



NORDIC
INVESTMENT
BANK

Impact Report

About this report

The Nordic Investment Bank (NIB) is an international organisation, more specifically an international financial institution (IFI), owned by the governments of the eight Nordic and Baltic countries. NIB's office is located in Helsinki, Finland.

We report on our activities, impact and sustainability performance on a yearly basis. Our annual reporting comprises the [Financial Report 2021](#) and this Impact Report. Our reports are available on our website at [Our year](#).

SCOPE OF THIS REPORT

This Impact Report covers the period of 1 January to 31 December 2021, which is NIB's financial year. Our previous Impact Report covered the 2020 financial year and was published on 16 March 2021.

NIB's main impact stems from its lending to projects that improve productivity and benefit the environment of the Nordic–Baltic region and other countries. The Bank's smaller impact arises from the running of its internal operations, which includes its office in Helsinki. NIB therefore reports separately on the impact of NIB-financed activities and on its own internal impact.

The lending impact figures presented in this report are based on disbursed loan amounts, unless otherwise indicated.

An independent third party, KPMG, has provided limited assurance on selected sustainability information in this report.

The scope of the assured information is indicated in the Independent Assurance Report on page 104.

DISCLOSURE IN RELATION TO COMMITMENTS AND INITIATIVES

This report reflects our disclosure in the context of several commitments and initiatives we are participating in, including the following:

- On an annual basis, NIB reports on the impact of projects financed by the proceeds of NIB Environmental Bonds (NEBs). Learn more about NEB-financed projects on page 26.
- This report has been prepared in accordance with the GRI Standards: Core option and includes relevant parts of the GRI Financial Services Sector Disclosure. See page 78 for more information.
- This report partly covers the disclosures recommended by the [Task Force on Climate-related Financial Disclosure](#) (TCFD). See the TCFD disclosure index on page 81 for references.
- NIB reports on the implementation of the [Principles of Responsible Banking](#) (PRB). See the PRB index on page 82 for references.
- The Bank has also signed up to the [Principles of Responsible Investments](#) (PRI). See page 86 for further information.

DISCLAIMER

The historical information presented in this report speaks only as of its respective date. NIB expressly disclaims any intention or obligation to update or revise any such information. This report does not constitute an offer to sell, or the solicitation of an order to buy, any of the securities referred to, and is provided for information purposes only. None of the documents or other information appearing in this report or on any webpages linked from the report should be construed as investment, legal or tax advice.

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ON FORWARD-LOOKING STATEMENTS

This report contains a number of forward-looking statements, which include, but are not limited to, statements relating to the macroeconomic environment in the Nordic–Baltic region, the expected development of NIB's lending and the execution of the Bank's mission. These statements are typically identified by words such as “anticipate”, “estimate”, “expect”, or “foresee”, and are included to give our stakeholders the opportunity to understand our expectations about the future and the ways we intend to address emerging challenges. By their very nature, these statements reflect known and unknown risks and uncertainties, which require us to make assumptions that may not prove to be accurate. We caution readers of this report about placing undue reliance on these forward-looking statements, as they are not a guarantee of future performance. We do not undertake to correct any such statements.

CONTACT

We welcome any comments, questions or suggestions regarding this report. Please send an email to info@nib.int.

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A large, light blue brushstroke graphic that spans across the middle of the page, serving as a background for the word 'Strategy'.

Strategy

MESSAGE FROM THE CEO

Starting our journey together

My arrival at NIB in April 2021 coincided with the Bank's 45th anniversary.

At the outset, NIB was established to overcome investment barriers and to promote economic growth and cooperation. Today, the purpose of the Bank is to provide long-term lending to projects that improve productivity and benefit the environment. This dual mandate is more relevant than ever.

Continuing to deliver on our mission

During the autumn, NIB's Board reviewed the Bank's business strategy. The objective of the process was to adapt to the changing operating environment and to accelerate the delivery of our mission. We will continue to capitalise on our core strengths but will develop new products enabling us to provide greater value to our customers and member countries. We aim to be our clients' first choice in sustainable, long-term financing.

The world we live in is increasingly complex and undergoing rapid changes. Our region is threatened by massive global challenges related to climate change, biodiversity loss,

pollution and growing social inequality – hence the need to deliver more impact and act decisively.

At the COP26 climate conference in Glasgow in November 2021, I voiced a “30-by-30” ambition for NIB: in the decade to 2030, the Bank will aim to participate in the financing of projects that lead to specific environmental benefits with a total project value of at least EUR 30 billion. This will include investments in sectors such as renewable energy, energy efficiency, clean transport, circular economy solutions, and technological progress and innovation to make our economies more sustainable.

We also recognise the need to transform hard-to-abate sectors, such as long-distance transportation, metals and mining, basic materials and other heavy industry. For 2022, our targets also include the development of NIB's climate strategy. The strategy will aim to support our clients and owners on their journey to becoming climate neutral and resilient. Read more under “NIB and climate change” on page 38.



Going forward, banks will need to broaden the scope of green financing and accept more risk where necessary. The focus will need to be on greening corporates as a whole, not just on individual projects and the use of a specific loan's proceeds. NIB has therefore started to expand its product offering, for example by providing sustainability-linked loans that centre on our customers' forward-looking commitments related to agreed key performance indicators.

At the same time, maintaining the highest AAA/Aaa credit rating will continue to be the cornerstone of NIB's business model. We need to build a solid base for sustained profitability and capital accumulation by extending our engagement across various customer segments and selectively increasing our risk-taking.

In support of these ambitions, we have updated our [Sustainability Policy in 2021](#), showing that we are very clearly moving away from financing fossil fuels, and issued a [Responsible Investment Framework](#) to set out principles for integrating ESG aspects into our treasury operations.

Our performance

In 2021, NIB disbursed EUR 2.44 billion to its borrowers. As expected, the disbursement volumes were below the level of 2020, which was a historic high due to the Bank's COVID-19 response. At the same time, we agreed and signed new loan commitments in the amount of EUR 1.85 billion.

During the year, we raised new funding with a nominal value of EUR 6.9 billion. 2021 also marked our 10th anniversary on the green bond market. NIB raised a total of EUR 898 million in NIB Environmental Bonds this year, including a NOK 1 billion denominated bond – our first ever Environmental Bond issued in Norwegian kroner. Read more under "NIB Environmental Bonds" on page 26.

Financing the future

2021 was another turbulent year, even if the macroeconomic impact of the COVID-19 pandemic was softened by unprecedented amounts of central bank money, issued at the expense of an increasing global debt

burden and historically low interest rates. The real economic effect of the virus remains to be seen.

Faith in the future and maintaining the good health of people and businesses are the cornerstones of our lives. As the international financial institution of the Nordic-Baltic region, NIB has the responsibility to play an active part in the post-COVID recovery by providing sustainable finance solutions and facilitating positive change. We are well-positioned to continue supporting our member countries on their way out of the crisis.

Finally, I would like to take this opportunity to thank everyone at NIB and the Board members for warmly welcoming me to the Bank. I am looking forward to leading NIB through this next stage.

André Küüsvek, President & CEO



This is NIB



Our investors

We acquire the funds for our lending by borrowing on the international capital markets.

We offer our global investor base:

- A reliable investment target with a triple-A credit rating
- Successful capital market transactions in several currencies and tenors
- NIB Environmental Bonds that enable our investors to finance environmentally sustainable projects



Our owners

Our eight member countries are Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden. We work with our owners to address topics of high common interest.

We offer our owners:

- Financing that supports national decarbonisation plans
- A bridging function enabling partnerships with different actors
- A stabilising role in economic crises



Our customers

We provide sustainable, long-term financing to our customers in both the private and public sectors on competitive market terms to complement commercial lending. Together with our customers we identify investments that make a difference.

We offer our customers:

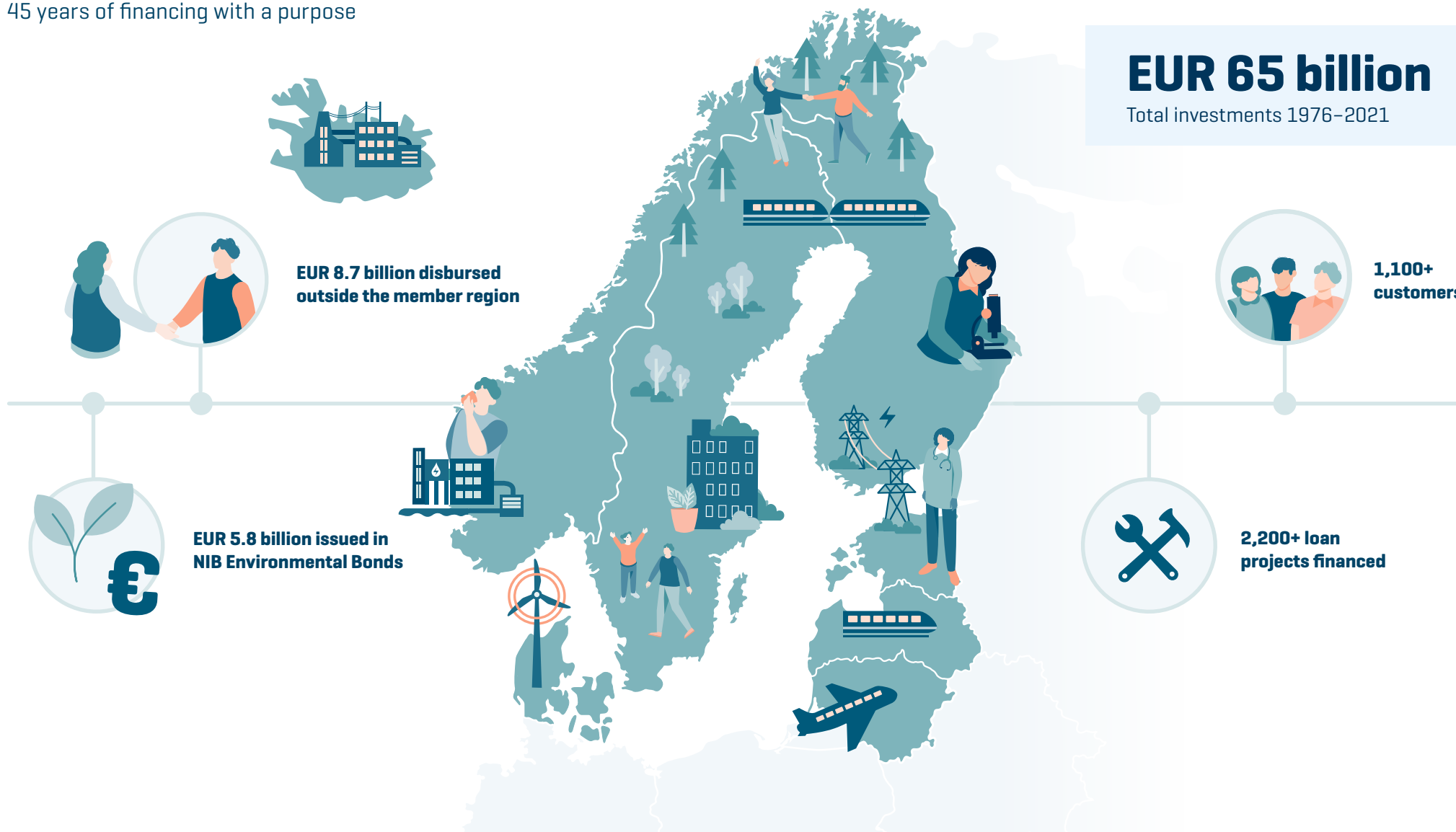
- Long-term lending, tailored to fit their needs
- Best-in-class sustainable financing
- Sustainability expertise



LOOKING BACK

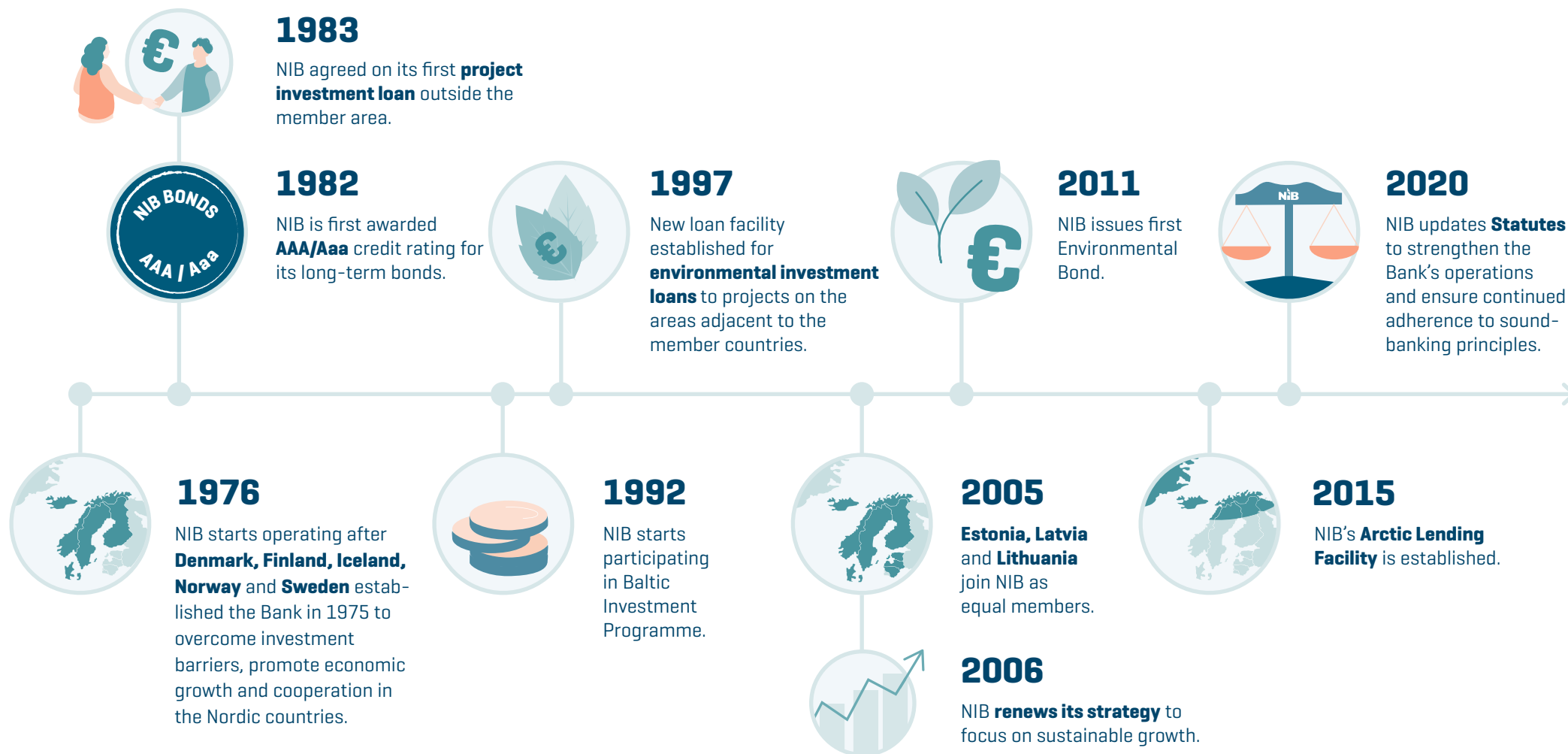
NIB since 1976

45 years of financing with a purpose



LOOKING BACK

NIB since 1976



LOOKING FORWARD

NIB's business strategy review

In 2021, NIB's Board of Directors completed a review of the Bank's business strategy. The review focused on how to accelerate delivery of NIB's mission in changing economic conditions, the development of sustainable finance markets and the climate challenge.



Mission & Mandate

NIB's Board re-confirmed the Bank's mission – to finance projects that improve productivity and benefit the environment of the Nordic and Baltic countries. The twin environment and productivity mandates remain equally relevant. NIB will target a good or excellent mandate rating in at least 90% of new lending.

The COP26 conference has further highlighted the urgency of climate action, and the important role of IFIs and the private sector in mobilising climate finance. NIB will increase its climate finance activities, focusing on financing high-impact transitions in hard-to-abate sectors.

NIB will also support the development of sustainable finance and capital markets in its member countries by broadening its product offering and promoting high quality standards.

Client value proposition

NIB will enhance its value proposition to clients by developing its product offering, localising and digitalising services, and combining sustainability expertise with its investment products. NIB will further develop its product offering, in particular (i) mainstreaming sustainability-linked lending, (ii) growing activity in the sub-investment grade and mid-cap market segments, (iii) expanding its bond investments, (iv) developing risk-sharing models such as InvestEU, and (v) providing MREL (minimum requirement for own funds and eligible liabilities) lending to financial institutions for financing small and medium-sized enterprises (SME). In addition, the Bank will re-design its non-member country lending business model.

Owner value proposition

NIB will develop its value proposition for its member countries, with a focus on topics that are of high common interest, contributing to decarbonisation plans and sustainable finance. In addition, there is potential for NIB to amplify its impact through partnerships with official agencies and institutions. NIB will maintain capital headroom for counter-cyclical lending and financing projects of special importance to its owners.

Additionality

NIB will continue to act as a complementary long-term lender and increase its activity in under-served market segments. To this end, it will (i) increase sub-investment grade lending, (ii) lend more to SMEs and mid-cap companies, (iii) diversify its product offering, and (iv) promote sustainable finance and capital market development.

AAA rating and capital accumulation

The AAA credit rating continues to be the cornerstone of NIB's business model. The Bank will sustain profitability by broadening its engagement across client segments, reducing concentrations in low return market segments, moderately increasing risk-taking in line with its Risk Appetite Statement, managing the balance sheet actively, and improving its business process efficiency.



What our clients say

Results of NIB's stakeholder survey 2021

What are the three most important areas for NIB to finance projects in?

1. Climate change mitigation
2. Circular economy infrastructure
3. Climate change adaptation

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Impact

LENDING

Lending in 2021

97% mandate fulfilment

NIB assesses all loans proposed for financing for their impact on productivity and the environment. In 2021, 97% of mandate-rated loans disbursed were assessed to have a “good” or “excellent” impact on productivity and/or the environment. 41% of projects were rated “good” or “excellent” on both mandates.



First Sustainability-Linked Loans

NIB disbursed its first three Sustainability-Linked Loans to companies in Finland and Sweden.

Supporting the Baltic commercial paper market

NIB participated in its first commercial paper [CP] issued in Lithuania.



EUR 1,683 million new loans agreed

NIB agreed 36 new loans totalling EUR 1,683 million.

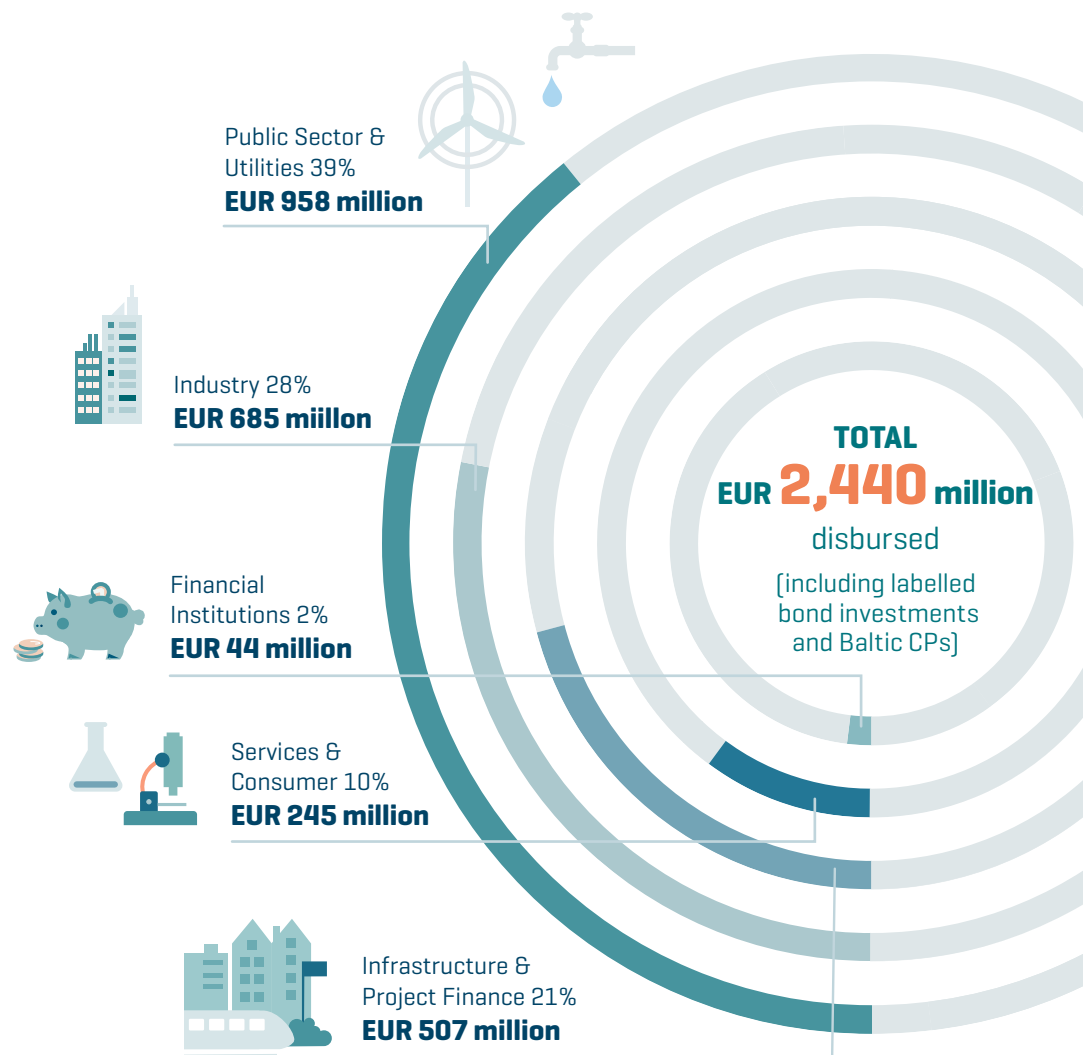


EUR 129 million invested in labelled bonds

To support the development of sustainable capital markets, NIB expanded its fixed-income investments and invested in 13 labelled bonds, totalling EUR 129 million.

EUR 340 million COVID Response

NIB Response Loans aim to alleviate the social and economic consequences of the COVID-19 pandemic in our member countries and to eventually support their economic recovery process. In 2021, NIB disbursed EUR 340 million in Response Loans.



LENDING

Sustainability-linked lending & investing

In 2021, NIB launched new lending products and updated its policies to support the development of sustainable finance and capital markets.

SUSTAINABILITY-LINKED LOANS

Sustainability-linked loans (SLL) are a new lending product. SLLs are connected to key performance indicators in customers' corporate strategies and create financial incentives to meet sustainability targets, for example through lower interest rates.

- **Use of funds:** Aligned with corporate strategy
- **Focus:** Impact created by a customers' activities and operations
- **Commitment:** Forward-looking commitments linked to future targets
- **Structure:** Financial or structure characteristics are adjusted to performance outcomes
- **Impact:** Change in customers' sustainability performance is achieved
- **Outcome:** Monitoring based on documented sustainability performance

LABELLED BONDS AND BALTIC COMMERCIAL PAPERS

To support the development of sustainable capital markets, NIB has expanded the scope of its bond investments from green bonds to include **all types of labelled bonds**, including social bonds, sustainability and sustainability-linked bonds.

Further, NIB has allocated **EUR 75 million for commercial paper (CP)** investments in the Baltic countries. The investment allocation is part of a pan-Baltic initiative to develop the financial markets by increasing liquidity, adding an alternative to bilateral financing, and enhancing the price discovery.

SUSTAINABILITY POLICY UPDATED

NIB's Sustainability Policy defines how sustainability is taken into account in NIB's operations, business conduct, and credit and investment decisions.

In 2021, the Sustainability Policy was updated under public consultation to reflect:

- NIB's commitments to the **Paris Climate Agreement** and the UN SDGs
- The current **business environment** and the specific challenges facing the Nordic-Baltic region
- How NIB covers **sustainability and ESG standards** in its lending, treasury and internal operations
- NIB's **exclusion list** of projects that will not be financed

RESPONSIBLE INVESTMENT FRAMEWORK PUBLISHED

In 2021, NIB has published a Responsible Investment Framework setting out the principles for integrating **environmental, social and governance aspects** into the Bank's treasury operations and investment decision-making process to strengthen the objectives of mitigating risk and generating sustainable earnings.

The framework consists of the following **five approaches**:

- Exclusion list
- Best-in-class approach to tilt the portfolio holdings towards higher ESG performance
- Sustainable thematic investments
- Counterparty selection and controversies monitoring
- Active engagement with the issuers and counterparties

LENDING

Impact of NIB's lending

In 2021, NIB's operational environment continued to be affected by the COVID-19 pandemic. Strong governmental support, various recovery instruments and accommodative monetary policy impacted the debt market. Corporate investment activities were also subdued, resulting in lower demand for financing.

