



NORDIC  
INVESTMENT  
BANK

FINANCING  
THE  
FUTURE



## Rules of Procedure for the Control Committee

Adopted by the Control Committee of the Nordic Investment Bank  
on 29 September 2023 with entry into force as of 1 October 2023



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# RULES OF PROCEDURE FOR THE CONTROL COMMITTEE

## 1 INTRODUCTION

The Nordic Investment Bank's ("**NIB**") governance structure is set out in the Membership Agreement and the Statutes. The Statutes define the relations between and mandate of NIB's governing bodies; the Board of Governors ("**BoG**"), the Board of Directors ("**BoD**") and the Control Committee ("**Committee**").

These Rules of Procedure for the Control Committee ("**Rules**") are adopted with reference to section 16 of the Statutes:

*"A Control Committee shall be established to monitor that the operations of the Bank are conducted in accordance with these Statutes. The Control Committee shall be responsible for appointing the external auditors to carry out the audit of the Bank's financial statements. The external auditors' report together with reports from the Control Committee and its Chairmanship shall be delivered annually to the Board of Governors.*

*The Control Committee shall be composed of at least ten and a maximum of twelve 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 to four members to serve as Chair, Deputy Chair and other members of the Chairmanship who shall administer the responsibilities and tasks of the Committee. The Chairmanship shall oversee the performance of the audit of the Bank's financial statements, carried out by the external auditors, and monitor the Bank's financial position, risk levels and capital and liquidity position. The positions of the Chairmanship shall rotate among the Member countries."*

The appointment of the Committee 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.

The positions of the Chair, the Deputy Chair and the other members of the chairmanship ("**Chairmanship**") shall rotate among the Member countries according to the established rotation scheme attached to these Rules. The mandate period for the Chairmanship is two years, starting on 1 June and ending on 31 May. The BoG shall appoint the Chair and the Deputy Chair of the Committee. In addition, the BoG may appoint one or two additional members to the Chairmanship either at its own initiative or based on proposal of the Committee.

If an unforeseen event occurs (for example illness) or if a Member is otherwise not in a position to continue as a Member of the Committee (for example retirement, change of position or work), the Nordic Council or the Parliament of Estonia, Latvia or Lithuania or the BoG shall, within three months, appoint a replacement Member for the unexpired remainder of the term.

The Members shall acquaint themselves thoroughly with NIB's operations, mandate and governance and the Members are expected to allocate sufficient time and resources to the activities of the Committee, including acquainting themselves with the meeting agenda and supporting documentation. The Members shall have the ability to work in written and spoken English.

The Chairmanship shall be composed of members having independence, integrity and competence, including in-depth experience from the financial industry and financial, audit or banking supervisory expertise and experience.

Based on a proposal by the President, the Committee shall appoint a NIB staff member as Secretary to the Committee and the Chairmanship, respectively.

## 2 POWERS AND MANDATE

### 2.1 Committee

The Statutes state that the Committee is established to monitor that NIB's operations are conducted in accordance with the Statutes, including the fulfilment of the Bank's purpose as described in Section 1 and the requirements under Section 6 of the Statutes. The Committee shall also monitor that NIB's operations are conducted in accordance with the Principles for Capital and Liquidity Management adopted by the BoG.

For the purposes of the work of the Committee, "operations" are to be understood as covering all of NIB's activities. For the purposes of the work of the Committee, "sound banking principles" (Article 1 of the Membership Agreement and Section 1 of the Statutes) are to be understood as the relevant operational, governance and other principles guiding NIB's activities and set out in NIB's Legal Framework as well as developments in banking regulations generally to the extent relevant for a non-regulated international financial institution like NIB.

The Committee shall appoint the external auditors ("**External Auditors**") to perform the audit of NIB and report on the financial statements of NIB as set forth in Section 3. The Chairmanship shall oversee the performance of the audit of the Bank's financial statements carried out by the External Auditors.

