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# Compliance, Integrity and Anti-Corruption Policy

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## List of abbreviations

AML	Anti-Money Laundering
CCO	Chief Compliance Officer
CoFC	Council of Fighting Corruption
CTF	Counteracting Terrorist Financing
CSR	Corporate Social Responsibility
FATF	Financial Action Task Force
FT	Financing Terrorism
IDD	Integrity Due Diligence
IFI	International Financial Institution
KYC	Know Your Customer
ML	Money Laundering
NCJ	Non-Compliant Jurisdiction
OCCO	Office of the Chief Compliance Officer
OECD	Organisation for Economic Cooperation and Development

## **1 Introduction**

This Policy outlines NIB's measures to mitigate and manage compliance risks, integrity risks and the prevention of and fight against fraud and corruption, including money laundering and terrorist financing, in all its operations and activities.

As an International Financial Institution (IFI) entrusted with public monies the Bank strives at carrying out its operations with the highest integrity and in compliance with the Bank's own rules and best market practices. Prevention is at the forefront of the Bank's compliance, integrity and anti-corruption efforts.

NIB is not under the supervision of any financial supervisory authority but benchmarks its compliance, integrity and anti-corruption policies and procedures with the member countries' legislation and the legislation of the European Union. These sources are complemented by non-binding sources such as recommendations from the Basel Committee on Banking Supervision, the Financial Action Task Force (FATF), OECD and the standards of other IFIs.

### **1.1 Compliance and Integrity**

NIB is committed to follow best practices and market standards in areas of accountability, governance, corporate social responsibility (CSR), transparency and business ethics in order to promote sustainability. At the core of these efforts are the mitigation and management of reputational and compliance risks that the Bank faces.

To manage these risks the Bank has established an independent compliance function (hereinafter referred to as Compliance Function or OCCO) which is headed by the Chief Compliance Officer (CCO) who is reporting to the Bank's President and has unrestricted access to the chairpersons of the Board of Directors and the Control Committee.

The investigation of suspected and alleged Prohibited Practices and staff misconduct are carried out in accordance with the Investigations and Enforcement Policy.

Misconduct by Board members and the President is handled in accordance with Annexes 1 and 2 of the Code of Conduct for the Board of Directors and the President.

Compliance also covers the investigation of the Bank's non-compliance with its own policies and rules, such as the Public Information Policy, the Sustainability Policy and procurement rules in accordance with the Investigations and Enforcement Policy.

### **1.2 Anti-corruption**

The Bank is committed to fight corruption. For this purpose the Bank has established a zero tolerance towards corruption.

Corruption is investigated in accordance with the Investigations and Enforcement Policy. Suspicions and allegations of Prohibited Practices shall be reported to OCCO. The Speaking-up and Whistleblowing Policy covers the protection of staff members and other stakeholders who report suspected wrongdoings.

The Bank has established the Council of Fighting Corruption to enhance awareness among the Bank's staff and stakeholders on compliance, integrity and anti-corruption matters.

### **1.3 NIB's Compliance, Integrity and Anti-corruption Framework**

An overview of the different parts comprising NIB's Compliance, Integrity and Anti-corruption Framework is shown in the chart below.