The year 2020 was a record high for NIB in terms of lending volumes (EUR 4,853 million disbursed in 2020), mainly due to the Bank's COVID response. Disbursement levels were subsequently lower in 2021 (EUR 2,440 million), returning to pre-pandemic levels. This resulted

in somewhat lower identifiable project-related impacts than in previous years, both in terms of climate impact (for instance with regards to CO₂ reduction achieved by NIB-financed projects), and in terms of impact on the productivity mandate. Moreover, in 2021, the total disbursement numbers were affected by a couple of large disbursements to individual projects. Therefore, the top ten largest disbursements represented 59% of total disbursements of the year (excluding COVID Response Loans).

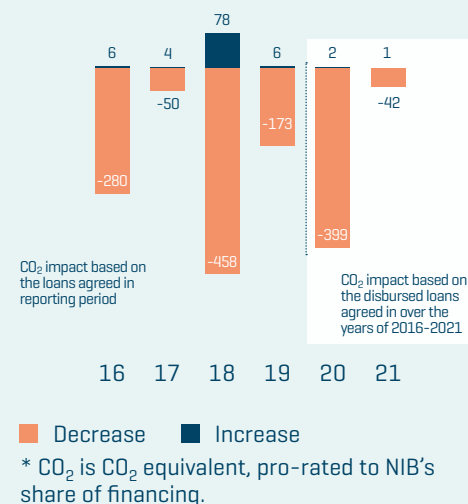
NIB also financed several enabling projects, including mergers and acquisitions, electricity

networks and municipality investment programmes, for which impacts are hard to quantify. However, the importance of enabling activities is not to be underestimated, as they allow for other activities to make a substantial contribution to both economic and environmental goals.

More information on how we calculate impact can be found [on our website](#).

LENDING KEY FIGURES

In millions of euros, unless otherwise specified	2017	2018	2019	2020	2021
Loans agreed [without labelled bond and CP investments]	3,665	4,269	3,185	5,632	1,683
Labelled bond and CP investments, total	147	61	131	34	169
Total disbursements	3,147	4,047	2,676	4,853	2,440
Number of loan agreements	55	58	55	59	36
Number of labelled bond and CP investments	9	3	9	4	14
Repayments/prepayments	1,832	577	2,826	-1 878	-1,989
Lending outstanding	17,232	19,065	18,931	21,727	22,313
Member countries	15,867	17,960	18,055	21,098	21,827
Non-member countries	1,504	1,222	996	798	635
Loan impairment provision	-139	-117	-119	-169	-150

CO₂* impact of NIB's financing,
Thousands of tonnes of CO₂ per year


ARTICLE

Financing sustainability: understanding impact and the value of natural capital

**MARINA UNNÉRUS**

Senior Economist

Significant investments will be required to tackle the social and environmental challenges the Nordic-Baltic region is facing. To effectively target financing at sustainable investments, companies will need to ramp up efforts to understand their overall carbon footprint and to quantify the progress of value creation.

In recent decades, it has become clear that to achieve lasting economic prosperity, we will need to reconsider how we use natural resources and assets. As the general focus has shifted to long-term value creation, the concept of sustainability has become a criterion in decision-making for both financial institutions and investors.

We are dealing with significant uncertainty around the impact of global mega trends. According to the World Economic Forum, among the highest likelihood risks of the next decade are extreme weather, climate action failure and human-led environmental damage. The impacts

of changes on the global ecosystem include destroyed capital and reduced economic capacity.

Climate change is affecting entire societies, economies, and industries. Companies that fail to integrate climate risks into their strategies and operations are likely to suffer from asset write-downs and a shift in capital allocations.

Over the past few years, emission targets that are to be met by the mid-century have been identified. Nonetheless, ambitions need to be raised to address clean electrification, energy use in buildings, transport, and industry to achieve net zero emissions.

Mitigation efforts that intend to prevent the world from passing its tipping point require huge investments and substantial socio-economic changes, which will in turn affect industries and labour markets.

Fossil fuels still dominate the primary energy use but can at least be partly replaced by the continued electrification of society. However, outdated infrastructure is a significant constraint to scaling up renewable sources. The largest emitters, such as heavy industry, utilities, and transport, are also facing difficult journeys,

because there is no immediate clean substitute available, and the costs of replacing technology, assets and processes are high.

To support the transition towards climate neutrality, NIB has financed several electrification projects that aim to increase capacity for infrastructure and transport, and for expanding the industrial base.

Undoubtedly, Nordic industries and corporates have ambitious targets and are willing to be at the forefront of the climate transition. However, understanding one's overall carbon footprint is a complex task, and it is challenging to quantify the progress and outcome of potential value creation in a global landscape.

Quantifying and reporting impact

While companies have expanded their climate action metrics and are taking responsibility for their resource use and social impact, the quality of the information they report varies widely.

The EU taxonomy was a major first step in establishing rules and criteria for sustainable finance – especially with regards

to climate change mitigation and adaption investments. While the taxonomy does provide some protection against greenwashing and a reference point for companies in their green transition, there is still a need to develop consistent metrics and reporting requirements for sustainable value creation.

Continual work is required to expand impact reporting not only to include direct emissions connected with company activities, but also to disclose information on “Scope 3” emissions – all indirect emissions occurring in the value chain, including both up- and downstream emissions. The effort is needed to provide necessary information on hot spots in the supply chains and a more comprehensive picture of sustainability performance.

The non-financial reporting landscape is becoming even more complex when social elements, such as human rights, business ethics and supply chain management are included. On the positive side, it has been observed that efforts to mitigate reputational risks have increased transparency.

The financial value of natural capital

Finally, there is room to expand the decision-making criteria of sustainable financing to include the contribution and value of nature, as expressed in monetary terms. The stock of natural capital has supported a substantial increase in produced and human capital in recent decades, but at the same time, the estimated value of natural capital has massively declined.



Photo: Ville Maali

It would therefore be fair to assess the true value of economic activity by accounting for the impact on ecosystems and the risks of environmental damage. Currently, nature is treated as an unlimited, free resource. We are not considering how economic activities affect future growth and human welfare. The cost of restoring

a destroyed ecosystem can be larger than the value of the services it provides.

Going forward, the need to quantify natural capital assets in economic terms will be crucial for understanding nature’s contribution to productivity and long-term sustainable growth.

ARTICLE

Expanding energy networks for regional cohesion



VILLE MÄLKÖNEN

Senior Economist

Renewable energy sources and sufficient electricity supply play a vital role in securing sustainable development and climate change adaptation. NIB finances projects that strengthen production and transmission capacity to support cohesion and future investments in our member countries.

The electricity pool of the Nordic and Baltic countries [NordPool] is among Europe's most advanced in terms of transmission network capacity and market design. The system mainly builds on hydro resources in Norway and Sweden. In winter, combined heat and power [CHP] plants are an additional source of energy production, contributing to the flexibility of the system.

The share of renewable power in NordPool has increased on average from 68% to 77% during 2016-2020, and in most of the Nordic and Baltic countries, wind power and CHPs fuelled with solid biofuels have largely replaced biofuels in the energy mix. In the future, especially wind



Northvolt [Sweden]:
Construction of a battery cell manufacturing plant in Skellefteå, Sweden
• EUR 39.5 million agreed

[Read more on Northvolt](#)

Photo: Northvolt AB.

power will continue to increase, with hydro and CHP resources balancing the volatility of the intermittent production of wind power in the mix.

Alongside the offshore windfarms in the south of the region, the bulk of the wind power potential is located in the northern parts of Finland, Norway and Sweden. The development of this potential is a key element in the plans of the region's transmission system operators [TSOs] and distribution companies. To enable wind power connection and remove bottlenecks in the system, significant investments in the capacity of electricity networks will be required.

These investments will answer to both the supply and the demand side of the power market and benefit consumers, especially in Finland and in the southern parts Sweden, where energy prices have been significantly higher than in the north. This is also expected to put downward pressure on prices in Baltic countries, which have significant interconnections to Southern Finland and Sweden. In turn, investments in wind power will be facilitated on the supply side, as the price convergence between areas increases the commercial viability of wind power production in the north.



JOHAN LJUNGBERG

Chief Environmental Analyst

To support the electrification of our region, NIB finances a number of network development projects. Loans to [Varanger Kraft](#), [Arva](#), and [Tensio](#) finance investments that improve network the capacity and stability in Norway, enabling the integration of wind power into the power system. Further, the investments by Varanger Kraft are part of a long-term effort to develop a hydrogen production facility that utilises wind power.

Recent loans to [Statnett](#) and [Fingrid](#), the TSOs of Norway and Finland, support the development of national grids to maintain stability and increase transmission capacity to accommodate increases in wind production. The investments by Statnett are of particular importance, as the increase in wind power preserves Norway's hydropower capacity, which is the most efficient source of balancing power in NordPool. Moreover, the investments support capacity utilisation of the cross-border cables between Norway and Denmark, Germany, the Netherlands and the UK.

Investments supporting transmission and distribution of renewable power will also bring significant positive economic effects to the Arctic and other less populated areas in the region. The availability of low-cost renewable electricity has made the region attractive for new investments that aim for electrification of heavy industries or expanding operations of energy intensive industries.

For example, a loan to [Northvolt AB](#) supports the construction of one of Europe's largest factories that will produce batteries for vehicles



Photo: Statnett SF

and power storage as well as other industrial purposes. The factory is located in Skellefteå, Northern Sweden, where it will create 1,350 jobs.

NIB has also supported electrification by financing investments in the steel and mining industry in Finland and Sweden, such as [Boliden's](#) Kevitsa and Aitik mines. Steel producers like SSAB have started to go fossil-free in their production, which will require substantial generation and transmission capacity for renewable electricity.

Statnett [Norway]:

Upgrading the voltage of the Western Corridor in Norway
• EUR 112.9 million agreed

[Read more on Statnett](#)



EUR 434 million were disbursed to electricity network projects, providing **395 kilometres of transmission** and **365 kilometers of distribution networks** in Denmark, Iceland, Finland and Norway.

This increases reliability of supply and decreases energy losses. **1,072 MW of new renewable energy capacity** were connected to the grid.



EUR 33 million went to renewable energy projects contributing to an annual increase of **38,400 MWh** of generated electricity.

The increase equals the energy need of approx. **1,500** single family houses*.



Disbursements to projects in 2021 contribute to an annual **CO₂ reduction of 41,800 tonnes** and a **CO₂ increase of 500 tonnes**.

The net reduction of **41,300 tonnes** equals the annual carbon footprint of **4,200 people** in our region.

* Assuming 25 MWh/a single family house

ARTICLE

Advancing Baltic growth


IGORS KASJANOVS

Senior economist

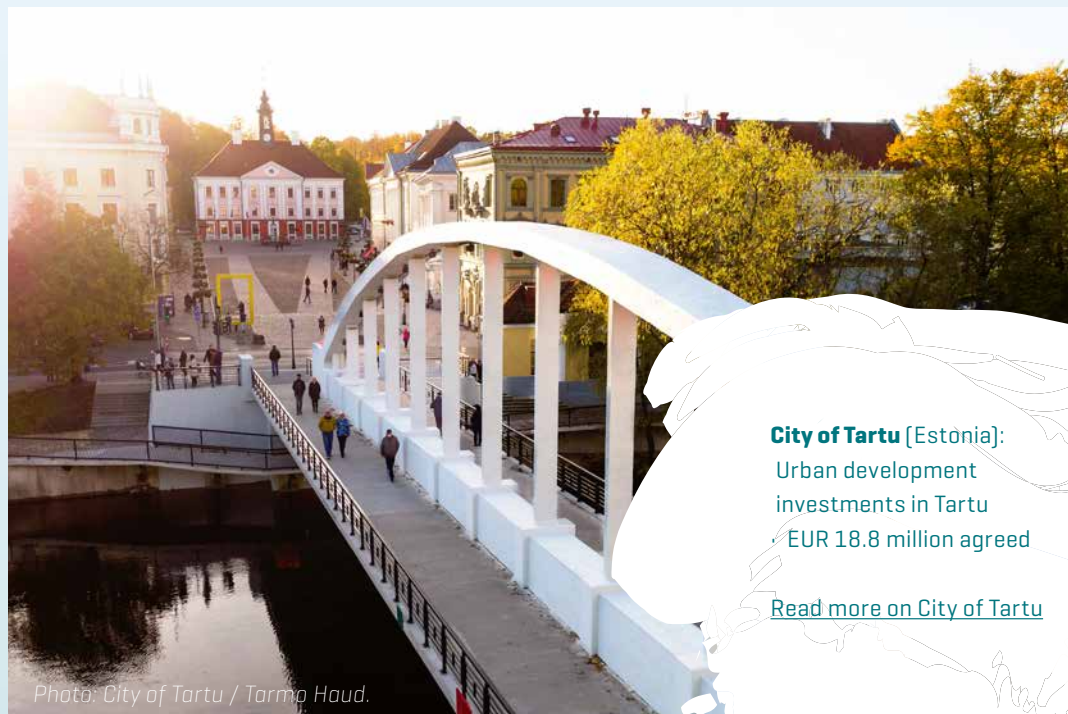


EUR 199 million went to certified green building projects [new and refurbished] with a gross floor area of **37,800 m²**.

In its Baltic member countries, NIB finances infrastructure improvements and investments that support the transition to knowledge-driven sustainable economies.

Despite facing several challenges, the Baltic economies have achieved strong growth over the last decade. For example, when purchasing parity standard adjusted numbers are examined, the Baltic economies have moved from 54–66% of EU-27 average levels in 2010 to 72–87% in 2020¹. During the COVID-19 pandemic, the Baltics have also proven relatively resilient and have managed to retain productivity growth. In some cases, growth has even accelerated, partly due to externally stimulated digitalisation. However, the convergence process has not been easy, with each of the countries experiencing its own hurdles.

In 2021, NIB disbursed EUR 63.8 million² to counterparties in the Baltics, with 95.8% of these loans achieving a “good” or “excellent” mandate rating in terms of their contribution to productivity and/or the environment.


Photo: City of Tartu / Tarmo Haud.
City of Tartu (Estonia):

Urban development
investments in Tartu

✓ EUR 18.8 million agreed

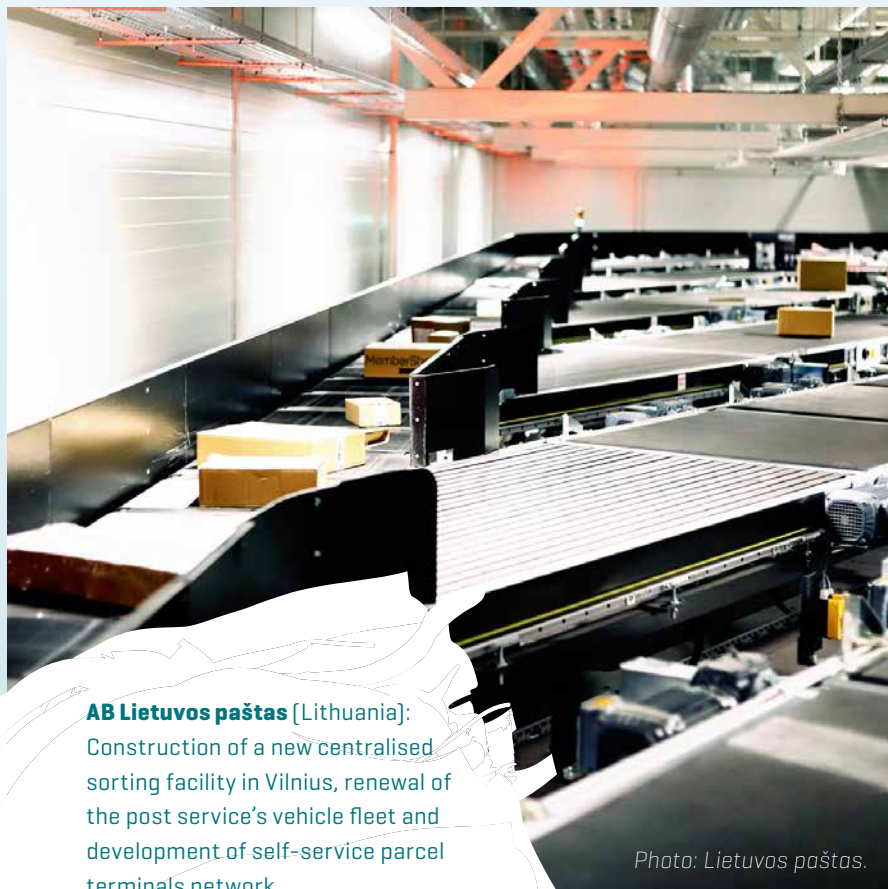
[Read more on City of Tartu](#)

Generally, NIB’s financing in the Baltics focuses on investments that contribute to horizontal infrastructure improvements that ensure better public services and provide a basis for an efficient business environment. This includes energy generation and transmission investments that strengthen distribution networks, cost-effectiveness and security of supply, municipal investments, transport projects, and water infrastructure improvements.

Loans disbursed to Baltic customers in 2021 included investments in transport infrastructure

improvements in Lithuania, such as investments in the [national postal service’s vehicle fleet](#) and the [expansion of airports](#) and [seaports](#) aimed at improving the mobility of goods and people; [energy storage](#) improvements in Latvia that strengthen the flexibility and security of the energy system; and [investments in municipal infrastructure](#), including light traffic roads and educational and social infrastructure in Estonia.

When economies converge towards a certain target group, the first steps of the process are relatively easy: economic growth is mostly



AB Lietuvos paštas [Lithuania]:
Construction of a new centralised sorting facility in Vilnius, renewal of the post service's vehicle fleet and development of self-service parcel terminals network
• EUR 17.5 million agreed

[Read more on Lietuvos paštas](#)

Photo: Lietuvos paštas.

driven by large returns on investment in basic infrastructure, capital accumulation and price competitiveness due to lower labour costs. However, momentum is then lost, and new growth engines, such as innovation and high value-added products and services need to be identified. Otherwise, countries may end up in a “middle-income trap”, failing to generate sufficient income to promote further investments and subsequently, failing to transition to the next phase of development.

The infrastructure component will remain vitally important. Further investments in energy,

transport, education and healthcare will be needed to transition to climate neutrality while retaining competitiveness.

However, to advance economies and sustain growth rates above EU averages and ensure continued convergence, the Baltics will have to invest further in transitioning to knowledge-driven and sustainable economies. Investments in R&D programmes and academia will be required to prepare for a jump towards high value-added economies.

¹ According to Eurostat data, on 15.12.2021

² Excluding COVID Response loans



EUR 78 million were disbursed to **healthcare and education facilities** in Finland, Sweden and Estonia in 2021, improving the public service provision to people living in catchment area of the facilities.



Wastewater treatment projects financed added wastewater treatment capacity of **10,800 PE** in 2021. The projects reduce **6 tonnes of phosphorous** and **32 tonnes of nitrogen** annually.



EUR 229 million were channeled to **clean transportation projects** in Finland, Estonia and Denmark in 2021, mainly within electrified rail, but also supporting urban transportation development (including cycling infrastructure).



1 loan programme disbursed to a financial intermediary totalling **EUR 40 million** for onlending to **SMEs and environmental projects** in Denmark.

FUNDING

Funding in 2021

NIB acquires the funds for its lending by borrowing on the international capital markets. The Bank's funding strategy consists of transactions in the public markets, including global benchmark issuance in USD, meeting investor preferences for tailored issuance in specific formats and currencies, and a strong presence in the sustainable bond market. NIB's bonds enjoy the highest possible credit rating.

Photo: Antti Yrjönen

In 2021, NIB raised new funding with a nominal value of EUR 6.9 billion through 71 transactions. This was approximately EUR 0.6 billion lower than in the previous year, when the Bank faced higher lending and funding requirements due to its response to the COVID-19 outbreak. More information on NIB's COVID response can be found on page 24.

At the end of 2021, the outstanding debt amounted to EUR 31.5 billion. NIB issued two global

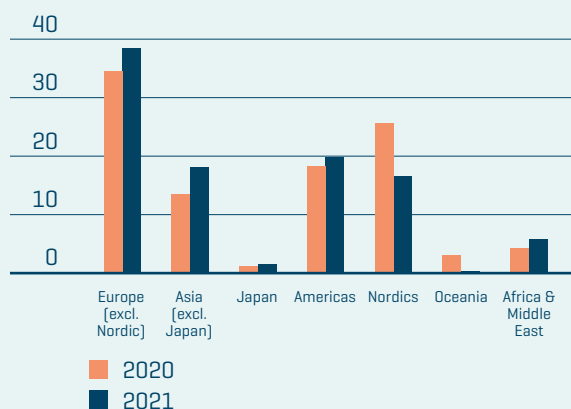
USD-denominated benchmark transactions with [a three-year and five-year maturity](#) of a total of USD 2.25 billion (EUR 1.9 billion). The Bank priced a [five-year GBP 600 million transaction](#), which was NIB's largest ever new Sterling benchmark, and issued an [inaugural USD 700 million five-year benchmark bond](#) linked to the SOFR (Secured Overnight Financing Rate) index.

NIB continued its long-term sustainable funding strategy and celebrated its ten-year

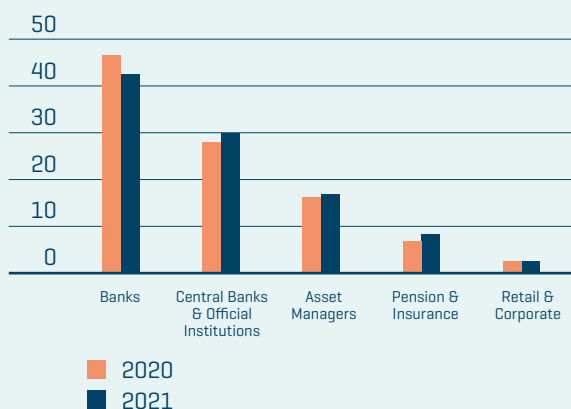
anniversary on the green bond market by [raising a total of EUR 898 million in NIB Environmental Bonds](#) this year, consisting of a six-year EUR 500 million bond, a five-year SEK 3 billion bond, and an inaugural six-year NOK 1 billion bond. By the end of 2021, the Bank had issued a total of EUR 5.8 billion in NIB Environmental Bonds and financed over 130 sustainable projects with the proceeds. More information on NIB's Environmental Bonds can be found on page 26.

EUR 6.9 bn
raised in
new funding

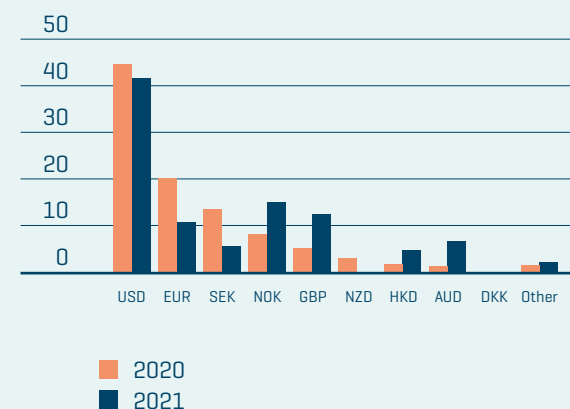
New borrowings in 2021
%, Geographical distribution



New borrowings in 2021
%, Investor type distribution



New borrowings in 2021
%, Currency distribution



FUNDING

NiB Response Bonds 2021

In the spring of 2020, NiB issued two Response Bonds of EUR 1 billion and SEK 4 billion (EUR 1.37 billion* in total) to finance projects that alleviate the socioeconomic impacts of the COVID-19 pandemic in NiB's member countries. These Bonds were globally among the first bond offerings dedicated to finance measures that mitigate the negative socioeconomic impacts of the pandemic. During 2020 and 2021, three Response Loans were disbursed to the Baltic states, totalling EUR 1.75 billion.

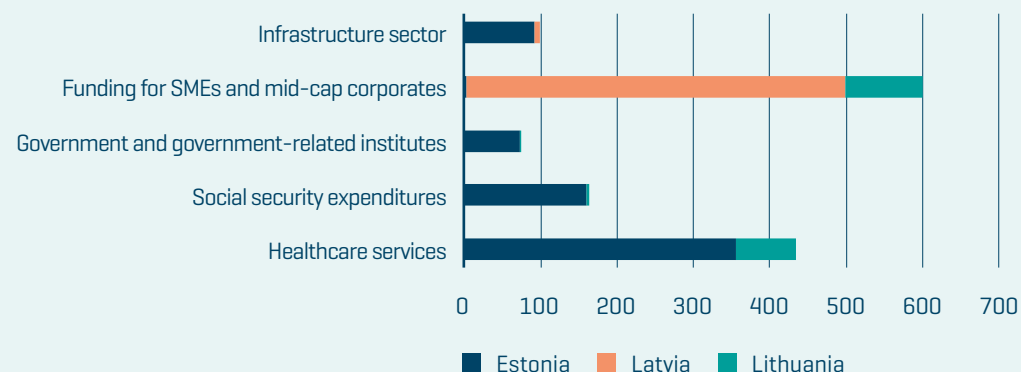
This chapter describes the use of proceeds and impacts from an expenditure pool the Baltic countries funded with loans from NiB in 2020 and 2021. The total expenditure is EUR 1,370 billion. The pool consists of expenditures that meet the eligibility criteria of [NiB's Response Bond Framework](#).

