity growth and have been observed to lead to higher levels of long-term growth and prosperity.

In 2017, NIB lent more than EUR 756 million to finance companies' research programmes and investments in new facilities. In Denmark, NIB agreed a second loan in three years to William Demant A/S of DKK 400 million [EUR 53.7 million]. The loan finances ongoing R&D concerning hearing healthcare. William Demant cooperates with universi-

ties, research centres and the corporate sector. Most of the R&D activities take place in Denmark, where the company is part of a hearing healthcare cluster with academia and, among others, another client of NIB, GN Store Nord A/S.

Projects in technical progress and innovation contribute to the SDGs 8 and 9.

Green buildings

Green buildings are properties that, in their construction and operation, reduce negative impacts on the climate and the environment. These buildings are designed to preserve natural resources through the sustainable use of materials, energy and water, while also creating a healthy indoor environment for tenants.

Heating and cooling of buildings account for almost 40% of all CO₂ emissions in the European Union. Estimates published by the European Commission suggest that improving the energy efficiency of buildings could reduce the total energy consumption in the EU by 5-6%, while lowering emissions by 5%.

In 2017, NIB lent EUR 393 million to finance investments in green buildings certified according to the highest or second highest levels in BREEAM and LEED.

The Swedish construction company Skanska AB has invested in techniques and concepts that lower the carbon footprint of buildings. In recent years, the company has developed properties that are resource-efficient and emit little or no carbon dioxide. NIB has supported Skanska's expansion in markets for certified green buildings. Most recently, the Bank financed Skanska's five major building projects in Poland, four in Warsaw and one in Wrocław, with the proceeds of NIB Environmental Bonds.

Green buildings and sustainable construction projects contribute to SDG 13.

Working at NIB

At NIB, we work with highly skilled professionals and aim to contribute to the sustainable growth of the Nordic-Baltic region. Our corporate values are commitment, competence and cooperation. In 2017, we continued to develop our working culture in order to maintain high levels of professionalism in line with our values.

Work community

At the end of 2017, NIB had 193 employees in permanent positions. Of these, 80 were women and 113 men. The average number of permanent employees during the year was 193. In addition, five employees worked on projects in long-term temporary positions.

In 2017, the average length of employment was 12.2 years. Our exit turnover rate during the year stood at 8.2%.

The number of permanent employees holding a university degree was 146, or 76% of NIB's staff. All in all, our people represented 18 nationalities.

Skills development

NIB encourages its employees to continuously develop their skills. During the year, the Bank offered various tailor-made training opportunities for its staff members on topics such as credit and loan documentation, business ethics, banking and financial markets. The average number of training days

per employee, including professional and language training, was 5.9 in 2017, compared to 5.4 in 2016.

In addition, NIB continued with its internal development programme "Raising the Bar", which aims to strengthen the professional identity and competence of the Bank's staff. As an outcome of this training programme, several initiatives were developed internally, and some were implemented.

Here is what three of our lending originators said about the programme:

Yngve Söderlund

Senior Manager, Origination

"The programme was an excellent way of building contacts with colleagues, and provided good tools for strengthening teamwork. This is especially relevant for improving the interaction with our customers and other stakeholders."

Taina Ulkonieni

Senior Manager, Origination

"The programme was an interesting experience and gave a lot of food for thought. I found the module about understanding your influence on others particularly useful, as it showed how different personalities can influence teamwork. The module about understanding the business environment was also very interesting. It made me follow the news from a somewhat new perspective."

Patrick Nylund

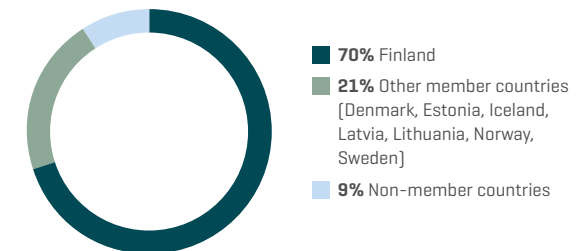
Senior Manager, Origination

"I appreciate that I was given the opportunity to attend 'Raising the Bar' after only eight months of employment at NIB. It allowed me to understand the corporate culture and how to interact with colleagues while delivering to customers. I also achieved personal development through the experience."

As one of the initiatives proposed during the Raising the Bar programme, NIB started a new training initiative called "Peer Pal" training, which facilitates knowledge sharing between colleagues by utilising in-house expertise.

Origins of staff

as of 31 Dec 2017
%, distribution by country



INTERNAL OPERATIONS

Well-being and safety at work

NIB makes every effort to provide a safe and healthy working environment for its employees, and encourages its staff members to establish and maintain a sustainable balance between their professional and private lives.

NIB provides both occupational healthcare and extensive medical care services to its employees. In 2017, the illness absence rate decreased to 2% of total working time, compared to 2.2% in the two previous years.

Code of Conduct and Ombudsman

NIB expects the highest ethical conduct from its staff members. The Code of Conduct for the staff, governed by the Compliance unit, provides guidance on business ethics and standards as well as personal conduct.

The functions and activities of the Ombudsman form an integral part of the legal framework for all staff members. The Ombudsman's role is to enhance cooperation on employment matters, and is a means of safeguarding the rule of law within the Bank while maintaining professional conduct and an attractive working environment.

In 2017, the Ombudsman was available once a month for all staff members. Three consultations on employment matters were held, none of which resulted in any further action. To ensure a workplace free of harassment, NIB has anti-harassment guidelines, which are governed primarily by the Bank's Human Resources unit. In cases of harassment, the Ombudsman can be consulted as well.

NIB's fundamental objectives as an employer include promoting balanced diversity among the staff, equal treatment of all staff members and prevention of discrimination. In an effort to address issues related to these objectives, NIB has put an Equality, Diversity and Inclusion Plan for 2016–2018 in place, which identifies different development areas. The plan was established in cooperation between representatives of the staff and representatives of the employer.

For the current period, efforts will focus on raising awareness and creating a diverse and inclusive work environment free from harassment or discrimination.

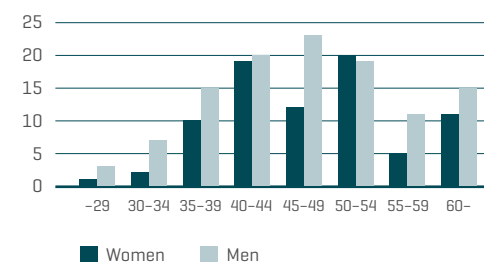
Legal status

NIB has the status of an international financial institution (IFI). Hence, the labour laws and other legislation of the host country, Finland, or any of NIB's other member countries, do not automatically apply to the Bank's employees. There are, however, some exceptions, particularly with regard to taxation, social security and pensions. These are stated in the Host Country Agreement between the Government of the Republic of Finland and the Nordic Investment Bank.

[See Note 7](#) in the Financial Report for more information on NIB's employees.

Employees by gender and age group

as of 31 Dec 2017



Participants of the second Raising the Bar programme cycle after presenting their development initiatives to NIB's Executive Committee.

Our ecological footprint

NIB has made a continuous effort to enhance its environmental management system and to apply best practices. All improvements the Bank implements are permanent, and include matters of health and safety, equal opportunity and work–life balance.

The Bank's premises are currently being refurbished over a multiyear period. The renovation is carried out in accordance with the BREEAM certification requirements for environmentally friendly buildings. During 2017, the second phase of the renovation programme, which covered two office floors, was completed.

NIB is a member of the WWF Green Office programme. The programme motivates staff to act in an environmentally friendly way in their everyday tasks, and aims to improve environmental awareness and cost efficiency. A certified Green Office is audited every three years to verify compliance with the programme's criteria. The audit process includes an office inspection and an interview to review the past three years' improvement actions for the selected indicators. Notes on possible future improvements are given. NIB's key indicators are presented in the table on the right. In 2016, NIB was awarded the use of the Green Office logo for the next three years.

NIB purchases the electricity needed for its premises from clean and renewable energy sources. The energy source is 100% wind energy. Its origin is guaranteed by the European Energy Certificate System (EECS). Fluctuations in energy consumption are small and for the main part dependent on weather conditions.

NIB buys cleaning and recycling services certified by the official Nordic

Ecolabel, the swan, introduced by the Nordic Council of Ministers.

In order to encourage the use of public transport among the NIB personnel, the Bank offers commuter benefit coupons. In 2017, the number of staff members using the coupons was 156.

NIB has appropriate waste management and waste handling procedures for sorting its main types of waste: energy, mixed, bio, cardboard, metal, glass and hazardous waste, including electronic waste and ink cartridges. All waste fractions are recycled. In connection with the ongoing refurbishment project at NIB's premises, a substantial part of the old furniture is being reused. However, an increase in different waste fractions is inevitable.



	2014	2015	2016	2017	Change from previous year %
NIB's direct environmental impact:					
Electricity [MWh]	1,352	1,269	1,280	1,300	2%
District heating [MWh]	1,347	1,188	1,348	1,535	14%
District cooling [MWh]	422	336	349	311	-11%
Energy total [MWh]	3,121	2,793	2,977	3,146	6%
Water [m³]	2,507	2,725	2,738	2,990	9%
Paper; copy and printing [tonnes]	7	6	6	6	0%
Business travel, air [million km]	4.2	5.0	4.2	4.1	-4%
Business travel, CO ₂ [t]	536	632	479	443	-10%
Recycled paper; office, newspapers, magazines and brochures [tonnes]	12	12	12	10	-16%
Other waste [tonnes]	15	16	23	22	47%
Commuter benefit coupons [signed for in number of persons]	150	143	140	156	11%

Sustainability management

Sustainability is at the core of NIB’s business model and its lending to projects that support productivity growth and the environment.

To steer its activities, NIB has a [Sustainability Policy and Guidelines](#) in place that address the economic, environmental and social dimensions of sustainable development. NIB believes that taking these aspects into account is part of good business, and contributes to improving the predictability, transparency and accountability of its actions.

In accordance with the policy, NIB assesses all loan projects for their potential impact on the economy, society and the environment, as well as the commitment and capacity of the potential clients to manage these impacts. A proposed project can be rejected due to non-compliance. NIB also published an exclusion list with activities not eligible for financing. The Bank recognises that not all adverse impacts of a project can be avoided, but requires that they are appropriately reduced, mitigated or compensated for.

Sustainability matters are shared between the Chief Compliance Officer (who reports to the CEO and has access to the chairpersons of the Board of Directors), the Control Committee, and the Head of the Sustainability and Mandate unit.

NIB has a [Compliance and Anti-Corruption Policy Framework](#) in place, which includes policies for the protection of whistleblowers, and investigation and enforcement procedures. The Office of the Chief Compliance Officer handles complaints of allegations of non-compliance with the Bank’s policies and procedures, including denials of information.

The Sustainability and Mandate Unit is responsible for assessing the level of compliance of projects with NIB’s mission, as well as their sustainability impacts.

Further, the Bank engages an independent Ombudsman, who can be contacted by all employees in strict confidence for advice and counselling on questions related to employment conditions, harassment and other disputes. The Ombudsman may contact the President, the members of the Executive Committee and the HR Unit, the Cooperation Council and relevant staff members. More information can be found under [Working at NIB](#).

The Head of Communication, who reports directly to the CEO, is responsible for the communication of sustainability matters.

Economic aspects

NIB regards economic aspects as an integral part of sustainable development. The Bank provides long-term financing to projects that strengthen economic competitiveness, which is defined as a region’s ability to sustain productivity growth and to increase prosperity and well-being.

This includes projects that facilitate technical progress and sustainable use of resources, such as R&D programmes and other investments that improve market efficiency. NIB also lends to infrastructure projects in the region’s transport and communications sector to support the business environment and increase market efficiency. A number of these projects may also have positive effects on the environment and society.

Environmental aspects

The Paris Agreement on climate change came into force in November 2016 and set out targets for keeping a global temperature rise to well below two degrees Celsius above pre-industrial levels. To promote a transition towards climate-resilient development, public and private actors will be required to cooperate to steer finance flows to sustainable projects.

As an international financial institution, NIB contributes to this goal by financing projects with direct and indirect environmental benefits, and by

“NIB pursues integrity, transparency and accountability in its operations and activities.”

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requiring appropriate environmental safeguards to be applied. NIB will finance reductions of greenhouse gases, improvements of energy efficiency and added renewable energy capacity.

Environmental opportunities in projects further include improved resource efficiency, development of a competitive low-carbon society, waste minimisation, pollution reduction, recycling and clean technology.

In this context, NIB recognises the special protected status of the Baltic Sea and its importance for sustainable growth in the Nordic-Baltic region. Further, the Bank has a focus on the protection of the environment of the Arctic region.

When analysing projects, NIB's environmental analysts collect information on the potential impact and assure the quality of the information provided by the customer during site visits and in interviews with project staff and relevant stakeholders.

The assessed environmental impact is benchmarked against relevant laws, regulations and standards. NIB may also give advice regarding clients' prospective projects to enhance their overall environmental and social performance. After disbursement, the Bank follows the performance of borrowers' projects based on agreed reporting criteria. The need for sustainability monitoring is assessed as part of NIB's environmental and social review. In 2016, NIB adopted a framework for the ex-post mandate assessment process to examine the implementation and results of financed projects.

NIB is also making an effort to include environmental considerations in its procurement process, and, whenever possible, chooses to purchase environmentally friendly products and services that contribute to energy efficiency and pollution prevention. This may include office supplies, IT equipment, and transport and cleaning services. The Bank aims to engage suppliers who follow best practices in environmental and social management. Read more about internal environmental management in [Ecological footprint](#).

Social aspects

The projects NIB finances have, in many cases, both direct and indirect social impacts. This includes projects in healthcare and education, as well as other investments that contribute to prosperity and the development of human capital.

Further, the Bank emphasises good management of human resources. Respect for workers' rights and freedom of association are seen as basic elements of 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. When a risk of any type of discrimination is identified in a financed project, a review by a third-party expert may be performed.

Furthermore, NIB requires its clients to comply with international standards for 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 an Equality and Diversity Plan to specify the aims and practical actions to be taken in order to promote a balanced working environment free from harassment or discrimination. The Bank actively strives, with due regard to available resources and other relevant circumstances, to encourage both women and men to apply for vacant positions, and to create opportunities that are as equal and equitable as possible for employees in respect of training and promotion. Read more about the Bank's human resource practices in [Working at NIB](#).

Corporate governance

NIB pursues integrity, transparency and accountability in all its operations and activities. The Bank commits itself to act as a good corporate citizen, and promotes openness and good governance in its operations.

NIB aims to maintain an open [dialogue with its stakeholders](#), and to improve its interactions with key interested parties.

Further, the Bank has adopted a zero-tolerance attitude towards corruption and fraud. NIB's staff and the members of its governing bodies regularly attend anti-corruption training to ensure that the Bank's codes of conduct are well understood and complied with. Read more about [integrity and anti-corruption](#).

Dialogue with stakeholders

NIB strives to maintain a constructive dialogue with its key counterparties. The Bank's stakeholders are its staff, customers, investors, political decision-makers and public administrations, non-governmental organisations, the media and the general public in the Nordic and Baltic member countries.

During 2017, NIB engaged in a number of activities:

ALMEDALEN WEEK | NIB arranged a panel discussion titled "[Financing the green transition – what is needed for real change?](#)" at Almedalen Week on the Baltic Sea island of Gotland on 3 July. Almedalen is considered the most important public forum for social and political exchange in Sweden.

NIB GREEN INVESTOR EVENT | On 12 September, the [NIB Green Investor Event was held in Sweden](#). Once a year, the Funding team invites investors in NIB Environmental Bonds to visit projects they help finance. This year, the participants visited Fortum Värme's combined heat and power plant in Stockholm and Vasakronan's green office building under construction in Uppsala.

POLITICS AND ECONOMICS OF BREXIT SEMINAR | NIB's President & CEO Henrik Normann spoke at the seminar "Politics & Economics of Brexit" in Helsinki on 19 September. The event was co-organised by the Swedish-Finnish Cultural Centre, the Finnish-British Society and the British Embassy.