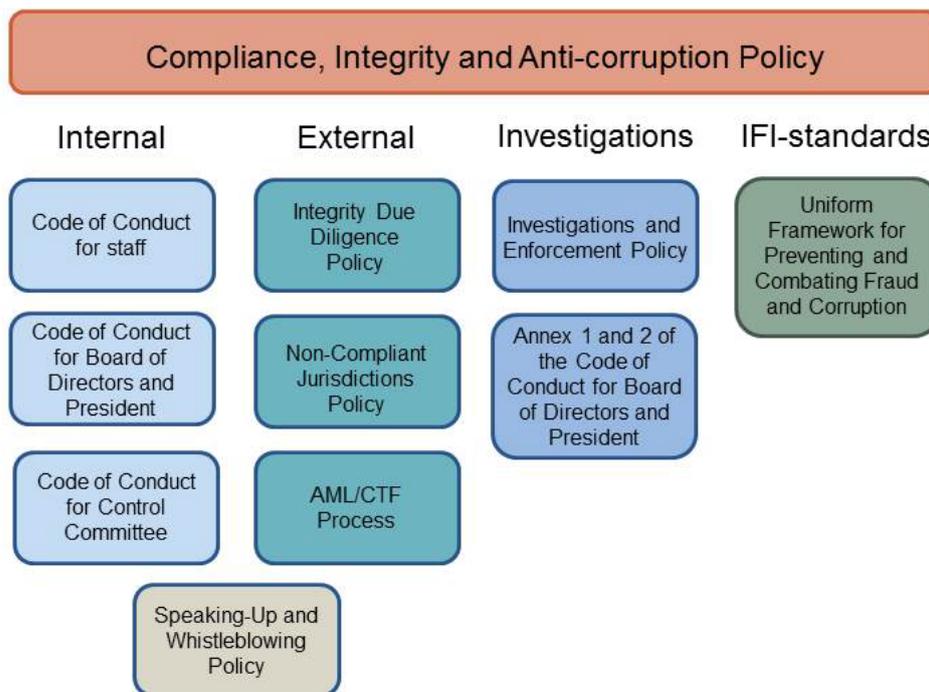


Chart 1 - NIB's Compliance, Integrity and Anti-corruption Framework

## 2 General Principles on Compliance and Integrity

### 2.1 General Principles

Compliance is commonly defined as the adherence to laws, regulations, rules, related self-regulatory organisation standards and codes of conduct in matters concerning observing proper standards of market conduct, managing conflicts of interest and specifically dealing with matters such as the prevention of money laundering and terrorist financing, and investigations of suspected and alleged corrupt and fraudulent behaviour.

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

**Institutional compliance** includes issues of the Bank's reputation, governance, internal structure and decision-making processes, principles of procurement, principles of Corporate Social Responsibility (CSR), public information disclosure, sustainability reporting and adherence to internal instructions.

**Operational compliance** includes the assessment of integrity risk and reputation risk in the Bank's transactions, in particular by following certain principles, such as Know Your Customer (KYC), conducting integrity due diligence checks, including assessing risks relating to Money Laundering (ML), Terrorist Financing (TF) and tax fraud as well as compliance issues in relation to the development of new products or business practices. Borrower compliance and integrity risks are related to the projects that the Bank is engaged in and to the stakeholders that NIB is working with, including entities responsible for the implementation of projects financed by NIB. These risks are mitigated and managed through guidelines on Integrity Due Diligence (IDD), policy on Non-compliant Jurisdictions (NCJ) and rules in relation to Anti-money Laundering (AML) and Counteracting Financing of Terrorism (CFT).

**Conduct compliance** includes risk in terms of conflict of interest, insider trading and other issues related to the professional conduct of members of the Bank's governing and supervisory bodies and of Bank managers and staff. NIB mitigates and manages conduct risks by fostering an environment of high integrity and ethical values among its staff and stakeholders. Codes of conduct have been established for the Bank's staff, the Board of Directors and the President and the members of the Control Committee.

The Bank aims at promoting a culture of integrity and high ethical standards throughout all levels of the Bank. Internal integrity risks are managed and mitigated through the codes of conduct for staff, the Board of Directors and President and members of the Control Committee. External integrity risks are managed and mitigated through the application of IDD-Guidelines, anti-money laundering (AML) and counteracting financing of terrorism (CFT) rules and the Policy towards Non-Compliant Jurisdiction (NCJ Policy).

## **2.2 Control Structure**

The Bank shall maintain a structure of good governance within the Bank, particularly through transparent policies and rules, as well as clear divisions of responsibilities to ensure accountability.

The Board of Directors has the ultimate responsibility for ensuring that compliance and integrity risks are managed and approves the Bank's policies relating to compliance, integrity, anti-corruption and investigations.

The Control Committee is the Bank's supervisory body. The Control Committee shall ensure that the operations of the Bank are conducted in accordance with the Statutes including monitoring the Bank's anti-corruption and compliance practices, general compliance with the Bank's internal guidelines, and, implementation of best practices in governance of the Bank.

The President shall ensure that the Bank's compliance and integrity risks are properly managed and shall keep the Board of Directors and the Control Committee informed of integrity risks in the Bank's activities, including identified integrity concerns in proposed lending operations.