The graph below illustrates the use of proceeds across countries and eligible expenditure categories under the framework.



NiB Resonse Bonds

use of proceeds by country and expenditure type



* The total amount disbursed to the Baltic states was higher than the bond issuance. To match the impacts with the amount issued in response bonds, this report considers impacts from expenditures totalling EUR 1.37 billion. The remaining credit of EUR 380 million extended to the Baltic states mostly fulfil the eligibility criteria of the response bond framework as well. These loans were financed out of NiB's general liquidity pool.

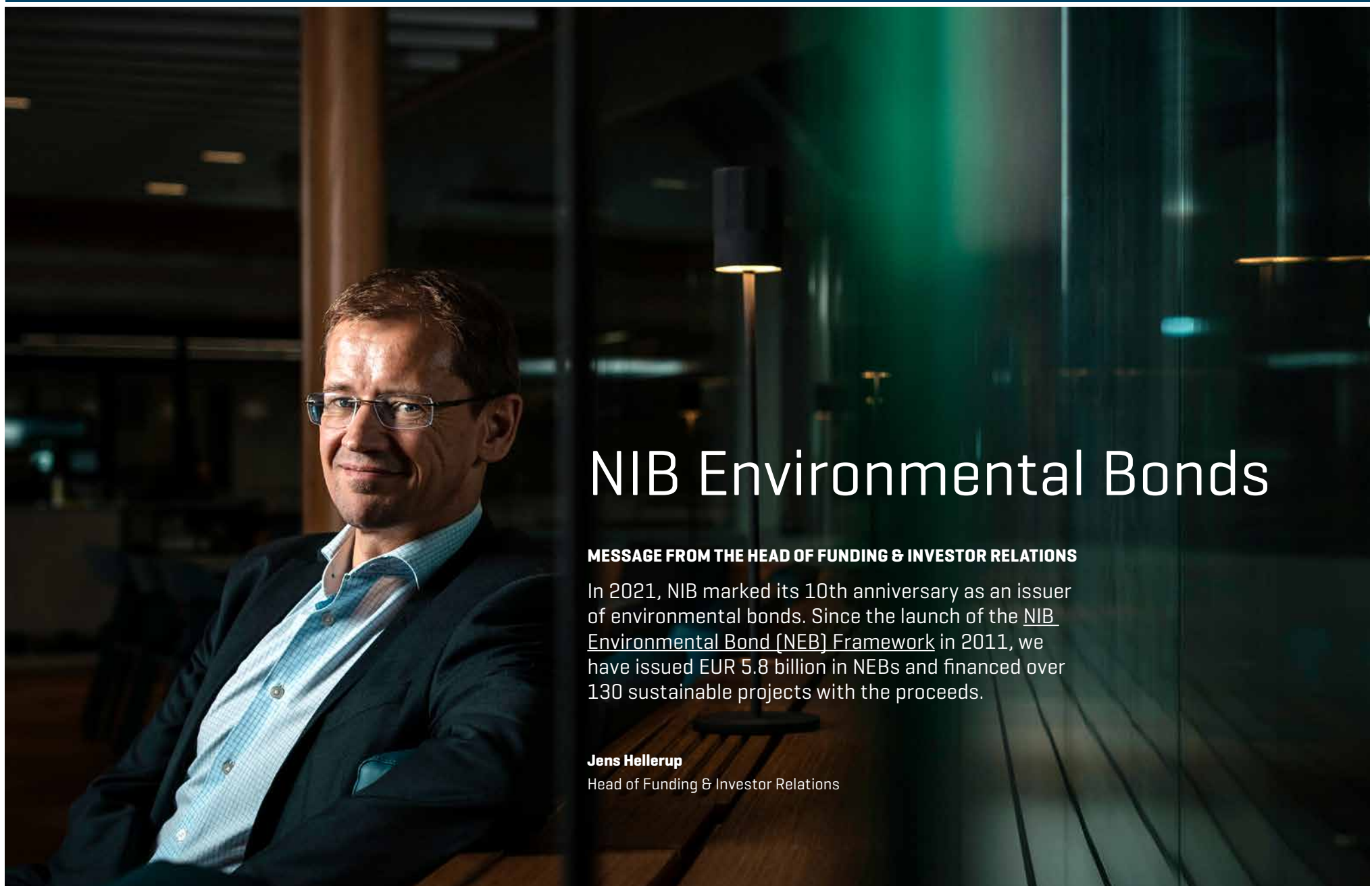
Almost half of the Response Bond proceeds covered support measures for smaller companies in Latvia and Lithuania that struggled with the pandemic's disruptions to their operations. The healthcare expenditures rose significantly in all countries due to temporary capacity increases in the healthcare systems and the procurement of personal protection and laboratory testing equipment. While all Baltic countries introduced expansions in social security, only Estonia utilised funding from NIB in programmes aimed at preserving jobs and expansion of sickness allowances. Government-related entities, such as educational facilities and infrastructure service providers, received a total of EUR 165 million from governments of Estonia and Latvia.

The measures assisted thousands of people and companies. Table 1 summarises these impacts.

The Response Loans finance expenditure that contributes to several UN Sustainable Development Goals (SDGs). As most of the expenditures benefited companies and the healthcare sector in a challenging environment, the loans contributed mostly to SDG 3, SDG 8 and SDG 9.

TABLE 1: COMPANIES AND PEOPLE AFFECTED BY NIB RESPONSE LOANS

EXPENDITURE	EXPENDITURES TOTAL, MEUR	COMPANIES SUBSIDISED	PEOPLE AFFECTED	SDGS
Healthcare services	434	NA	NA	
Social security expenditures	163	0	102,758	
Government and government-related institutes	74	2	24,000	
Funding for SMEs and mid-cap corporates	600	11,504	39	
Infrastructure sector	98	11	0	



NIB Environmental Bonds

MESSAGE FROM THE HEAD OF FUNDING & INVESTOR RELATIONS

In 2021, NIB marked its 10th anniversary as an issuer of environmental bonds. Since the launch of the [NIB Environmental Bond \(NEB\) Framework](#) in 2011, we have issued EUR 5.8 billion in NEBs and financed over 130 sustainable projects with the proceeds.

Jens Hellerup

Head of Funding & Investor Relations

When we started issuing NIB Environmental Bonds in 2011, our aim was to attract investors that were specifically interested in environmentally-sound projects. In the beginning, many were sceptical about the idea of a green bond; investments were about risk and return, after all. But we were convinced that a trend had started: sustainable, lasting impact was what was needed. Since then, we have issued NEBs every year, coming to a total of 26 transactions by end 2021.

Ten years ago, we already had the necessary building blocks at NIB: we had a mandate to lend to projects that lead to environmental benefits in the Nordic-Baltic region, and we had an established process to assess and report on project impact.

Thus far, renewable energy generation projects have received the highest share of NEB-financing [26%], followed by green building investments [25%].

In 2019, we also started issuing Nordic-Baltic Blue Bonds, the first of their kind in Europe. Blue bonds are aimed at investors who are conscious of the challenges facing water resources in our region. By end 2021, we had issued EUR 335 million in Blue Bonds, which financed thirteen water treatment projects that contribute to the reduction of pollution and to water-related climate adaptation.

In 2021, NIB raised a total of EUR 898 million in environmental bonds, consisting of a EUR 500 million bond, a SEK 3 billion denominated bond and an inaugural NOK 1 billion denominated bond. The reason we issue bonds in Nordic currencies is because we want to give our

investors the opportunity to finance sustainable projects “in their backyard”. Further, it is part of our strategy to support the growth and development of green fixed income markets.

Developing the sustainable bond market

NIB has been actively involved in initiatives aimed at promoting the integrity and transparency of the sustainable bond market. One of the most prominent steps in this regard was the establishment of the Green Bond Principles in 2014. It was important for NIB to support the development of this initiative, which has since been expanded to include the Social Bond Principles, the Sustainability Bond Guidelines and the Sustainability-Linked Bond Principles.

Further developments are imminent, for example when thinking about the legislative proposal for an EU standard for green bonds aligned with the EU taxonomy. Going forward, we will continue playing our part.

Transparent reporting is key

In 2018, our NEB Framework received a dark green rating in a Second Opinion issued by CICERO, reflecting the attributes of the framework that are crucially important for fostering a low-carbon and climate resilient future.

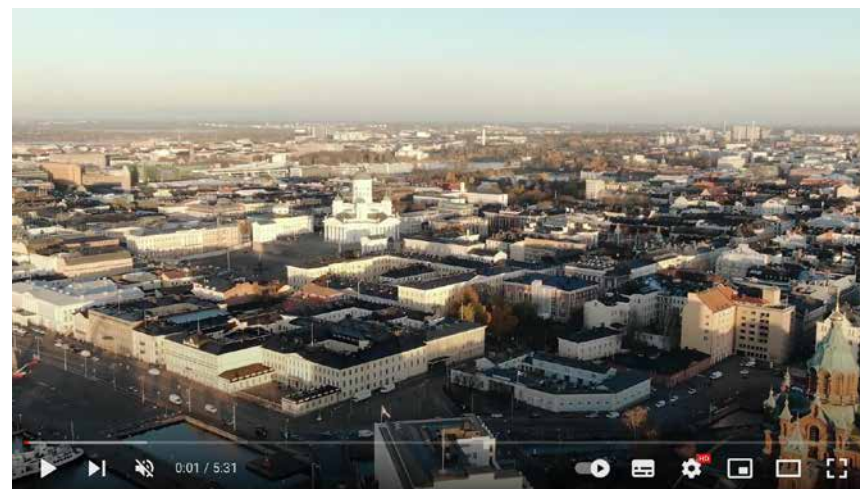
To live up to this rating and the principles we helped develop, we see transparency as key. Therefore, we report detailed information on allocation and impact of each project financed by Environmental Bonds. Our impact data as well as information on our methodology are [available on our website](#). NIB has a portfolio approach,

with multiple NEBs financing projects in the NIB Environmental Bond Pool.

In this NIB Environmental Bond Report 2021, we are providing information on our NEB issuance, allocation, and the impact of our NEB-financed projects for 2021 as well as for the period 2011–2021. A first assessment of the estimated alignment of our NEB project categories with the EU taxonomy is also included.

Sustainable finance is well integrated in NIB's business model, and our Environmental Bonds have played an important role in this. As we celebrate our 10th anniversary on the green bond market, we thank our investors, our lending clients, and other stakeholders for putting their trust in us. The journey is just beginning, and we are excited about the future.

[Watch a video about our NEB-financed projects of the last ten years](#)



NIB ENVIRONMENTAL BONDS

Overview

NIB has an explicit mandate to promote environmental projects. In response to investors' willingness to specifically support sustainable investments, we introduced our [NIB Environmental Bond Framework](#) in 2011. Under the framework, NIB issues environmental bonds and Nordic-Baltic Blue Bonds, the proceeds of which are used to finance projects that benefit the environment and support the transition to a low-carbon economy. NIB's Nordic-Baltic Blue Bonds specifically focus on investments within water management and protection and are aimed at investors who are conscious of the challenges facing our region's water resources, especially those affecting the Baltic Sea.

The NIB Environmental Bond Framework is aligned with the four core components of the Green Bond Principles [Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting]. Further, NIB has started to assess the alignment of the projects in its NEB Fund Pool with the EU Taxonomy.

Read more about NIB's overarching objectives, strategy, policy and processes relating to environmental sustainability under [Sustainability Management](#) and see [NIB's Sustainability Policy](#).

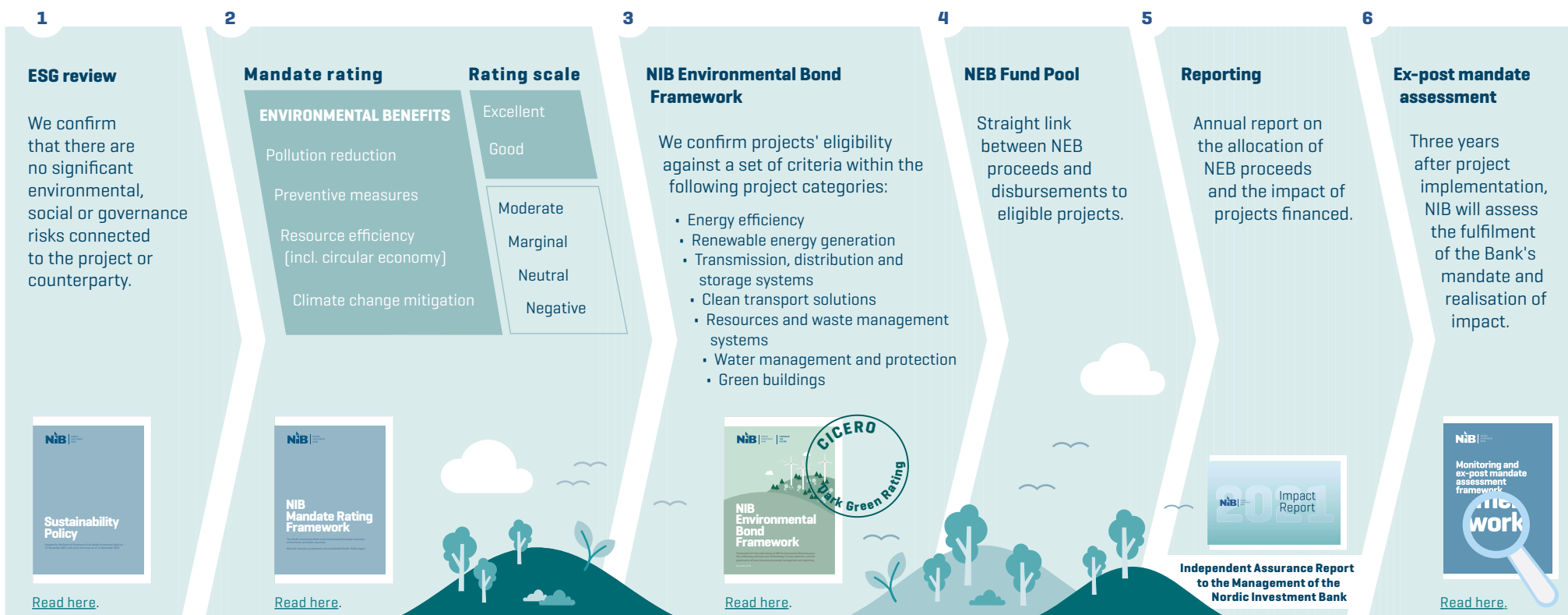
BASIC INFORMATION NEB

Current framework	NIB Environmental Bond Framework (last updated Oct 2019)
Second opinion	CICERO: Dark Green (Oct 2018)
Types of bonds issued under framework	Environmental Bonds, Nordic-Baltic Blue Bonds
Reporting period	Annual
Reporting approach	Portfolio approach with project-specific details provided
Guidelines / alignment	Green Bond Principles , EU Taxonomy estimated alignment assessment, UN Sustainable Development Goals
Verification	Limited Assurance by KPMG, see page 104
Impact reporting portals	Nasdaq Sustainable Bond Network



NIB ENVIRONMENTAL BONDS

NEB project selection process



NIB ENVIRONMENTAL BONDS

10 years of NIB Environmental Bonds

In 2021, NIB celebrated its 10th anniversary on the sustainable bond market.
Read more about how we have been [connecting financing to environmental impact here](#).



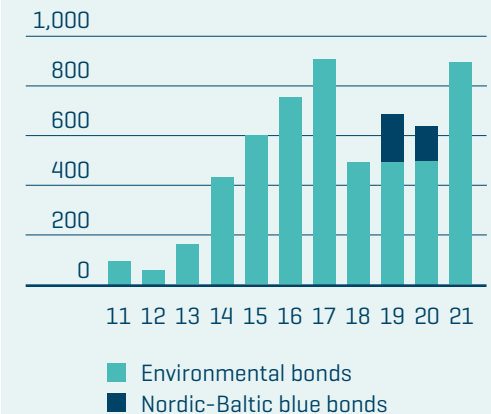
EUR 5.8 billion
issued in 26 transactions

130+
projects financed

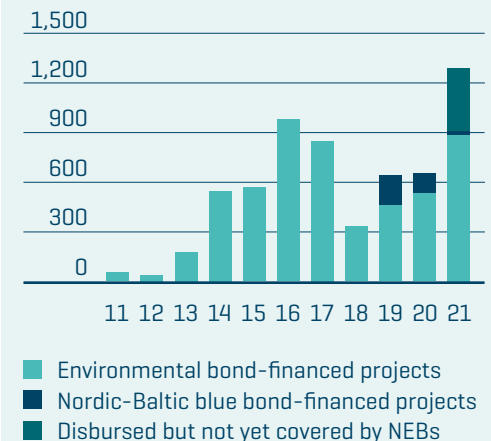
- 119 Environmental Bond financed projects
- 13 Blue Bond financed projects

7 currencies:
EUR, SEK, BRL, ZAR, USD, INR, NOK

NIB Environmental Bond issuance 2011-2021, in EURm



NEB-financed projects 2011-2021, in EURm

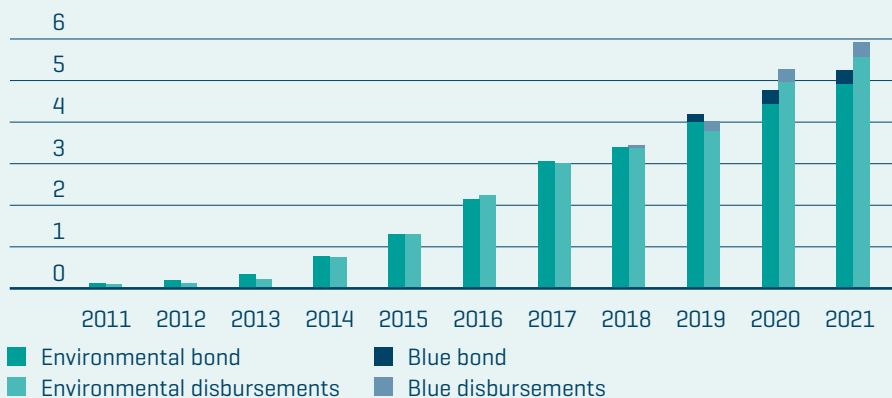


NIB ENVIRONMENTAL BONDS

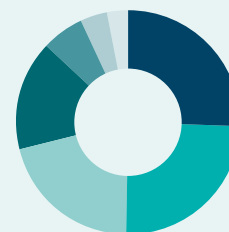
NIB Environmental Bond Pool

The proceeds of NIB Environmental Bonds are managed on an aggregate basis for multiple environmental and blue bonds [portfolio approach].

Accumulated NEB issuance and disbursements 2011–2021
in EUR billions

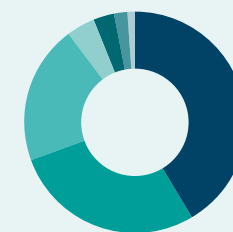


NEB-financed projects 2011–2021
%, projects by NEB category



- **26%** Renewable energy generation
- **25%** Green buildings
- **21%** Water management and protection
- **16%** Clean transport solutions
- **6%** Energy efficiency
- **4%** Resources and waste management systems
- **3%** Transmission, distribution and storage systems

NEB-financed projects 2011–2021
%, by country



- **41%** Sweden
- **28%** Norway
- **20%** Finland
- **4%** Denmark
- **3%** Lithuania
- **2%** Poland
- **1%** Iceland
- **0%** Estonia

NIB ENVIRONMENTAL BONDS

NIB Environmental Bond issuance in 2021

In 2021, NIB raised a total of EUR 898 million in Environmental Bonds.

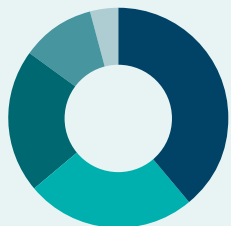
NIB Environmental Bond issuance 2021

Currency	AMOUNT IN MILLIONS	EUR MILLION EQUIVALENT	ISIN	VALUE DATE	MATURITY DATE	LINK
NOK	1,000	102	XS2400452228	20.10.2021	20.10.2027	Press release
SEK	3,000	296	XS2400452731	20.10.2021	20.10.2026	Press release
EUR	500	500	XS2166209176	01.04.2021	30.04.2027	Press release

A list of all NEB transactions is [available on our website](#).

NEB investors 2021

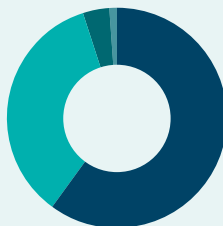
%, by investor type



- **39%** Asset managers
- **25%** Banks
- **21%** Pension & insurance
- **11%** Central banks & Official institutions
- **4%** Other

NEB investors 2021

%, by geographical region



- **60%** Europe
- **35%** Nordics
- **4%** North America
- **1%** Japan



NiB ENVIRONMENTAL BONDS

NEB-financed projects in 2021

In 2021, NiB financed projects with NEB proceeds (environmental and blue bonds) equivalent to EUR 909.5 million. A list of all NEB-financed projects is [available on our website](#).



Pomerania Wind Farm [Poland]

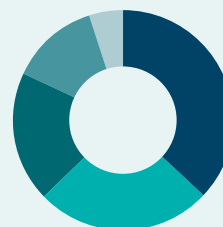
Construction of a 94 MW onshore wind farm. [Read more](#).

