

*Adopted by the President and CEO of the Nordic Investment Bank
on 4 March 2016 with entry into force as of 14 March 2016.*

RULES OF PROCEDURE FOR THE CONTROL COMMITTEE



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PREAMBLE

The governance structure of the Nordic Investment Bank (“the Bank”) is set out in the Agreement concerning Nordic Investment Bank signed on 11 February 2004, and the thereto pertaining Statutes of the Bank, as amended from time to time. The relations between the supreme governing bodies of the Bank and their mandate are defined in the Statutes.

The main task of the Control Committee shall be to ensure that the operations of the Bank are conducted in accordance with the Statutes and to be responsible for the audit of the Bank’s annual accounts. In the Statutes of the Bank, it is stipulated that:

“A Control Committee shall be established to ensure that the operations of the Bank are conducted in accordance with these Statutes. The Control Committee shall be responsible for the audit of the Bank’s accounts and shall annually deliver an auditors’ report to the Board of Governors.

The Control Committee shall be composed of ten members. The members of the Committee shall be appointed for a term of up to two years at a time. The Nordic Council and the Parliaments of Estonia, Latvia and Lithuania shall appoint one member from each country. The Board of Governors shall appoint two members to serve as Chairman and Deputy Chairman. The chairmanship and the deputy chairmanship shall rotate among the Member countries.”

These Rules of Procedure for the Control Committee are adopted pursuant to Section 14 and Section 17 of the Statutes.

SECTION 1 DEFINITIONS

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| 1.1 | “Bank” | refers to the Nordic Investment Bank |
| 1.2 | “Agreement” | refers to the Agreement on the Bank signed 11 February 2004 |
| 1.3 | “Statutes” | refers to the Statutes of the Bank attached to the Agreement as they are amended from time to time |
| 1.4 | “Committee” | refers to the Control Committee |
| 1.5 | “BoG” | refers to the Board of Governors |
| 1.6 | “BoD” | refers to the Board of Directors |
| 1.7 | “Member(s)” | refers to the member(s) of the Control Committee |
| 1.8 | “Member country/
countries of the Bank” | refers to one of, several or all of the eight member countries |
| 1.9 | “Chairman” | refers to the person appointed as chairman of the Control Committee by the BoG and/or acting as chairman at the meetings of the Control Committee |
| 1.10 | “Deputy Chairman” | refers to the person appointed as deputy chairman of the Control Committee by the BoG and acting as deputy chairman at the meetings of the Control Committee |
| 1.11 | “President” | refers to the President and Chief Executive Officer of the Bank |

- 1.12 “Agenda” refers to the list of items to be considered at a meeting of the Control Committee
- 1.13 “Secretary” refers to the secretary of the Control Committee
- 1.14 “Professional” refers to the external auditors of the Bank Auditors” appointed by the Control Committee
- 1.15 “Autumn meeting” refers to the yearly meeting of the Control Committee in autumn
- 1.16 “Spring meeting” refers to the yearly meeting of the Control Committee in spring.

SECTION 2 COMPOSITION

The Committee shall be composed of ten Members, of whom the BoG shall appoint two Members to serve as Chairman and Deputy Chairman, and of whom the Nordic Council and the Parliaments of Estonia, Latvia and Lithuania shall appoint one Member from each country. The appointment of the Members shall be for a term of up to two years at a time. The appointments of Members shall be renewable. The appointment of Members shall officially be communicated to the Secretary.

In the event of a vacancy arising as a result of death, voluntary resignation, compulsory retirement or for any other reason, the Nordic Council or the Parliament of Estonia, Latvia or Lithuania shall, within three months, appoint a replacement Member for the unexpired remainder of the term of office.

The chairmanship and the deputy chairmanship shall rotate among the Member countries according to the established rotation scheme attached to these Rules. The mandate period for the Chairman and Deputy Chairman is two years, starting on 1 June and ending on 31 May.

It is expected that the Members allocate sufficient time and resources to the activities of the Committee, acquaint themselves with the meeting agenda and supporting documentation, and have the ability to work in written and spoken English. It is further expected that at least the Chairman and Deputy Chairman possess financial, audit or banking supervisory expertise and experience.

SECTION 3 TERMS OF REFERENCE

To fulfil its responsibilities and duties under Section 17 of the Statutes the Committee shall:

- A)** ensure that the operations of the Bank are conducted in accordance with the Statutes
- B)** bear responsibility for the audit of the Bank and annually deliver an auditors’ report to the BoG.