At NIB's panel discussion "Financing the green transition: What's the colour of money?" at COP23 in Bonn. From left: Esko Kivisaari, Thomas Wrangdahl, Doris Kramer, Kristina Alnes, Jukka Ahonen.
Photo: NIB/Joel Sheakoski.

EBRD SEMINAR | On 2 October, Henrik Normann participated together with Suma Chakrabarti, President of the European Bank for Reconstruction and Development [EBRD], in the seminar "[Building successful economic transition](#)". The seminar was organised by the Bank of Finland and the Finnish Ministry of Finance.

NORDIC COUNCIL SESSION | From 30 October to 2 November, NIB was also present at the 69th Session of the Nordic Council, held at the Parliament House in Helsinki, where the programme for the upcoming Council Presidency of Sweden in 2018 was presented.



SUSTAINABILITY MANAGEMENT

COP23 | On 14 November, NIB co-hosted the Nordic Finance Day at the UN Climate Change Conference COP23 in Bonn, Germany. The event was held at the Nordic Pavilion and arranged in cooperation with NEFCO and NDF. The central event of the day was the panel discussion on “[Financing the green transition: What’s the colour of money?](#)”

BIOECONOMY INVESTMENT SUMMIT | NIB also supported the Bioeconomy Investment Summit, held in Helsinki on 14–15 December. The event discussed the potential contribution of the bioeconomy to a more sustainable future, and was part of the centenary celebrations of Finland’s independence.

Ongoing dialogue

As an ongoing general practice and as defined in NIB’s Public Information Policy, the Bank publishes information on all agreed loans, including information about the borrower, the loan sum, its maturity and a project description on its website. The degree to which the loan projects comply with the Bank’s mission is published as well. During 2017, NIB signed 55 new loan agreements.

NIB classifies all loan projects with potential negative social or environmental impacts as Category A projects. Such projects must undergo a full environmental impact assessment (EIA). The EIAs are made publicly available on NIB’s website at www.nib.int for a period of 30 days. This allows our stakeholders to give their opinions before the Bank makes a decision on financing the project.

In 2017, NIB published information about ten Category A projects, and received no responses. NIB eventually signed loan agreements with two of the Category A projects during the year.

In line with its Public Information Policy, NIB actively and regularly seeks feedback from key target groups on their awareness of the Bank and its reputation, the importance of sustainability matters and NIB’s added value. This is done by conducting a thorough stakeholder survey every three years. The next survey will be conducted in 2018.

NIB's added value according to stakeholders



LENDING CUSTOMERS:

- A good source of long-term, competitive funding
- A reliable partner that adds credibility to projects
- Understands the local market



INVESTORS:

- A provider of high-quality, low risk investments
- Diversification
- Green bonds



PUBLIC AUTHORITIES:

- Knowledge and expertise
- The possibility for environmental investments
- Promotes the interests of the Nordics and Baltics

SUSTAINABILITY MANAGEMENT

	Key stakeholders	Modes of interaction	2017 activity examples
Customers	Private and public companies, institutions, municipalities, sovereign countries, banks and other IFIs	- Visits, meetings, seminars, email correspondence, newsletters	- 55 new loans signed - More than half of loans to new customers - SMEs reached via 11 new loans to financial institutions
Investors	Central and commercial banks, pension and insurance funds, asset managers and government entities	- Bilateral meetings, investor events, newsletters, seminars, conferences, web-based communication	- Issuance of two USD benchmark bonds - Issuance of seven NIB Environmental Bonds
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).	- BoD held 8 regular meetings and 3 online meetings - CC held 2 meetings. - Participation in Almedalen, COP23
NGOs	Non-governmental organisations raising awareness of ways to protect the environment	- Publishing information on loans signed - Inviting comments to loan projects with potentially extensive environmental impacts, known as Category A projects	- Contributions to NGOs working to protect the Baltic Sea in the form of expertise and donations - Answering requests for information about NIB's activities
Media	Mainly the local and financial media	- Press releases about signed loans, electronic newsletters, emails and bilateral meetings with press representatives	- Interviews with NIB's directors and experts - Answering questions from the media - Offering background information to journalists writing about green investments
General public	Everyone interested in NIB's operations	- Meetings, website, newsletters, printed information material, online annual reporting, social media and emails	- Staff giving presentations about NIB and its mission to various student groups and NGOs - Dialogue via info@nib.int
Staff	NIB is headquartered in Helsinki and had 193 employees at year-end 2017.	- Meetings, intranet, monthly plenum, induction for new employees, in-house training	- Continuation of the "Raising the Bar" training programme - New "peer training" initiative - Monthly plenary meetings

Operations



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From left:

ALEXANDER RUF / Director,
Funding and Investor Relations

TORÉ EMANUELSSON /
Senior Manager, Origination

Operating environment

In 2017, the global economy recorded its strongest performance since 2011. Overall growth proved to be remarkably resilient to geopolitical uncertainty. It was mainly the broad-based nature of growth drivers—both geographically and by sector—that impressed.

In the euro area in particular, industrial activity and fixed investments finally improved, which bodes well for corporate lending. Corporate profit growth was robust, sustaining an aging rally in the equity market. Employment growth was remarkable and the sentiment was buoyant. From a historical perspective, defaults were very low.

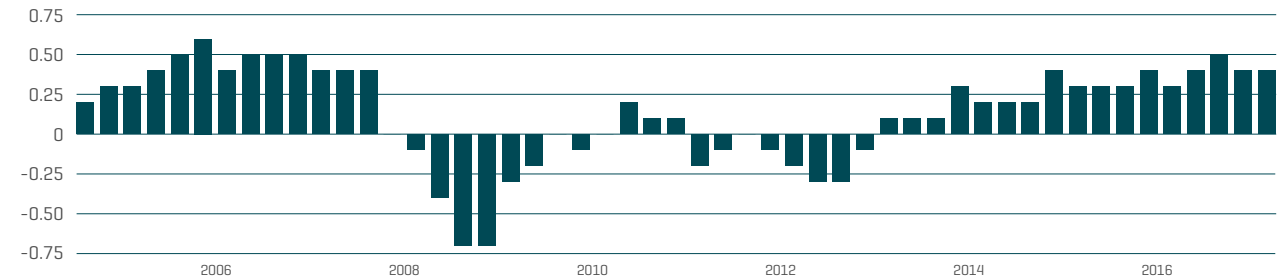
Inflation remained subdued, allowing central banks to either maintain their monetary stimulus or very gradually withdraw it. On the downside, many assets, including stocks and bonds across advanced economies as well as some regional pockets of real estate, appear overvalued, while volatility remains worryingly low.

In the Nordic–Baltic region, it was most notably the Finnish economy that turned a corner. The positive development was supported by global trade momentum, strong consumer sentiment and construction activity.

Denmark's recovery, which had been slow, picked up momentum as well, and broadened from household spending to exports, business investment and corporate credit.

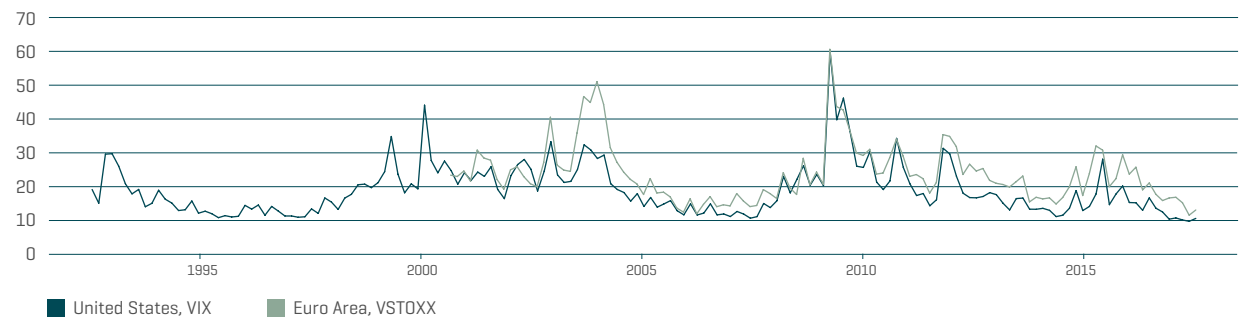
Euro area employment

SA Q/Q % chg



Source: Eurostat via Macrobond

Market expectation of equity volatility



Source: CBOE & STOXX via Macrobond

The strong expansion of the Swedish economy continued. Industry confidence and residential construction were at secular highs, while industrial investment rebounded from a decline in 2016.

Recovering from declining oil-related activity, the Norwegian economy picked up momentum. Mainland fixed investments expanded, as did exports of non-energy goods, supported by favourable currency exchange rates.

Unsurprisingly for small, open economies, a pick-up in exports boosted the economies of Iceland [including tourism] and the Baltic countries. The Baltic countries even outperformed expectations, with Latvia at the top of the growth league. Further, Iceland and the Baltic countries recorded strong growth, typically in the double digits, in fixed investment.

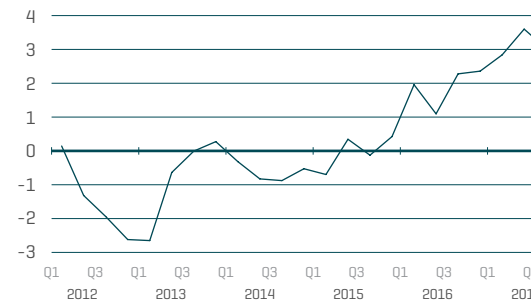
Overall, the economic backdrop was supportive in 2017. However, a number of risks still loom. Commercial lending standards and creditor protection have eroded as a result of the global chase for yields. Labour markets have tightened, which could result in inflationary pressure points, particularly in smaller economies. The room for countercyclical fiscal or monetary stimulus is limited. Increasingly, the focus is drawn to the question of when and how the credit cycle will turn.

Looking ahead

Nonetheless, there are valid reasons for an optimistic outlook on 2018. The economic upswing in 2017 was the most broadly based since the global financial crisis. Cyclical trade momentum will slow down but stay positive.

Real GDP, Finland

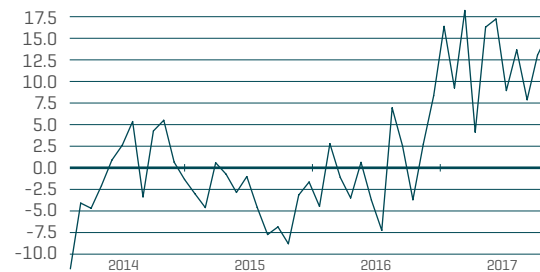
Y/Y % chg



Source: Statistics Finland via Macrobond

Exports from Baltic countries

Y/Y % chg, 3m mov. avg.



Source: National statistical agencies via Macrobond

Monetary policy will remain supportive. Aside from a few weaker countries, emerging markets have been resilient. The drag from deleveraging—from corporates, households, and governments—will continue to fade in the euro area. Fiscal stimulus will provide a near-term boost in the U.S.

Overall, the outlook for the Nordic-Baltic countries is positive. The regional economies are characterised by their integration into global manufacturing supply chains and are, to varying degrees, dependent on primary goods exports.

We expect a slight but synchronised slowdown in the Nordic economies, with overall growth of 2.0–2.5% in 2018. Real GDP growth in the Baltic economies is concurrently expected to slow, from 4.0% to 3.5%, with fixed investment continuing to expand at a solid pace.

Undoubtedly, elevated debt and high asset prices are cause for concern in certain markets. Along with well-known geopolitical risks, these warrant attention as plausible triggers for increased financial volatility and a negative turn in the credit cycle.

Lending

As a mission-driven bank, NIB provides long-term financing to projects that improve the competitiveness of its member countries through productivity growth and environmental benefits.

NIB assesses the mission contribution of all financed projects and rates them on a scale according to a methodology developed by the Bank. Only projects with sufficiently high rating qualify. Of all new loans agreed, 97% reached a “good” or “excellent” mandate rating in 2017. During the year, the Bank initiated a process to update this mandate rating framework.

In 2017, NIB’s Board of Directors approved 76 loans totalling EUR 5.2 billion. The Bank agreed on 55 loans and invested in nine green bonds. Aggregated, this amounts to EUR 3.8 billion. Disbursements were EUR 3.1 billion. The Bank continued to broaden its client base with half of the loans being made to new borrowers.

The total amount of loans outstanding increased to EUR 17.2 billion by the year-end 2017, up from EUR 16.6 billion the previous year. No guarantees were outstanding at the end of the year.

A recently introduced process for carrying out ex-post assessments of projects financed by the Bank was advanced with 14 assessments presented during 2017. The assessment is, as a rule, made three years after commissioning of the financed investment project.

The Bank’s strategic lending to the Baltic member countries was emphasized during 2017, with loans and green bond investments increasing to EUR 202 million [from EUR 10 million in 2016]. NIB’s arctic lending also

developed satisfactorily and further results were achieved in reaching out to midcap companies.

NIB continued investing in green bonds issued by companies or municipalities in the member countries, within the framework of EUR 500 million approved in 2016. The purpose of this approach is to support the development of the green bond market, finance environmental investments and promote good standards. In 2017, NIB invested in nine bond transactions, bringing this portfolio to a total of EUR 283 million by the year-end.

Lending areas

Infrastructure, transportation and telecom: In 2017, this lending area was the largest, representing 42% of all loans agreed with a total of EUR 1,620 million.

Lending to municipal and social infrastructure projects included new facilities for healthcare, such as hospitals and healthcare centres, and education facilities, ranging from day care centers and schools to universities. In the transport sector, NIB financed several airport enlargements and highway construction projects, as well as urban transport improvements. Financing for the telecommunications sector comprised investments in the research and development of new technology.

Industries and services: Lending in this business area amounted to EUR 972 million, equalling 26% of all loans agreed during 2017.

Half of the loans co-financed industrial research and development projects and continued NIB’s support for productivity growth through state of the art technology. The other main area was the financing of investments in building construction and refurbishments for industrial and commercial

“The Bank continued to broaden its client base with half of the loans being made to new borrowers.”

////////////////////

EUR 3.8 bn
in loans agreed and
green bond investments

“NIB invested in nine green bond transactions by companies and municipalities.”

////////////////////

EUR 283 m
invested of EUR 500 m
green bond facility

purposes. NIB requires the building projects it finances to be certified on the highest level of selected environmental certification schemes. The new lending also comprised corporate acquisitions.

Financial institutions and SMEs: The total amount of agreed loans in this business area was EUR 658 million, which is equivalent to 17% of all loans agreed.

NIB agreed eleven loans to banks and other financial institutions in Denmark, Finland, Iceland and Norway. The funding is channelled onwards to clients of these intermediaries, mostly to small and medium sized enterprises. In this way, NIB is able to reach out to an important segment of the economy. A loan was also agreed with NIB's sister institution, the Nordic Environment Finance Corporation (NEFCO). This first ever borrowing by NEFCO will be used to fund energy efficiency investments in Ukrainian universities.

Energy and environment: This business area accounted for 15% of the agreed loans, totalling EUR 562 million.

The ten loans and eight green bond investments were mainly distributed towards improved wastewater treatment. New stricter requirements and aging installations are triggering increased investments in this sector. In the energy field, NIB financed investments in electricity transmission and distribution networks, frequently including an introduction of smart metering systems. In addition, the Bank extended financing for investments in hydropower and district heating. NIB also invested in green bonds issued by member country municipalities, which finance investments in cross-sector energy efficiency and environmental programmes.

Other activities

NIB participated as an observer to the EU High-Level Expert Group on sustainable finance, which published its report in January 2018. The report gave a substantial number of recommendations for policy and legislative reforms in order to channel more financing towards sustainable invest-

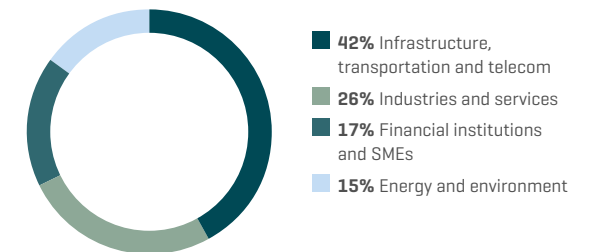
ments. The group proposes, among other things, that a European taxonomy of sustainable assets be developed.

NIB also participated as a member of the Executive Committee of the Green Bond Principles and Social Bond Principles, the latter being introduced in 2017.