NEB category: Renewable energy generation

NEB-eligibility: 100%

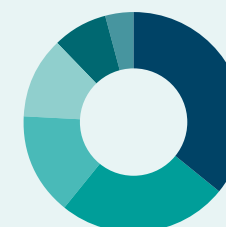
NEB-financed as of 31.12.2021: EUR 33.6 million

Environmental bond-financed projects in 2021 %, projects by NEB category



- **37%** Clean transport solutions
- **26%** Renewable energy generation
- **19%** Transmission, distribution and storage systems
- **13%** Green buildings
- **5%** Resources and waste management systems
- **0%** Energy efficiency

Environmental bond-financed projects in 2021 %, projects by country



- **36%** Norway
- **25%** Sweden
- **15%** Denmark
- **12%** Finland
- **8%** Iceland
- **4%** Poland
- **0%** Estonia
- **0%** Lithuania



Fingrid [Finland]

Upgrade of transmission grid substations. [Read more.](#)

NEB category: Transmission, distribution and storage systems

NEB-eligibility: 100%

NEB-financed as of 31.12.2021: EUR 35 million



Fortum [Finland]

Investments in hydropower and bioenergy. [Read more.](#)

NEB category: Renewable energy generation

NEB-eligibility: 72%

NEB-financed as of 31.12.2021: EUR 57.6 million



Danish State Railways [Denmark]

Acquisition of new rolling stock. [Read more.](#)

NEB category: Clean transport solutions

NEB-eligibility: 100%

NEB-financed as of 31.12.2021: EUR 133 million



Landsnet [Iceland]

Increasing capacity, stability and reliability of transmission system. [Read more.](#)

NEB category: Transmission, distribution and storage systems

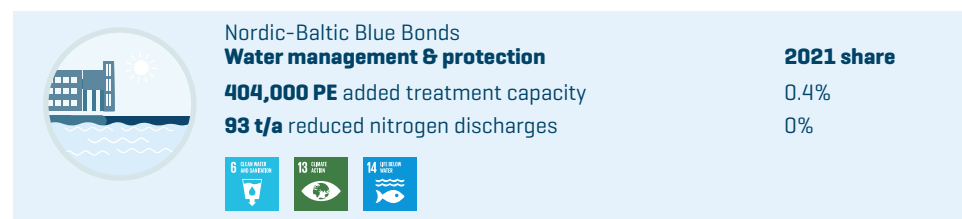
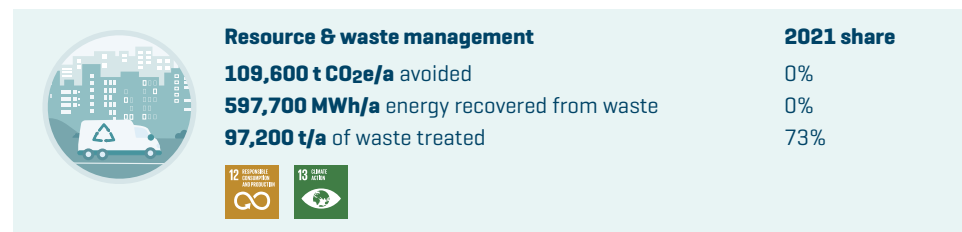
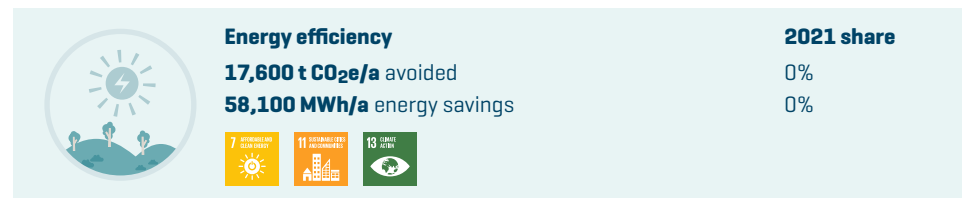
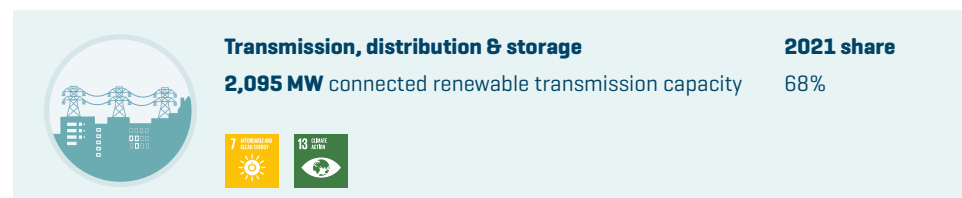
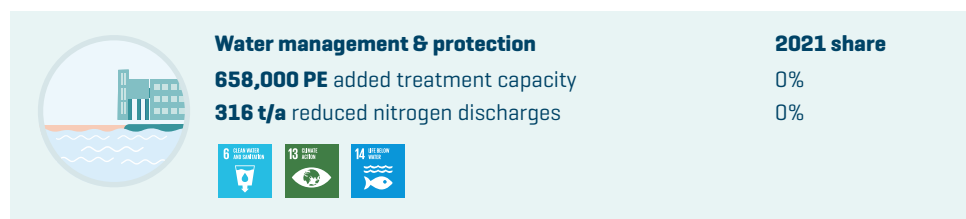
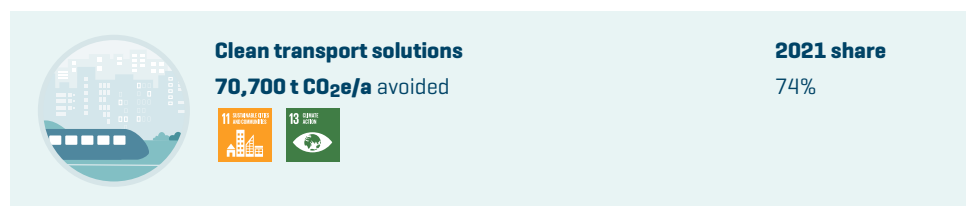
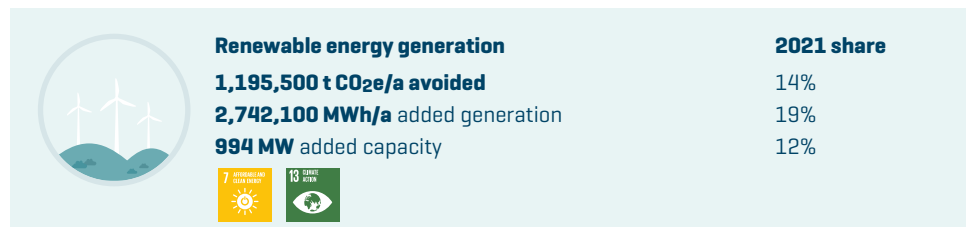
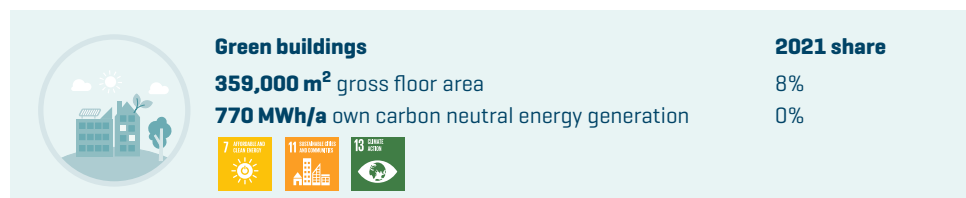
NEB-eligibility: 100%

NEB-financed as of 31.12.2021: EUR 42 million

NIB ENVIRONMENTAL BONDS

Impact of NEB-financed projects 2011-2021

Pro-rated to NIB's share of financing. The share of impact arising from new disbursements in 2021 is shown.



NIB ENVIRONMENTAL BONDS

Preliminary EU taxonomy alignment of NEB project categories

NIB has been issuing Environmental Bonds (NEBs) since 2011. Following the adoption of the EU taxonomy for sustainable economic activities in 2020, we conducted a preliminary screening of the NEB project categories against the taxonomy. The objective of the exercise was to provide our investors with information on the alignment of NEB-financed projects with the taxonomy. This is also encouraged by the Green Bond Principles, who advise issuers to provide information, if relevant, on the alignment of projects with official or market-based taxonomies.

For each project category, the most relevant environmental objective in the taxonomy has been selected for the assessment. Technical screening criteria for climate change mitigation and adaptation are from the Climate Delegated Act and criteria for the remaining environmental objectives from the proposal issued in August 2021. NEB project categories have, to the extent possible, been matched with one or several taxonomy activities. There are some NEB project categories that are not covered by the taxonomy and are thus classified as not eligible.

Compliance with Minimum Social Safeguards (MSS) is ensured by NIB's policies and processes to identify, manage, and mitigate potential

negative environmental and social impacts. NIB's core sustainability principles are based on different international agreements, frameworks and conventions, including OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. All projects considered for financing and the respective lending counterparties undergo an ESG assessment, including client meetings, site visits and document review. According to NIB's Environmental Bond Framework, only projects for which the review of environmental and social risks has not identified any potentially threatening risk elements may be included in the NEB portfolio. Alignment with Do No Significant Harm (DNSH) criteria has been assessed separately for each project category in terms of whether relevant aspects are covered by a regular permitting process in combination with NIB's project sustainability review. All projects financed with NEB funds are located within the EU.

Alignment against the criteria for Significant Contribution (SC) and DNSH is a preliminary estimate describing the situation in 2021. The assessment is based on NIB's criteria for different project categories as well as information collected in the sustainability review of selected

projects included in the Environmental Bond portfolio. No additional information has been requested from clients, instead NIB has assessed the technical performance of activities based on information available. Going forward, NIB intends to collect relevant information on taxonomy alignment directly from clients and thus improve the reporting possibilities.

The attempt has not been to perform a strict alignment assessment, which would require more granular project data and evidence that cannot be collected retroactively for already financed projects. The term "estimated aligned" is used to describe that the alignment may be based on certain general assumptions. "Partly aligned" means that either a part of the criteria is fulfilled or, alternatively, that the project category contains some assets that cannot fulfil all criteria.

The alignment assessment results are presented separately for SC, as well as for the combination of SC and DNSH. For a full description of the assessment and assumptions used, please [see NIB's website](#). NIB welcomes feedback and continued dialogue on how to develop taxonomy reporting further.

Overview of NEB categories, the primary environmental objective in the EU Taxonomy and estimated alignment against technical screening criteria for Significant Contribution and Do No Significant Harm

NEB Framework project category*		Taxonomy environmental objective	Eligibility	Significant Contribution [SC]	SC + Do No Significant Harm [DNSH]	% of NEB portfolio
Energy efficiency						
a. Energy efficiency projects in industry		-	Not eligible	-	-	1%
b. Energy efficiency in existing buildings		Climate change mitigation	Eligible	●	●	5%
Renewable energy						
a. Electricity from wind turbines, solar, tidal, wave and hydropower	Wind	Climate change mitigation	Eligible	●	●	5%
	Solar	Climate change mitigation	Eligible	●	●	0%
	Wave	Climate change mitigation	Eligible	●	●	0%
	Hydro	Climate change mitigation	Eligible	●	●	12%
b. Electricity or heat generation from geothermal installations and from biomass	Geothermal	Climate change mitigation	Eligible	●	●	1%
	Biomass	Climate change mitigation	Eligible	●	●	8%
c. Infrastructure for the production or processing of liquid biofuels		Climate change mitigation	Eligible	●	●	1%
d. Investments in the development, design and manufacturing of renewable energy technologies.		Climate change mitigation	Eligible	●	●	0%
Transmission, distribution and storage systems						
a. Transmission and distribution system (electricity)		Climate change mitigation	Eligible	●	●	3%
b. District heating and cooling		Climate change mitigation	Eligible	●	●	0.01%
Clean transport solutions						
a. Transport infrastructure		Climate change mitigation	Eligible	●	●	4%
b. Vehicles and vessels		Climate change mitigation	Eligible	●	●	13%
Water management and protection						
a. Wastewater treatment and water pollution prevention		Sustainable use and protection of water and marine resources	Eligible	●	●	20%
b. Stormwater systems and flood protection		Climate change adaptation	Eligible	●	●	1%
c. Protection of water resources		Circular economy	Eligible	●	●	0%
d. Protection and restoration of water and marine ecosystems		Substantial contribution to protection and restoration of biodiversity and ecosystems	Eligible	●	●	0%
Resources and waste management systems						
a. Resource efficiency	Material recovery	Circular economy	Eligible	●	●	0.3%
	Pollution prevention	-	Not eligible	-	-	0.3%
b. Infrastructure for better waste management		Circular economy	Eligible	●	●	0.9%
c. Energy recovery from waste	Biogas	Climate change mitigation	Eligible	●	●	0.01%
	Waste-to-Energy	-	Not eligible	-	-	2%
Green buildings						
New buildings certified according to LEED Platinum or BREEAM Excellent/Outstanding		Climate change mitigation	Eligible	●	●	25%

● Estimated aligned ● Partly aligned ● Not aligned ● Could not be assessed

The last column shows the share of NEB funds allocated to each category 2011-2021.

* **Minimum Social Safeguards:** NIB has policies, standards and procedures in place for safeguarding the environmental and social sustainability of NEB financing.

TCFD

NIB and climate change

NIB endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in December 2019. The Bank is committed to implementing the TCFD recommendations on the governance, strategy, risk management and metric and targets for climate related risks and opportunities and disclosing its progress on these aspects.



At COP26 in Glasgow. Photo: Arild Moen.

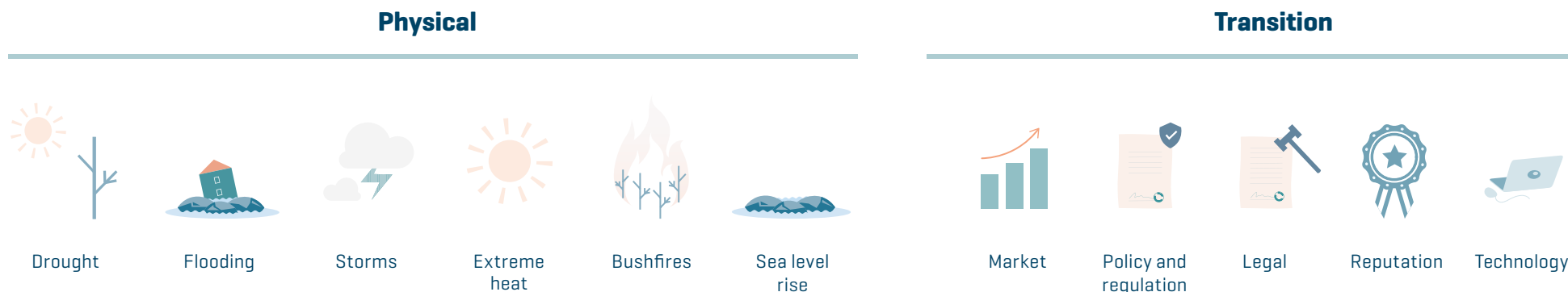


Figure 1: Physical and transition risks

1 INTRODUCTION

The regulatory landscape on climate risk management is developing quickly. Among others, the European Central Bank, the European Banking Authority, and the Basel Committee on Banking Supervision have published guidance, expectations, and analytical reports, describing how banks should manage climate-related risks in their operations.

Due to its legal status as an international financial institution, national banking legislation does not apply to NIB, nor is it subject to direct supervision of any supervisory authority. However, NIB is following the development of climate-related regulations, standards and market practices closely, and is exploring how they would affect its operations, risk management and the overall target to support its clients in their transition to greener economy. In general, climate-related risk management is envisaged to be part of NIB's overall risk management framework.

In early 2021, NIB established a Climate Risk Integration working group to gradually implement the TCFD recommendations and to explore how to integrate standard-setters' expectations in the Bank's risk management. The working group is cross-functional, consisting of experts from the Risk, Lending, Treasury, and Finance departments as well as the Sustainability and Mandate unit. The working group reports to NIB's Asset and Liability Committee.

NIB made its first TCFD disclosure in its Impact Report 2020. This year's disclosure summarises the key climate-related developments of 2021 and aims to inform our stakeholders about how NIB is responding to climate change.

2 GOVERNANCE

Governance of climate-related risks and opportunities and Environmental, Social,

and Governance (ESG) risks in general is integrated in NIB's core governance structure. For more information, see page 67 *Sustainability Governance at NIB* and [NIB's Governance Statement 2021](#).

3 STRATEGY

NIB's mission is to finance projects that improve productivity and benefit the environment of the Nordic and Baltic countries. The mission was re-confirmed in the business strategy review completed by NIB's Board of Directors in 2021. The productivity growth drivers include technical progress and innovation, infrastructure improvements, human capital and equal economic opportunities, and development and improvements in market efficiency and the business environment. The drivers of environmental benefits are climate change mitigation, preventive measures (including climate change adaptation), circular economy

and pollution reduction. All projects considered for financing are assessed for their potential impact on productivity and the environment and are rated on a five-grade scale from “negative” to “excellent” according to [NIB’s Mandate Rating Framework](#). A project is regarded to fulfil NIB’s mission if it is rated “good” or “excellent” with respect to its positive impact on productivity and/or the environment. Hence, the rating helps identify and assess opportunities contributing to the Bank’s mission. The framework that provides the basis for the mandate assessment is reviewed regularly.

NIB sets annual targets for the mandate fulfilment of loans. Overall, at least 90% of NIB-financed projects should achieve a “good” or “excellent” mandate rating for their impact on productivity and/or the environment. In 2021, the Bank also revised the targets for the two mandate pillars: the fulfilment of the productivity and environmental mandate should both reach at least 45% in 2022.

Ambitious climate policies in the EU and the Nordics support and drive climate action. As part of the European Green Deal, the European Climate Law made the EU’s climate neutrality target by 2050 legally binding, and raised the 2030 ambition, i.e., a domestic reduction of net greenhouse gas emissions by at least 55% compared to 1990 levels by 2030. Some of the Nordic countries have set tighter timelines for the long-term climate target, including Finland and Iceland whose goal is to achieve carbon neutrality by 2035 and 2040 respectively. Sweden aims for net-zero emissions by 2045.

Although a lot of progress was made in the Nordic–Baltic region over the last decade, considerable investments in transition are still required to reach the goals of the Paris Climate Agreement. In 2019, NIB committed to the Principles for Responsible Banking and to aligning its business strategy with the objectives of the Paris Climate Agreement. In 2021, COP26 further highlighted the urgency of climate action. As part of its revised business strategy, NIB will also increase its climate finance activities.

Over the last decade, a large share of NIB’s financing was granted to investments supporting the transition of the energy generation sector. As the live electricity production and consumption data at [electricityMap](#) shows, the share of renewables and low-carbon energy in the Nordic–Baltic region is particularly high in Iceland, Norway and Sweden. Denmark, Finland, Latvia, Lithuania and especially Estonia still need to invest in the decarbonisation of the power sector. The Bank will continue to support the build-out of renewable capacities to further advance the transition of this sector and to enhance the electrification of the Nordic and Baltic economies.

In addition to the power and heat sector, key upcoming challenges and opportunities in the Nordic–Baltic region are the decarbonisation of hard-to-abate sectors, such as long-distance transportation, metals and mining, basic materials and other heavy

industry sectors. As part of its new business strategy, NIB will focus more on financing high-impact transitions in these sectors.

Green loans and bonds are established financial products for directing capital towards green investments. New products, such as performance-based sustainability-linked loans and bonds complement the market and provide alternative instruments for financing the transition of companies and their value chains to ambitious and credible sustainability targets aligned with their sustainability strategies. According to BloombergNEF, total sustainable debt amounted to more than USD 1.6 trillion in 2021, having doubled from 2020.

NIB’s environmental mandate has enabled the Bank to provide green loans and issue green bonds. In 2021, NIB celebrated the 10th anniversary of its NIB Environmental Bond (NEB) programme. The NEB issuance 2011–2021 totalled EUR 5.8 billion (26 bonds). For more information about NEB issuance and the selection process of NEB-financed projects, see page 26.

In 2021, we developed our criteria for sustainability-linked lending, based on the Sustainability-Linked Loan Principles established by the Loan Market Association and the Sustainability-Linked Bond Principles developed by the International Capital Market Association. We signed three sustainability-linked loans in 2021, all of which support our clients’ transition towards ambitious climate targets. NIB will mainstream sustainability-linked lending in 2022 and promote high-quality standards in the fast-growing market.

One of NIB's priority business targets for 2022 is the development of NIB's climate strategy. The Bank will aim to support its clients and owners in their journey to a net-zero, climate-resilient economy and to provide a better value proposition to our stakeholders, including our investors. We are committed to developing our product offering combined with sustainability expertise to create an effective climate strategy.

4 RISK MANAGEMENT

4.1 Climate risk assessment in lending and treasury business

Climate risk assessment follows the principle of double materiality with two dimensions to consider: how climate change affects a counterparty (financial materiality); and how the operations of a counterparty affect the climate (environmental and social materiality). These dimensions are interconnected and may change the risk profile of a counterparty or its collateralised assets either positively (opportunities materialise) or negatively (risks materialise). As a Bank, NIB is exposed to these risks mainly through its lending and treasury operations. This section describes how NIB assesses the material environmental and social issues both at project and counterparty levels, as well as the initial steps taken to enhance the assessment of the financial impact of climate change on counterparties.

Reflecting its long-standing mission, NIB has an established track-record and strong competence in assessing the sustainability

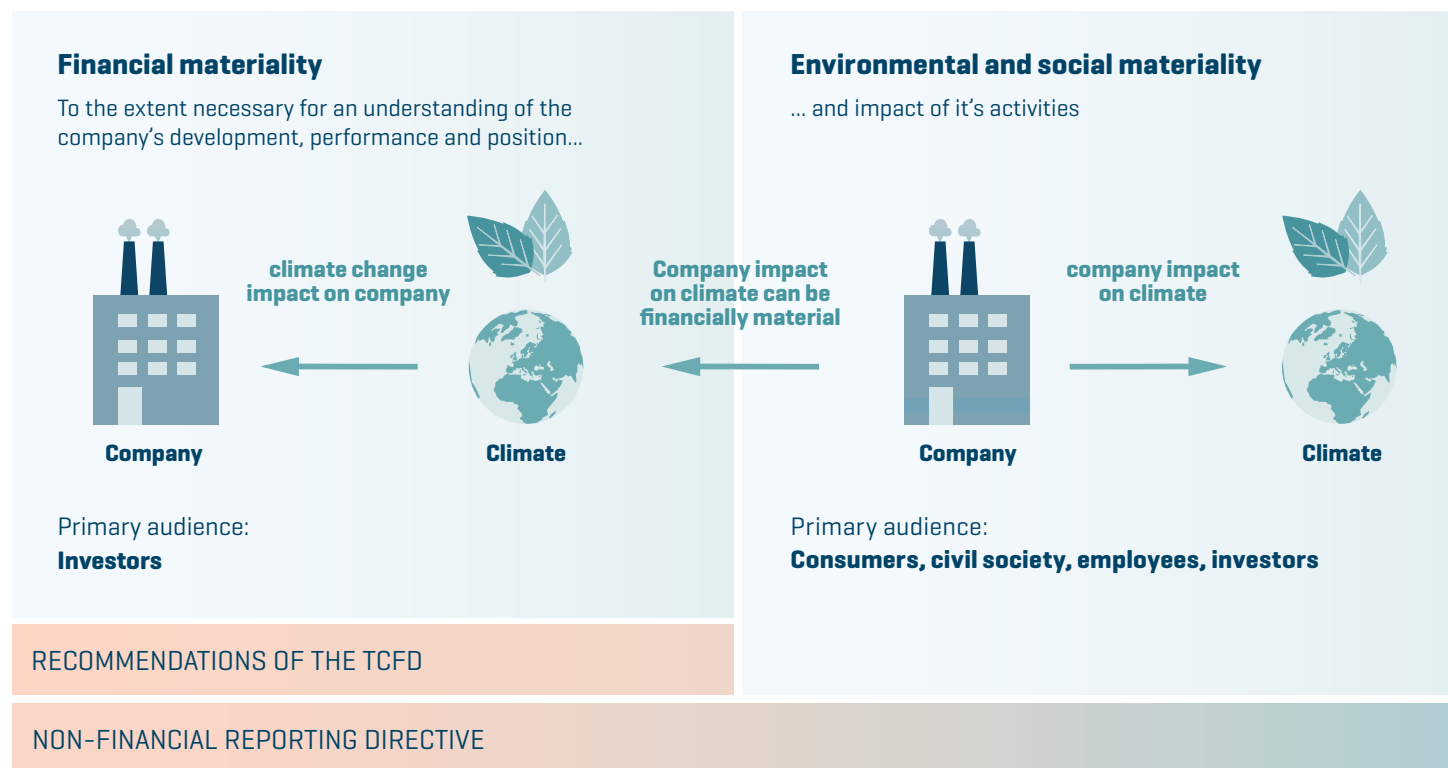


Figure 2: Double materiality of climate-related impacts [Source: EC Guidelines of Non-financial Reporting: Supplement on climate-related information (2019)]

risks (including climate risks) of loans. It has long been an integral part of the overall due diligence conducted for each transaction based on the NIB's Sustainability Policy and Guidelines. NIB's [Sustainability Policy](#) was revised during 2020–2021 and substantially reinforced by the approval of the Bank's Board of Directors in September 2021. The revised policy was launched in

conjunction with an event at COP26 in November 2021.

The revised policy applies Bank-wide, and defines the principles, commitments, and framework for sustainability in all NIB's business conduct. A guiding principle and commitment in our decision-making and behaviour is that we address the climate challenge in accordance with

COUNTERPARTY LEVEL

- >10% mining, extraction or processing of thermal coal or peat
 - >10% energy generation based on thermal coal or peat
 - >10% exploration, extraction, production and transport of unconventional or Arctic oil and gas
- Clients that can demonstrate a robust and credible decarbonisation strategy in line with carbon neutrality by 2050 might not be excluded.

PROJECT LEVEL

Energy

- Mining, extraction or processing of thermal coal and peat
- Exploration, extraction or production facilities for crude oil or natural gas
- Any energy generation based on fossil fuels
- Producing, processing and/or trading of palm oil and its derivatives for energy use

Infrastructure

- Transportation, storage and refining infrastructure for oil
- Transportation, storage or processing infrastructure for natural gas not supporting energy transition to low-carbon gases
- Other transportation infrastructure such as ports, rail networks and vehicles, if the majority of business consists of coal, peat and oil transport

Figure 3: Fossil fuel related business excluded from NIB's financing. Note: >10% refers to more than 10% of a company's annual turnover.

the Paris Climate Agreement by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C. A foundation for this is built in the revised exclusion list of the type of activities and counterparties that NIB will not knowingly finance or invest in. The revised policy considerably strengthens the exclusions of fossil fuel-related activities [see Figure 3].

In addition to our established risk-based assessment of potential significant negative environmental and social impacts of projects, the revised policy incorporates the new approaches to assessing the ESG performance of counterparties in lending and treasury business. For lending counterparties, emphasis is placed on their

climate strategies, targets, governance, and performance. Benchmarks to assess the level of ambition, credibility and transition risk associated with the climate strategies and targets include Science Based Targets, EU taxonomy thresholds, Paris-aligned climate scenarios [e.g. Net-Zero Emissions by 2050 and Sustainable Development Scenarios of the International Energy Agency] and the CDP climate ratings.

NIB became a signatory of the United Nations Principles for Responsible Investment (PRI) in 2020 and adopted its [Responsible Investment Framework](#) in May 2021. The Framework sets out the principles for integrating ESG factors into the Bank's treasury operations. NIB uses

external data to assign ESG scores to all its investments. Findings based on the ESG scores are used either to avoid or to favour investments being evaluated. For other treasury transactions such as funding, NIB uses external controversy monitoring providers to assess counterparties as part of the overall selection process.

NIB's first-line business functions [Lending and Treasury] are committed to actively engage with their counterparties on material ESG and climate issues and to incorporate them in credit and investment decisions in accordance with NIB's Risk Appetite Statement. This practice also aligns with the Principles for Responsible Banking and the Principles for Responsible Investment.