A) To ensure that the operations of the Bank are conducted in accordance with the Statutes, the Committee shall conduct a control of the administration of the Bank and supervision of its efficiency, including an overall control of the compliance of the operations with the Statutes. In performing its work the Committee shall in particular monitor the following areas of operation:

- (i) The activities of *the BoD and the President*. The Committee shall ensure that these bodies have conscientiously fulfilled their duties by means of adequate planning,

steering and supervision of the conduct of business by examining the control systems these bodies have established in terms of accounting, budgeting and reporting.

- (ii) *Lending activities.* The Committee shall review compliance with Statutes and that established rules and guidelines for lending activities are adhered to. In particular, the Committee shall monitor that appropriate practise and care is applied in respect of documentation and security, the assessment of the quality of the loan portfolios, the counter party risks, and the reporting on any credit risks and in the monitoring of profitability.
- (iii) *Financing, management of liquidity, and financial risks.* The Committee shall pay particular attention to monitoring financial risks, inter alia the Bank's funding strategy and maturity profile, warehousing of sufficient liquidity, which include the Bank's own capital and as well monitor market and counter party risks.

B) To bear responsibility for the audit of the Bank and for delivery of an auditors' report to the BoG, the Committee shall carry out a financial audit of the Bank, i.e. an audit of the Bank's annual accounts, internal control, review of financial reporting and financial plans. In performing its work the Committee shall in particular monitor the following areas:

- (i) *The annual accounts.* The annual accounts shall be prepared in accordance the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). The Committee shall as part of the review of the annual accounts keep itself continuously updated with the Bank's developing financial results by reviewing the interim accounts and reports.
- (ii) *The annual report of BoD.* The Committee shall examine the annual report and in its examination the Committee will rely on the professional auditors' report and their supplementary reporting. Also any other reporting and presentation by the management such as the interim report by President and the supreme decision-making bodies shall constitute elements of review of the annual report.
- (iii) *Internal control.* The Committee shall monitor that the Bank's organisation and working routines for the management of funds and accounting are supervised so as to guarantee correct day to day accounting and correct financial statements, to prevent any loss of property and to ensure that the Bank's reserves are used according to established guidelines and plans.
- (iv) *The overall financial plan of the Bank.*

In addition the Committee shall as part of its overall control responsibility focus on the following matters, which will be monitored mainly through reporting by the Bank on the regular meetings of the Control Committee:

- (i) *Internal auditors.* The Committee shall monitor the internal audit plans approved by the BoD, how the internal auditors' work is conducted and how the reporting is performed from the internal auditor to the management and to the supreme decision making bodies of the Bank.
- (ii) *Information technology.* The Committee shall monitor the entire information technology area and in particular the overall ICT strategies established by the Bank.
- (iii) *The disclosure policies and procedures of the Bank.*

- (iv) *The anti-corruption and compliance practises of the Bank.* This review shall also include monitoring the work on combating corruption performed by the anti-corruption committee and the Office of the Chief Compliance Officer.
- (v) *General compliance with the Bank's internal guidelines.* The Committee shall in particular monitor the implementation and/or compliance of guidelines, regulations and rules pertaining to the administration of the Bank, including staff regulations and rules.
- (vi) *Best practises and corporate governance.* The Committee shall monitor the general application and implementation of best practises and good governance in the Bank. The monitoring may include a follow-up on the international development in this particular field.

In order to fulfil its tasks under this Section 3, the Committee shall have unrestricted access to all information, documents and staff necessary. In particular, the Committee shall discuss with the President, members of the Executive Committee, Head of internal audit and the Chief Compliance Officer, as well as other relevant staff members, on appropriate intervals for the purpose of receiving information and efficiently fulfilling its supervisory tasks.

SECTION 4 RELATIONS TO THE PROFESSIONAL AUDITORS

Two professional auditors are appointed by the Committee in order to assist in carrying out the work and responsibilities of the Committee. The professional auditors shall be appointed annually by the Committee. One of the auditors shall be professionally active in the Bank's host country Finland and the other auditor shall be appointed from one of the remaining seven Member countries. The selection of professional auditors shall be subject to competitive bidding at regular intervals, in accordance with the Bank's procurement rules. The Committee can delegate the responsibility for conducting the bidding to the administration of the Bank. The professional auditors report directly to the Committee. The Committee also dismisses the professional auditors from their duties.

The professional auditors shall carry out the audit of the Bank as commissioned by the Committee. The Committee shall in particular monitor that the co-ordination between the internal and professional auditors is arranged efficiently, in order to ensure that the combined audit resources adequately cover the various areas of control. The Committee may also instruct the professional auditors to carry out examinations of other specific matters.