In 2017, the Northern Dimension partnerships in which NIB participates, the Environmental Partnership (NDEP) and the Partnership on Transport and Logistics (NDPTL), did not generate any new projects involving NIB.

Loans agreed in 2017

[including Lending Green Bond purchases]
%, by business areas



LENDING

CASE: STOCKHOLM, SWEDEN

City of Stockholm

NIB and the City of Stockholm signed a ten-year loan agreement of SEK 1,500 million (EUR 158 million) to double the capacity of the city's Henriksdal wastewater treatment facility. This will make Henriksdal the world's largest underground wastewater treatment plant, as well as the largest membrane bioreactor technology facility. This is the second loan agreement established between NIB and the City of Stockholm for the same project. The first, a SEK 3 billion loan agreement, was approved in 2016. The loans will have a positive effect on the Baltic Sea environment.

Read more on [our webpage](#).



Photo: Kari Kohvakka

LENDING

CASE: STAVANGER, NORWAY

Sparebank 1 SR-Bank ASA

NIB and Sparebank 1 SR-Bank ASA in Stavanger signed a six-year loan programme of EUR 120 million to finance investments and environmental projects for small and medium-sized enterprises (SMEs) and small mid-caps. The projects funded under the loan programme are required to fulfil NIB's mandate criteria. This is NIB's second financing facility for small businesses and environmental projects in Norway with Sparebank 1 SR-Bank. The previous programme of the same amount was launched in 2014 and is fully allocated.

Read more on [our webpage](#).



LENDING

CASE: HØRSHOLM, DENMARK

Chr. Hansen Holding A/S

NIB and the Danish bioscience company Chr. Hansen Holdings A/S signed a EUR 50 million loan for the company's 2017–2018 R&D programme. Chr. Hansen Holding's research and development programme focuses on process optimisation and development of new innovative products. The programme includes more than 100 R&D projects, half of which are in the fresh dairy and cheese sector. The five-year maturity loan from NIB will fund part of the programme's EUR 150 million budget. The loan will benefit competitiveness by adding value to in-house capacity and bioscience innovations.

Read more on [our webpage](#).



LENDING

CASE: VARKAUS, FINLAND

Kainuu Social and Health Care Authority

NIB and Kainuu Social and Health Care Authority signed a 30-year loan agreement of EUR 76 million for the construction of a new central hospital of Kainuu region in eastern Finland. The loan will finance the construction of the main hospital building and a logistics terminal. Further, although the new hospital complex will have a larger gross area than the existing facilities, the overall energy use will decrease by at least 25%. Construction started at the beginning of 2017 and is scheduled to be completed in 2021.

The investment will help Kainuu regional hospital introduce state-of-the-art healthcare models and increase productivity, while reducing costs, also due to better energy efficiency.

Read more on [our webpage](#).



Visualisation: Kainuu Social and Health Care Authority

LENDING

CASE: VILNIUS, LITHUANIA

Lithuanian Airports

NIB and Lithuanian Airports signed a 15-year loan agreement totalling EUR 29.6 million to co-finance upgrades to three of Lithuania's airports: Vilnius, Kaunas and Palanga. The aim is to improve safety, increasing service capacity and reducing the environmental impact of the airports.

The modernisation of these international airports will improve the safety of air transport. This is an important condition for a growing open economy to attract international financial and human capital and stay competitive. NIB supports the improvements, because they will also introduce more environmentally friendly technologies in dealing with airfield operations.

Read more on [our webpage](#).



Lithuanian Airports

LENDING

Loans agreed 2017

Borrower	Project	Sector
Husqvarna AB [Sweden]	Research and development investments in 2017–2019.	Industries and services
Swedavia AB [Sweden]	Construction of a new pier at Arlanda Airport, Sweden.	Infrastructure, transportation and telecom
Nordic Environment Finance Corporation (NEFCO) [International]	Renovation for better energy efficiency in university buildings in Ukraine.	Financial institutions and SMEs
Ryfast AS [Norway]	Construction of undersea tunnels in Rogaland county, Norway.	Infrastructure, transportation and telecom
Copenhagen Airports A/S [Denmark]	Capacity investments at Copenhagen Airport, Denmark.	Infrastructure, transportation and telecom
Noaa Säästöpankki Oy [Finland]	Loan programme for onlending to SMEs and environmental projects in Finland.	Financial institutions and SMEs
William Demant A/S [Denmark]	Research and development costs in 2017.	Industries and services
Telefonaktiebolaget LM Ericsson [publ] [Sweden]	Research and development programme for 5G wireless technology development during 2018–2020.	Infrastructure, transportation and telecom
Municipality of Täby [Sweden]	Construction of a town hall and other public infrastructure.	Infrastructure, transportation and telecom
Posten Norge AS [Norway]	Expansion of Posten Norge's logistics centre in Alnabru, Norway.	Industries and services
City of Tartu [Estonia]	Municipal investments in upgrade of roads and renovation of schools and day care centres.	Infrastructure, transportation and telecom
Volvofinans Bank AB [publ] [Sweden]	Loan programme for onlending to SMEs and mid-cap companies in Sweden.	Financial institutions and SMEs
Landsnet hf. [Iceland]	Construction of overhead transmission lines and strengthening the transmission network in Iceland.	Energy and environment
Sparebanken Øst [Norway]	Loan programme for onlending for passive- and low-energy housing projects, acquisition of electric and hybrid cars and SME investments in south-eastern Norway.	Financial institutions and SMEs
Glitre Energi AS [Norway]	Introduction of advanced metering and power grid upgrades in Buskerud, Norway.	Energy and environment

LENDING

Borrower	Project	Sector
Deutsche Leasing Sverige AB [Sweden]	Loan programme to finance leasing and lending to SMEs and small mid-caps in NIB's member countries.	Financial institutions and SMEs
Kainuun sosiaali- ja terveydenhuollon kuntayhtymä [Finland]	Construction of a hospital in Kajaani, eastern Finland.	Infrastructure, transportation and telecom
Siun Sote Kuntayhtymä [Finland]	Expansion of a hospital in Joensuu, eastern Finland.	Infrastructure, transportation and telecom
Sparebank 1 SR-Bank ASA [Norway]	Loan programme for onlending to investments and environmental projects of SMEs and small mid-cap companies in Norway.	Financial institutions and SMEs
Nord-Trøndelag Elektrisitetsverk Holding AS [Norway]	Construction and rehabilitation of hydropower plants and replacement of a dam in central Norway.	Energy and environment
Sparebank 1 Østlandet [Norway]	Loan programme for onlending to SMEs and environmental projects in eastern Norway.	Financial institutions and SMEs
North Estonia Medical Centre Foundation [Estonia]	Modernisation and expansion of a hospital campus in Tallinn, Estonia.	Infrastructure, transportation and telecom
City of Porvoo [Finland]	Construction and reconstruction of school and pre-school buildings in Porvoo, southern Finland.	Infrastructure, transportation and telecom
Sparebanken Sør [Norway]	Loan programme for onlending to SME investments and environmental projects in southern Norway.	Financial institutions and SMEs
Municipality of Kristianstad [Sweden]	Expansion of a central wastewater treatment plant and network, construction and upgrade of fresh water plants in Kristianstad, southern Sweden.	Energy and environment
Municipality of Knivsta [Sweden]	Construction of school and sport facilities in Knivsta, east-central Sweden.	Infrastructure, transportation and telecom
Ringkjøbing Landbobank A/S [Denmark]	Loan programme for financing environmental projects and SMEs in Denmark.	Financial institutions and SMEs
City of Stockholm [Sweden]	Expansion of a wastewater treatment plant and construction of a sewer tunnel in Stockholm, Sweden.	Energy and environment
VAS Latvijas Dzelzceļš [Latvia]	Modernisation of locomotives.	Infrastructure, transportation and telecom
City of Uppsala [Sweden]	Improvements to wastewater treatment, water supply and waste management infrastructure in Uppsala, east-central Sweden.	Energy and environment

LENDING

Borrower	Project	Sector
Rīgas Satiksme SIA [Latvia]	Purchase of hydrogen-fuelled vehicles and low-floor trams as well as investment in low-floor tram infrastructure in Riga, Latvia.	Infrastructure, transportation and telecom
Keski-Suomen sairaanhoitopiiri [Finland]	Construction of a hospital in Jyväskylä, central Finland.	Infrastructure, transportation and telecom
Vegfinans E18 Telemark AS [Norway]	Construction of an E18 motorway section in Telemark County, Norway.	Infrastructure, transportation and telecom
Chr. Hansen Holding A/S [Denmark]	Research and development investments in bioscience innovation.	Industries and services
Vegfinans E6 Gardermoen-Moelv AS [Norway]	Expansion of the E6 motorway in Hedmark County, Norway.	Infrastructure, transportation and telecom
City of Gothenburg [Sweden]	Construction of the Hising Bridge in Gothenburg, western Sweden.	Infrastructure, transportation and telecom
SP Group A/S [Denmark]	Investments to support mid-cap growth.	Industries and services
Landsbankinn hf. [Iceland]	Loan programme for onlending to investments and environmental projects of SME's in Iceland.	Financial institutions and SMEs
Skanska Financial Services AB [Sweden]	Construction of five LEED Platinum certified office buildings in Poland.	Industries and services
Höganäs Holding AB [Sweden]	Research and development programme during 2017–2021 and capital expenditure.	Industries and services
Lidl Suomi Ky [Finland]	Construction of a warehouse and investments in new Lidl stores in Finland.	Industries and services
Lithuanian Airports [Lithuania]	Investment programme to upgrade the country's three airports.	Infrastructure, transportation and telecom
Government through Ministry of Finance [China]	Loan programme for onlending to projects fulfilling NIB's mandate in selected sectors of the Chinese economy.	Financial institutions and SMEs
Municipality of Kungälv [Sweden]	Upgrade of water supply and wastewater treatment in Kungälv, south-western Sweden.	Infrastructure, transportation and telecom
Municipality of Gävle [Sweden]	Extending freshwater supply and wastewater collection networks to new residential areas in Gävle, eastern Sweden.	Infrastructure, transportation and telecom
Klaipėdos Nafta AB [Lithuania]	Construction of a reloading station for liquefied natural gas and extension of an oil terminal at the port of Klaipėda, Lithuania.	Infrastructure, transportation and telecom

LENDING

Borrower	Project	Sector
Vasakronan AB [Sweden]	Construction and renovation of green buildings in Stockholm and Gothenburg, Sweden.	Industries and services
Municipality of Varberg [Sweden]	Construction of a pipeline to increase wastewater treatment capacity in Varberg, western Sweden.	Energy and environment
Akademiska Hus AB [Sweden]	Construction of four university facilities in Sweden.	Infrastructure, transportation and telecom
Elektro AB [Sweden]	Research and development investments 2016–2020.	Industries and services
Jyväskylän Seudun Puhdistamo Oy [Finland]	Refurbishment and expansion of the Nenäinniemi wastewater treatment plant in Jyväskylä, central Finland.	Energy and environment
Municipality of Ångelholm [Sweden]	Improvements in wastewater treatment in Ångelholm, western Sweden.	Energy and environment
Valio Oy [Finland]	Research and development programme for 2016–2020.	Industries and services
Wärtsilä Corporation [Finland]	Acquisition of Eniram Oy and American Hydro.	Industries and services
Njudung Energi Sävsjö AB [Sweden]	Constructing a biofuel-fired district heating boiler in Sävsjö, southern Sweden.	Energy and environment

Treasury

Capital markets

NIB continues to be a leading issuer of USD global benchmarks and seeks to take advantage of favourable market conditions, adapting its borrowing operations to investor preferences in terms of currency, maturity, liquidity and structures.

In 2016, the Bank decided to convert its one-way credit support annexes to bilateral agreements with counterparties. This project was finalised in 2017.

Borrowing

During 2017, NIB borrowed EUR 5.9 billion through 58 bond transactions in twelve currencies. This was the second largest funding programme in the Bank's history.

Two of the transactions were USD global benchmark issuances, a five-year issue for the amount of USD 1.25 billion issued in January and a three-year issue for the amount of USD 1.0 billion issued in August. The two USD benchmarks achieved well oversubscribed order books. For collateral purposes, the Bank also issued a two-year USD 500 million transaction. USD represented the largest currency, making up 44% of the total funding.

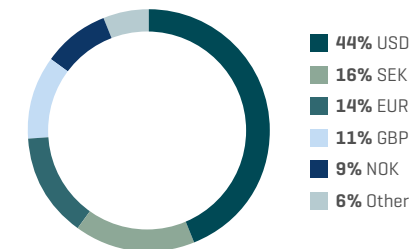
The Bank's member country currencies (EUR and Nordic currencies) represented 29% of the total issuance in 2017, which is the highest percentage historically. Issuance in these currencies reduces the requirement for using currency swaps.

During 2017, the Bank increased an outstanding GBP transaction two times, with a total of 550 million, taking the new total to GBP 800 million. The Bank also issued four public transactions in AUD of a total of AUD 270 million.

Due to NIB's USD global benchmark strategy, the USD is still the most important funding currency. However, the share of USD currency decreased from 47% in 2016 to 43% of all outstanding borrowing in 2017. EUR became the second biggest currency with a share of 12%, an increase from 9% in 2016.

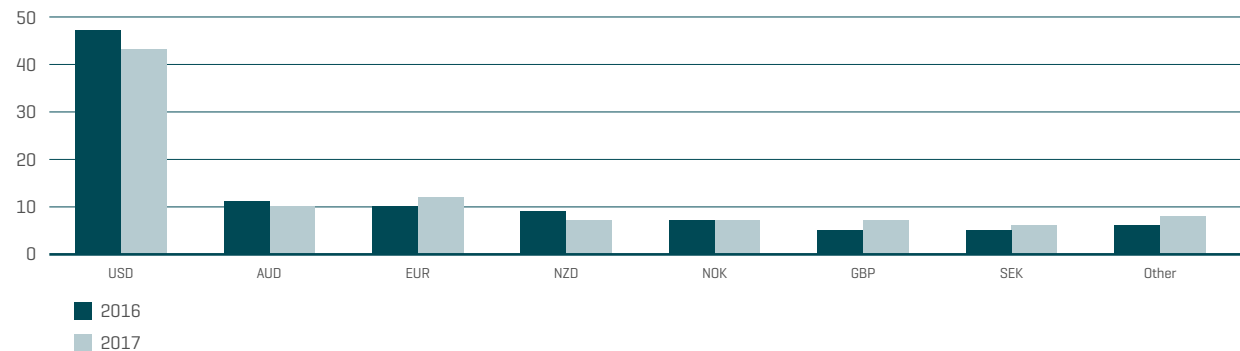
New borrowings in 2017

as of 31 Dec 2017
%, distribution by currency



Borrowings outstanding

Currency distribution
%



TREASURY

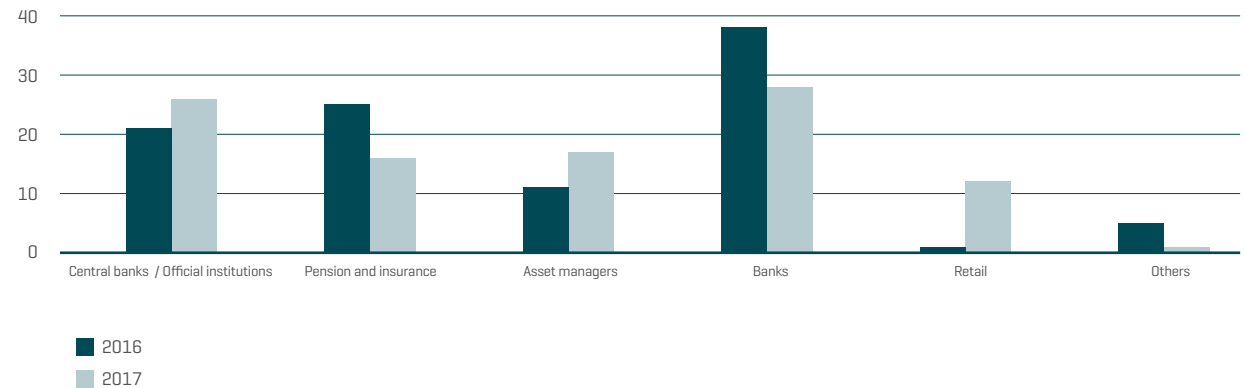
Investors

NIB's borrowing in the global financial markets attracted interest from a well-diversified investor base during 2017. The two biggest investor types represented during 2017 were banks with 28%, and central banks & official institutions with 27%. Asset managers represented 17% and pension and insurance 16%. NIB saw increased demand from the retail sector in 2017 [12%] compared to 2016 [1%].