In 2021, NIB also began to test analytical tools for measuring the transition risk as climate adjusted probability of default for lending counterparties within the UNEP-FI TCFD programme for banks. The purpose of the exercise was to understand the data requirements, data coverage with respect to NIB's counterparties, sectoral coverage, the underlying assumptions, and scenarios embedded in the tools, as well as the interpretation of outputs. In 2022, we intend to continue testing tools that would help to enhance the assessment of the financial impact of climate change on our lending and treasury counterparties.

4.2 Climate risk assessment at portfolio level

NIB initiated the identification and assessment of transition risks at the lending portfolio level in 2021. The main analyses undertaken are described below and their indicative results are presented in Section 5 *Metrics and Targets*.

Heatmap of lending portfolio's exposure to transition risks

NIB developed an indicative transition risk heatmap for its loans outstanding 2019–2021 at the sector and sub-sector level, based on three sensitivity levels [low, moderate and high]. The exposures per industry sectors and sub-sectors were segmented according to their typical vulnerability to transition risk, e.g., through direct/indirect emissions costs, low-carbon capital expenditure and revenue, on their pathway towards climate neutrality by 2050.

For this purpose, we drew on internal expert analyses as well as on existing heatmaps, such as Moody's Environmental Heat Map 2021 and the UNEP FI Transition Risk Heatmap¹. Further, the Nordic–Baltic business environment was taken into consideration, as most of NIB's loans outstanding are with Nordic and Baltic counterparties. We also complemented the assessment with information on specific counterparties acquired through our lending due diligence process. The results are shown in Section 5.1.

The indicative heatmap provides a basis for identification of the sectors and sub-sectors that are potentially most exposed to transition risks

and helps to focus more detailed transition risk assessment. The heatmap can also be used to develop relevant climate risk scenarios. In 2021, we conducted a more detailed analysis of the power and heat sector. This sector is generally regarded as highly vulnerable to transition risks and represents the largest single-sector exposure in loans outstanding in NIB's lending book. The results of the analysis are shown in Section 5.2.

Accounting of financed emissions for the power and heat sector

In 2021, we collected greenhouse gas (GHG) emission data and climate target data for the counterparties in our lending portfolio, using publicly available sources [mainly counterparty annual and sustainability reports]. The publicly reported data was supplemented with internal data when available. We will complete the baseline data collection using other sources, proxies, or client engagement during 2022 to the extent feasible and relevant for the development of NIB's climate strategy and further climate risks assessment.

Using the data collected in 2021, we calculated our financed emissions for the power and heat sector according to the Global GHG Accounting and Reporting Standard for the Financial Industry by the Partnership for Carbon Accounting Financials (PCAF)². Hence, the analysis addressed the emissions considered in category 15 [Investment] in the GHG Protocol's accounting rules for Scope 3 emissions. We selected the power and heat sector for this analysis first, due to its generally high sensitivity

to transition risk and NIB's material amount of loans outstanding in this sector.

The scope of the analysis included the loans outstanding in this sector as of 31 December 2020. The counterparty emissions covered in the mapping comprise the direct [i.e., Scope 1] and if available, energy-related indirect [i.e., Scope 2] emissions of the borrowers. The mapping was performed based on reported emissions, and for the calculation of NIB's financed emissions in this sector, the Scope 1 and 2 emissions of the counterparties were added up. The borrowers' Scope 3 emissions were not included in the analysis due to limited data availability. At this stage, we have not approximated the emission data gaps with any method yet, but instead disclose the percentage of loans outstanding for which data was available, and upon which the calculation was based.

To calculate NIB's financed emissions for the power and heat sector, we defined our share of the GHG emissions of our borrowers in proportion with NIB's exposure to borrowers' total value. For the attribution, we used the PCAF Global Standard for the "Business Loans" asset class. The borrowers' total value was measured as a sum of total equity and debt for private companies and as enterprise value including cash for listed companies. The results are shown in Section 5.2 and should be regarded as indicative. As the availability of emissions data increases and GHG accounting methodologies for financial institutions further develop, the reliability of financed emissions estimates is expected to improve.

¹ <https://www.unepfi.org/publications/banking-publications/beyond-the-horizon/>

² <https://carbonaccounting-financials.com/>

Paris Agreement Capital Transition Assessment (PACTA) of the power and heat sector

NIB also carried out a preliminary portfolio alignment assessment of the lending portfolio. For this purpose, the Paris Agreement Capital Transition Assessment (PACTA) for Banks³ methodology developed by the 2° Investing Initiative and its partners was applied. PACTA is an open-source software that helps banks involved in corporate lending to measure the alignment of their portfolios with the goals of the Paris Climate Agreement, thereby providing an indication of the portfolios' exposure to transition risk.

The assessment was performed using the asset-level data provided by Asset Resolution for banks to carry out a PACTA analysis. The borrowers in NIB's lending portfolio were matched with the owners of the assets in the dataset. Whereas the coverage for NIB's clients in the power sector was relatively high, it was very limited in others. The assessment therefore focused on the power sector. The internal data used consisted of loans outstanding as of 31 December 2020. The climate scenarios applied in the analysis were those from the International Energy Agency included in the PACTA software. Our interest was especially in the estimated alignment of the power sector exposure with the Sustainable Development Scenario, which is regarded as aligned with the Paris Agreement goals. PACTA provides an assessment of the portfolio alignment over the next five years with the selected scenario based on a technology/fuel mix and production

volume trajectory. The results of the assessment based on the technology/fuel mix trajectory are summarised in Section 5.2.

4.3 Integration with overall risk management

Climate risk management regulations and standards are developing rapidly. The common expectation among the standard-setters is for banks to take climate and ESG risks into account in their overall risk management frameworks, and to incorporate them as drivers of existing risk categories (i.e., credit risk, market risk, liquidity risk and operational risk). However, the risk assessment and quantification methodologies and tools still remain in their infancy.

The second-line monitoring and control function at NIB (the Risk & Compliance department) implements the Bank's risk management related policies, guidelines and frameworks as approved by the Board of Directors and the President. The department has the overall responsibility for identifying, measuring, assessing, monitoring and reporting on risks across risk types and organisational units. In terms of climate risk, the department is developing its risk management framework further considering the evolving market standards and international regulations⁴. The Bank defined its stance qualitatively on climate risk in the latest revision of its [Risk Appetite Statement](#) (RAS) in June 2021. In the next stage, the intention is to supplement that qualitative statement with key risk indicators (KRIs). Climate risk – covering both physical and transition risks –

has been recognised as part of the Bank's overall risk management framework and will be managed using similar risk management principles and governance structures to those described in the Risk Management Policy.

Climate risk is not yet quantifiable in terms of [potential] economic capital requirements. However, it has been included qualitatively in NIB's Internal Capital Adequacy Assessment Process (ICAAP) framework since 2020. It is deemed essential to manage climate risk as a key emerging risk and driver of existing risk categories. The annual capital and liquidity assessment (ICAAP Report) is delivered to the Board of Directors for approval, facilitating the discussions on the climate-related risks and NIB's risk profile in general.

³ <https://www.transitionmonitor.com/pacta-for-banks-2020/methodology-and-supporting-materials/>

⁴ ECB guide on climate-related and environmental risks (November 2020); EBA report on management and supervision of ESG risks for credit institutions and investment firms (June 2021); Capital Requirements Directive (CRD) and Regulation (CRR) (October 2021).

5 METRICS AND TARGETS

5.1 Transition risk exposure of the Lending portfolio

Figure 5 provides a breakdown of the loans outstanding in NIB's lending portfolio in 2019, 2020 and 2021 and a high-level heatmap, in which the potential sector/sub-sector sensitivity to transition risk is categorised using a three-level scale as low, moderate or high.

At this stage, the "Financial Institutions" (i.e., banks and diversified financials) and "Public Sector" (i.e., central, regional and local government and supra-nationals) are not assessed due to a lack of sufficient data and an established assessment methodology. More than 95% of central, regional and local government loans outstanding are within the Nordic and Baltic countries. The loans to counterparties who focus on road construction, public transport or public real estate, and which were classified as "public sector" according to the industry classification, were included in the respective sectors and sub-sectors for the purpose of this heatmap.

NIB's exposure to the real estate sector is also located in the Nordic and Baltic countries. In the Nordics, the operational energy efficiency of buildings is at a relatively high level, and the number of green buildings certified in accordance with international and national schemes has grown. In the Baltic countries, national renovation programmes to improve the building stock's energy efficiency are still running, and there are

few certified green buildings. It is characteristic of this sector that the share of embodied carbon emissions associated with building materials increases as the operational energy performance of the building stock improves. Due to the geographical location of NIB's real estate exposure, we have categorised the sensitivity to transition risk as low.

The sensitivity of the power and heat sector to transition risk ranges from low to high, as indicated in Figure 5. The level of risk depends on the type of business (i.e., energy generation vs. power transmission and distribution) and the energy mix of the energy generation at the counterparty and regional level. As this sector constitutes 19% of NIB's loans outstanding, we have performed a more detailed analysis of this sector using the reported data for 2020. The results are shown in Figure 6.

Combining the sensitivity categorisations of Figure 5 and 6 provides the transition risk distribution for NIB's lending portfolio as shown in Figure 4. The indicative heatmap creates a basis for the identification and further assessment of the sectors and subsectors with potentially higher transition risks. However, the exposures do not necessarily imply that NIB's specific counterparties in these sectors and sub-sectors have high sensitivity to transition risks, because their climate strategies and transition plans have not been factored in.

Distribution of transition risk categories for NIB's lending portfolio %

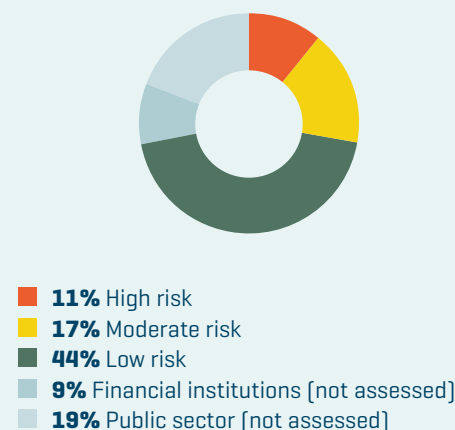


Figure 4: Overall distribution of transition risk categories for NIB's lending portfolio

Figure 5: NIB's transition risk heatmap and loans outstanding 2019–2021

Industry sector and sub-sector	2019		2020		2021		TRANSITION RISK
	TOTAL BALANCE [EUR MILLION]	SHARE OF TOTAL [%]	TOTAL BALANCE [EUR MILLION]	SHARE OF TOTAL [%]	TOTAL BALANCE [EUR MILLION]	SHARE OF TOTAL [%]	
Oil & Gas	44	0.2%	68	0.3%	121	0.6%	
Oil & Gas transportation and Storage, Gas Utilities	44	0.2%	68	0.3%	121	0.6%	
Power and Heat	3,626	19.5%	4,046	18.9%	4,175	19.0%	
Metals & Mining	288	1.5%	365	1.7%	318	1.4%	
Diversified Metals & Mining	137	0.7%	226	1.1%	221	1.0%	
Steel	151	0.8%	139	0.6%	97	0.4%	
Industrials	2,026	10.9%	2,233	10.4%	2,127	9.7%	
Chemicals	437	2.3%	464	2.2%	414	1.9%	
Paper & Forest Products, Packaging	270	1.5%	387	1.8%	467	2.1%	
Capital Goods	1,245	6.7%	1,327	6.2%	1,211	5.5%	
Building Products	161	0.9%	155	0.7%	150	0.7%	
Construction & Engineering	301	1.6%	281	1.3%	276	1.3%	
Electrical Equipment	0	0.0%	5	0.0%	27	0.1%	
Machinery	783	4.2%	885	4.1%	758	3.5%	
Commercial & Professional Services	74	0.4%	54	0.3%	34	0.2%	
Transportation	2,767	14.9%	3,135	14.7%	3,315	15.1%	
Automobiles & Components	363	2.0%	345	1.6%	325	1.5%	
Shipping	31	0.2%	76	0.4%	163	0.7%	
Railroads and public transport	662	3.6%	1,007	4.7%	1,173	5.3%	
Airport Services	754	4.0%	720	3.4%	699	3.2%	
Marine Ports & Services	19	0.1%	28	0.1%	41	0.2%	
Roads	872	4.7%	902	4.2%	863	3.9%	
Logistics	66	0.4%	57	0.3%	50	0.2%	
Consumer Retail	1,740	9.3%	1,642	7.7%	1,655	7.5%	
Consumer Durables and Apparel	475	2.5%	421	2.0%	356	1.6%	
Food and Beverage Production	620	3.3%	521	2.4%	563	2.6%	
Food & Staples Retailing	404	2.2%	463	2.2%	483	2.2%	
Others	242	1.3%	237	1.1%	254	1.2%	
Health Care	920	4.9%	1,196	5.6%	1,118	5.1%	
Real Estate	1,169	6.3%	1,615	7.5%	1,712	7.8%	
Tech and Telecom	928	5.0%	899	4.2%	936	4.3%	
Water Utilities	340	1.8%	435	2.0%	415	1.9%	
Financial Institutions	2,158	11.6%	1,855	8.7%	1,949	8.9%	
Public Sector	2,614	14.0%	3,906	18.3%	4,102	18.7%	
Total	18,623	100%	21,394	100%	21,942	100%	

● Low
 ● Moderate
 ● High
 ● Not yet assessed

5.2 Sector deep dive – Power and heat

The power and heat sector consists of energy [co-]generation facilities with district heat and cooling networks, power transmission and distribution companies, as well as utilities involved in multiple business segments. The business composition of this sector part of NIB's lending book is shown in Figure 6.

26% of our sectoral exposure is to companies dedicated to power transmission or distribution. More than 99% of this exposure is to companies operating within the interconnected European power system in the Nordics and Baltics or the Icelandic power system. According to the EU Taxonomy, power transmission and distribution are enabling activities that are taxonomy-eligible within the interconnected European system. Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant with a carbon intensity of more than 100 gCO₂e/kWh measured on a life cycle basis is excepted from this. In Iceland, the power generation base consists of hydropower, geothermal power and wind power. The grid emission factor is far below 100 gCO₂e/kWh, hence the grid investments in Iceland are also eligible for the EU taxonomy.

Considerable CAPEX investments in the grid are required to enable the connection and transmission of growing renewable capacities, to support the electrification of societies and to enhance the power system's resilience. NIB's loans to counterparties operating in this business segment have supported such investments.

Figure 6: Sensitivity to transition risk and financed emissions for the Power and Heat Sector in 2020

Industry segment	EXPOSURE [€ MILLION]	SHARE OF EXPOSURE [%]		SCOPE 1 AND 2**** [CO ₂ t]	TRANSITION RISK
		POWER AND HEAT	ENERGY GENERATION		
Power and Heat (18.9% of total portfolio)	4,046	100%			
Purely power transmission and distribution	1,071	26%			●
Utilities with heat and power generation	2,974	74%	100%		
Energy mix known	2,835	70%	95%		
RE* 90-100%	1,802	45%	61%		●
RE 60-89% & WtE or nuclear**	416	10%	14%		●
RE 60-80% & FF 20-39%	214	5%	7%		●
FF ≥ 40%	402	10%	13%		●
Energy mix unknown	140	4%	5%		●
Total financed emissions	3,486	86% ***		1,164,000	

● Low ● Moderate ● High

* Renewables (RE) include hydro, wind, solar, geothermal, biomass, biogas and recovered heat [e.g. waste heat and seawater].

** Waste-to-energy (WtE), waste derived fuels and nuclear are regarded separately.

*** Includes the highest fossil fuel (FF) exposures. 5% of the uncovered exposure is based on 100% RE energy generation.

**** Scope 1 included for all covered counterparties and scope 2, if data is available, based on reported emissions.

Overall, we assess the sensitivity of our exposure to transition risk in this segment as low.

74% of our sectoral exposure is to utilities with heat and power [co-]generation assets. To further assess their sensitivity to transition risk, the energy mix data for our counterparties as generation volumes has been collected as reported in 2020 or if not available, internal due diligence data has been used. The energy mix data covers about 95% of our total loans in this segment. In our risk assessment, the renewables (RE) include hydro, wind, solar, geothermal, biomass, biogas and recovered heat and the fossil fuels (FF) comprise natural gas, hard coal, lignite, peat and oil. Waste-to-energy

[WtE], waste-derived fuels and nuclear are considered separately. Waste-to-energy is not yet included in the EU Taxonomy and, according to NIB's taxonomy, it is regarded as "light green". We recognise the importance of the targets of the circular economy in enhancing the circularity of materials. Nuclear is generally considered a low-carbon energy source, yet there are other environmental and safety risks associated with this technology. Based on this, we categorised the exposure to companies whose fuel mix is unknown or consists of at least 40% FF as high risk. If the fuel mix consists of 90-100% RE, the exposure is assessed as low risk. The loans to utilities that fall between are categorised as low

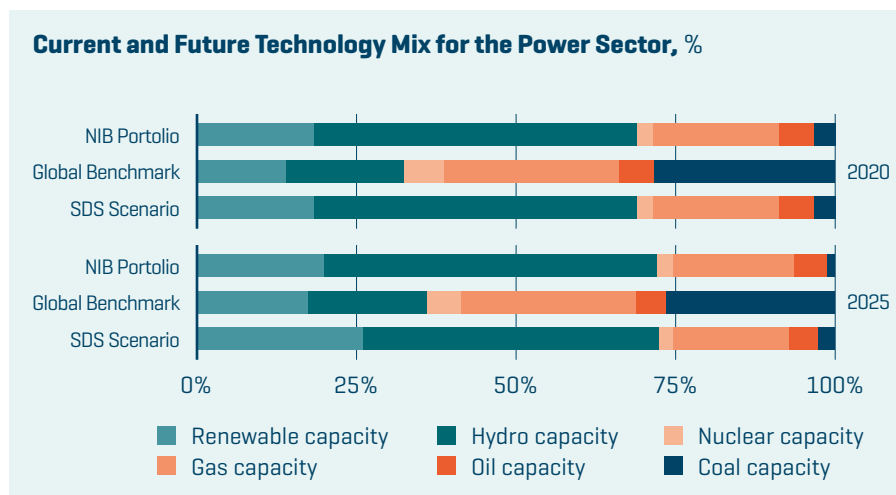


Figure 7: The technology mix for NIB's power and heat sector portfolio against the SDS scenario. Renewables refer to wind, geothermal, solar, ocean and bioenergy. PACTA creates the Global Benchmark using all asset level data included in the dataset.

or moderate risk, depending on whether the non-renewable share of the fuel mix mainly consists of WtE/ nuclear or FF. The heatmap for the power and heat generation segment is shown in Figure 6.

In line with its mission, NIB has focused on financing the build-out of renewable and WtE generation capacities over the past decade to contribute to the decarbonisation of the power and heat sector. This has clearly influenced the composition of the lending book's power and heat sector portfolio and the large share of low transition risk exposure associated with it. The low transition risk exposure also reflects the advanced state of decarbonisation of the power and heat sector in the Nordic-Baltic region, with the share of renewables and low-carbon energy being particularly high in Iceland, Norway and Sweden. Characteristic to the region are the remaining challenges in the decarbonisation of

heat generation for district heating systems and the uncertainty regarding the sustainability of bioenergy due to the tightening sustainability criteria for forest biomass and biogas.

Figure 6 also presents NIB's estimated financed emissions for the power and heat sector at the end of 2020. The calculation was based on the reported emissions with a data coverage of 86% of the loans outstanding in the sector. All clients with high exposure to FF are included. To calculate the financed emissions, the Scope 1 and 2 emissions of the counterparties were added up. The Scope 1 emissions were available for all included clients, while the Scope 2 emissions were only available for a limited number of clients. With these limitations, NIB's financed emissions for this sector amounted to approximately 1,164 kt CO₂. This estimate is preliminary and will be further refined as the data availability improves.

The relevance of Scope 1 and 2 emissions for different borrowers depends on their business and/or their fuel mix for energy generation. For example, in the case of energy generation companies, the most material emissions are typically the Scope 1 emissions reported in the EU Emissions Trading System. Yet their relevance decreases with the decarbonisation of the company's energy mix, as clearly seen in the Nordics. The most material part of the carbon footprint of power transmission and distribution companies are the Scope 2 emissions due to transmission and distribution losses. The magnitude of these emissions depends on the

regional grid emission factor. Therefore, their relevance decreases with the decarbonisation of the regional power generation sector, as is observed in the Nordics.

The assessment of the alignment of NIB's power and heat sector portfolio with the IEA's Sustainable Development Scenario (SDS) using PACTA supplements the results of the sectoral heatmap analysis described above. The asset level dataset used in the assessment was provided by Asset Resolution and covered 89% of NIB's loans outstanding in this sector, representing 73% of the counterparties. However, as there are limitations and assumptions related to the asset level data and the matching of the asset owners with NIB's exposures, the results of the assessment should be considered as preliminary.

The results of the alignment assessment based on the technology/fuel mix trajectory are presented in Figure 7. The alignment is modelled using forward-looking data on installed capacity of power generating assets over the next five years. The figure indicates that NIB's loan portfolio is well aligned in terms of technology mix for the power sector with the SDS scenario in 2020 and 2025. Characteristic to the Nordic power market, the share of hydropower in NIB's portfolio is estimated to be greater than in the SDS scenario in 2025. Further, the estimated coal capacity of NIB's portfolio in 2025 is lower than in the SDS scenario. Altogether, NIB's power and heat portfolio appears considerably cleaner than the global benchmark.

5.3 Environmental / Climate financing

NIB's mission fulfilment rate of the loans [i.e., "good" or "excellent" mandate rating for their impact on productivity and/or the environment] disbursed in 2021 and over the previous years is presented in the [Report of the Board of Directors 2021](#). The overall mandate fulfilment target for 2022 remains at least 90%. The separate targets for the fulfilment of the productivity and environmental mandate were revised in 2021 and set at 45% each for 2022. NIB also made a midterm 30-by-30 pledge at COP26, meaning that by the end of 2030, NIB aims to finance projects that have a positive environmental impact in the amount of at least EUR 30 billion, as the total project size that we are supporting.

As an international financial institution, NIB has a long tradition of quantifying the expected change in GHG emissions resulting from the projects financed based on the methodologies of the International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting. The annual GHG impact of NIB's financing during 2016–2021 based on the loans disbursed is shown on page 15 in this report. The reduced/avoided GHG emissions due to projects financed in 2021 are presented on page 19. Further, a first assessment of the estimated alignment of NIB's Environmental Bond project categories with the EU taxonomy is included in this report on pages 36–37.

5.4 Bank's internal operations

The Bank calculates the environmental impact of its own operations, including the carbon footprint [scopes 1, 2 and 3], according to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. NIB has taken various measures to reduce the climate impact of its internal operations. Since 2013, the Bank has purchased 100% renewable electricity and switched to district heating based on 100% waste heat in 2020. NIB's office premises are also connected to carbon-free district cooling. In 2021, the renovated office building was certified according to the BREEAM Excellent green building certification scheme. NIB has offset its net CO₂ emissions since 2018. For further information, see [our website](#) and page 52 in this report.

6 ENGAGEMENT ON CLIMATE-RELATED PLATFORMS AND NEXT STEPS OF OUR CLIMATE WORK

We place great importance on sharing and learning with other international financial institutions, commercial banks, investors and clients to develop the sustainable finance market. For this purpose, NIB participates in international and regional forums to promote sustainable finance. The most notable engagements contributing to the Bank's climate work in 2021 were:

- Participating in Phase III of the UNEP FI TCFD programme for banks with nearly 50 other banks and investors

- Being an observer at the Network for Greening the Financial System (NGFS) consisting of banking supervisory authorities and central banks
- Joining the Coalition of Finance Ministers for Climate Action as an institutional partner
- Acting as a member of the Executive Committee of the ICMA Green Bond Principles (GBP) and participating in various working groups
- Attending events focusing on the EU Taxonomy for Sustainable Economic Activities and the EU Green Bond Standard and monitoring their development.

The work of the Climate Risk Integration working group continues in 2022 with several tasks to develop the identification, assessment and reporting of climate-related risks. The common goal for 2022 is to enhance the measurement of climate risk. As next steps, NIB intends to:

- Complete the greenhouse gas mapping for the lending and treasury portfolio
- Define the climate-related key risk indicators for the Risk Appetite Statement
- Develop NIB's climate strategy and targets
- Continue trials with tools to measure climate risk at the counterparty level and create climate-related scenario(s) for the portfolio level analysis
- Enhance external and internal climate-related reporting
- Continue with climate-related awareness raising across the organisation and with our clients

NIB'S OWN ENVIRONMENTAL IMPACT

Managing internal operations in 2021

NIB's most substantial sustainability impact arises from our lending operations. Even so, we believe it is important to measure, monitor, and manage our internal processes for business travel, energy performance, recycling, waste management, and responsible procurement consistently. We are committed to reducing the carbon footprint of our internal operations, and manage our impact in several ways:



Business travel

Business travel makes up a significant part of our main environmental impact, although remote communication has decreased our business travel needs.