Senior management and management shall lead by example and are responsible for the daily management of compliance and integrity risks and that breaches are reported to OCCO.

OCCO shall ensure that the Bank's compliance and integrity risks are identified and addressed by overseeing the integrity due diligence process to ensure that client and other counter party related integrity risks are identified and addressed as well as promoting the highest ethical standards, integrity and behaviour of the Bank's staff and other stakeholders.

OCCO investigates cases of non-compliance with the Bank's own policies in matters relating to prohibited practices, misconduct, complaints and whistleblowing. Investigations by OCCO or any other appointed person or entity shall be conducted in accordance with the Investigation and Enforcement Policy. OCCO also addresses conduct related risks by training of the Bank's staff and members of governing and supervisory bodies.

The Council of Fighting Corruption (CoFC) shall ensure that the Bank learns from its own experiences and by creating awareness among staff and stakeholders of compliance, integrity and anti-corruption related matters.

OCCO coordinates its control activities with the Bank's Risk Management Unit and Internal Audit. The Bank's three lines of defence constitute: operational departments are the first line of defence, OCCO and Risk Management Unit the second line and Internal Audit the third line of defence

### 3 General Principles on Anti-Corruption

The Bank expects its borrowers and other stakeholders to maintain high ethical standards and conduct their business practices in line with the Bank's anti-corruption framework as well as with the Bank's guidelines for procurement. Borrowers and stakeholders shall report to the Bank any allegations of Prohibited Practices in any activities related to the Bank.

NIB's anti-corruption framework is based on the IFI Uniform Framework on Preventing and Combating Fraud and Corruption, which was endorsed by NIB in 2008<sup>1</sup>, including its principles and guidelines for investigations, exchange of information, integrity due diligence, mutual recognition of enforcement actions and support for anti-corruption efforts of member countries

Furthermore, NIB's definition of Prohibited Practice, which includes corruption, is based on the IFI Uniform Framework on Preventing and Combating Fraud and Corruption with additional features based on recent developments in other IFIs.

**"Prohibited Practice"** means:

- (i) a corrupt practice, which means the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;
- (ii) a fraudulent practice, which means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
- (iii) a coercive practice, which means impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;
- (iv) a collusive practice, which means an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;
- (v) theft, which means the misappropriation of property belonging to another party;
- (vi) obstruction, which means deliberately destroying, falsifying, altering, or concealing evidence material to an investigation; making false statements to investigators in order to materially impede an investigation; failing to comply with requests to provide information, documents, or records in connection with an investigation; threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or materially impeding NIB's contractual rights of audit or inspection or access to information;
- (vii) money laundering, which means intentional conversion or transfer of property derived from criminal activity to conceal or disguise its illicit origin; concealment or disguise of the true nature, source, location, disposition, movement or ownership of property known to have been derived from criminal activity; acquisition, possession or use of property known to have been derived from criminal activity; participation, or assistance, in the commission of any of the activities above;
- (viii) terrorist financing, which means the provision or collection of funds, by any means, directly or indirectly, with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out terrorist activities.

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<sup>1</sup> Available at the Bank's website [http://www.nib.int/filebank/652-Declaration\\_IFI\\_uniform\\_framework.pdf](http://www.nib.int/filebank/652-Declaration_IFI_uniform_framework.pdf)

External Prohibited Practices is referred to in cases of suspected or alleged corruption involving third parties in relation to the Bank and internal Prohibited Practices is referred to in cases of suspected or alleged corruption within the Bank involving staff members or other officials of the Bank.

The Bank emphasises transparency in all of its activities, including lending operations, disbursement procedures and project monitoring, and actively aims at preventing corrupt or illegal behaviour. The Bank shall support stakeholders including borrowers in their efforts to fight corruption by establishing appropriate codes of conduct and policies and procedures to prevent, detect and investigate corruption.

NIB is committed to pursue disciplinary, contractual, judicial and/or other actions in cases where it has been established that Prohibited Practices have taken place. All suspected cases of Prohibited Practices or misconduct shall be reported to OCCO, which, after a preliminary assessment, will be responsible for the investigation of the allegations. Based on OCCO's findings, an independent sanctions panel shall decide on appropriate sanctions for identified Prohibited Practice, including fraud and corruption, relating to projects financed by NIB and relating to vendors in NIB's procurement for its own use. NIB's President shall decide on actions related to identified Prohibited Practices and misconduct involving the Bank's staff. Specific rules on the investigation and the sanctioning processes are described in the Bank's Investigations and Enforcement Policy.