The geographical investor distribution improved during 2017. The share of investors from Europe decreased from 44% in 2016 to 29% in 2017, and were replaced with new investors coming from Japan, other Asian countries and the Nordics. The increase in Japanese investors relates to demand from retail investors looking for safe investments outside Japan. The increase in Nordic investors mainly relates to Swedish Asset Managers and Pension Funds buying NIB Environmental Bonds.

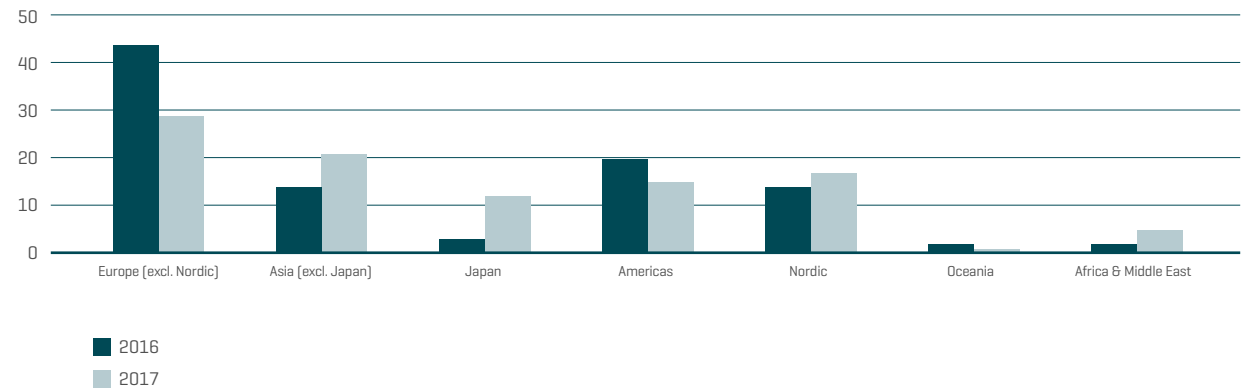
New borrowings

Investor distribution
%



New borrowings

Geographical distribution
%

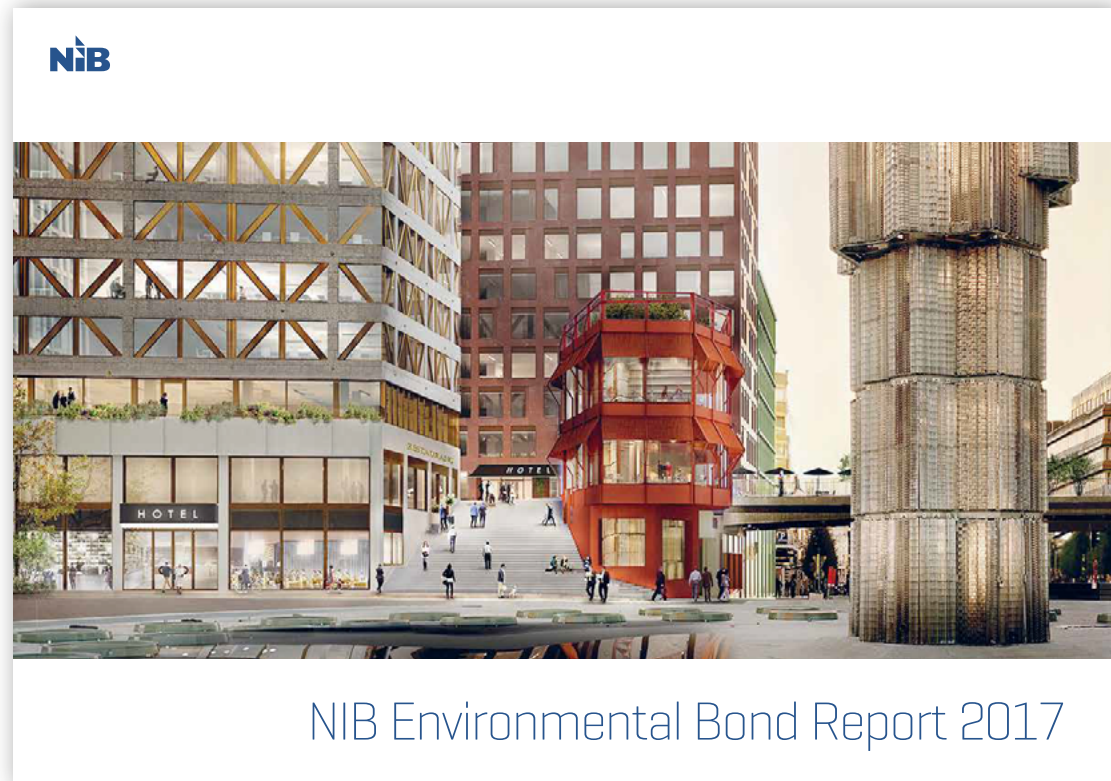
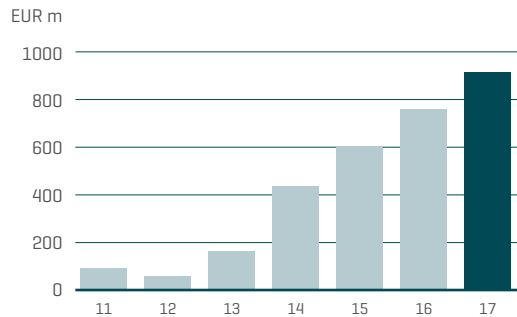


NIB Environmental Bonds

During 2017, NIB further anchored its position as the biggest Nordic issuer of green bonds—and one of the leading issuers of green bonds globally—by issuing seven NIB Environmental Bonds totalling EUR 920 million.

The NEBs issued during 2017 include an increase of EUR 500 million to an outstanding 2024 transaction (taking the total to EUR 1 billion), a new 2022 line of SEK 2.5 billion, and an increase of SEK 1.5 billion to an outstanding 2023 line (taking the total to SEK 3 billion). In addition, two smaller private placements in the Indian rupee (INR) and Brazilian real (BRL) were issued.

NIB Environmental Bond issuance 2011-2017



NIB Environmental Bond Report 2017

The NIB Environmental Bond Report 2017 is published [here](#).

Liquidity

At the end of 2017, NIB had a survival horizon of 417 days, equivalent to more than 13 months.

The survival horizon is the period during which the Bank is able to fulfil all payment obligations from ongoing business operations in a severe stress scenario without obtaining new funding. NIB's target for survival horizon is 12 months.

To mitigate liquidity risk the Bank holds a sizeable liquidity buffer of sellable bonds and money market instruments. It is mainly invested in EUR, USD and the Nordic currencies. At the end of 2017, the buffer amounted to

EUR 10,454 million, of which 36% was held as cash in short-term money market instruments, and 64% was held in bonds with longer maturities.

The liquidity buffer must fulfil the quality requirements stipulated in NIB's Liquidity Policy to ensure that the buffer maintains market value, sufficient liquidity under severe market conditions, and high asset quality.

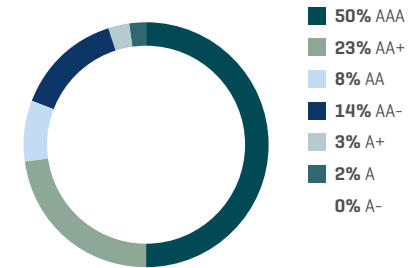
At year-end, 83% of the liquidity buffer was warehoused in high-quality liquid assets (HQLA), 85% of the assets were eligible as repo collateral in one or several central banks, and 95% belonged to the top four internal rating categories.

Furthermore, the Bank fulfilled the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) requirements specified in the Capital Requirements Regulation of the European Union.

Counterparty risk class in 2017

as of 31 Dec 2017

%, distribution by risk class



Lower risk classes below 1%

Asset liability management

The Asset and Liability Management (ALM) unit manages NIB's market risks on the balance sheet. ALM also handles daily cash, including collateral management, and calculates transfer pricing between the treasury and lending operations.

In 2017, the Bank disbursed new loans of EUR 3,147 million and obtained new funding of EUR 5,943 million.

Short-term money market instruments decreased from EUR 4,361 million in 2016 to EUR 3,740 million in 2017. The amount covers the expected net cash outflows of the coming three months. Reverse repos (collateralised placements) are actively used by the ALM unit to reduce the total treasury counterparty exposure.

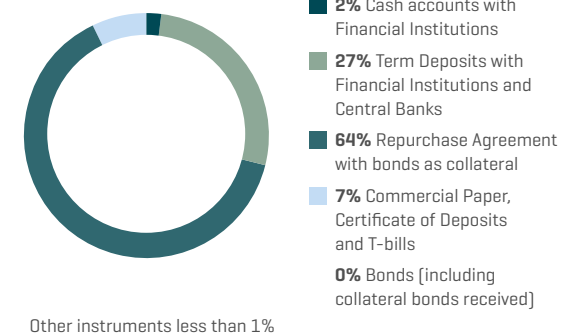
By the end of 2017, NIB had received cash collateral of EUR 547 million and given cash collateral of EUR 899 million for a net given collateral position of EUR 352 million.

In total, the balance sheet decreased from EUR 30,178 million at the end of 2016 to EUR 29,953 million at the end of 2017. In 2017, ALM contributed EUR 31.8 million to NIB in net interest income earnings, the highest result in five years.

Money market instruments in 2017

as of 31 Dec 2017

%, distribution by instrument



Portfolio management

The Portfolio Management unit manages the liquidity portfolio of sellable bonds. Bonds may be sold or lent for short term cash operations.

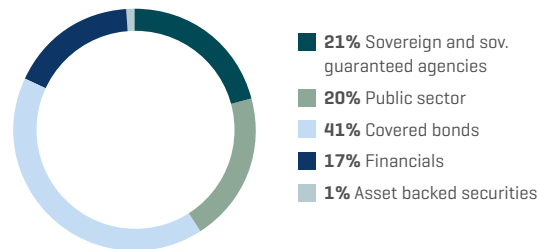
The market value of the managed portfolio marginally increased from EUR 6,736 million at the end of 2016 to EUR 6,714 million at the end of 2017. The liquidity portfolio included bonds held both at amortised cost and at fair value, and with floating and fixed-rate coupons.

In 2017 the allocation of Nordic currencies increased, especially DKK denominated investments. This diminished the shares of the largest currencies EUR and USD, and supported the further diversification of the portfolio.

The allocation to bonds issued and guaranteed by sovereigns decreased approximately 2.5%, but the share of investments in the top four rating categories increased.

Bond instruments in 2017

as of 31 Dec 2017
%, distribution by instrument



Governance

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- 48 Board of Governors



MARIKA FINELL / Assistant, CEO
HEIKKI CANTELL / General Counsel, Head of Legal

Capital structure

NIB's capital base consists of authorised capital subscribed by the member countries and reserves accumulated through internal profit generation.

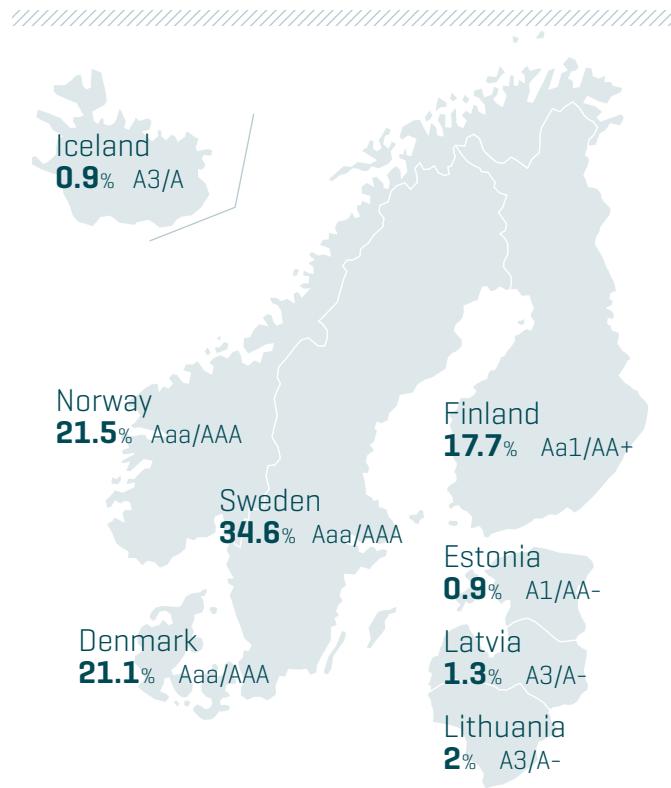
The Bank's authorised capital was EUR 6,141.9 million as of 31 December 2017. The paid-in capital at the end of the year amounted to EUR 418.6 million. The remainder of NIB's authorised capital is subject to call if the Bank's Board of Directors deems it necessary for the fulfilment of the Bank's debt obligations.

The Bank's equity consists of the paid-in portion of the authorised capital and accumulated reserves. As of 31 December 2017, the Bank's equity amounted to EUR 3,456.3 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 the Financial Report.

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.

Member countries

Share of authorised capital and rating by credit rating agencies Moody's and Standard & Poor's as of 10 January 2018.



The Bank's ordinary lending ceiling corresponds to 250% of the authorised capital and accumulated general reserves. After the appropriation of profits from the financial year 2017, in accordance with the proposal made by the Board of Directors, the ordinary lending ceiling amounts to EUR 21,697 million.

In addition to ordinary lending, NIB has two special lending facilities. First, the Project Investment Loan facility (PIL), which amounts to EUR 4,000 million. The member countries guarantee 90% of each loan under the PIL facility up to a total amount of EUR 1,800 million. However, the Bank will assume 100% of any losses incurred under an individual PIL loan, up to the amount available at any given time in the Special Credit Risk Fund for PIL. Only thereafter would the Bank be able to call in the member countries' guarantees. Each member country's share of the guarantee amount is shown in [Note 11](#) in the Financial Report.

The second special facility, the Environmental Investment Loan facility (MIL), has a statutory ceiling of EUR 300 million. The Bank's member countries guarantee 100% of loans outstanding under the MIL facility.

Following a call on the guarantees in 2014 and 2016, the member countries' total guarantee liabilities as of year-end 2017 amount to EUR 266 million. Each member country's share of the total guarantee liabilities is also shown in [Note 11](#) in the Financial Report.

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.

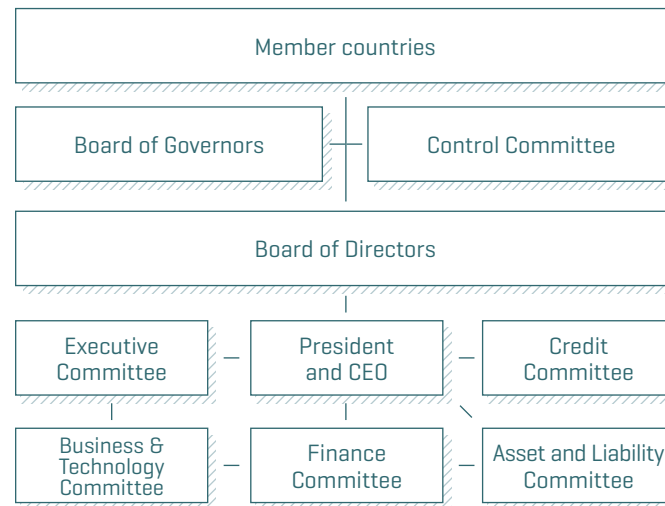
Governance structure

The Nordic Investment Bank was established on 4 December 1975 through an intergovernmental treaty between Denmark, Finland, Iceland, Norway and Sweden. As of 1 January 2005, Estonia, Latvia and Lithuania became members of the Bank on equal terms with the original member countries.