Digitalisation

We aim to digitalise business processes to make our work more efficient and lower our carbon footprint by enabling hybrid work and reduce commuting.



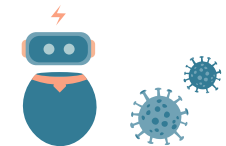
Carbon offsetting

We use UN certified projects to offset our residual carbon emissions.



Climate action

We voluntarily support climate action projects in our member countries.



Cleaning

Our new cleaning service uses deionised water for surfaces and we have robots to help. Due to the COVID-19 pandemic, increased safety and hygiene measures were implemented at the office.



Energy use

Our energy use is 100% carbon-free [electricity, district heating & cooling].



EPV chargers & hybrid company cars

We have 49 chargers for electric vehicles, and 3 company cars in own use, all of which are hybrid.



Internal Sustainability Council

Our Internal Sustainability Council works to strengthen NIB's sustainability agenda by defining annual actions and initiatives for staff engagement.



Our office building

NIB's renovated office building received BREEAM Excellent certification in 2021. NIB is also part of the WWF Green Office programme.



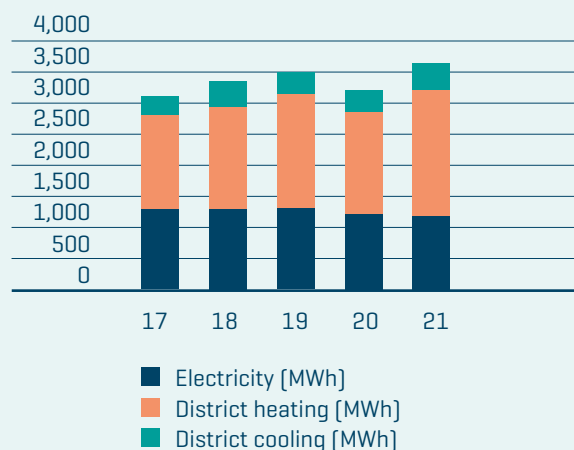
Recycling

We recycle our waste and have our own kitchen compost.

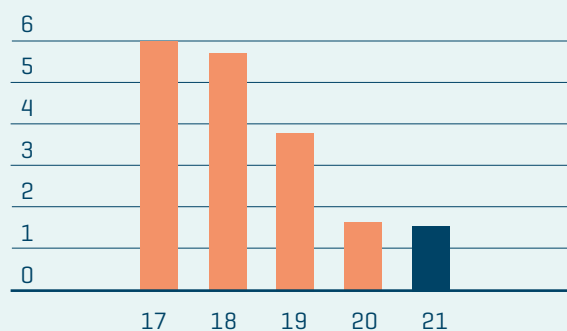
NIB's direct environmental impact

	2017	2018	2019	2020	2021	CHANGE 2019-2020, %	CHANGE 2020-2021, %
Electricity [MWh]	1,300	1,308	1,316	1,225	1,211	-6.9%	-1.1%
District heating [MWh]	1,535	1,654	1,864	1,657	2,002	-11.1%	20.8%
District cooling [MWh]	311	430	368	363	426	-1.4%	17.5%
Energy total [MWh]	3,146	3,392	3,548	3,245	3,640	-8.5%	12.2%
Water [m ³]	2,990	3,576	3,293	2,171	2,012	-34.1%	-7.3%
Paper; copy and printing [t]	6.0	5.7	3.8	1.7	1.6	-55.3%	-5.9%
Business flights [million km]	4.1	4.0	3.7	0.8	0.8	-78.4%	-3.9%
Business flights CO _{2e}	443	438	405	93	109	-77.0%	17.3%
Recycled paper; office, newspapers, magazines and brochures [t]	10.1	10.1	5.1	6.2	5.6	21.6%	-9.7%
Other waste [t]	22.2	25.6	22.4	16.1	11.2	-28.1%	-30.4%
- Bio waste	14.1	15.4	13.7	9.5	7.0	-30.7%	-26.2%
- Energy waste	1.6	1.6	1.6	1.2	0.7	-25.0%	-38.8%
- Mixed waste	6.5	8.6	7.1	5.4	3.5	-23.9%	-34.4%
Commuter benefit coupons [signed for in number of persons]	156	158	151	158	162	4.6%	2.5%

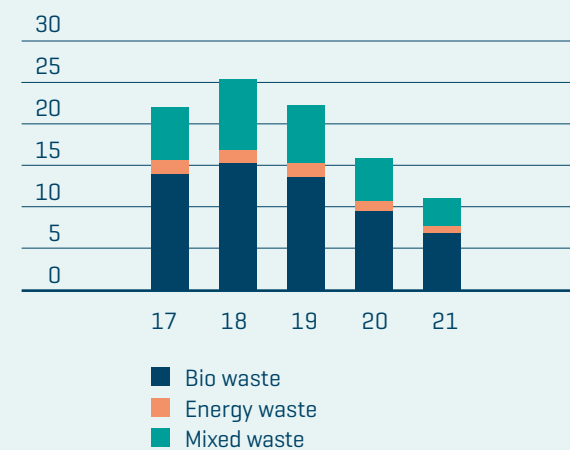
Energy, MWh



Paper; copy and printing, tonnes



Waste, tonnes



NIB'S OWN ENVIRONMENTAL IMPACT

Carbon emissions from internal operations

NIB's most substantial carbon impact arises from its lending operations. However, we believe it is important to work continuously to reduce the carbon impact of our own internal operations. Our aim is to regularly measure, monitor, improve, manage and transparently report our internal carbon footprint and the progress made.

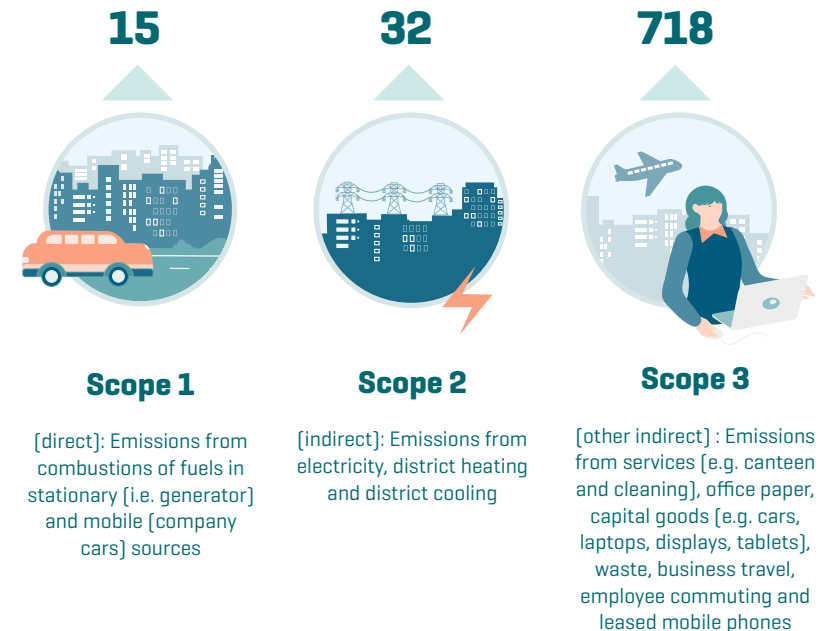
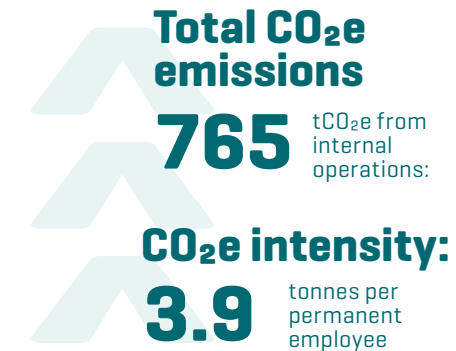
This year, we continued to develop and use our carbon footprint calculation tool for our internal operations. The tool has helped us identify actions to reduce our own carbon footprint. In 2021, our internal carbon footprint was 765 tonnes of CO₂e, decreasing slightly [5%] from the previous year.

OFFICE BUILDING AND SERVICES

One of the actions that significantly contributes to our carbon emissions is the use of energy. NIB purchases 100% renewable electricity through guarantees of origin and our office building at Fabianinkatu 34, Helsinki is heated with carbon-free district heating and cooling. In 2021, the BREEAM Excellent certification of the office building after the recent renovation was completed.

Changes in cleaning services, including partial automation of the cleaning, and moving from chemical use to deionised water has improved the efficiency and decreased the carbon footprint arising from cleaning.

In 2022, NIB plans to outsource its in-house server to a centralised data centre with high environmental performance and energy efficiency, which will reduce the energy use. To increase recycling of ICT equipment, employees will be offered the possibility to purchase equipment such as mobile phones and tablets when they are up for renewal.



BUSINESS TRAVEL AND EMPLOYEE COMMUTING

As an international financial institution, business travel is an unavoidable part of our operations, with flights adding significantly to our emissions. The COVID-19 pandemic has continued to limit the emissions arising from travel. In 2021, travel increased somewhat from 2020 but still constituted only 15% of the Bank's total emissions, compared with 33% in 2019 (pre-COVID). Learning from the experience during the pandemic period, in 2022, NIB is planning to further upgrade conference rooms and tools for remote working to enable a future work model where work is not connected to time and place and that will limit business travel and employee commuting required even after the pandemic.

As of 2021, NIB's car fleet for administrative purposes consist entirely of hybrid vehicles. The number of electric vehicle charging stations at the office were increased to a total 49 stations to promote commuting by electrical vehicles. Bike parking area in connection with the office has also been expanded and NIB is currently assessing the possibility for providing electric and regular bikes as an employee benefit.

NIB's climate action projects support the UN Sustainable Development Goals



ENGAGEMENT IN CLIMATE ACTION

We understand that our footprint cannot be entirely avoided. We therefore engage in climate action and voluntarily support climate projects, both in the developing countries and in NIB's member region. These projects reduce greenhouse gas emissions and advance the UN Sustainable Development Goals.

In 2021, we have compensated for our residual carbon emissions from the previous year by supporting a Gold Standard certified

safe water project in Zimbabwe. We have also made a contribution to Sengires Fondas, a foundation working to protect the natural status of old-growth forests in Lithuania. Through this contribution, NIB supports nature conservation and biodiversity protection in the Nordic-Baltic region.

For details about our carbon emissions and a description of the boundary, scope and calculation methods, see page 72 *About our internal carbon emissions*.

Working at NIB

Message from HR

The year 2021 was in many ways a transformative one. A new CEO and CFO joined NIB, and new members were appointed to the management group. NIB's business strategy was revised. In line with our strategic targets, we are seeking more agile ways of working. As a first step, we established a hybrid work model to better support the mobility and flexibility of our staff.

In a hybrid work environment, team dynamics also shifted. Our goal is to maintain a strong sense of community and teamwork under the changed circumstances. To this end, new training programmes to strengthen our ways of working and the leadership culture at all levels of the Bank were initiated.

Our staff are one of our most important assets and are essential for fulfilling NIB's mission and to meet our business targets. Going forward, NIB's goal is to continue to provide a positive employee experience and to promote a sustainable working environment.

Work Engagement Survey 2021

In 2021, we conducted a work engagement survey among our staff. The objective was to gather feedback on employees' individual job motivation, their sense of wellbeing at work and their views

What matters to us

Rating from 1-5, 5 being the highest

Number of responses received in 2021: 192 (87% of total staff members)



My work

I feel that my work is meaningful



I feel that my work contribution is needed, and my working role is aligned with NIB's activities



My work gives me the opportunity to learn something new



My team

We have a good team spirit



We are committed to our common targets and objectives in the team



My employer

NIB operates responsibly as an organisation (environmental, social, governance [ESG], and economic)



I believe NIB will be successful in the future



I would recommend NIB as an employer



on teamwork and the management. The survey also included questions on NIB's strategy, the COVID-19 situation and remote work, as well as on aspects related to equality, diversity, and inclusion (EDI).

The survey results were very positive, especially with regards to supervisory work and teamwork, reflecting strong levels of commitment. The Bank's handling of health and safety during the pandemic received an excellent scoring. Results related to EDI aspects were also positive. Further development needs were identified in relation to digitalisation and the implementation of new initiatives.

Hybrid work at NIB

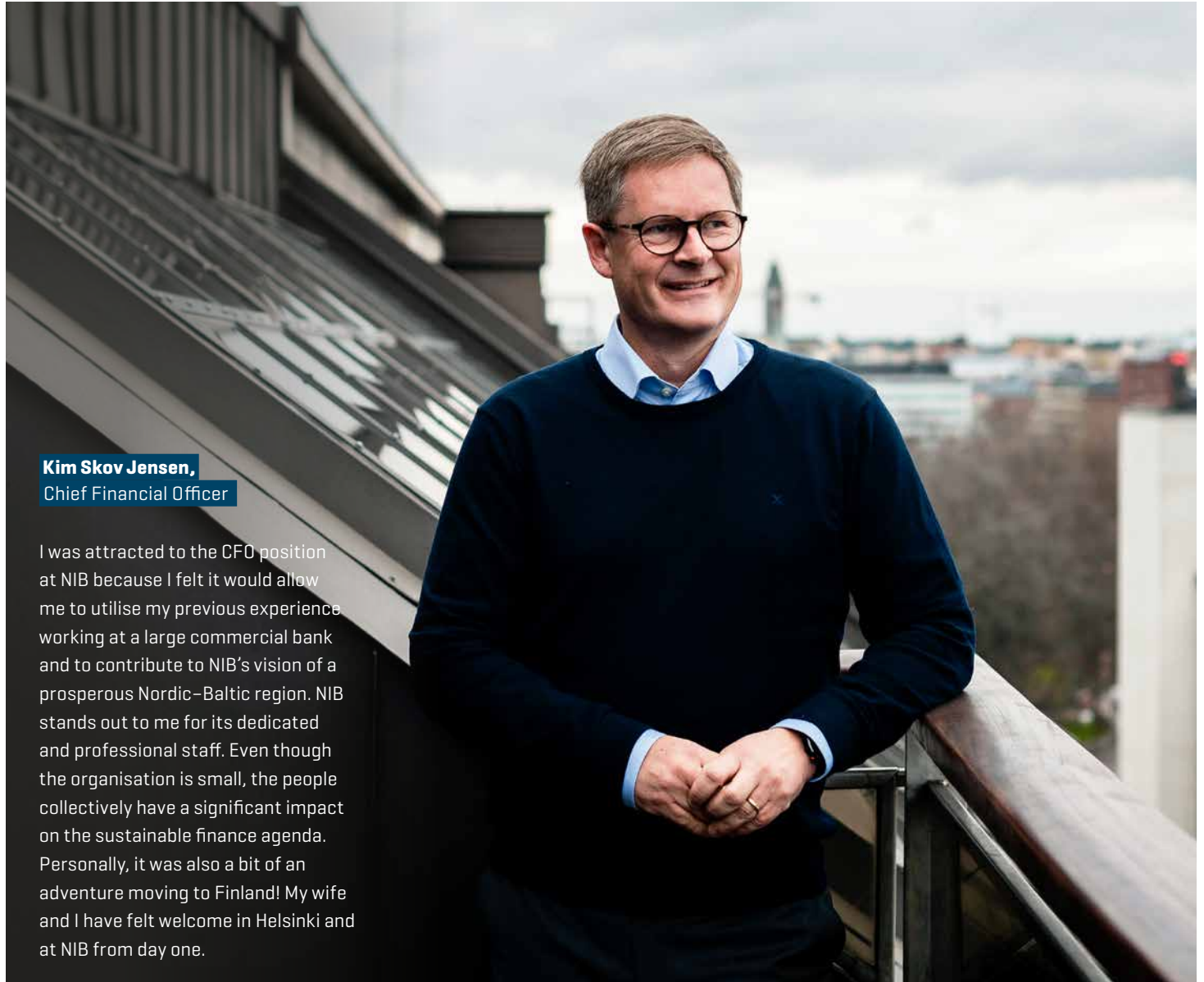
During the COVID-19 pandemic, our staff worked remotely to a large extent. Following the decision of the Finnish government to lift corona-related restrictions in October, we decided to implement a hybrid work model. This means that our staff can [COVID incidence rates and government safety recommendations permitting] return to the office without limitations on office occupancy, while being able to maintain flexibility and allow for remote working. However, due to rising numbers of COVID infections in Finland, we returned to extensive remote work in November.

Salary benchmarking survey on pay equity

Over the past years, NIB has taken an active approach to addressing any gaps in pay equity between male and female employees. In autumn 2021, the Bank engaged with Mercer, a human resource consulting firm, for the purpose

Kim Skov Jensen,
Chief Financial Officer

I was attracted to the CFO position at NIB because I felt it would allow me to utilise my previous experience working at a large commercial bank and to contribute to NIB's vision of a prosperous Nordic-Baltic region. NIB stands out to me for its dedicated and professional staff. Even though the organisation is small, the people collectively have a significant impact on the sustainable finance agenda. Personally, it was also a bit of an adventure moving to Finland! My wife and I have felt welcome in Helsinki and at NIB from day one.



Kirke Saar,
Head of IT, CIO

Before I applied for the role of Head of IT, I was not aware of this small organisation in Helsinki. However, it is the hub of the world, with multiple nationalities, very high professionalism, and a high impact of the sustainability of the region. IT supports NIB in delivering world class banking services and drives the institution's digitalisation, which makes it a very engaging place to work. There are plenty of opportunities to challenge oneself, and to continue developing one's ways of working.

of conducting a survey to analyse any possible unexplained gaps in compensation levels between women and men, benchmarking NIB against other financial institutions. The survey results uncovered no significant gender pay gaps that could not be explained by factors such as individual performance, experience, job grade, position or length of employment.

Training and development

We encourage individual career planning and are keen to offer our employees training opportunities to support the development of skills and professional growth. This year, we continued our "Sustainable Finance Programme" in cooperation with the Stockholm School of Economics (first held in 2020), which aims to further increase employees' understanding of the business environment and sustainability issues particularly relevant to the financial sector. We also arranged a training programme, "Managing and Leading at NIB" for middle managers, covering topics such as EDI, wellbeing and values at NIB. Training on EDI and wellbeing was also offered for the whole staff. In addition, we are preparing the launch of a revised model for leadership skill enhancement, performance management and staff competence in early 2022. Due to COVID-19, most training is being organised virtually.

Job rotation and secondments

We also focus on enhancing professional competencies through internal job rotations across different departments in the Bank. These rotations have proven to be an excellent tool for the development of skills and supporting cross-

departmental co-operation. In 2021, four job rotations were arranged. In addition, NIB also initiated two secondment arrangements with our sister organisation NEFCO.

Cooperation between employer and staff

To promote communication between NIB and our staff and to foster new initiatives, we have a Cooperation Council consisting of four members representing the staff and four members representing the Bank. The Council discusses aspects related to the work environment and aims to achieve mutually acceptable solutions for both the Bank and the staff. In 2021, the Cooperation Council met five times.

Further, a new Ombudsman was appointed this year, and updated [Ombudsman Regulations](#) were published.



Pawel Kulak,
Senior Legal Counsel

NIB provides me with an opportunity to contribute to the development of innovative sustainable financing solutions. The Bank's core is built by highly regarded professionals, who are very much focused on creating a great teamwork spirit and an inclusive atmosphere. For me, this makes NIB a friendly place to work, and provides me with a good blend of satisfaction and a sense of important mission.

Michaela Kettner,
Senior Risk Manager

I opened LinkedIn and by chance spotted a vacancy for the Model Validation Lead position with NIB. It sounded extremely interesting, so my first impulse was to apply and see what happens. When I then made it to the job interviews, I was really impressed by the people I met at the Bank, their attitude, their professional experience, and their cultural backgrounds. This convinced me that my first impulse to change jobs and take up a new professional challenge was exactly right, and still to this day I am more than happy with this decision.



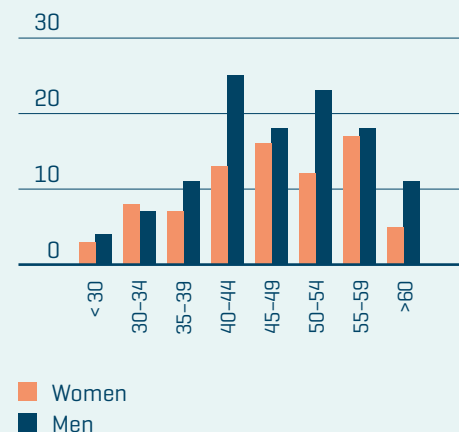
Our work community*

Based on time-stamp data as per 31 December	2019	2020	2021
Total number of employees	229	222	221
Permanent employees	202	193	198
- Women	87	81	81
- Men	115	112	117
Temporary employees	27	29	23
- Women	12	12	9
- Men	15	17	14
Full-time employees	208	200	199
- Women	85	79	77
- Men	123	121	122
Part-time employees**	21	22	22
- Women	14	14	13
- Men	7	8	9
Managerial positions (permanent employees)	44	44	39
- Women	11	13	12
- Men	33	31	27
New hires (permanent employees)	15	6	14
- Women	6	2	4
- Men	9	4	10
New hires (temporary positions)	17	14	13
- Women	7	5	5
- Men	10	9	8
Average length of employment (permanent employees)	13.0	12.8	11.9
Exit turnover rate during the year	7.0%	8.9%	10.4%
Number of permanent employees with university degree	74%	74%	71%
Average hours of training per year, per employee	15.6	15.6	16.2

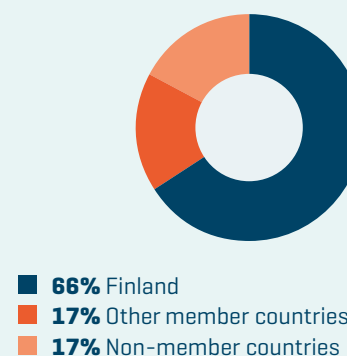
*NIB has five types of employee contracts: permanent contracts [which are valid until further notice], fixed-term contracts [which are four years and longer], project contracts, substitute contracts and temporary contracts. NIB divides its employees into two main categories: permanent and temporary employees. "Permanent employees" refers to employees with contracts valid until further notice and fixed-term contracts of four years or longer. "Temporary employees" covers all remaining contract types.

**As per 31 December 2021, eight employees were on paid or unpaid leave. These employees are included as part-time employees.

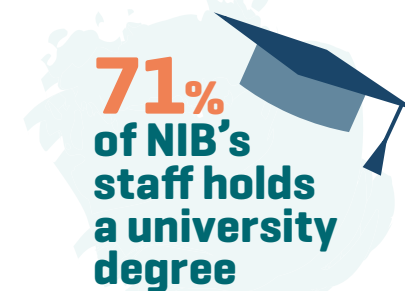
Permanent employees by gender and age group, as of 31 Dec 2021



Origins of staff, %, permanent employees, as of 31 Dec 2021



Our staff represents 26 nationalities.



What we offer – Highlights



Pensions and insurance

NIB employees are included in the Finnish public sector pension system. We also offer a supplementary private group pension insurance scheme for permanent staff. Our statutory insurance cover includes group accident, unemployment and group life insurance. In addition, NIB provides, e.g., disability, medical and travel insurance for its employees.



Family leave

Our staff are granted maternity, paternity, parental and childcare leave according to Finnish legislation. Regardless of gender, NIB pays the employee's salary for a maximum of six months, depending on the length of the family leave, provided that certain criteria are fulfilled.



Equality, diversity and inclusion

For NIB, a sustainable workplace means that we trust and respect each other. We are committed to promoting fair and equal treatment of all our employees and aim for a balanced diversity among our staff. We support inclusion and strive to prevent discrimination and harassment. NIB has an Equality, Diversity and Inclusion Plan for 2019-2021 in place.



Career development

We encourage individual career planning. Personal appraisal and development discussions between supervisors and employees are held at least twice a year.

For employees who have been working at the Bank for several years, NIB provides the opportunity to participate in a support programme to develop their skills and career trajectory.



Wellbeing and working

We promote wellbeing, health and safety in our working environment. NIB has an Occupational Health Care Action Plan and occupational healthcare service provide. We provide extensive health and medical care for our staff, including regular health checks, vaccinations and ergonomic services. We aim for our staff to maintain a healthy work-life balance and offer a hybrid work model.

NIB as an international financial institution

NIB is an international organisation, more specifically an international financial institution. Based on NIB's legal status as an IFI, the Bank is not subject to national legislation, and has developed its own policies and procedures. See [NIB's Legal Framework](#) for more information.

Governance

GOVERNANCE OF NIB

Board of Directors

as of 31 December 2021

The Board of Directors held eleven meetings in 2021.