The Committee, including the Chairmanship, shall monitor the following main areas:

- 1) NIB's lending operations, in particular fulfilment of NIB's purpose and mandate (Sections 1, 6, 8 and 9 of the Statutes);
- 2) NIB's treasury operations (Sections 6, 7 and 9 of the Statutes);
- 3) efficiency and feasibility in relation to NIB's governance and decision-making, including the BoD and the President (Sections 12, 13, 14, 15 and 16 of the Statutes);
- 4) effectiveness and adequacy of NIB's risk management policies and internal control framework, including risk management, compliance and internal audit activities (Section 6 of the Statutes);
- 5) NIB's financial position and results (Sections 9, 10, 11 and 16 of the Statutes);
- 6) activities and performance of the External Auditors (Section 16 of the Statutes); and
- 7) NIB's risk level, capital management and liquidity (Section 6 of the Statutes).

The Committee shall focus on monitoring in particular the fulfilment of NIB's purpose and its mandate and mission taking into consideration the BoG Principles on Capital and Liquidity Management. The Chairmanship shall administer the work of the Committee and regularly report on its activities to the Committee. Further, the Chairmanship shall focus in particular on monitoring NIB's financial position, risk levels and capital and liquidity position. The Committee and the Chairmanship shall each deliver annually a report to the BoG covering their monitoring tasks as listed above. The Committee and the Chairmanship may also communicate on other matters to the BoG or the BoD as relevant.

In order to fulfil its tasks, the Chairmanship, in coordination with the Committee, shall continuously function in interaction in particular with the BoD, the President, the External Auditors, the Internal Audit as well as the Chief Risk Officer and Chief Compliance Officer. The Chair of the Committee shall attend the annual meeting of the BoG (if not conducted by written procedure).

The members of the Chairmanship and the External Auditors normally attend and report their findings at the BoD meeting where the annual accounts are finalised. The members of the Chairmanship may also attend other BoD meetings when necessary. The Chair of the BoD normally attends the Committee meetings and provides an update on BoD's activities. Also, the President normally attends the Committee meetings to report on NIB's activities. The minutes from the BoD meetings shall be submitted to the Chairmanship. The Internal Audit unit shall establish regular

reporting procedures with the Committee and attend the Committee meetings to provide overviews of their activities. Reporting with respect to the External Auditors is set forth in Section 3.

The Committee shall have unrestricted access to all information, documents and staff necessary, and regularly discuss with the President, Executive Committee members, Head of Internal Audit and other control functions of NIB as well as other relevant staff members for the purpose of receiving information and efficiently fulfilling its monitoring tasks. The internal auditor and the other control functions shall regularly report on their activities to the Chairmanship.

## **2.2 Chairmanship**

The Chairmanship of the Committee constitutes of the Chair, Deputy Chair and other members of the Chairmanship. The Committee works in practise under the guidance of its Chair. The Chair shall represent the Committee when it is not assembled. The Chair shall be assisted in his or her work by the Deputy Chair and if the Chair is not present the Deputy Chair shall replace him or her.

The Chairmanship shall administer the responsibilities and tasks of the Committee and shall in particular focus on monitoring NIB's financial position, risk levels and capital and liquidity position. The Chairmanship may, in its discretion, make decisions necessary to carry out its tasks and may also take on other tasks that are within the mandate of the Committee. The Chairmanship shall report to the Committee at its meetings about activities, findings and recommendations of the Chairmanship and the preparation of the audit.

The Chairmanship may engage an external expert ("**Independent Expert**") to assist in carrying out its tasks. The Independent Expert shall be appointed for a term of two years by the Committee upon proposal by the Chairmanship and preparation by NIB in close cooperation with the Chairmanship. The term is renewable twice. The Independent Expert 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 6.

## **3 EXTERNAL AUDITORS**

In accordance with Section 16 of the Statutes, the External Auditors shall carry out the audit of NIB's financial statements (financial audit), which shall be prepared in accordance with International Financial Reporting Standards (IFRS). The External Auditors are responsible for carrying out the audit in accordance with generally accepted International Standards on Auditing (ISA).

The External Auditors are appointed by the Committee for a term of up to ten (10) years through competitive tendering. The appointment shall be confirmed annually by the Committee. The Committee may also terminate the engagement of the External Auditors. The Chairmanship is responsible for arranging the tendering process assisted by NIB's administration. The appointed External Auditors shall be qualified professional auditors (authorised public accountants) and one of them shall be from one of NIB's Member countries.