The Committee shall pay particular attention to the professional auditors' ability to perform their tasks independently.

SECTION 5 REPORTING

In order for the Committee to fulfil its tasks under Section 3, the Committee shall continuously function in interaction with the supreme decision making bodies of the Bank, in particular the BoG and BoD, with the President, the professional auditors and the internal auditor.

The following reporting channels are established related to the work of the Committee:

- 1) *Reporting between the BoG and the Committee.* The Committee shall submit the annual auditors' report to the BoG and the Chairman shall be present at the meeting of the BoG when the annual auditors' report is delivered.

- 2) *Reporting between the BoD and the Committee.* The minutes from the Committee's meetings shall be submitted to the BoD. The minutes from the BoD meetings shall be submitted to the Chairman and the Deputy Chairman. The Chairman of the BoD shall normally attend the meetings of the Committee and submit a report on the BoD's activities. The Chairman and Deputy Chairman may attend the meetings of the BoD when deemed necessary.
- 3) *Reporting between the President and the Committee.* The President shall normally attend the meetings of the Committee and give a report of the Bank's activities. The minutes from the Committee's meetings shall be submitted to the President. The auditors' report delivered by the Committee shall be submitted to the President.
- 4) *Reporting between the professional auditors and the Committee.*

The professional auditors shall submit to the Autumn meeting of the Committee

 - i) an interim summary report on the work presently carried out by them and on the status of the internal control of the Bank, including any possible problem areas.

The professional auditors shall submit to the Spring meeting of the Committee

 - ii) a summary report, including management letter items. The summary report shall include comments concerning the annual report, supplementary points of view concerning internal control and any other matter the professional auditors consider important to bring to the Committee's knowledge. The summary report shall also include a report concerning any tasks or consultations for the Bank outside the scope of ordinary audit;
 - iii) an auditors' report; and
 - iv) specific reports when considered necessary.
- 5) *Reporting between the internal auditor and the Compliance function and the Committee.* The internal auditor and the Office of the Chief Compliance Officer shall submit on regular basis written reports on the activities of the internal audit and the compliance function to the Chairman. The internal auditor and the Office of the Chief Compliance Officer shall submit and present an overview of the continuous activities at each Autumn and Spring meeting of the Committee.
- 6) *Reporting between the BoD, the President and the professional auditors.* The professional auditors shall submit to the BoD and the President
 - i) the interim summary report referred to in subsection 4 (i) in draft form to the President for information and for comments and in final form to the BoD and the President;
 - ii) the summary report referred to in subsection 4 (ii) in draft form to the President for information and for comments and in final form to the BoD and the President;
 - iii) the auditors' report referred to in subsection 4 (iii); and
 - iv) special reports, written or oral opinions, explanations or comments concerning various questions as needed or upon the request of the BoD or the President. The Chairman shall be informed of such requested reports, opinions, explanations or comments.

The President shall provide the professional auditors with a representation letter confirming items deemed essential for the annual report. The President and the professional auditors shall in addition meet when appropriate.

SECTION 6 CHAIRMANSHIP

The Committee works under the guidance of its Chairman. The Chairman shall also represent the Committee when it is not assembled. The Chairman's duty shall be to continuously monitor the activities of the Bank. The Chairman and the Deputy Chairman shall not less than once before every Committee meeting visit the Bank in order to examine current matters together with the management and the professional auditors. The Chairman and the Deputy Chairman also normally attend the meeting of the BoD where the annual accounts are decided upon. In addition, the Chairman is expected to attend the annual meeting of the BoG. The Chairman shall be assisted in his or her work by the Deputy Chairman and if the Chairman is not present the Deputy Chairman shall replace him or her.

In matters related to preparation of financial report and audit related decisions of the entire Committee, the Chairmanship shall be assisted by an appointed independent expert. If the Chairmanship deems it necessary, the appointed independent expert can assist also on other matters within the Committee's areas of responsibilities

The Bank shall prepare the appointment of the independent expert in close cooperation with the Chairmanship. The independent expert, who shall possess in-depth knowledge in one or more of the fields of financial markets, bank accounting and audit and be bound by the provisions set out in Section 10, shall be appointed for a term of two years by the Committee upon proposal by the Chairmanship. The term is renewable once.

SECTION 7 DECISION MAKING

The Committee's mandate is limited to taking decisions, making proposals and deliberating on matters concerning the control of the Bank's activities as laid down in Section 3. The Committee shall not take decisions, make proposals or deliberate as such on matters, which are within the powers of the BoG, the BoD or the President.