MEMBERS



Chair of the Board
Ms Esther Finnbogadóttir

ICELAND

Head of Division, Ministry of Finance and Economic Affairs
Appointed: 2016
Attended meetings in 2021: 11

Alternate

Mr Jón Gunnar Vilhelmsson

Head of Division, Ministry of Finance and Economic Affairs



Ms Julie Sonne

DENMARK

Head of Division, Ministry of Industry, Business and Financial Affairs
Appointed: 2016
Attended meetings in 2021: 10

Alternate

Ms Helle Dam-Sørensen

Chief Special Advisor, Ministry of Industry, Business and Financial Affairs



Mr Madis Üürike

ESTONIA

Advisor, Ministry of Finance
Appointed: 2005
Attended meetings in 2021: 11

Alternate

Ms Merle Wilkinson

Advisor of the State Treasury Department, Ministry of Finance



Mr Pekka Morén

FINLAND

Director, Ministry of Finance
Appointed: 2016
Attended meetings in 2021: 10

Alternate

Mr Petri Peltonen

Under-Secretary of State,
Ministry of Economic Affairs and Employment



Ms Līga Kļaviņa

LATVIA

Deputy State Secretary on Financial Policy Issues,
Ministry of Finance
Appointed: 2019
Attended meetings in 2021: 9

Alternate

Ms Inese Sudare

Deputy Director of Financial Resources Department,
The Treasury of the Republic of Latvia



Ms Jurgita Uzieliene

LITHUANIA

Deputy Director, EU and International Affairs Department,
Ministry of Finance
Appointed: 2017
Attended meetings in 2021: 11

Alternate

Ms Dovilė Jasaitienė

Head of the International Affairs Division, Ministry of Finance



Deputy Chair

Mr Ole Hovland

NORWAY

Senior Advisor, Ministry of Finance
Appointed: 2019
Attended meetings in 2021: 11

Alternate

Ms Kristin Langeland Ervik

Acting Assistant Director General, Ministry of Finance



Ms Karolina Ekholm

SWEDEN

Professor, Department of Economics at Stockholm University
Appointed: 2021
Attended meetings in 2021: 6

Alternate

Ms Saskia Bodin

Department Secretary, Ministry of Finance

GOVERNANCE OF NIB

Board of Governors

as of 31 December 2021

Chair of the BoG

Mr Simon Kollerup

Minister for Industry,
Business and Financial Affairs
Denmark
Ms Keit Pentus-Rosimannus

Minister of Finance
Estonia
Ms Annika Saarikko

Minister of Finance
Finland
Mr Bjarni Benediktsson

Minister of Finance and
Economic Affairs
Iceland
Mr Jānis Reirs

Minister of Finance
Latvia
Ms Gintarė Skaistė

Minister of Finance
Lithuania
Mr Trygve Magnus Slagsvold Vedum

Minister of Finance
Norway
Mr Mikael Damberg

Minister of Finance
Sweden

The Annual Meeting of the Board of Governors was held on 26 March 2021.

GOVERNANCE OF NIB

Control Committee

as of 31 December 2021

Mr Peter Engberg Jensen

Chair of the Committee
Denmark

Mr Toomas Vapper

Deputy Chair
Head of Entrepreneurship and Accounting Policy Department, Ministry of Finance
Estonia

Mr Sjóður Skaale

Member of Parliament
Denmark

Mr Aivar Kokk

Member of Parliament
Estonia

Mr Wille Rydman

Member of Parliament
Finland

Mr Vilhjálmur Árnason

Member of Parliament
Iceland

Ms Ilze Indriksone

Member of Parliament
Latvia

Mr Algirdas Butkevičius

Member of Parliament
Lithuania

Mr Michael Tetzschner

Ex-Member of Parliament
Norway

Mr Johan Andersson

Member of Parliament
Sweden

External auditors appointed by the Control Committee

Ms Terhi Mäkinen

Partner, Authorised Public Accountant,
Ernst & Young, Finland

Ms Mona Alfredsson

Partner, Authorised Public Accountant,
Ernst & Young, Sweden

The Control Committee met twice during 2021.

GOVERNANCE OF NIB

Executive Committee

as of 31 December 2021

MEMBERS

**Mr André Küüsvek**

[1967, Estonia]
· President & CEO
· joined NIB in 2021

**Ms Hilde Kjelsberg**

[1963, Norway]
· First Vice-President, Chief
Risk Officer, Head of Risk
and Compliance
· joined NIB in 2006

**Mr Heikki Cantell**

[1959, Finland]
· General Counsel &
Secretary General,
Head of Legal
· joined NIB in 2007

**Mr Kim Skov Jensen**

[1971, Denmark]
· Vice President, Chief
Financial Officer, Head of
Treasury & Finance
· joined NIB in 2021

**Mr Søren Kjær Mortensen**

[1958, Denmark]
· Vice-President, Head of
Lending
· joined NIB in 1999

**Mr Gunnar Okk**

[1960, Estonia]
· Vice-President, Chief
Operating Officer, Head of
IT and Business Services
· joined NIB in 2006

**Mr Luca de Lorenzo**

[1979, Italy]
· Senior Director, Head of
Sustainability and Mandate
· joined NIB in 2018

*Associate member***Mr Jukka Ahonen**

[1969, Finland]
· Senior Director, Head
of Communications,
Secretary to the ExCo
· joined NIB in 2007

*Associate member***Ms Vera-Maria Lehtonen**

[1974, Finland]
· Senior Director, Head of
Human Resources
· joined NIB in 2007

SUSTAINABILITY NOTES

Sustainability management

We recognise that sustainability is a fundamental building block for resilient, prosperous and well-functioning societies. This century will be characterised by humanity's commitment to redefining the balance between economic growth and the associated impact on the planet. We will be required to rethink the way we use environmental, human and financial resources to promote green and just transitions and opportunities for sustainable economic growth. This shift will require time, coordination, and effort. We are committed to play our role as an international financial institution by financing elements of these transitions, by raising practices and standards, and by promoting dialogue across all actors involved.

NIB'S VISION AND MANDATE

Our vision is a prosperous and sustainable Nordic-Baltic region. We work towards this goal by providing long-term lending to projects that improve productivity and benefit the environment of the Nordic and Baltic countries. For this purpose, we assess whether the project or activity considered for financing fulfil the requirements set out in our [Mandate Rating Framework](#). In addition, we assess the environmental, social and governance (ESG) profiles of our Lending counterparties at the borrower or risk owner level.

NIB'S VISION AND MANDATE

A prosperous and sustainable Nordic-Baltic region	
PRODUCTIVITY GAINS	ENVIRONMENTAL BENEFITS
Technical progress and innovation	Pollution reduction
Human capital and equal economic opportunities	Preventive measures
Infrastructure improvements	Resource efficiency
Market efficiency and business environment	Climate change mitigation

All investments proposed for financing also undergo a sustainability review in accordance with NIB's newly revised [Sustainability Policy](#). The review ensures that the project complies with internationally and nationally recognised environmental and social standards and that it is resilient. "Resilience" refers to the capacity of a project to cope with anticipated and unanticipated changes while retaining its essential function.

We also assess the ESG profiles of our Treasury counterparties, based on externally available ratings, which are converted into internal scores. The objective is to systematically incorporate ESG issues into our investment analysis and decision-making processes.

Our principles and commitments

Sustainability is at the core of NIB's mission and mandate. The term "sustainability" should be read

as encompassing the Bank's strategy choices, operational and investment decisions, and due diligence processes. As stated in our newly revised Sustainability Policy, we are committed to:

- Supporting sustainable, prosperous and well-functioning societies by providing long-term financing to investments with positive socioeconomic and environmental impacts. We assess all projects considered for financing for their potential impact on productivity and the environment.
- Addressing the climate challenge in accordance with the Paris Climate Agreement by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C. NIB will address and integrate the management of climate-related risks and opportunities in its business operations and report on NIB's climate performance and targets in line with the recommendations of the Task Force on Climate-related Financial Disclosures [TCFD].
- Supporting the special protected status of the Baltic Sea and its importance for sustainable growth in the region. NIB also has a focus on the protection of the Arctic region's unique and vulnerable nature.
- Incorporating ESG factors in NIB's investment and credit decisions according to the Principles for Responsible Investment [PRI] and Principles for Responsible Banking [PRB].

- Further developing and supplying financial and investment products that support sustainable finance and encourage and enable sustainable economic activities.
- Sharing knowledge and experience to promote sustainable finance in a collaborative and inclusive manner.
- Promoting transparency and integrity and disclosing our sustainability performance and impact.
- Actively working to increase the sustainability of NIB's internal operations.
- Recognising the importance of equal opportunities, diversity and gender equality, human rights, labour rights and freedom, business ethics, and fighting fraud and corruption.

SUSTAINABILITY GOVERNANCE AT NIB

Sustainability aspects are integrated in NIB's core governance structure. For more information, see also [NIB's Governance Statement 2021](#).



GOVERNING BODIES

The **Control Committee** is NIB's supervisory body and monitors that the operations of the Bank are conducted in accordance with its Statutes. In the area of sustainability, the Control Committee is responsible for monitoring the fulfilment of NIB's mandate.

NIB's **Board of Directors** (BoD) approves projects to be financed by the Bank and adopts policy decisions concerning the operations of the Bank, in particular the general framework for financing, borrowing and treasury operations and their management. The BoD approves the Sustainability Policy and Mandate Rating Framework, and has the overall responsibility for ensuring that the Bank operates according to the respective principles, commitments and guidelines set out in these documents. The BoD also approves the annual target for the mandate fulfilment of NIB's overall lending and the target for environmental financing. Individual credit decisions for lending operations, including mandate rating, are approved by the BoD.

Management and supporting committees

NIB follows the three-lines-of-defence model. The first line consists of risk-taking business functions that are responsible for day-to-day risk management within their business units. The second line, the Risk & Compliance department, and the third line, Internal Audit, provide oversight, monitoring and audit

activities. The second and third line conduct independent evaluations and report to the senior management, the BoD and the Control Committee Chairmanship on the adequacy of the Bank's internal control environment.

The **President & CEO** is responsible for the conduct of the current operations of the Bank. The Executive Committee (ExCo) assists and advises the President in general management and decision-making concerning NIB, including all aspects of the performance, policy, and financial soundness of the Bank. The President and ExCo review the Sustainability Policy and Mandate Rating Framework as well as the annual mandate fulfilment targets. The President approves the Responsible Investment Framework and the ESG rating approach for treasury counterparties. The Head of Treasury and Finance, who is a member of ExCo, is responsible for the implementation of this approach.

The **Mandate, Credit and Compliance Committee** (MCC) assists and advises the President in management and decision-making concerning mandate, credit and related integrity and compliance matters. The MCC is responsible for preparation and decision-making related to certain lending activities and counterparty ratings for lending, treasury and mandate matters. In its decision-making on loan proposals, the MCC considers, among other things, mandate rating and sustainability and integrity issues.





Photo: Ville Maali

NIB's SUM unit is responsible for sustainability and mandate assessments of credit proposals.

The **Sustainability & Mandate Unit (SUM)** is responsible for the development and regular review of the Sustainability Policy and Mandate Rating Framework. SUM oversees that the sustainability and mandate assessments for credit proposals are performed accordingly and independently informs credit decision-making in the MCC. The Head of SUM is also a member of the ExCo and MCC.

NIB is a signatory to the UN Principles for Responsible Investment (PRI), and has committed to incorporating ESG factors into its investment analysis and decision-making. The responsibility for ESG integration in investment decisions resides with the **Balance Sheet**

Management (BSM) function in the Treasury and Finance department. BSM engages with treasury counterparties and reports on ESG matters to the Bank's Treasury Committee.

The **Internal Sustainability Council** acts as a central reference group for all sustainability matters concerning NIB's internal operations. The Council is headed by the Head of SUM and defines annual actions and targets for the Bank's internal sustainability work. Decisions and action points suggested by the Council are approved by the President.

The **Chief Compliance Officer** heads NIB's Integrity & Compliance Office (ICO). ICO advises senior management on governance and integrity-related rules, standards and recommendations. This includes prevention of money laundering, terrorist financing, corruption, fraud and market abuse, proper management of conflicts of interest, protection of confidential information and ensuring transparency and fair, equitable behaviour.

NIB's **Human Resources** are responsible for handling all employment-related issues, including matters concerning equality, diversity and inclusion. NIB has engaged an independent Ombudsman to advise and counsel the staff on employment related matters. The aim of the Ombudsman function is to improve the overall working environment and resolve conflicts informally and efficiently. Read more about [Working at NIB on page 54](#).

The **Head of Communications** is responsible for communicating NIB's sustainability performance and impacts.

NIB'S SUSTAINABILITY POLICY FRAMEWORK

NIB's [Sustainability Policy](#) sets out the principles, commitments and framework for sustainability at NIB. Its purpose is to define how sustainability is taken into account in all NIB's business conduct, credit and investment decisions. The Policy applies Bank-wide to all of NIB's operations. The Policy also lists counterparty-level activities and projects that NIB will not finance ("exclusion list"). The Policy was updated during 2021 to reflect NIB's current business environment and the specific challenges the Nordic-Baltic region is facing. The Policy should be read in conjunction with [NIB's Mission, Strategy and Values](#), as well as [other relevant Bank policies and frameworks](#), such as the Integrity and Compliance Policy, Integrity Due Diligence Policy, Code of Conducts, Mandate Rating Framework, and Responsible Investment Framework. As the policy also supports the management of ESG-related risks and the assessment of their materiality, it should also be read in conjunction with NIB's risk management framework.

The Bank uses the [Mandate Rating Framework](#) to assess whether the projects considered for financing support the vision of the Bank. The Framework guides the Bank's economists and environmental analysts in assessing a project's



impact on productivity and the environment and defines the drivers for NIB's lending activities. Mandate rating is a compulsory part of the credit process. The Framework was last updated in 2019 and provides a robust methodology for assessing project-level impact. Environmental opportunities in projects include resource efficiency, pollution reduction, and preventive measures. Projects mitigating climate change are in particular emphasised, and the Bank finances investments that contribute to the reduction of greenhouse gases, improvement of energy efficiency and promotion of added renewable energy capacity. Projects contributing to productivity gains are required to comply with NIB's Sustainability Policy to ensure that they are in line with acceptable environmental and social standards. While it is understood that not all adverse impacts of a project can be avoided, NIB requires that they are appropriately reduced, mitigated or compensated for.

The implementation of NIB-financed projects is monitored on an ongoing basis. When a project has reached operating maturity (normally within three years after completion), it receives an ex-post evaluation to assess if adherence to NIB's Sustainability Policy and mandate criteria have been fulfilled. The principles for this process are set out in NIB's [Monitoring and Ex-Post Mandate Assessment Framework](#). The process supports NIB in identifying possible areas for improvement in order to increase performance in the future.

NIB's [Responsible Investment Framework](#) was launched in May 2021 and sets out the principles for integrating ESG aspects into NIB's treasury operations. The framework aims to ensure that the companies NIB invests in and transacts with meet the Bank's expectations of sound ESG performance.

NIB's Risk Management Framework

The Bank's risk management framework comprises risk policies and procedures formulated for the identification, measurement, monitoring and reporting of risks including a comprehensive limit system for managing the exposure to quantifiable risks. The Bank recognises that effective risk management is based on a sound risk culture, which is characterised, among other things, by a high level of awareness concerning risk and risk management in the organisation. The risk management framework is designed to manage the Bank's risk-taking in the context of its mission and strategy.

NIB's [Risk Appetite Statement](#) provides the general principles for the Bank's risk taking, risk avoidance and mitigation. NIB's [Risk Management Policy](#) is a key policy document within the risk management framework, operationalising the higher-level principles from the Statutes, Principles for Capital and Liquidity Management, and Risk Appetite Statement. In 2021, both these key documents were updated and approved by

the BoD to recognise climate risk and explicitly incorporate it into the Bank's overall risk management framework.

NIB's Integrity and Compliance Framework

The [Integrity and Compliance Policy](#) is the core policy in NIB's integrity framework. The Policy outlines NIB's commitment to avoid or mitigate and manage integrity and compliance risks. The document also describes the measures taken to prevent and fight against fraud, corruption, money laundering, and terrorist financing in all of NIB's activities and operations.

NIB maintains [Codes of Conduct](#) for the staff, the BoD and the President, and the Control Committee. These Codes outline basic standards of conduct and define rules around confidentiality, conflicts of interest, investment activities, conflict resolution, gifts and other benefits. The [Code of Conduct for the Staff](#) further defines the requirements for a respectful workplace and NIB's commitment to promote equality, diversity and inclusion.

Communications

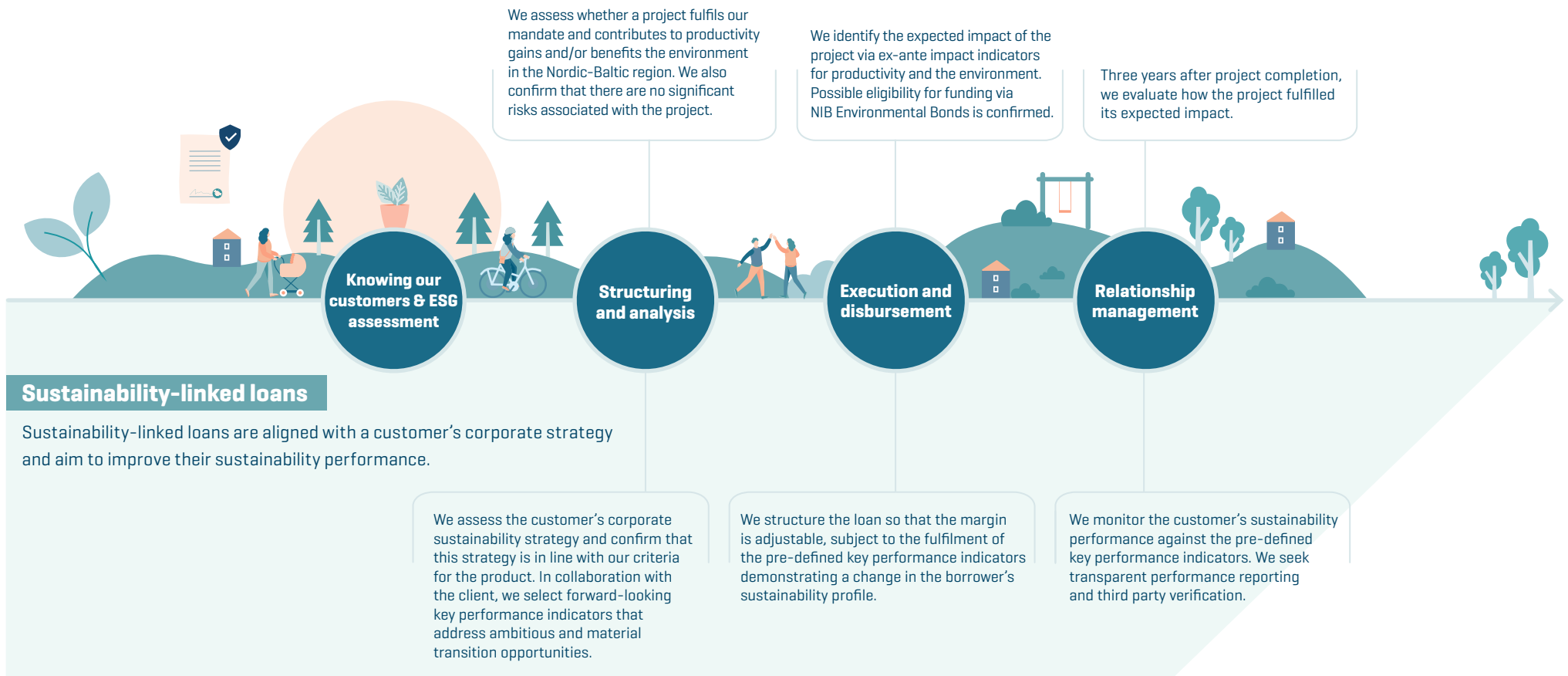
The [Public Information Policy](#) sets out NIB's internal and external communication objectives, including the requirements for sustainability and impact reporting.

SUSTAINABILITY NOTES

Credit and mandate process

Financing of projects

Loan proceeds are earmarked for a specific project or asset.



SUSTAINABILITY NOTES

About our internal carbon emissions

We report our emissions according to the [Greenhouse Gas Protocol Corporate Accounting and Reporting Standard](#) as well as the complementing Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The calculations of Scope 1-3 include the following sources:

- **Scope 1** is combustion of fuels in stationary sources and combustion of fuels in company owned/controlled cars.
- **Scope 2** is purchased electricity, purchased heat and purchased cooling.
- **Scope 3** takes into account the upstream emissions from purchased goods and services, capital goods, fuel and energy related activities (not included in the Scope 1 and 2), upstream transportation and distribution, waste, business travel, employee commuting and upstream-leased assets.

Carbon emissions from electricity in the table below are disclosed both location-based and market-based. Market-based takes into account the purchase of Guarantees of Origin. All emissions are stated in tonnes of CO₂-equivalent [CO₂e].

NIB's investments are excluded from the internal footprint results, as their impact has been calculated separately.

NIB's internal carbon emissions

	NOTE	UNIT	2018	2019	2020	2021
General indicators						
Net internal area of offices covered		m ²	18,488	18,488	18,488	18,488
Amount of permanent employees			199	202	193	198
Energy consumption						
Total energy consumption (NIB headquarters)		MWh	3,392	3,548	3,245	3,640
Electricity		MWh	1,308	1,316	1,225	1,211
Change in electricity consumption compared to previous year		MWh		8	-91	-14
Renewable electricity percentage		%	100%	100%	100%	100%
District heating		MWh	1,654	1,864	1,657	2,002
District cooling		MWh	430	368	363	426
Carbon free heating and cooling		%	0%	0%	100%	100%
Total energy consumption / m ²		kWh/m ²	183	192	176	197
Total energy consumption / permanent employee		MWh/employee	17	18	17	18

	NOTE	UNIT	2018	2019	2020	2021
Scope 1: Direct GHG emissions (tCO₂e)*						
Emissions from NIB facilities		Tonnes	5	9	9	9
Emissions from NIB fleet		Tonnes	6	7	4	6
Scope 1 GHG emissions			11	16	14	15
Scope 2: Electricity indirect GHG emissions (tCO₂e)						
Electricity, market-based, Headquarters		Tonnes	0	0	0	0
Electricity, market-based, other own real estates		Tonnes	18	18	14	18
Electricity, market-based, total		Tonnes	18	18	14	18
Electricity, location-based, Headquarters		Tonnes	171	172	160	175
Electricity, location-based, other own real estates		Tonnes	8	8	7	10
Electricity, location based, total		Tonnes	179	181	167	185
Heating, Headquarters	1	Tonnes	275	294	0	0
Heating, other own real estates		Tonnes	20	16	15	14
Heating, total		Tonnes	295	310	15	14
District cooling		Tonnes	31	26	0	0
Cooling, total		Tonnes	31	26	0	0
Scope 2 GHG emissions (market-based)		Tonnes	343	355	29	32
Scope 2 GHG emissions (location-based)		Tonnes	505	518	182	199
Scope 3: Other indirect GHG emissions (tCO₂e)**						
Purchased goods and services	2	Tonnes	216	220	304	210
Capital goods	3	Tonnes	74	78	102	117
Fuel- and energy-related activities not included in Scope 1 or Scope 2		Tonnes	93	97	119	165
Waste generated in operations	4	Tonnes	1.0	1.0	0.7	0.5
Business travel		Tonnes	482	449	100	113
Employee commuting	5	Tonnes	30	30	17	18
Upstream leased assets	6	Tonnes	137	132	118	94
Scope 3 GHG emissions		Tonnes	1,033	1,007	761	718
Scopes 1-3 GHG emissions, total***		Tonnes	1,388	1,378	804	765
GHG intensities and miscellaneous GHG information						
Total Scope 1-3 GHG emissions / permanent employee		Tonnes/employee	7.0	6.8	4.2	3.9
Total Scope 1-3 GHG emissions / m ²		Tonnes / m ²	0.075	0.075	0.043	0.041
Change in GHG emissions compared to baseline year (2018)		%		-1%	-42%	-45%

Notes

* Scope 1, 2 and 3 calculation is based on the Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard as well as the complementing Corporate Value Chain (Scope 3) Accounting and Reporting Standard. For more information of the standards, see: <https://ghgprotocol.org/standards>.

** The calculation does not include NIB's investments.

*** Due to changes in calculation methodology, the number for 2020 has been revised. Emission offsetting will be revised accordingly.

¹ From 2020, the HQ's district heating is based on waste heat.

² Includes water and wastewater, canteen, cleaning services and greenery services and office paper purchases. Data is collected in various ways either using: CO₂ per product from suppliers, volumes [t, m³] or spent [EUR] per product category. Some categories are more specific and are based on mass/volumes/pieces. Most are services [e.g. consultant work] and some are hardware.

³ Includes purchased cars and ICT hardware. Data is collected in various ways either using: CO₂ per product from suppliers, volumes [t, m³] or spent [EUR] per product category.

⁴ Limited to NIB headquarters.

⁵ Employee commuting estimated based on average data from Traficom's national travel survey 2016.

⁶ Includes leased properties and leased ICT hardware.