NIB is governed by the Agreement concerning the Nordic Investment Bank among its Member countries, which entered into force in 2005, and the thereto related Statutes and the Host Country Agreement concluded between the Government of Finland and the Bank in 2011.

According to the statutes, the Bank shall have a Board of Governors, a Board of Directors, a President and the staff necessary to carry out its operations. In addition, the Bank shall have a Control Committee.

NIB promotes 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.



Board of Governors

The Board of Governors is composed of eight governors, one designated by each member country from among the ministers in its government. The Board of Governors appoints a Chairman for a term of one year, according to the rotation scheme it has adopted.

Until 31 May 2017, the Governor for Norway served as Chairman. The Governor for Sweden is currently serving as Chairman until 31 May 2018. The Board of Governors held its annual meeting by written procedure on 29 May 2017.

Board of Directors

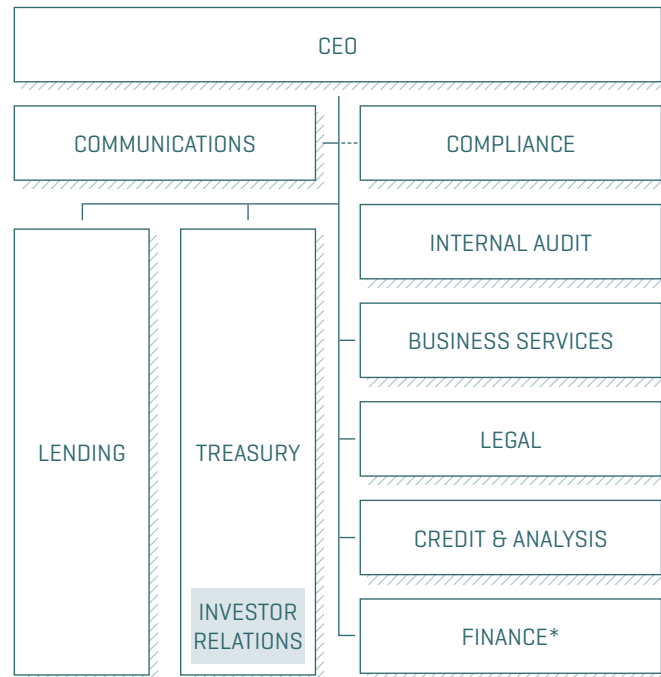
All the powers that are not exclusively vested in the Board of Governors are entrusted to the Board of Directors. The Board of Directors is composed of eight directors and eight alternates appointed by each member country.

The Board of Directors approves projects to be financed by the Bank, adopts the policy decisions concerning the operations of the Bank, in particular the general framework for the 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 held eight ordinary meetings in 2017 and three extra online meetings. The Board of Directors appoints from among its members a Chairman for a term of two years. The Latvian board member has served as Chairman since 1 June 2016.

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, Mr Henrik Normann has been the President and Chief Executive Officer of the Bank. NIB's Board of Directors extended the appointment of Henrik Normann as President & CEO until the end of March 2020.



*As of 1 January 2017, the Risk & Finance department has changed its name to Finance department due to an organisational change.

Advisory bodies to the President

The President is assisted in his work by the Executive Committee, the Credit Committee, the Asset and Liability Committee, the Finance Committee and the Business and Technology Committee.

The Executive Committee is a forum for addressing all aspects of the performance, policy and financial soundness of the Bank. The Executive Committee consists of the President and six senior officers, whose appointments are confirmed by the Board of Directors.

The Executive Committee meets formally approximately twice a month. In 2017, it met 25 times. The meetings are ordinarily chaired by the President, who reaches decisions after having consulted the members of the committee. The Executive Committee meets informally at the commencement of every working day.

The Credit Committee is responsible for the preparation and decision-making related to the Bank's credit [lending] matters and treasury counterparty matters. The President exercises his executive powers concerning lending operations in the Credit Committee.

The Credit Committee is composed of the President and six senior officers appointed by the Board of Directors. At the end of 2017, the Credit Committee had the same members as the Bank's Executive Committee. The Credit Committee is chaired by the President or, in his absence, by one of its members. The committee meets generally once or twice a week. In 2017, it met 77 times.

The Asset and Liability Committee assists and advises the President in strategic balance sheet planning and is a forum for sharing information on issues relating to the Bank's asset and liability management. The members of the Asset and Liability Committee are appointed by the President who chairs the committee.

In 2017, the Asset and Liability Committee was composed of the members of the Executive Committee and the Chief Risk Officer. The Asset and Liability Committee meets approximately six times a year, but can convene more frequently if necessary. In 2017, the Asset and Liability Committee met four times.

The Finance Committee assists and advises the President in monitoring the market risk, borrowing activities and treasury portfolio management of the Bank. The Finance Committee includes the President, the Head of Treasury and the Head of Finance. The Finance Committee usually convenes once a month. In 2017, it met eleven times.

The Business and Technology Committee assists and advises the President in information and communications technology matters, and functions as a steering committee for ICT development projects. However, strategically important decisions on ICT matters are taken by the President in the Executive Committee.

The Business and Technology Committee consists of the Head of IT and other senior staff members appointed by the President. The chairman of the Committee shall be a member of the Executive Committee. In 2017, the Business and Technology Committee met eleven times.

Other internal committees

In addition to the aforementioned advisory bodies to the President, the Bank has also the following permanent internal committees: the New Product and Structure Committee, the Council of Fighting Corruption and the Trust Fund Committee, all composed of senior staff members.

The New Product and Structure Committee scrutinizes product and deal structure proposals, which from a risk and/or administrative point of view significantly differ from what NIB has entered into previously, and gives its recommendations to the Finance Committee or the Credit Committee for their decision-making.

The Bank has established a *Council of Fighting Corruption* to enhance the awareness of integrity and corruption risks among the Bank's staff and stakeholders. The Committee deals with both corruption prevention and cases of suspected corruption and gives recommendations for actions to the President for decision-making.

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.

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. The Control Committee is responsible for the audit of the Bank's accounts, and annually delivers an audit statement to the Board of Governors. The audit of the financial statements of the Bank is carried out by external professional auditors appointed by the Control Committee.

To enhance its governance, the Control Committee appointed an independent expert to assist the Chairmanship in financial and audit matters for a period starting from 1 November 2016 and ending 31 May 2018.

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 determines the principles for remuneration of the professional auditors.

The principles for the remuneration of staff are set out in the Compensation Regulations. The Bank applies a fixed salary-based system in which individual performance plays an important role, as well as a small bonus programme that rewards exceptional performance on a yearly basis.

Internal control

NIB's internal control system has the dual objective of securing and developing the long-term financial preconditions for operations while conducting cost-efficient operations that comply with rules and regulations. Internal control is focused on managing various forms of financial, compliance and operational risks.

NIB's operational risk management focuses on proactive measures in order to ensure business continuity, the accuracy of information used internally and reported externally, the expertise and integrity of the Bank's personnel and its adherence to established rules and procedures, as well as security arrangements to protect the physical and ICT infrastructure of the Bank.

The Compliance function assists the Bank in identifying, assessing, monitoring and reporting on compliance risk in matters relating to the institution, its operations and the personal conduct of staff members. The Chief Compliance Officer reports to the President, with full and unlimited access to the Chairman of the Board of Directors and the Chairman of the Control Committee.

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.

The Internal Audit function of the Bank reports to the Board of Directors and to the Control Committee and works administratively under the auspices of the President. The Board of Directors approves the annual plan for the Internal Audit.

See the [Financial Report](#) for further information on risk management.

Integrity and anti-corruption

NIB expects its staff, members of governing bodies and other stakeholders to adhere to the highest level of integrity and ethical standards. To pursue this goal, the Bank has adopted a zero tolerance attitude towards fraud and corruption in all of its operations and services.

Prevention and training

NIB does preventive work to minimise reputational and integrity risks in its operations. This work involves all staff members and is coordinated by the Office of the Chief Compliance Officer (OCCO).

In 2017, OCCO organised training sessions on business ethics for the Board of Directors in March and for the staff in October and November. The trainings were arranged in cooperation with the non-profit Institute of Business Ethics, based in London. All new staff has been trained in the Bank's Code of Conduct as part of the Bank's induction programme. In addition, all new operational staff has been offered training in Integrity Due Diligence (IDD) Guidelines and Procedures.

A major part of OCCO's work is to consult with the Lending department about IDD issues. The Lending department conducts IDD on all of NIB's borrowers in order to identify any red flags that could present integrity or reputational risks. In this task, OCCO serves as an advisory body to the Lending project teams and to the Bank's management. A recent example of a consultation is the case of a state-owned company that had its CEO and other executives under investigation for corruption. OCCO recommended

including a provision in the loan agreement, under which the company would commit itself to review and improve its anti-corruption policy within eighteen [18] months.

Throughout the year, OCCO provided advice on the interpretation of the Code of Conduct for the Staff.

In addition, OCCO and the Accounting Back Office implemented a new automatic sanction screening solution on payments, to ensure that NIB is complying with international sanctions regimes.

Policy development

During 2017, the development of the Policy on Handling Inside Information and Prevention of Market Abuse continued and was approved by the Board of Directors in December 2017. The purpose of this policy is to ensure that NIB adheres to appropriate standards when handling inside information and to prevent markets manipulation.

The updating of the Integrity Due Diligence policy and procedures continued during 2017.

Investigations

OCCO has investigated a number of cases of prohibited practice, misconduct and complaints during 2017. More information is provided in [NIB's annual integrity report](#).

In March, the two external members of NIB's Sanctions Panel participated in an on-boarding session to learn about the Bank. The members met with the Board of Directors, the President and the members of the Executive Committee, and several operational staff who informed about NIB's internal Credit and IDD processes.



Executive Committee

As of 31 December 2017

Mr Henrik Normann [1953]

President and CEO, joined NIB in 2012
DENMARK

Mr Thomas Wrangdahl [1957]

First Vice-President, Head of Lending, joined NIB in 2012
SWEDEN

Mr Lars Eibeholm [1964]

Vice-President, Head of Treasury, joined NIB in 2007
DENMARK

Ms Hilde Kjelsberg [1963]

Vice-President, Head of Credit & Analysis, joined NIB in 2006
NORWAY

Mr Gunnar Okk [1960]

Vice-President, Head of Business Intelligence & Administration, joined NIB in 2006
ESTONIA

Mr Heikki Cantell [1959]

General Counsel, Head of Legal Department, joined NIB in 2007
FINLAND

Mr Björn Ordell [1973]

Vice-President, CFO and Head of Risk and Finance, joined NIB in 2015
SWEDEN



Renovation of NIB's headquarters in Helsinki, Finland: During 2017, the second phase of a renovation programme was completed. From left: Björn Ordell, Lars Eibeholm, Thomas Wrangdahl, Hilde Kjelsberg, Heikki Cantell, Gunnar Okk and Henrik Normann

Board of Directors

LATVIA

Kaspars Āboliņš
Chairman of the Board
From 1.6.2016
Elected 2008
Attended meetings: 8
Treasurer
Treasury of the Republic of Latvia

Alternate
Līga Kļaviņa
Elected 2013
Attended meetings: 3
Deputy State Secretary on Financial Policy Issues,
Ministry of Finance

DENMARK

Julie Sonne
Member of the Board
Elected 2016
Attended meetings: 6
Head of Division
Ministry of Industry, Business and Financial Affairs

Alternate
Rasmus Mortensen
Elected 2016
Attended meetings: 5
Head of Division
Ministry of Industry, Business and Financial Affairs

ESTONIA

Madis Üürike
Member of the Board
Elected 2005
Attended meetings: 8
Advisor
Ministry of Finance

Alternate
Merle Wilkinson
From 3.11.2017
Attended meetings: 1
Advisor of the State Treasury Department

FINLAND

Pekka Morén
Member of the Board
Elected 2016
Attended meetings: 8
Director
Ministry of Finance

Alternate
Petri Peltonen
Elected 2015
Attended meetings: 3
Under Secretary of State
Ministry of Economic Affairs and Employment

ICELAND

Esther Finnbogadóttir

Elected 2016

Attended meetings: 6

Head of Division

Ministry of Finance and Economic Affairs

Alternate

Steinunn Sigvaldadóttir

Elected 2016

Attended meetings: 6

Head of Division

Ministry of Finance and Economic Affairs

LITHUANIA

Jurgita Uzieliienė

Member of the Board

From 13.1.2017

Attended meetings: 8

Deputy Director, EU and International Affairs Department

Ministry of Finance

Alternate

Dovilė Jasaitienė

Elected 2013

Attended meetings: 7

Head of International Affairs Division

Ministry of Finance

NORWAY

Silje Gamstøbakk

Member of the Board

Elected 2016

Attended meetings: 4

Deputy Director General

Ministry of Finance

Alternate

Sindre Weme

From 19.9.2017

Attended meetings: 2

Director

Norges Bank

SWEDEN

Sven Hegelund

Member of the Board

Elected 2012

Attended meetings: 8

Former State Secretary

Alternate

Line Rosvall

Elected 2017 as from 22.6.2017

Attended meetings: 3

Deputy Director / Deputy Head of the Division for International

Financial Institutions

Ministry of Finance

Alternate

Anders Wahlberg

Until 21.6.2017

Attended meetings: 3

Deputy Director / Deputy Head of the Division for International

Financial Institutions

Ministry of Finance

Alternate

Trond Eklund

Until 18.9 2017

Attended meetings: 4

Director, Norges Bank

Control Committee

As of 31 December 2017

<p>Chairman</p> <p>Mr Sigurður Þórðarson</p> <p>CPA</p> <p>Former State Auditor</p> <p>ICELAND</p>	<p>Deputy Chairman</p> <p>Ms Rasa Kavolytė</p> <p>Deputy Director of State Treasury Department</p> <p>LITHUANIA</p>	
<p>Mr Sjúrdur Skaale</p> <p>Member of Parliament</p> <p>DENMARK</p>	<p>Mr Remo Holsmer</p> <p>Member of Parliament</p> <p>ESTONIA</p>	<p>Mr Arto Pirttilahti</p> <p>Member of Parliament</p> <p>FINLAND</p>
<p>Mr Teitur Björn Einarsson</p> <p>Member of Parliament</p> <p>ICELAND</p>	<p>Ms Karina Ploka</p> <p>Parliamentary Secretary</p> <p>LATVIA</p>	<p>Ms Sigita Ščajevienė</p> <p>Head of the Office of the Committee on Audit</p> <p>LITHUANIA</p>
<p>Mr Michael Tetzschner</p> <p>Member of Parliament</p> <p>NORWAY</p>	<p>Mr Staffan Danielsson</p> <p>Member of Parliament</p> <p>SWEDEN</p>	

External auditors appointed by the Control Committee

Mr Marcus Tötterman

Authorised Public Accountant, KPMG Finland

Mr Anders Tagde

Authorised Public Accountant, KPMG Sweden

Mr Peter Engberg

Independent expert to the chairmanship of the Control Committee

The Control Committee met twice in 2017.

Board of Governors

As of 31 December 2017

<p>Ms Magdalena Andersson Minister of Finance SWEDEN</p>	<p>Mr Brian Mikkelsen Minister for Industry, Business and Financial Affairs DENMARK</p>	<p>Mr Toomas Tõniste Minister of Finance ESTONIA</p>
<p>Mr Petteri Orpo Minister of Finance FINLAND</p>	<p>Mr Bjarni Benediktsson Minister of Finance and Economic Affairs ICELAND</p>	<p>Ms Dana Reizniece-Ozola Minister of Finance LATVIA</p>
<p>Mr Vilius Šapoka Minister of Finance LITHUANIA</p>	<p>Ms Siv Jensen Minister of Finance NORWAY</p>	

The Annual Meeting of the Board of Governors was held in according to written procedure by 29 May 2017.



GRI Reporting

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- 52 GRI Index

Defining the materiality

NIB aims to report on the most crucial economic, environmental and social impacts of its operations. Equal importance is given to maintaining a continuous dialogue with external and internal stakeholders to address their views and expectations.