## **4 Office of the Chief Compliance Officer (OCCO)**

### **4.1 Mission & Objective**

OCCO shall protect the integrity and reputation of the Bank, promote high ethical standards, strengthen accountability and increase transparency. OCCO oversees the identification, assessment and monitoring of integrity risks. This includes ensuring that NIB at all times has up to date codes of conduct to guide good behaviour of staff, management and members of the governing and supervisory bodies, including the requirements of declaring their financial and business interest.

In accordance with the Investigation and Enforcement Policy OCCO investigates cases of suspected or alleged Prohibited Practices and misconduct as well as complaints regarding non-compliance with the Bank's policies and procedures.

OCCO shall ensure that the Bank's integrity related policies and rules are up to date and in line with international standards.

OCCO is the Bank's focal point when it comes to anti-corruption and integrity risks, including IDD, NCJ, AML/CTF, and reputational risks. OCCO is the Bank's anti-money laundering reporting office and coordinates the liaison in such matters with relevant external bodies, such as national anti-money laundering authorities or financial supervisory authorities.<sup>2</sup>

### **4.2 Basic Principles of Operation**

NIB shall have an effective compliance function with sufficient independence, status and authority, including access to information and independent reporting to carry out its duties.

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<sup>2</sup> Liaison with national authorities and external bodies is without prejudice to the Bank's privileges and immunities as set forth in NIB's constituent documents or in applicable national or international law.

The compliance function is an integral part of the Bank's organisation and OCCO will always seek to cooperate with other functions in the Bank and rely on contributions from other departments or units in the Bank. However in all cases, OCCO will retain its independent coordinating role with respect to monitoring and reporting.

OCCO shall have a formal status in the Bank and shall be able to carry out its functions on its own initiative (including using outside expertise) without obstruction and fear of retaliation from management and other staff members.

The Chief Compliance Officer (CCO) and OCCO staff members shall not engage in any activities of the Bank that could create a conflict of interest between the Bank's operations and OCCO's duties and activities.

The CCO shall report functionally and administratively to the President and shall have unrestricted access to the Chairperson of the Board of Directors and to the Chairperson of the Control Committee

OCCO is subject to audits by Internal Audit.

### **4.3 Access**

OCCO shall have access to information, premises and staff necessary to carry out its responsibilities, including access to departments, units and teams for the purpose of discharging its duties. OCCO shall have full and free access to all levels of management, including the President, and to the external auditors.

OCCO shall, in compliance with applicable rules of the Bank, also have access to any information, records or files, it deems necessary for carrying out its duties. This includes any information that is the Bank's property, in the Bank's custody, under the Bank's control or subject to the Bank's right of inspection or audit as defined in agreements with third parties. Information accessed by OCCO shall be handled in the same prudent and confidential manner as required from those persons who are normally accountable for such information and documents.

### **4.4 Reporting**

The CCO will inform the President, the Board of Directors and the Control Committee of matters of importance regularly and as they occur.

In addition to the follow-up on its annual business plan, OCCO also reports on its work plan and activities directly to the Board of Directors once a year and to the Control Committee at its regular meetings.

### **4.5 OCCO's Responsibilities**

The overall responsibility of OCCO is to assist the Bank in identifying, assessing, monitoring and reporting on compliance and integrity risks. By this OCCO contributes in an independent manner to the overall risk management of the Bank in protecting the integrity and reputation of the Bank, including its Board of Directors, management, and the staff and to strengthening the Bank's accountability and transparency.

In carrying out its responsibilities, OCCO works closely with a number of other functions in the Bank. In particular, OCCO and the CCO:

- Advises the President and senior management on corporate governance, relevant rules, standards, recommendations and practices in the market place with special focus on

compliance activities in other IFIs. This covers prevention of money laundering and terrorist financing, Prohibited Practices, including fraud and corruption, prevention of insider trading and conflicts of interest, protection of confidential information, and, fair and equitable behaviour towards stakeholders. It also covers sustainability reporting and public information disclosure.