The External Auditors shall carry out the financial audit and deliver annually the auditor's report on the financial statements of NIB, and if so agreed on the trust funds administered by NIB, to the Committee for delivery to the BoG. In addition, if separately agreed with NIB, the External Auditors may also be asked to review NIB's interim financial information. The Chairmanship or the NIB administration may also instruct the External Auditors to carry out other specific services, including but not limited to assurance related to sustainability metrics.

The External Auditors shall carry out the audit of NIB as commissioned by the Chairmanship and the Committee and as detailed by NIB's administration. The Chairmanship shall in particular monitor that the co-ordination between the internal auditor and External Auditors is arranged efficiently, in order to ensure that the combined audit resources adequately cover the various areas of control.

The Committee shall pay particular attention to the External Auditors' ability to perform their tasks independently.

## **4 DECISION MAKING**

The Committee's mandate is limited to taking decisions concerning the monitoring of NIB's activities as laid down in Section 2 and shall not involve taking decisions on matters which are within the powers of the BoG, the BoD or the President.

At any meeting six Members present shall constitute a quorum. A position supported by a majority of Members present, shall form the decision of the Committee. In case of a tie at a Committee meeting or deviating opinion at a Chairmanship meeting, the opinion of the Chair shall prevail. Dissenting minority opinions shall be noted upon request in the minutes.

## **5 MEETINGS, AGENDA AND MINUTES**

### **5.1 Committee meetings**

The Committee shall hold at least one meeting each year where the annual report concerning the previous financial year shall be examined. Members participate in the annual meeting in person or if decided by the Chairmanship, the annual meeting and other meetings may be held as an online meeting. The Chair shall convene the annual meeting and may also convene additional meetings at his or her discretion or upon the request of three Members. The Committee may also decide on other meetings.

Notice, agenda and documentation of the Committee's meetings are prepared by the Secretary in consultation with the Chair. NIB shall distribute the documentation at least ten (10) days prior to the meeting.

### **5.2 Chairmanship meetings**

The Chairmanship shall meet independently of the Committee at regular intervals each year. Administrative support is provided by NIB, including assistance with the preparation of notice, agenda and documentation of the Chairmanship's meetings in consultation with the Chair.

### **5.3 Conflicts of interest**

Members or the Independent Expert shall disclose to the Chair and NIB's Chief Compliance Officer any potential or actual conflict of interest prior to any deliberation or decision on the matter giving rise to the potential or actual conflict of interest, and when appropriate, recuse themselves from that deliberation or decision. In the case of the Chair, the disclosure shall be made to the Deputy Chair and the Chief Compliance Officer. The Deputy Chair will replace the Chair should recusal be required. Further guidance regarding conflicts of interest is provided in the Code of Conduct of the Control Committee.

### **5.4 Minutes**

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

The Secretary shall circulate draft minutes of the Committee meeting to the Members for comments as soon as possible after the meeting. Any comments shall be directed through the Secretary to the Chair for consideration. The minutes shall thereafter be approved by the Chair at his or her discretion. The minutes shall be signed by the Chair and the Secretary of the meeting they pertain to. The Secretary shall distribute the minutes to the Members, the BoD and the President.

Archiving of the minutes and other documentation relating to the proceedings of the Committee and the Chairmanship shall be the responsibility of the respective Secretary.

## **6 CONFIDENTIALITY**

The proceedings, minutes and all documentation related to the meetings of the Committee are confidential. The Committee shall observe the confidentiality provisions of the Code of Conduct for the Control Committee.

The proceedings shall not be published except when the Committee decides otherwise for valid reasons, in consultation with the President and/or Chair of the BoD.

## **7 REMUNERATION AND REIMBURSEMENT**

The Members and the Independent Expert receive an annual remuneration and an attendee allowance for the meetings of the Committee. The Members shall also be entitled to reimbursement of their travel expenses in accordance with NIB's travel guidelines. The BoG shall determine the amount of attendee allowance and annual remuneration for the Chair, Deputy Chair, other Members and the Independent Expert.