In order to identify and respond to the sustainability topics that are most material to us and our key counterparties, we conducted several interactions with our stakeholders during 2015–2017:

NIB's strategy review and implementation

As an international financial institution, NIB is driven by its mission to finance projects that improve competitiveness and the environment of the Nordic–Baltic region. This mission guides all our operations and is the single most important aspect in all our processes.

In 2015, NIB's Board of Directors reviewed the Bank's mission and overall strategy, along with its capital and stress testing in several seminars and workshops. The process concluded that the Bank's mission and business model are relevant and should remain at the foundation of NIB's operations.

In addition, it was decided to increase lending to small- and medium-sized corporates and mid-caps, as well as to projects in the Baltics and in non-member countries. During 2016 and 2017, NIB started implementing the results of this strategy review.

Based on the experiences of the 2015 review process, the members of the Board of Directors and the Executive Committee took part in a seminar

titled "Sustainable Finance" in September 2017, addressing once again NIB's mission, instruments and communication.

The outcome of the seminar underlined the Bank's continued commitment to its mission and the two equally important pillars of its mandate: competitiveness and the environment. While the mission is strong, the decision was made to further review the framework in 2018 to keep up with developments in the market and to better address issues related to sustainable financing.

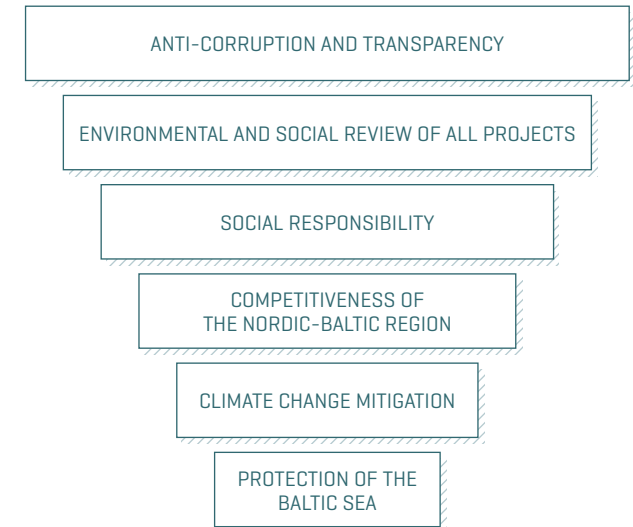
External stakeholder survey and customer journey exercise

Every three years, NIB conducts a comprehensive stakeholder survey to get feedback on its reputation, service offerings and the level of awareness among key target groups. The aim is to gather information on NIB's customer relationship strengths, reputation, its added value and the importance of different sustainability topics for stakeholders. Investors' interest in and awareness of green bonds is also examined.

The most recent survey was conducted in 2015. The chosen key counterparties included customers, investors and public authorities in the Bank's member countries. A total of 123 interviews were held. The survey was conducted by TNS Gallup Oy.

The 2015 survey showed that NIB is strongly perceived to demonstrate ethical business practices, which was also the highest-rated sustainability topic among all stakeholder groups in the survey. The importance of conducting environmental and social reviews of all loan projects, and success in supporting the competitiveness and environment of the Nordic and Baltic countries were considered of equal importance. Further, customers remarked that NIB's professional lending experts were seen as a high-level strength of the Bank.

Defining what matters



Based on the results of the 2015 stakeholder survey and the ongoing dialogue with clients, NIB conducted a "Customer Journey Optimisation" workshop in May 2017. The exercise was carried out in cooperation between NIB's Lending department and Communications unit, and had the aim of mapping the lending customers' experience and priorities.

The workshop addressed questions on how to best meet the expectations of the customer stakeholder group, how to improve NIB's communication about its mission in a value-creating manner, and how to gather stakeholder feedback on a more regular basis.

Setting up the reporting boundary for NIB

NIB develops its sustainability reporting based on the requirements set out in the GRI Sustainability Reporting Standards [GRI Standards]. NIB's reporting also includes disclosures from GRI's Financial Sector Supplement. Based on the stakeholder interactions outlined above, we identified three

key topics that are of high importance for both our internal and external stakeholders, and that reflect NIB's economic, environmental and social impacts. These are the central material topics we report on in 2017:

- Fulfilling our mission to provide long-term financing to projects that improve competitiveness and the environment of the Nordic and Baltic countries
- Anti-corruption, transparency and ethical business practice
- Developing the Bank's working culture to better address stakeholders' expectations and to improve dialogue

The relevant GRI disclosures were mapped as closely as possible to these material topics. All relevant disclosures are reported on in line with the requirements of the GRI Standards "in accordance" core option.

Further, we have identified the following operations and topics that have a direct or indirect sustainability impact:

Economic performance

NIB's vision is a prosperous and sustainable Nordic-Baltic region. The Bank pursues this vision by financing projects that increase productivity, which is the most direct way to strengthen economic competitiveness. In order to do this effectively, NIB needs to be financially strong. The Bank therefore aims to earn a sufficient return from its business operations to build up reserves while providing its owners a reasonable return on capital.

Indirect economic impacts

To improve the well-being of societies, new ways for increasing and strengthening productivity are continuously being sought. NIB therefore asks its customers about the extent to which their planned projects can contribute to improving the efficiency and productivity of society as a whole.

Environmental impacts

NIB assesses every loan project for its potential environmental impact. As part of the Bank's environmental and social review, NIB's analysts evaluate

the performance of the borrower's project based on an agreed set of criteria. In 2016, the Bank introduced a framework for the ex-post assessment of financed projects. Environmental issues are also inherent in NIB's daily activities and are therefore integrated into the Bank's overall management processes.

Labour practices

NIB's employees are the Bank's strongest assets. NIB is committed to promoting equality, diversity and well-being among its staff and underlines the importance of dedicated employees for the organisation's performance. Several employment-related GRI disclosures are reported.

Human rights and child labour

The Bank does not tolerate any discrimination, whether it is based on gender, race, nationality, ethnic origin, religion, disability, age or sexual orientation. Further, NIB requires its clients to comply with international standards regarding the employment of minors. NIB does not accept the use of forced labour. Sound management of the safety and health of workers and communities is essential for the productivity and efficiency of businesses, as is respect for their livelihood.

Society and local communities

NIB lends to projects that may have a significant impact on society and local communities. Such projects include infrastructure investments, development of human capital, and protection of the environment and its ecosystem. All financed projects undergo environmental and social impact assessment.

Anti-corruption

NIB has adopted a zero-tolerance policy towards fraud and corruption. In terms of prevention, the Bank puts particular emphasis on knowing its customers and training its staff well to prevent the Bank from becoming involved with unethical borrowers and projects, or in money laundering, terrorist financing or tax evasion. All new clients are thoroughly screened in the Bank's integrity due diligence processes.

Grievance mechanisms

In order to address concerns regarding its operations, NIB has developed a channel for its stakeholders to comment on projects with potential significant impacts. These projects are classified as Category A projects and are made publicly available for commenting before the Bank makes a decision on financing.

Further, NIB has a Compliance and Anti-Corruption Policy Framework in place that specifies guidelines for staff members reporting misconduct and grants whistleblower protection. Employees can address concerns to the Office of the Chief Compliance Officer (OCCO) or the Bank's Ombudsman. External parties can report cases of misconduct and corruption to the OCCO either by telephone or via a dedicated email address.

Transparent operations and timely communication

NIB's external communication has two key objectives: first, to support the Bank's lending and funding process by maintaining an open dialogue with customers and investors. Second, as an international financial institution, NIB is accountable to its member countries and to society as a whole. This creates an obligation to provide information about its activities, and to promote awareness of NIB among different stakeholder groups. The Bank seeks to continuously strengthen its dialogue with its key counterparties and to improve feedback loops for addressing expectations in a value-creating manner.

Product portfolio and audit topics (Financial Sector Supplement)

NIB's main activity is lending. The Bank's mission to improve the environment makes it important to assess the environmental and social impacts of all loan applications; it therefore has corresponding procedures and policies in place.

Further, NIB is the leading Nordic issuer of green bonds: NIB Environmental Bonds (NEBs). The proceeds of NEBs are used to finance projects with a positive impact on the environment. In addition to issuing NEBs, NIB also invests in green bonds issued by companies or municipalities in the Bank's member countries to finance projects that meet the Bank's criteria for environmental investments.

GRI Index

GRI Standard	Disclosure	NIB's response
GRI 101: Foundation 2017		
General Disclosures		
GRI 102: General Disclosures 2017	Organizational profile	
	102-1 Name of the organization	Nordic Investment Bank (NIB)
	102-2 Activities, brands, products, and services	NIB offers long-term loans to finance projects that generate productivity gains and/or environmental benefits for the Nordic and Baltic countries. Financing from NIB complements commercial lending. Loans are extended on market terms and according to sound banking principles.
	102-3 Location of headquarters	Helsinki, Finland
	102-4 Location of operations	NIB has lending operations in its eight Nordic and Baltic member countries, as well as in non-member countries.
	102-5 Ownership and legal form	NIB is an international financial institution (IFI) owned by Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden.
	102-6 Markets served	NIB finances projects in a number of sectors, both in member countries and in non-member countries. The focus sectors of the Bank's operations are the environment, energy, innovation, industry, transport, infrastructure and telecommunications.
	102-7 Scale of the organization	At the end of 2017, NIB employed 193 people. In 2017, the Bank signed 55 new loan agreements and made nine (9) green bond investments with an aggregate total of EUR 3,812 million. The profit for the year 2017 was EUR 211 million.
	102-8 Information on employees and other workers	Of the 193 permanent employees, 80 were women and 113 men. In addition, five (5) employees worked on projects in temporary positions. Suppliers or hired labour do not make up a significant share of NIB's staff. The average number of permanent employees was 193 during the year. Read more about Working at NIB
	102-9 Supply chain	Being a financial institution, NIB does not produce or manufacture any products. The materials the Bank needs to perform its operations are mainly electronics and office supplies. In addition, NIB uses external service providers for cleaning, security and catering services at its offices. As an international organisation (to which national legislation on public procurement does not necessarily apply), NIB has its own internal procurement rules. These rules are aligned with those of other international organisations. For projects financed by NIB, there are separate procurement guidelines. For more information, see Legal framework and policy documents .
	102-10 Significant changes to the organization and its supply chain	No organisational changes took place in 2017.

GRI Standard	Disclosure	NIB's response
GRI 102: General Disclosures 2017	102-11 Precautionary Principle or approach	NIB's Sustainability Policy and 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.
	102-12 External initiatives	NIB has signed the Declaration on the European Principles for the Environment (EPE) concerning environmental management in the financing of projects.
	102-13 Membership of associations	NIB is an active partner in the Northern Dimension Environmental Partnership (NDEP) and hosting institution for the Northern Dimension Partnership on Transport and Logistics (NDPTL). NIB also participates in the MFI Environmental Working Group, which is a cooperation forum for multilateral institutions. NIB is also a member of the Executive Committee of the Green Bond Principles (GBP) and Social Bond Principles (SBP). NIB joined the GBP in 2014. In January 2017, NIB was appointed by the European Commission as an observer to the High-Level Expert Group on Sustainable Finance.
	Strategy	
	102-14 Statement from senior decision-maker	President's review
	102-15 Key impacts, risks, and opportunities	NIB provides long-term loans to projects that improve the competitiveness and the environment of the Nordic and Baltic countries. President's review Report of the Board of Directors Operating and financial review Operating environment
	Ethics and integrity	
	102-16 Values, principles, standards, and norms of behavior	NIB's vision is a prosperous and sustainable Nordic—Baltic region. The Bank works towards this goal by financing projects that generate productivity gains and/or environmental benefits for its member countries. NIB's core values are competence, commitment and cooperation. NIB has codes of conduct in place for its staff, Board of Directors, the President and the Control Committee. The codes of conduct are publicly available on NIB's website and reflect the Bank's values and principles. In addition to the induction programme for new staff, NIB has a compulsory e-learning course on the code of conduct in place that all staff members have to pass. Read more about Ethics and Integrity and the codes of conduct

GRI Standard	Disclosure	NIB's response
GRI 102: General Disclosures 2017	102-17 Mechanisms for advice and concerns about ethics	<p>NIB expects a high level of integrity and high ethical standards from its staff and other stakeholders, and has adopted a zero tolerance policy towards fraud and corruption. The Office of the Chief Compliance Officer (OCCO) oversees matters relating to integrity and is independent from the Bank's operations. OCCO reports directly to the Bank's President, and has unrestricted access to the chairpersons of the Board of Directors and the Control Committee.</p> <p>NIB puts particular emphasis on knowing its customers and training its staff to avoid the Bank becoming involved with unethical borrowers and projects or in money laundering, terrorist financing or tax evasion. All new clients are screened thoroughly in the Bank's integrity due diligence (IDD) process. NIB has endorsed the Uniform Framework for Preventing and Combating Fraud and Corruption, which was agreed upon by the major Multilateral Development Banks (MDBs) in 2006.</p> <p>NIB has a dedicated email address for reporting concerns about unethical or unlawful behaviour, which is managed by OCCO. Reports can be made anonymously. Reports can also be filed by directly contacting OCCO by telephone or a personal visit, or alternatively by contacting a supervisor, who is obliged to pass the report on to OCCO. The Code of Conduct for Staff and the Speaking-up and Whistleblowing Policy provide protection for whistleblowers.</p> <p>In December 2017, the new Policy on Handling Inside Information and Prevention of Market Abuse was approved by the Board of Directors.</p>
	Governance	
	102-18 Governance structure	<p>The Nordic Investment Bank was established in 1975 by Denmark, Finland, Iceland, Norway and Sweden. In 2005, Estonia, Latvia and Lithuania became members of the Bank on equal terms with the original member countries.</p> <p>NIB is governed by the Agreement concerning the Nordic Investment Bank among its Member countries signed in 2004, as well as the related Statutes and the Host Country Agreement concluded between the Government of Finland and the Bank in 2010.</p> <p>According to the Statutes, the Bank has a Board of Governors, a Board of Directors, a President and the staff necessary to carry out its operations. In addition, the Bank has a Control Committee. Read more about Governance and the Legal Framework and Policy Documents</p>
	Stakeholder engagement	
	102-40 List of stakeholder groups	<p>NIB's stakeholders are our customers, investors, political decision-makers and public administrations, NGOs, the media, the general public and our staff.</p>
	102-41 Collective bargaining agreements	<p>NIB's employees are members 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. There are, however, some exceptions, particularly with regard to taxation, social security and pensions.</p> <p>NIB grants the whole staff full freedom of association, subject to NIB's staff-related documents and Code of Conduct. These documents ensure full freedom of association, subject only to non-conflict of interest and democratic principles.</p> <p>As NIB is not subject to the jurisdiction of national courts, the Bank has set up arbitration rules for potential employment-related disputes. NIB has an Ombudsman whom employees can consult and who may also act as mediator in the event of such disputes.</p> <p>The Bank has a Cooperation Council in place, consisting of four members representing the Bank and four members representing the staff. The Cooperation Council aims to promote communication between the Bank and the staff on issues related to conditions in the workplace, allowing the Bank to take better account of the staff's views and opinions. The purpose is to achieve mutually acceptable solutions for both the Bank and the staff. The Cooperation Council met twice during 2017.</p>