- Provides training on compliance issues in order to raise awareness of integrity and business ethics by arranging seminars as needed and by acting as a contact point for queries from staff members.
- Gives independent advice to management on integrity concerns in the Bank's operations and activities and assists in the IDD process in accordance with the Bank's IDD guidelines and procedures. OCCO also gives NCJ, AML and CTF consultations to the Bank's management and staff.
- Recommends and comments on policies, guidelines, rules and procedures with the aim of minimising integrity and reputational risks.
- Interprets the Code of Conduct and assists staff with guidance to the proper management of conflicts of interest.
- Acts as Chairman for the Council of Fighting Corruption.
- Carries out investigations in accordance with the Investigation and Enforcement Policy
- Follows up on the implementation of decisions resulting from OCCO's investigations.
- Monitors compliance with the internal policies, procedures and guidelines in matters relating to prohibited practice, misconduct, ethical standards, integrity and complaints, including testing and checking the functionality, efficiency and adherence of established policies.
- Liaises and coordinates with internal and external functions in matters of compliance and managing compliance risks.
- OCCO deals with complaints relating to breaches of the Bank's policies, such as the Sustainability Policy and Guidelines, and the Public Information Policy and procurement rules.
- Carries out the investigation of whistleblowing matters as set out in the Speaking-up and Whistleblowing Policy.

#### **4.6 Oversight**

The Lending department is responsible for carrying out the KYC process, including IDD for the Bank's lending transactions. OCCO gives advice to Lending when integrity concerns have been identified, including evaluating the findings of external IDD experts. In cases of enhanced integrity concerns, OCCO will provide opinions/comments to the Credit Committee and /or the Board of Directors. CCO may also attend meetings of the Credit Committee and the Board of Directors when important integrity concerns are discussed.

## **5 The Council of Fighting Corruption (CoFC)**

### **5.1 Introduction**

The Bank has established the Council of Fighting Corruption (CoFC) with the purpose of enhancing the awareness of integrity and corruption risks among the Bank's staff and stakeholders. The Council shall comprise between 6 -10 ordinary members from different departments/units within the Bank appointed by the President. The Council shall be chaired by the CCO and a staff member of OCCO shall serve as the secretary of the Council.

### **5.2 Tasks of CoFC**

The main task of the Council is to enhance awareness among the Bank's staff and stakeholders about NIB's ethical and integrity values, including the Bank's zero tolerance of corruption in all its activities and operations. The Council members shall be the focal point on integrity within their respective departments/units and to facilitate access to OCCO.

When OCCO is investigating allegations of Prohibited Practices, it can draw on the expertise of the Council members not having any conflict of interest with the case or issue under investigation. Such expertise may be required e.g. for specific language skills, knowledge about the project or issue at hand, country specific understanding and legal matters.

Furthermore, CoFC members shall assist OCCO, the Bank's relevant departments, and as the case may be, the borrowers' project implementation units with the appropriate implementation of sanction decisions.

The Council shall assist in the preparation of new policies and rules relating to the activities of OCCO and may include IDD, AML/CTF and NCJ issues.

### **5.3 Appointment to CoFC**

The members of CoFC shall be appointed by the President upon the recommendation of the CCO and in consultation with the respective heads of department. The selection of CoFC members shall place emphasis on the candidates' integrity and ethics and that they can demonstrate a keen interest in and good knowledge of fighting fraud and corruption.

The appointed CoFC members shall serve a three year term which as from the entry into force of this Policy can be renewed twice. The reason for limiting the number of years that a member can sit in the Council is to ensure rotation. Being a member of CoFC shall be part of the ordinary work at the Bank and each member shall allocate adequate time in her/his work programme, both for participating in the Council's work and with regard to liaising with other staff members in his/her department/unit or to assist OCCO in particular investigations and other activities. CoFC members will be provided specific training to enable them to perform their special integrity and anti-corruption duties in a professional manner. In Council related matters, the members shall report to the CCO.

## **6 Periodical assessment**

OCCO is responsible for this Policy, which shall be reviewed every five years or earlier if so requested by OCCO, the President or the Board of Directors.