The proceedings of the Committee shall be valid only if the majority of its members are present. Decisions are taken unanimously concerning the financial statements and the annual auditors' report to be delivered by the Committee. If the Committee should consider that it is unable to unanimously confirm the financial statements of the Bank and agree on the audit report in accordance with Section 3, the Committee shall deliver to the Chairman of the BoD and the President a statement containing a reasoned explanation. The BoD shall thereafter be given the opportunity to take any necessary action for correcting the situation before the auditors' report is delivered to the BoG. Apart from the financial statements and the annual auditors' report, all decisions of the Committee shall require the assent of the majority of its members. Dissenting minority opinions shall be noted upon request in the minutes.

SECTION 8 MEETINGS AND NOTICES

The Committee shall hold not less than two meetings annually, one each autumn and one each spring. The Spring meeting of the Committee is normally held at the headquarters of the Bank in Helsinki, the Autumn meeting in one of the Member countries of the Bank. At the Autumn meeting the Committee shall examine chosen parts of the Bank's activities and the interim report concerning the two first thirds of the financial year. At the Spring meeting the annual report concerning the ended financial year shall be examined. Apart from the two ordinary meetings, the Committee may decide on other meetings, as it deems appropriate or necessary. Members participate in the Autumn and Spring meetings in person. If all Members agree, other meetings may be held as video or telephone meetings.

The Chairman shall summon the regular meetings. The Chairman may also summon additional meetings in order to deal with specific items at his or her own discretion or upon the request of three Members.

Notice of the meetings of the Committee together with details of the Agenda and supporting documentation is prepared by the President and Secretary in consultation with the Chairman. The Bank shall distribute the documentation no less than ten (10) days prior to the meeting. The Bank may employ electronic means in the distribution of the documentation.

At each meeting of the Committee the essentials of the agenda for the next meeting shall be decided. The Members may also ask for additional items to be added to the Agenda or to be discussed at the meetings, if this is considered necessary. The Chairman shall decide upon taking up additional items on the agenda or for discussion at the meetings of the Committee.

The examination of various subjects of control shall to a large extent be based on written material. Brief oral presentations will be provided by the management and/or staff of the Bank to the Committee so that sufficient time can be reserved at each meeting for discussions within the Committee.

In addition to the Members, part of the meetings of the Committee shall also be attended by the professional auditors, the President and the Chairman of the BoD, and such persons from the management and staff of the Bank as the Chairman and the President shall designate. Parts of the meetings are designated for discussions and deliberation only among the Members and the Head of Internal Audit, or the Members and Chief Compliance Officer, and parts of the meeting are designated for discussions and deliberation only among the Members.

SECTION 9 RECORDS OF THE MEETINGS AND PROCEEDINGS

The language of the meetings of the Committee shall be English and the minutes and all documents pertaining thereto shall be in the English language.

Based on a proposal by the President, the Committee shall appoint a member of the Bank's staff as Secretary to the Committee.

Minutes shall be kept from the proceedings of the Committee. The minutes shall contain a brief summary of the items discussed and reflect only the decisions on the outcome of discussion, including suggestions and recommendations for action to be taken.

Draft minutes of the meeting shall be circulated by the Secretary to the Members for comments as soon as possible after the meeting. Any comments shall be directed through the Secretary to the Chairman who shall consider the comments. The minutes shall thereafter be approved by the Chairman at his or her discretion. The minutes shall be signed by the Chairman and by the Secretary of the meeting they pertain to, and distributed to the Members.

The Secretary shall be responsible for keeping files and archives and for the custody of the minutes and other documents relating to the proceedings of the Committee. The Secretary is responsible for the distribution of the minutes or extracts thereof.

SECTION 10 SECRECY AND PUBLICITY

The proceedings of the Committee are confidential and the Members shall fully respect and observe secrecy and keep confidential any information provided to them in relation thereto in accordance with the provisions laid down in the Code of Conduct for the Committee.

The proceedings shall not be published except when the Committee decides on arranging for suitable publicity on any matter relating thereto. Such task will be carried out by the Chairman, in consultation with the President and/or Chairman of BoD.

SECTION 11 REMUNERATION AND REIMBURSEMENT

The Chairman, Deputy Chairman ,Members and the appointed expert set out in section 6 receive an annual remuneration and an attendee allowance for the meetings of the Committee.

Mission expenses incurred by the Chairman, Deputy Chairman and Members in the discharge of their official duties for travel and accommodation will be covered and a per diem will be granted in accordance with the travel policy of the Bank.

The BoG determines the amount of the annual remuneration and attendee allowance for the Chairman, Deputy Chairman and other Members

SECTION 12 AMENDMENTS

These Rules may be amended by the Committee.