GRI Standard	Disclosure	NIB's response
GRI 102: General Disclosures 2017	102-42 Identifying and selecting stakeholders	NIB aims to maintain an open dialogue with all interested parties. Stakeholders are categorised as external or internal. The internal stakeholders are the Bank's owners, the member countries that govern NIB via representatives on the Board of Governors (BoG), Board of Directors (BoD) and Control Committee (CC), and the staff. The main external stakeholders are customers and investors.
	102-43 Approach to stakeholder engagement	<p>The Bank communicates with its external stakeholders in order to support lending and funding processes. Further, as an international financial institution, NIB is accountable to its member countries and to society as a whole. This creates an obligation to inform about the Bank's activities. The main purpose of NIB's internal communication is to keep its staff members informed about the Bank's results, strategies, policies, activities and relevant work-related issues, as well as to maintain communication channels to reach out to all employees.</p> <p>With regards to its lending activities, NIB publishes information on every project it finances, including the project description, the borrower, the amount of the loan and its maturity. The degree to which the loan projects comply with the Bank's mission is also published. See a list of NIB's stakeholders, communication channels and activities with stakeholders in 2017.</p>
	102-44 Key topics and concerns raised	<p>Every three years, the Bank conducts a stakeholder survey among its key target groups. NIB seeks to follow up on the findings of each survey to best meet stakeholders' expectations. The most recent stakeholder survey was carried out in 2015, and asked the respondents to rate the importance of different sustainability topics. It also asked investors about their interest in and awareness of green bonds. Further, NIB regularly conducts a work satisfaction survey among its staff. The most recent survey was also conducted in 2015, with the aim of assessing the wellbeing and functionality of the working community. Read more about the surveys and our materiality process.</p> <p>NIB classifies loan projects with potential significant adverse social or environmental impacts as Category A projects. These projects must therefore undergo a full environmental impact assessment (EIA). These are made publicly available on our website at www.nib.int for a period of 30 days to allow our stakeholders to give their opinions before the Bank makes a decision on financing the project. In 2017, the Bank published information about ten (10) Category A projects and received no responses. NIB eventually signed loan agreements with two (2) of these Category A projects. See the List of Category A, B, and C projects in 2017.</p>
	Reporting practice	
	102-45 Entities included in the consolidated financial statements	The Nordic Investment Bank
	102-46 Defining report content and topic Boundaries	<p>Issues considered to be material or relevant for disclosure in this report were identified in different processes that took place between 2015 and 2017. These were the strategy review and implementation process, the stakeholder survey and the customer journey mapping exercise. Based on the results of the processes mentioned above, we identified three (3) key aspects that are of high priority for both internal and external stakeholders. These will be the main topics that we report on for 2017:</p> <ul style="list-style-type: none"> · Fulfilling our mission to provide long-term financing to projects that improve competitiveness and the environment of the Nordic and Baltic countries · Anti-corruption, transparency and ethical business practice · Developing the Bank's working culture to better address stakeholders' expectations and improve dialogue <p>Read more about the materiality process and defining the content of the report.</p>

GRI Standard	Disclosure	NIB's response
GRI 102: General Disclosures 2017	102-47 List of material topics	Economic performance Indirect economic impact Environmental impact Labour practices Human rights and child labour Society and local communities Anti-corruption Grievance mechanisms (environmental, human rights, impact on society) Transparent operations and timely communication Product portfolio / audit aspects (Financial Sector Supplement)
	102-48 Restatements of information	None
	102-49 Changes in reporting	None
	102-50 Reporting period	NIB reports on an annual calendar year basis from 1 January until 31 December. This report covers the year 2017.
	102-51 Date of most recent report	15 March 2017
	102-52 Reporting cycle	Annual
	102-53 Contact point for questions regarding the report	Communications Unit; Chief Compliance Officer (contact information)
	102-54 Claims of reporting in accordance with the GRI Standards	NIB's Annual Report 2017 has been reported in accordance with the GRI Standards' core option. See more details on materiality.
	102-55 GRI content index	GRI content index
	102-56 External assurance	NIB has not set a policy on seeking external assurance for its sustainability reporting.
Material Topics		
GRI 200 Economic Standard Series		
Economic Performance		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NIB's vision is a prosperous and sustainable Nordic-Baltic region, and economic competitiveness is an integral part for realising this vision. The Bank finances projects that contribute to increased productivity, market efficiency and the development of human capital.
		In order to fulfil its mission effectively, NIB needs to be financially strong. The Bank therefore aims to earn a sufficient amount of return from its business operations to guarantee its owners a reasonable return on capital.

GRI Standard	Disclosure	NIB's response
	103-2 The management approach and its components	NIB's lending complements and leverages commercial lending. Projects that are considered for financing are analysed for their potential economic impact. All clients are screened in the integrity due diligence (IDD) process. NIB extends loans on market terms and according to sound banking principles. The funds acquired for NIB's lending are borrowed on the international capital markets. The Bank's Board of Directors (BoD) is in charge of policy decisions in matters that involve lending, borrowing, and administrative questions. The BoD approves the financial transactions proposed by NIB's President, and is responsible for the financial statements. For more information on the policies that frame NIB's activities, see Legal framework and Policy Documents .
	103-3 Evaluation of the management approach	NIB publishes information on all projects financed on its website, including the degree to which the project complies with the Bank's mission and impacts productivity. For certain projects with potentially substantial environmental impact, a public procedure allowing stakeholders to comment is in place. The Bank seeks regular feedback from its stakeholders, aims to maintain an open dialogue with all key groups about its activities, and can be contacted directly by any interested party. Grievances about the Bank's activities and lending-related issues, including allegations of misconduct and corruption, can be addressed to the Office of the Chief Compliance Officer (OCC). NIB's contact information
GRI 201: Economic Performance 2017	201-1 Direct economic value generated and distributed	In 2017, NIB signed 55 loan agreements and made nine green bond investments with an aggregate total of EUR 3,812 million. Loans disbursed amounted to EUR 3,147 million. Financial Report Operating and financial review
	201-2 Financial implications and other risks and opportunities due to climate change	Each loan project under consideration for financing undergoes an individual assessment of its potential environmental impact, including climate-related and social aspects, as an integral part of NIB's mission to promote sustainable growth in its member countries. NIB has introduced a framework that allows investors to provide funds for the Bank's environmental lending, meaning that the Bank can issue NIB Environmental Bonds (NEBs), the proceeds of which are used to finance projects that have a positive impact on the environment. The Bank regularly reports on the impact of projects it finances in terms of greenhouse gas emissions.
	201-3 Defined benefit plan obligations and other retirement plans	See Note 7 - Pension obligations in the Financial Report
	201-4 Financial assistance received from government	Capital structure
Indirect Economic Impacts		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	To contribute to the prosperity and well-being of societies, new ways of improving and strengthening productivity are being sought. NIB therefore analyses all prospective projects on their wider potential impact on the overall productivity and well-being of society as a whole.
	103-2 The management approach and its components	NIB aims to foster sustainability and prosperity in its member countries. All projects the Bank finances are reviewed from a sustainability perspective, which distinguishes NIB from commercial banks. Within 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.

GRI Standard	Disclosure	NIB's response
	103-3 Evaluation of the management approach	NIB regularly reviews its strategy and mission to keep up with market developments and to better address issues related to sustainable financing and international agreements, such as the Paris climate agreement. Read more in the Report of the Board of Directors .
GRI 203: Indirect Economic Impacts 2017	203-1 Infrastructure investments and services supported	Lending in the business area of infrastructure, transportation and telecommunications is primarily directed towards financing efficiency improvements in transport, logistics and communications. In 2017, approximately 42% of all loans agreed were related to this business area, totalling EUR 1,620 million (including Lending's green bond investments). The financed projects include airport expansions, wastewater treatment, fresh water provision, rail infrastructure and road improvements.
	203-2 Significant indirect economic impacts	In addition to financing projects directly with large enterprises, NIB channels financing to projects for small and medium-sized enterprises (SMEs) through intermediaries. SMEs are seen as the backbone of the economy of the Nordic-Baltic region. NIB decided in 2013 to expand its loan offering for onlending to SMEs to include investments in new machinery, production or service provision facilities, as well as investments in ICT and R&D. Further, SMEs and mid-caps are an integral part of NIB's reviewed lending strategy, as they employ two thirds of the workforce in the Nordic-Baltic region; consequently, they are of great importance for productivity and economic growth in their home countries. In 2017, some 17% of all loans agreed, a total of EUR 658 million (including Lending's green bond investments), were provided to banks and other financial institutions for on-lending to their clients, those being mainly SMEs.
Anti-corruption		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	The funds handled and projects financed by NIB are of high monetary value, therefore issues relating to corruption and bribery could be material. Incidents of corruption can occur both internally and externally. NIB has adopted a zero-tolerance approach towards fraud and corruption, and has established a policy framework to promote its anti-corruption work, in terms of both preventing and identifying prohibited practices. The framework is continuously updated.
	103-2 The management approach and its components	In December 2017, the Bank's Board of Directors approved the Policy on Handling Inside Information and Preventing Market Abuse, which identifies what constitutes inside information and sets out procedures for staff when working with such information. NIB also endorses the Uniform Framework for Preventing and Combating Fraud and Corruption, which was agreed upon by the major multilateral development banks in 2006. Further, the Bank's Council on Fighting Corruption has the purpose of enhancing awareness of integrity and anti-corruption among the Bank's staff and stakeholders. A Sanctions Panel was introduced as part of the new Investigation and Enforcement Policy to decide on sanctions for external entities that have engaged in prohibited practices. The Sanctions Panel comprises of two external members and one internal member. An ongoing comprehensive assessment of the Bank's integrity risk, including money laundering, terrorist financing and sanctions, continued in 2017 as well. On this basis, NIB is reviewing its integrity screening procedures. Read more in NIB's Integrity Report 2017

GRI Standard	Disclosure	NIB's response
	103-3 Evaluation of the management approach	<p>NIB's compliance and anti-corruption framework is continuously reviewed, benchmarked against international standards and updated accordingly. In terms of prevention, the Bank puts particular emphasis on knowing its customers and training its staff well to avoid the Bank becoming involved with unethical borrowers and projects, or in money laundering, terrorist financing or tax evasion. All new clients are screened thoroughly in the Bank's integrity due diligence (IDD) processes.</p> <p>The Bank also follows up on investigations and actions taken by national enforcement agencies and prosecutors relating to NIB borrowers and contractors financed by NIB loans. The Office of the Chief Compliance Officer (OCCO) regularly gives advice and guidance to the Bank's Lending department on how to address integrity and reputational risks in new and ongoing lending operations.</p> <p>As part of the induction process, training on compliance and anti-corruption is provided for all new staff members. In line with the Code of Conduct, every employee is asked to declare their financial and business interests once a year. This includes providing information on any positions or assignments in profit-making institutions or any involvement or business interest that would place the employee or their close relatives in conflict with the duties at NIB.</p>
GRI 205: Anti-corruption 2017	205-1 Operations assessed for risks related to corruption	All of NIB's operations are assessed from a corruption risk point of view. These concerns are addressed in NIB's IDD process.
	205-2 Communication and training about anti-corruption policies and procedures	All staff members at NIB receive training in anti-corruption, integrity, money laundering and ethics as part of NIB's induction programme. Members of NIB's Board of Directors have also received training in the same subject. Staff working in the lending operations receive additional training in conducting integrity due diligence (IDD) checks. NIB has compulsory e-training for all staff in the Code of Conduct. Read more about Ethics and Integrity
	205-3 Confirmed incidents of corruption and actions taken	One new external cases of corruption relating to a project in a non-member country of NIB was registered and filed in 2017. This case is currently under investigation by the Office of the Chief Compliance Officer (OCC). Read more in NIB's Integrity Report 2017
GRI 300 Environmental Standards Series		
Materials		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	The Bank promotes sustainable development in its business operations and extends financing to projects that generate productivity gains and/or environmental benefits. Correspondingly, NIB emphasises environmentally and socially sound practices in its internal operations, which includes the use of energy, materials and waste handling.
	103-2 The management approach and its components	<p>Being a relatively small organisation providing non-material services, NIB's usage of materials consists mainly of paper, office supplies and electronics. However, the Bank acknowledges that the purchasing decisions for these items have an impact on the environment. Therefore, NIB is part of WWF's Green Office Network and seeks to continuously reduce its ecological footprint in a cost-effective way.</p> <p>NIB's internal procurement instructions identify various requirements and best practices that the Bank has decided to comply with, especially in regards to procurement of goods and/or services. For the staff, the Bank set up an internal website providing information on NIB's established best practices on contract issues with suppliers, including environmental and social considerations during the procurement process.</p>

GRI Standard	Disclosure	NIB's response
	103-3 Evaluation of the management approach	As part of the WWF's Green Office Network, NIB is audited every three years. The process includes an office inspection and a review of the progress made for selected indicators. The Bank was awarded the use of the Green Office logo once again in 2016. The Bank regularly communicates initiatives related to material, energy use and waste handling to its staff and informs them about sustainable behaviour at the workplace.
GRI 301: Materials 2017	301-1 Materials used by weight or volume	<p>NIB works to improve its internal waste management and waste handling procedures by cooperating with its catering and cleaning service providers. The Bank monitors recycling, and only uses cleaning and recycling services certified by the official Nordic Ecolabel. For information regarding used and recycled materials, see NIB's ecological footprint table.</p> <p>NIB collaborates with its catering service provider to raise awareness about ecological food choices.</p> <p>The renovation of NIB's headquarters, which began in 2015, continued during 2017, and is carried out in accordance with the BREEAM standard for refurbishment of existing buildings. The standard requires the use of sustainable material choices in both construction work and furniture. Also, waste handling and disposal have strict pre-set requirements.</p>
Energy		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NIB uses energy to run its day-to-day operations at its headquarters. In light of the impact the use of fossil fuels may have on the environment, NIB favours the use of renewable energy.
	103-2 The management approach and its components	During 2017, the Bank purchased electricity generated 100% from wind energy. The origin is guaranteed by the European Energy Certificate System. NIB monitors its annual energy consumption and strives to reduce the amount of water, heat and electricity it uses, as well as to consume less paper and fewer office supplies.
	103-3 Evaluation of the management approach	NIB monitors its energy consumption and complies with the requirements set out in current EU environmental legislation and the WWF's Green Office programme. Information regarding facilities management is communicated to staff members.
GRI 302: Energy 2017	302-1 Energy consumption within the organization	See NIB's Environmental Footprint table for more information about NIB's energy consumption.
	302-4 Reduction of energy consumption	In 2015, NIB started renovating its headquarters in accordance with the BREEAM building refurbishment standard, which has pre-set requirements for energy efficiency and energy consumption. NIB will be completing the renovation according to the standard's Excellent level. During 2017, the renovation of two office spaces was completed. In addition, NIB is also renewing the building's technical machinery, including the main air supply machines. Once they are fully operational, they will contribute to improving the energy efficiency of the premises.
Biodiversity		
GRI 103: Management Approach	103-2 The management approach and its components	In its Sustainability Policy and Guidelines , NIB states that projects should comply with any obligations and standards enshrined in relevant multilateral environmental agreements according to applicable EU legislation, for example those dealing with biodiversity, climate change, the ozone layer, wetlands, persistent organic pollution, trans-boundary air pollution, endangered species and environmental information, and others that may be ratified in the future. A benchmark reference often applied in NIB's projects is the HELCOM standards for discharges into the Baltic Sea. Correspondingly, the Bank emphasises environmentally and socially sound practices in its internal operations, and in the working environment NIB aims to avoid placing any unnecessary strain on the natural environment. By providing information and training and offering environmentally sound alternatives, the Bank sets out to encourage its staff to act in a way that has less impact on the environment.
	304-3 Habitats protected or restored	NIB does not have any specific programmes to protect or restore habitats.

GRI Standard	Disclosure	NIB's response
Emissions		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Climate change is a societal challenge as well as an environmental one, and requires the adoption of advanced new technologies to improve greenhouse gas emissions and energy efficiency, among other things. Addressing this challenge is part of NIB's mission to finance projects that generate environmental benefits and productivity gains for the Nordic-Baltic region in order to increase sustainability and prosperity.
	103-2 The management approach and its components	NIB is committed to supporting action aimed at mitigating and adapting to climate change. NIB calculates all the greenhouse gas emissions from its projects, either directly via fuel combustion or production process emissions, or indirectly through purchased electricity and heat. The Bank's management and Board of Directors consider these to be part of the loan decision process. As concerns its direct ecological footprint and housekeeping, NIB has internal environmental guidelines for office practices, business travel, facility management and procurement.
	103-3 Evaluation of the management approach	When analysing 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. NIB publishes on its website relevant information on increases and decreases of emissions resulting from projects.
GRI 305: Emissions 2017	305-5 Reduction of GHG emissions	In 2017, NIB's lending contributed to an annual reduction of 49,000 tonnes of CO ₂ emissions, and to an increase of 4,000 tonnes of CO ₂ emissions. Read more on the impact of NIB's lending and on the Bank's internal ecological footprint at its headquarters in Helsinki, including information on emissions and waste.
Effluents and Waste		
GRI 306: Effluents and Waste 2017	103-2 The management approach and its components	NIB's waste management and sorting is in line with the criteria set out in the host country Finland's national regulations. The Bank monitors the amount of waste it produces monthly. Appropriate waste management and waste handling procedures are in place, and the main types of waste the Bank generates are sorted. These are: energy, paper, mixed, bio-, cardboard, metal, glass and hazardous waste, including electronic waste and ink cartridges. These waste fractions are recycled. The Bank also decided to stop providing plastic water bottles to staff.
	306-2 Waste by type and disposal method	NIB's aim is to continuously improve the waste handling and recycling in the premises. The Bank plans to achieve a reduction by rearranging and simplifying the sorting stations, and by raising awareness about waste management through marketing environmental campaigns, such as Earth Hour and Energy-Saving Week [a national energy-saving awareness campaign organised by a Finnish company specialising in energy and material efficiency].
Environmental Compliance		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Some of the projects NIB finances may potentially have negative environmental impacts. These may include the deterioration of the physical, natural or cultural environment and surrounding community. In line with its own Sustainability Policy and Guidelines , NIB analyses projects with regards to relevant standards and EU legislation.
	103-2 The management approach and its components	In order to address any concerns regarding its operations, 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 are made publicly available for comments before the Bank makes a decision on financing. 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 can be filed with, and are handled by, NIB's Office of the Chief Compliance Officer [OCCO].

GRI Standard	Disclosure	NIB's response
	103-3 Evaluation of the management approach	<p>NIB's environmental review 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.</p> <p>NIB communicates the results of environmental impact assessments to customers, and may give advice regarding prospective projects. The management of environmental impacts of projects in line with applicable laws, regulations, standards and NIB's Sustainability Policy & Guidelines is handled by the customer.</p>
GRI 307: Environmental Compliance 2017	307-1 Non-compliance with environmental laws and regulations	In 2017, the Bank published details of ten (10) Category A projects and received no responses. No grievances were filed with the Office of the Chief Compliance Officer.
GRI 400 Social Standards Series		
Employment		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NIB's employees are the Bank's strongest asset in fulfilling its vision of a prosperous and sustainable Nordic-Baltic region, and an essential internal stakeholder group. NIB's staff regulations and code of conduct address labour and management relations, international laws and legal standards, provisions for professional conduct and resolution of disputes, occupational health and safety, training and education, diversity and equal opportunity, non-discrimination and freedom of association.
	103-2 The management approach and its components	<p>The Bank's fundamental principles regarding its staff are the rule of law, transparency, predictability and equity. Based on its status as an international organisation, NIB has established its own provision for its employees. The primary sources governing employment are employment contracts and the staff documents.</p> <p>NIB staff are required to comply with the policies, regulations, rules and guidelines issued by the Bank, including the code of conduct for the staff. See NIB's Staff Regulations</p>
	103-3 Evaluation of the management approach	<p>NIB regularly collects feedback from its employees and conducts staff surveys. The purpose of the surveys is to assess the engagement of the staff as well as the well-being and functionality of the working community. The results provide a better overall understanding of issues that need improvement.</p> <p>NIB has a Cooperation Council in place, which consists of four members representing the Bank and four members representing the staff. The Cooperation Council aims to promote communication and initiatives between the employer and employees on work-related matters. The Bank engages an independent ombudsman, who is available once a month for all staff members.</p> <p>To engage all staff and to maintain an open dialogue, NIB communicates the Bank's results, strategies, policies, activities and issues related to working conditions to keep its staff informed. See NIB's Public Information Policy</p>
GRI 401: Employment 2017	401-1 New employee hires and employee turnover	In 2017, the average length of employment was 12.2 years. Twelve (12) permanently employed staff members left the Bank in 2017, resulting in an exit turnover of 8.2%, compared to 3.2% in 2016. At the end of 2017, NIB had 193 employees in permanent positions. Of these, 80 were women and 113 men. In addition, five (5) employees worked on projects in temporary positions. The average number of permanent employees was 193 during the year. Read more about Working at NIB

GRI Standard	Disclosure	NIB's response
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Note 7 in the Financial Report has explanations of "Additional benefits for expatriates", "Pension obligations" and "Staff loans".
Labor/Management Relations		
GRI 103: Management Approach	103-2 The management approach and its components	NIB employees are members 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. There are, however, some exceptions, particularly with regard to taxation, social security and pensions. You can read about these in the Host Country Agreement between the Government of the Republic of Finland and the Nordic Investment Bank .
GRI 402: Labor/Management Relations 2017	402-1 Minimum notice periods regarding operational changes	NIB employees are members of an international financial institution. Consequently, NIB has established its own regulations for its staff. See Staff Regulations .
Occupational Health and Safety		
GRI 103: Management Approach	103-2 The management approach and its components	<p>NIB makes every effort to create a safe and healthy working environment for its employees. The Bank considers all aspects of work, such as general working conditions, the environment and the personal capacities of its employees. NIB encourages its staff to establish and maintain a sustainable balance between their professional and private lives.</p> <p>NIB cooperates closely with its occupational health care service provider. Prevention is taken care of through regular health checks and by conducting work engagement surveys and offering flexible working hours.</p> <p>In 2015, NIB conducted its most recent Work Engagement Survey in cooperation with the Finnish Institute of Occupational Health (FIOH). The survey, which is conducted regularly, collects employee feedback on issues related to the work environment, management and well-being at work, as well as to initiating actions to improve practices. The response rate of the 2015 Work Engagement Survey was 84%, which is an increase of six percentage points since 2013, when the survey was last carried out. NIB achieved a high score and was placed in the top 25 of the FIOH's external sample.</p>
GRI 403: Occupational Health and Safety 2017	403-1 Workers representation in formal joint management-worker health and safety committees	<p>NIB strives to continuously develop the interaction and cooperation between employer and staff. NIB's Cooperation Council consists of four members representing the Bank and four members representing the staff. The Cooperation Council aims to promote communication and initiatives between the Bank and its staff in issues related to working conditions and the workplace, in a manner that enables the Bank to take better account of the staff's opinions concerning such issues. The goal is to achieve mutually acceptable solutions for both the Bank and the staff.</p> <p>The Cooperation Council functions as an occupational health and safety body. The Occupational Health and Safety Commission consist of an Occupational Health and Safety Manager representing the employer and two Occupational Health and Safety Agents representing the staff. In addition, NIB has a Business Continuity and Security unit that is responsible for, among other things, developing and implementing NIB's security policies covering all areas of physical, personal and information security.</p> <p>All of NIB's staff are included in its health and safety management system. Read more about Working at NIB</p>
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	The Bank encourages participation in activities that support wellbeing, which are highly appreciated by the employees. The sickness absence rate—as a percentage of total working time—stood at 2% in 2017, compared to 2.2% in 2016.

GRI Standard	Disclosure	NIB's response
Training and Education		
GRI 103: Management Approach	103-2 The management approach and its components	NIB is a professional expert organisation and encourages its employees to develop their competencies. It is essential for the Bank to have highly skilled and committed staff members that are able to meet its customers' needs.
GRI 404: Training and Education 2017	404-1 Average hours of training per year per employee	NIB evaluates the need for additional training every year. The average number of training days per employee was 5.9 in 2017, compared to 5.4 in 2016.
	404-2 Programs for upgrading employee skills and transition assistance programs	In 2016, NIB initiated a new internal development programme, "Raising the Bar", as part of the Bank's strategy for strengthening the professional identity and competence of its employees. The programme aims to increase the staff's understanding of the business environment and clients' needs. The programme continued in 2017. The Bank's staff represent 18 nationalities, and the working language is English. Therefore, it is essential to provide language training to ensure that all employees develop and maintain the required language skills. NIB also focuses on developing its managers through supervisor training and personal growth processes. Managers have access to a supervisor intranet site containing the Bank's policies, regulations and guidelines. The site also provides recommendations on how managers can carry out their roles and fulfil their duties.
	404-3 Percentage of employees receiving regular performance and career development reviews	The employees' performance and individual work plans are reviewed in personal appraisal and development discussions with their supervisors. These talks are held at the beginning of the year and followed up in autumn.
Diversity and Equal Opportunity		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Maintaining a balanced diversity among staff members is crucial to NIB's working culture. No discrimination on the basis of gender, age, nationality, ethnic origin, family status, religion, health, political activities or any other comparable circumstance is permitted. The Bank puts emphasis on preventing discrimination and will intervene if an employee is harassed in any way.
	103-2 The management approach and its components	NIB has an Equality, Diversity and Inclusion Plan for 2016–2018 in place. The key themes of the plan are the prevention of all forms of harassment and the promotion of diversity and an inclusive work environment. In its recruitment policy, NIB promotes a balanced distribution of genders, age and nationalities between the member countries. There is, however, no requirement that only nationals of the member countries can be employed. Read more about Working at NIB
	103-3 Evaluation of the management approach	As part of the Equality, Diversity and Inclusion Plan for 2016–2018, NIB has established a reference group that works to address any potential issues of harassment or discrimination. Further, NIB regularly collects employee feedback on issues related to equal opportunity in work engagement surveys. In cases of harassment or discrimination, the Ombudsman can be contacted.
GRI 405: Diversity and Equal Opportunity 2017	405-1 Diversity of governance bodies and employees	See Executive Committee Board of Directors Board of Governors Control Committee
	405-2 Ratio of basic salary and remuneration of women to men	NIB applies a fixed salary-based system. Salary levels reflect the work profile, qualifications and competence of the individual jobholder, as well as the results that NIB expects the employee to achieve. The Bank's compensation policies state that compensation must not be affected by gender, age or race. Individual performance constitutes the basis for salary adjustments. Read more about NIB's compensation policy in Staff Regulations

GRI Standard	Disclosure	NIB's response
Non-discrimination		
GRI 406: Non-discrimination 2017	103-2 The management approach and its components	NIB has zero tolerance for any type of discrimination. To ensure a workplace free of harassment, NIB has in place an Anti-harassment Policy, which is governed primarily by the Human Resources unit. In cases of harassment, the ombudsman can also be consulted. See Staff Regulations
	406-1 Incidents of discrimination and corrective actions taken	In 2017, no incidents of harassment or discrimination were reported.
Freedom of Association and Collective Bargaining		
GRI 103: Management Approach	103-2 The management approach and its components	<p>NIB's employees are members 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. There are, however, some exceptions, particularly with regard to taxation, social security and pensions.</p> <p>NIB grants the whole staff full freedom of association, subject to NIB's staff-related documents and code of conduct. These documents ensure full freedom of association, subject only to non-conflict of interest and democratic principles.</p> <p>As NIB is not subject to the jurisdiction of national courts, the Bank has set up arbitration rules for potential employment-related disputes. NIB has an ombudsman whom the employees can consult and who may also act as mediator in the event of such disputes.</p> <p>The Bank has a Cooperation Council in place, consisting of four members representing the Bank and four members representing the staff. The Cooperation Council aims to promote communication and initiatives between the Bank and the staff in issues related to working conditions and the workplace, enabling the Bank to take better account of the staff's opinions concerning such issues. The purpose is to achieve mutually acceptable solutions for both the Bank and the staff.</p>
GRI 407: Freedom of Association and Collective Bargaining 2017	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	In 2017, there were no reports of suppliers or operations in which workers' rights to exercise freedom of association or collective bargaining were being violated or at risk.
Child Labor		
GRI 103: Management Approach	103-2 The management approach and its components	NIB does not accept the use of child labour, which is illegal or harmful to minors, and requires its clients and suppliers to comply with international standards for the employment of underage workers. The Bank believes in good human resources management. Respect for workers' rights and their freedom of association is part of good business.
GRI 408: Child Labor 2017	408-1 Operations and suppliers at significant risk for incidents of child labor	In 2017, there were no reports of operations or suppliers using child labour or exposing young workers to hazardous conditions.
Forced or Compulsory Labor		
GRI 409: Forced or Compulsory Labor 2017	103-2 The management approach and its components	The use of forced labour is not accepted by NIB. The Bank emphasises respect for human rights and observance of all national and international legislation in its operations. Further, the Bank does not tolerate discrimination based on gender, race, nationality, ethnic origin, religion, disability, age or sexual orientation. Sound management of the safety and health of workers and communities is essential for the productivity and efficiency of the business, as is respect for their legal rights and livelihood.
	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	In 2017, there were no reports of operations or suppliers at risk of using forced or compulsory labour.

GRI Standard	Disclosure	NIB's response
Local Communities		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NIB finances large projects that may have a significant impact on the surrounding community, environment, people and economy. Some projects may entail negative consequences. In order to ensure that such risks are identified and addressed, all projects considered for financing undergo an environmental and social impact assessment, of which dialogue with stakeholders, as appropriate, is an integral component.
	103-2 The management approach and its components	The preparation of loans that are listed as Category A projects due to social and environmental concerns includes their publication for 30 days on NIB's website to enable stakeholders to submit their views to NIB. However, any persons involved in the activities of NIB who observe or have reasonable grounds to suspect misconduct, corruption or non-compliance are encouraged to report it. Complaints can be filed with, and are handled by, NIB's Office of the Chief Compliance Officer (OCCO).
	103-3 Evaluation of the management approach	There are no specific mechanisms in place to evaluate the management approach or its effectiveness. However, NIB's policies and procedures are regularly reviewed. Stakeholders' views and opinions on NIB's management approach are regularly requested in stakeholder surveys.
GRI 416: Local Communities 2017	413-2 Operations with significant actual and potential negative impacts on local communities	During 2017, NIB published ten (10) Category A projects with potential impact on local communities on its website. No comments were received. NIB eventually signed loan agreements with two (2) of the projects.
GRI Financial Sector Supplement - product portfolio		
FS1	The management approach and its components	The Bank assesses the environmental and social impacts of all loan applications for consistency with the Sustainability Policy and Guidelines. A proposed project can be rejected due to non-compliance with the policy. The policy also includes an exclusion list with activities not eligible for financing.
	Policies with specific environmental and social components applied to business lines	Sustainability Policy and Guidelines
FS2, FS5	Procedures for assessing and screening environmental and social risks in business lines. Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	<p>NIB's environmental and social review (see also an overview 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 -benchmarking 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.</p>
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	<p>NIB expects its clients to be in compliance with the Sustainability Policy and Guidelines throughout the project, and provisions that entitle the Bank to monitor projects are incorporated into the loan agreement. NIB has a special monitoring and ex-post mandate assessment process in place to examine the implementation and results of projects financed by the Bank.</p> <p>After NIB's financing is committed in legal documents and disbursed, the Bank especially monitors projects with major environmental and social risks and impacts in accordance with the environmental review or as deemed necessary by NIB due to unexpected events. During 2017, ex-post assessments were carried out for fourteen (14) projects.</p>

GRI Standard	Disclosure	NIB's response
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	Lending
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	The purpose of NIB's lending activities is to finance investment projects that generate productivity gains and/or environmental benefits for the Nordic and Baltic countries. NIB rates all potential loans internally according to how they contribute to this mission. Only projects that contribute sufficiently to NIB's mission fulfilment qualify for loan approval. The proportion of lending with a "good" or "excellent" mandate continued to be at a high level, accounting for 97% of all loans agreed in 2017. Read more about Impact and Mission fulfilment
Financial sector supplement - audit		
FS9	The management approach and its components	The Control Committee is a supervisory body that ensures that the operations of the Bank are conducted in accordance with its Statutes. The Control Committee is responsible for the audit of the Bank's accounts and annually delivers an audit statement to the Board of Governors. The Control Committee also monitors the compliance and anti-corruption practices of the Bank. The audit of the financial statements of the Bank is carried out by external professional auditors appointed by the Control Committee.
	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	NIB is mission-driven and its core business is long-term lending. The main risks are assessed in the due diligence process prior to lending agreements. The Bank has a special monitoring and ex-post mandate assessment process to examine the implementation and results of projects financed by the Bank. After NIB's financing is committed in legal documents and disbursed, NIB especially monitors projects with major environmental and social risks and impacts in accordance with the environmental review or as deemed necessary by NIB due to unexpected events.
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Loans agreed in 2017
FS11	Percentage of assets subject to positive and negative environmental or social screening	NIB assesses the environmental and social impacts of all loan applications.