SUSTAINABILITY NOTES

Stakeholder dialogue

NIB engages with a wide range of stakeholders. As defined in our [Public Information Policy](#), our key target groups are our staff, customers, investors, political decision-makers and public administrations, non-governmental organisations, the media, and the general public of the Nordic and Baltic countries.

STAKEHOLDER SURVEYS

NIB actively and regularly seeks feedback from its key target groups. This is done by conducting a comprehensive **stakeholder survey** every three years. These surveys aim to improve our understanding of how the needs and interests of our stakeholders evolve over time and how this influences their expectations towards us.

Our most recent stakeholder survey was carried out in cooperation with KPMG in autumn 2021. We received an aggregate total of 139 responses from lending customers, investors and public authorities¹, collected through voice

interviews and an online questionnaire. The aim of the survey was to assess stakeholders' awareness of NIB and to gauge sentiment on the Bank's corporate reputation. Further, the objective was to gain insight into stakeholders' priorities, how their business context evolved during the COVID-19 pandemic, and to receive feedback on NIB's performance against its mandate.

The results showed that NIB's reputation remained high, receiving a rating 4.32 from lending customers, 4.75 from investors and 4.20 from public authorities (5 being the highest). In terms of value creation, lending customers highlighted NIB's ability to provide long-term lending and support in bad times,

the competitiveness of the pricing and NIB's sustainable finance offer. Investors ranked NIB's financial strength and triple-A credit rating, the ROI/spread, Nordic presence and green bond offering highest. In terms of general financing priorities, the importance of climate change mitigation and adaptation as well as transition finance significantly increased in importance compared to the last survey (2018).

¹ For the purpose of NIB's stakeholder survey, "public authorities" include, among others, representatives of relevant ministries, environmental protection agencies, and transport administration agencies in NIB's member region.

WHAT OUR STAKEHOLDERS SAY

Results of NIB's stakeholder survey 2021 (139 total responses received; rating 1-5, with 5 being the highest)

How would you rate the general corporate reputation of the Nordic Investment Bank?



4,32

Lending
customers



4,75

Investors



4,20

Public
authorities



NIB also conducts regular **work engagement surveys** among its staff to collect feedback on the work environment, the management, individual motivation, and wellbeing. The most recent survey was conducted in 2021. A total of 192 answers were received [87% of total staff in 2021]. The survey showed that our employees continue to value NIB's mission to finance a prosperous and sustainable Nordic-Baltic region and regard NIB as operating responsibly as an organisation. Staff again highlighted the importance of training and development opportunities. Read more about the results of the work engagement survey under [Working at NIB on page 54 in this report](#).

ONGOING COMMUNICATION ABOUT OUR ACTIVITIES

As outlined in NIB's [Public Information Policy](#), the Bank is entrusted with public funds and is therefore publicly accountable. NIB strives to be transparent about its operations and activities and maintains an ongoing exchange of information with all interested parties. The

Bank's main communication channels include its website, social media, and its financial and impact reports. NIB also publishes [periodic newsletters](#) informing of the Bank's activities. The Bank discloses information on all [agreed loans on its website](#). This includes information on the borrower, the loan sum, the loan maturity, a project description, and a summary of the project's anticipated sustainability impact. Further, we communicate about [our funding activities](#) and the bonds we issue. On an annual basis, we report on the impact of the projects financed by the proceeds of [NIB Environmental Bonds](#), see also page 26 for more information.

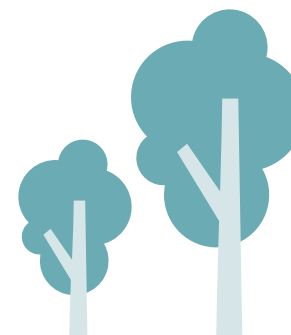
Category A projects

Loan projects with potentially negative social or environmental impacts are classified as [Category A projects](#). These projects are required to undergo a full environmental impact assessment (EIA). The EIAs are made available on NIB's website for public comment for 30 days before NIB's Board of Directors makes a decision on financing.

This is one way for stakeholders to voice their opinion on projects considered for NIB funding. Communication on Category A projects is managed via the email address info@nib.int. In 2021, NIB published information about one [1] Category A project and received no responses.

Reporting concerns to NIB

NIB encourages staff and external parties to report concerns in good faith, including allegations or suspicions of misconduct or prohibited practices [corruption, fraud, coercion, collusion, theft, obstruction, money laundering, and terrorist financing] occurring in connection with NIB-related activities. Reports can be submitted to the Bank's Chief Compliance Officer in English and in the eight Nordic and Baltic languages. Concerns can be reported via email, post or by phone. Reports can be made anonymously, and the Bank's [Code of Conduct for the Staff](#) and the [Speaking-up and Whistle-blower Protection Policy](#) grant protection to whistle-blowers. More information is [available on NIB's website](#).



NIB'S KEY STAKEHOLDER INTERACTIONS IN 2021

KEY STAKEHOLDERS		MODES OF INTERACTION	2021 ACTIVITY EXAMPLES
Customers	Private and public companies, institutions, municipalities, sovereign countries, banks and other IFIs	Online meetings, webinars, newsletters and press releases, social media, other communication	36 new loans signed - EUR 2.44 billion disbursed - Investments in 13 labelled bonds and one Baltic Commercial Paper
Investors	Central and commercial banks, pension and insurance funds, asset managers and government entities	Online meetings, investor events, newsletters, webinars, other communication	- Two USD benchmark bonds issued - Three NIB Environmental Bonds issued - Virtual roadshows
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).	- The BoD held eleven meetings. - The CC held two meetings.
NGOs	Non-governmental organisations raising awareness on environmental protection and social aspects	Publishing information on signed loans Inviting comments on 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 - Publication of information about one Category A projects
Media	Mainly the financial media	Press releases, newsletters, emails, and interviews with media	- Press releases on agreed loans - Interviews with NIB's directors and experts - Answering questions from the media - Offering background information to journalists writing about green investments
General public	Anyone interested in NIB's operations	Meetings, website, newsletters, press releases, online annual reports, social media	- Staff giving presentations about NIB and its mission at various events, to student groups & NGOs - Public consultation on updated NIB Sustainability Policy - Dialogue via info@nib.int
Staff	NIB is headquartered in Helsinki and had a total of 221 employees at year-end 2021.	Meetings, intranet, staff plenum, work engagement surveys, induction for new employees, in-house training	- Regular webcasts for the staff - Internal seminars and training - Regular Cooperation Council meetings

SUSTAINABILITY NOTES

Promoting sustainable finance

NIB cooperates with other international institutions and organisations to develop sound, coordinated, and effective ways of promoting sustainable finance. Participation in various networks and forums allows us to learn and to share experiences on climate change as well as environmental, social and governance factors, and to develop common standards and principles for greening the financial system.

Global principles and goals

We are signatories to international principles.

Signatory of:



Global partnerships

We are participating in global partnerships and networks as members, partners, and observers.



Standards

We align our activities with regional and global standards and initiatives.

- Baltic Marine Environment Protection Commission (HELCOM)
- International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting
- European Principles on the Environment

Reporting

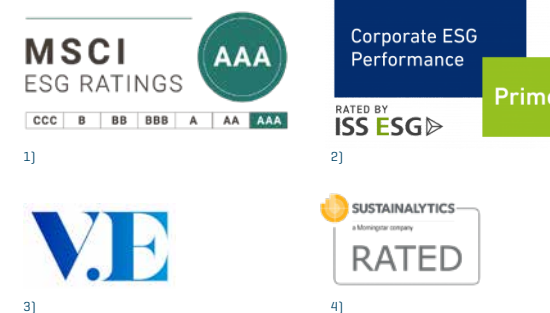
We report on our impact in line with global frameworks and standards.



NIB Environmental Bond impact data is also available on the [Nasdaq Sustainable Bond Network](#)

Assessing our progress

Our policies and activities are evaluated by independent ESG data and research providers. These unsolicited ratings allow us to track our performance and identify areas for improvement. Learn more [on our website](#).



¹⁾ MSCI Disclaimer: ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF NIB BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI. Last update: April 29, 2021

²⁾ as per February 2021

³⁾ Vigeo Eiris: ESG overall score of 65/100 [advanced], as per October 2021

⁴⁾ Sustainalytics: ESG Risk Rating 8.1 (negligible risk), as per April 2021. Sustainalytics is a leading independent provider of ESG and corporate governance ratings, research and analysis, has provided the ESG Risk Rating information

SUSTAINABILITY NOTES

Defining what matters

This chapter describes our process for determining the material topics we are reporting on. Our report has been prepared in accordance with the GRI Standards: Core option and covers the period of 1 January–31 December 2021.

The aim of our materiality process is to understand how our sustainability context evolves over time and how this affects our stakeholders' expectations of NIB as a financier of a prosperous Nordic–Baltic region. Regular engagement with our stakeholders helps us to identify and assess our impact on the economy, environment, and societies, and informs our decision on what topics to include in our reporting.

We are basing our materiality process on the results of three stakeholder engagements we carried out during 2021: The [Strategy Review](#) process, the [Stakeholder Survey](#), and the [Work Engagement Survey](#).

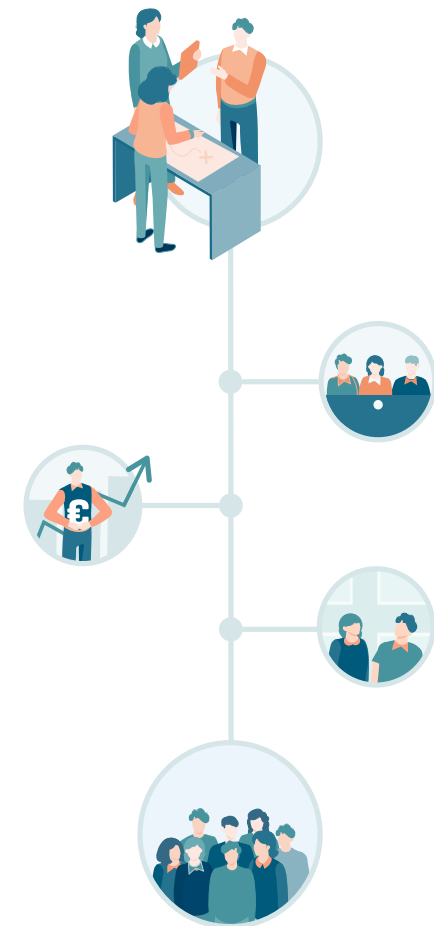
The results of the materiality process show that the COVID-19 pandemic continues to affect our sustainability context. The pandemic exposed vulnerabilities in the global economy and in supply chains and highlighted the potentially significant financial impact that non-financial risks can have on businesses and societies.

Further, the importance of climate change mitigation and adaptation increased among all our stakeholder groups, as did the renewable energy transition and the need to cut carbon emissions. This is in line with NIB's priorities going forward, which include increasing climate finance activities,

focus on high-impact transitions in hard-to-abate sectors and promoting the development of the sustainable finance and capital markets.

OUR MATERIAL TOPICS 2021

We have grouped the material topics we are reporting on into three categories: **sustainable finance**, **good governance** and **meaningful work**. The relevant GRI disclosures were mapped as closely as possible to these topics. We aim to report in accordance with the GRI Standards: Core Option, but have a few omissions that are specified in the GRI index. To accurately reflect the impact of NIB's financing, we have also included a number of own indicators in the index that are in line with our [Mandate Rating Framework](#).



MATERIALITY PROCESS

Our stakeholder engagements

STRATEGY REVIEW 2021

Stakeholder groups: Board of Directors, senior management

The Board and senior management reviewed NIB's strategy during autumn 2021, reflecting on the Bank's mission and mandate, credit rating, product offering and value proposition as an international financial institution operating in the Nordic-Baltic region and beyond. The strategy review followed the update of NIB's statutes, which entered into force in July 2020.

STAKEHOLDER SURVEY 2021

Stakeholder groups: Lending customers, investors, public authorities

In 2021, NIB conducted a survey among key external stakeholder groups to understand their expectations of the Bank, and asked respondents to evaluate NIB's activities and product offering in accordance with their perceived relevance to their business. Further, respondents were asked to rank a list of potential ESG-related focus areas for NIB's financing.

WORK ENGAGEMENT SURVEY 2021

Stakeholder group: NIB staff

Our most recent Work Engagement Survey was carried out in spring 2021. Our staff gave feedback on their individual motivation, their sense of purpose in working for NIB, personal development opportunities, management and the work community.

Determining our material topics

1

UNDERSTANDING OUR CONTEXT

Based on our policies, mission statement and latest strategy review, we create a high-level overview of our activities and stakeholders. We map the economic, environmental and societal aspects currently shaping the Nordic-Baltic region to understand the sustainability context we are operating in.

2

IDENTIFYING ACTUAL AND POTENTIAL IMPACTS

Drawing on the feedback we have received from our stakeholders, as well as on our own assessments, we identify NIB's actual and potential impact on the economy, the environment and the societies of our member countries.

3

ASSESSING THE SIGNIFICANCE OF THE IMPACTS

Based on qualitative and quantitative analyses, we assess the significance of our identified impacts. This allows us to priorities our focus areas and to take action to address our impacts.

4

PRIORITISING THE MOST SIGNIFICANT IMPACTS FOR REPORTING

We group our impacts according to topic and rank them from highest to lowest priority. In line with this ranking, we determine which of our impacts are above our reporting threshold and define the material topics we are reporting on for the year.

OUR MATERIAL TOPICS

TOPICS		DESCRIPTION	BOUNDARY	
			INSIDE NIB	OUTSIDE NIB
SUSTAINABLE FINANCE				
As the international financial institution of the Nordic and Baltic countries, NIB has both an economic and societal role to play. NIB’s purpose is to provide long-term financing to investments that improve productivity and benefit the environment of the eight Nordic and Baltic countries. The drivers for NIB’s lending are outlined in the Mandate Rating Framework . In times of economic crisis, NIB’s owners have authorised the Bank to provide additional mitigating instruments to support the member countries and NIB’s customers.				
Climate change is an environmental as well as a societal challenge, and one of the most pressing issues of our age. The need to provide climate finance and to transition hard-to-abate sectors was underlined by both our internal and external stakeholders and is one of our main priorities going forward. As outlined in NIB’s Sustainability Policy , the Bank will support its member countries’ efforts to achieve climate goals and enhance biodiversity in nature.				
Economic and social matters • GRI 201: Economic Performance • GRI 203: Indirect Economic Impacts • GRI G4 Financial Sector Supplement	Long-term financing	Both our internal and external stakeholders highlighted the Bank’s role as a long-term financier of a sustainable Nordic–Baltic region and its ability to provide support also in difficult times as NIB’s strongest attributes. The Bank’s strong financial standing is crucial for maintaining its ability to make an impact. NIB aims to earn sufficient return from its business operations to meet economic obligations to ensure its future lending capacity, and to guarantee its owner countries a reasonable return on paid-in capital.		●
	Investments in human capital	To support productivity growth and social cohesion in its member countries, NIB finances projects that contribute to technical progress and innovation, human capital development and equal opportunities.		●
	Climate and environment • GRI 305: Emissions • GRI 307: Environmental Compliance • Own indicators	Investments in infrastructure and climate finance	To achieve environmental benefits and support climate change mitigation and adaptation, NIB finances projects in the areas of transport, electricity and thermal heat generation, green buildings, and water management.	
	Emissions from NIB-financed projects	NIB analyses the CO2 impact of each investment considered for financing. New technologies that support climate change adaptation and mitigation are one of NIB’s main focus areas. The Bank supports its member countries’ efforts to achieve climate goals. NIB will integrate the management of climate-related risks and opportunities in its business operations and report on NIB’s climate performance in line with the recommendations of the TCFD.		●
	Emissions from NIB’s internal operations	NIB’s most substantial carbon impact arises from its lending operations. However, it is important for us to reduce the carbon impact of our own internal operations. Our aim is to regularly measure, monitor, improve, manage and transparently report our internal carbon footprint and the progress made.	●	●
GOOD CORPORATE GOVERNANCE				
As NIB is an international financial institution entrusted with public funds, the Bank strives to carry out its activities with the highest integrity and in compliance with its own rules and best market practices. Prevention is at the forefront of NIB’s integrity and compliance efforts. NIB’s Integrity and Compliance Policy outlines the commitments and measures to avoid or mitigate and manage integrity and compliance risks.				
Integrity and compliance • GRI 205: Anti-corruption	Anti-money laundering and anti-bribery and corruption	Any issues relating to prohibited practices – such as corruption, fraud, bribery, money laundering and terrorist financing – are regarded as material. The Bank’s stakeholders expect high ethical standards from NIB, and we expect high standards from ourselves.	●	●
MEANINGFUL WORK				
NIB’s staff is a key internal stakeholder group and one of the Bank’s most important assets. Without highly skilled personnel, the Bank cannot reach its targets and fulfil its mission. In line with NIB’s Code of Conduct , the Bank’s goal as an employer is to provide a sustainable and inclusive working environment for its staff. NIB’s corporate values are commitment, competence and cooperation.				
Employment • GRI 401: Employment • GRI 404: Training and education • GRI 406: Non-discrimination	Training and development	NIB employees have raised training and learning opportunities as one of the most important aspects of working at NIB. As an international expert organisation, NIB values employees’ dedication to continuously develop their skills. The Bank offers various training opportunities and aims to support professional growth and individual career planning for its staff.	●	
	Equality, diversity and inclusion	We are committed to promoting fair and equal treatment of all our employees and aim for a balanced diversity among our staff. We support inclusion and strive to prevent discrimination and harassment. NIB has an internal Equality, Diversity and Inclusion Plan in place that focuses on eliminating gaps in remuneration, diversity in recruitment, and promoting an inclusive work environment.	●	

TCFD DISCLOSURE INDEX

TCFD Disclosure Index 2021

NIB started to disclose its progress, performance and plans in line with the TCFD recommendations in 2020. The Bank is taking a phased approach to implementing the recommendations and aims to integrate them over time.

DISCLOSURE	PAGE
Governance	
a) Describe the Board's oversight of climate-related risks and opportunities	39, 67, Financial Report 2021 pg. 10, 99
b) Describe the Management's role in assessing and managing climate-related risks and opportunities	67, Financial Report 2021 pg. 99
Strategy	39-41
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term	
b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning	
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	
Risk management	41-44
a) Describe the organisation's process for identifying and assessing climate-related risks	
b) Describe the organisation's process for managing climate-related risks	
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	
Metrics and targets	45-49
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks	
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	

PRB content index

This table sets out the reporting and self-assessment requirements for Signatories of the Principles for Responsible Banking. We have provided our response and self-assessment in relation to the principles, making references to where in our reports and website the required information can be found.

REQUIREMENTS	BANK'S RESPONSE AND SELF-ASSESSMENT	REPORTING REFERENCE
Principle 1: Alignment We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.		
1.1 Business model and description	As the international financial institution of the Nordic and Baltic countries, NIB has both an economic and societal role. NIB's purpose is to provide long-term financing to investments that improve productivity and benefit the environment of the five Nordic and three Baltic countries. In times of economic crisis, the owners of the Bank have also authorised NIB to provide additional mitigating instruments to support the member countries and the Bank's customers. The drivers for NIB's lending are outlined in the Mandate Rating Framework. In 2021, NIB's Board of Directors completed a strategy review reconfirming our mission to finance projects that improve productivity and benefit the environment of the Nordic and Baltic countries. Further, NIB will increase its climate finance activities to focus on high-impact transitions in hard-to-abate sectors, as these are deemed relevant in the context of NIB's footprint of operations in the member countries' economies. NIB will also support the development of sustainable finance and capital markets in its member countries by broadening its product offering and promoting high quality standards. NIB provides long-term lending to private and public limited companies, governments, municipalities, and financial institutions. The Bank grants loans for defined projects, investment programmes, sustainability-linked loans, and onlending to SMEs and small midcaps. NIB's Lending business areas include public sector & utilities, infrastructure & project finance, industry, services & consumer, and financial institutions. In 2021, 99% of our lending was disbursed to counterparties in the Nordic and Baltic countries.	See page 3 in the Report of the Board of Directors 2021. See Message from the CEO in the Impact Report 2021 pages 5-6. NIB website: Mandate Rating Framework Sustainability Policy What we finance Mandate assessment & project review

REQUIREMENTS	BANK'S RESPONSE AND SELF-ASSESSMENT	REPORTING REFERENCE
1.2 Business strategy alignment	NIB is committed to solving the climate challenge in line with the Paris Agreement, whilst building resilient, prosperous, and well-functioning societies. Climate change is an environmental as well as a societal challenge, and one of the most pressing issues of our age. As outlined in NIB's Sustainability Policy, which was updated in 2021, the Bank will support its member countries' efforts to achieve climate goals and enhance biodiversity in nature. The Bank bases its core sustainability principles on several international agreements, frameworks and conventions that support the sustainable business conduct. We also cooperate with other international financial institutions and organisations to develop sound, coordinated and effective ways of promoting sustainable finance. NIB's Sustainability Policy and Mandate Rating Framework guide every credit decision. On the productivity mandate, drivers such human capital and equal opportunities, technical progress and innovation align well with SDGs 3, 4, 5, 8, 9. On our environmental mandate, drivers such as climate change mitigation, resource efficiency and pollution reduction align well with SDGs 6, 7, 11, 12, 13, 14, 15. We also have a NIB Environmental Bond programme focusing on climate action and environmental issues, and a NIB Blue Bond programme targeting especially water and sea pollution reduction. Both these programmes address relevant challenges for our member countries and direct impact to areas of particular interest to the economies and societies NIB operates in. This is a way for NIB to align its strategy and activities with the challenges and action plans of its member countries in the region. In our NIB Environmental Bond reporting, NIB maps the projects financed to the relevant SDGs. As the international financial institution of the Nordic and Baltic countries, NIB is committed to incorporating economic, social and governance factors in its investments and credit decisions as set out in the Principles for Responsible Investment [PRI]. In 2021, NIB launched and implemented a Responsible Investment Framework and accompanying guidelines and processes to ensure that the companies NIB invests in and transacts with meet our expectations of sound ESG performance. We recognise that the transition to low-carbon economies requires ambitious efforts and global co-operation to combat climate change and adapt to its effects as outlined in the Paris Agreement. We report on our climate performance in line with the recommendations of the Task Force on Climate-Related Financial Disclosures [TCFD].	See pages 2-4 in NIB's Sustainability Policy published at www.nib.int. See TCFD Disclosure Index 2021, page 81.
Principle 2: Impact and Target Setting		
We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products, and services. To this end, we will set and publish targets where we can have the most significant impacts.		
2.1 Impact Analysis:	To capture NIB's impact, we have identified eight material topics on which we report. We have grouped the material topics into three categories: sustainable finance, good governance, and meaningful work. The aim of our materiality process is to understand how our sustainability context evolves over time and how this affects our stakeholders' expectations of NIB as a financier of a prosperous Nordic-Baltic region.	See pages 78-80, Defining what matters.
2.2 Target Setting	Projects considered for financing are expected to contribute to the fulfilment of NIB's mission and are assessed and rated for their potential impacts on productivity and the environment on a scale from "negative" to "excellent", as defined in the NIB Mandate Rating Framework. We then follow up on each of our projects through predefined metrics to analyse and measure the actual impact. We target at least 90% of loans by disbursement to achieve a "good" or "excellent" rating in at least one of these two mandates. The Bank has now explicitly set forth a 45% target for productivity and environmental mandate respectively. This highlights the importance of both mandates, aiming effectively at sustainable economic growth. These targets are followed up annually and adjusted accordingly, to ensure the Bank is delivering on its mission. The Mandate Rating Framework and the Annual Impact Report set out the impact metrics that are constantly measured and support the overall mandate fulfilment targets. In this way the Bank keeps an overview on the actual impact its financing is having in the region, and how this impact links to the overall mandate of the bank.	

REQUIREMENTS	BANK'S RESPONSE AND SELF-ASSESSMENT	REPORTING REFERENCE
2.3 Plans for Target Implementation and Monitoring	We follow up on our mandate targets annually and report on our impact metrics in our Annual Impact Report.	
2.4 Progress on Implementing Targets	NIB continued to provide long-term financing to projects that deliver a lasting impact on the productivity and environment of the region. Loans achieving ratings of "good" or "excellent" on at least one of these mandates accounted for 97% of the total amount of disbursed funds (from the rated projects) in 2021. Some 72.8% of the total loans disbursed and rated were channelled to projects that provide environmental benefits, which reflects both the goal set by the Board to increase environmental lending as well as the growing interest for sustainable finance.	See page 6 in the Report of the Board of Directors 2021 .
Principle 3: Clients and Customers We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.		
3.1 Policies and Practices	We are committed to following best practices and market standards in the areas of accountability, transparency, and business ethics to promote sustainability together with our clients. We engage in ESG dialogue with all our clients and are committed to supporting them with knowledge sharing to foster sustainability and ESG integration. Our updated Sustainability Policy sets out how the Bank incorporates ESG factors in our investment and credit decisions, according to the Principles for Responsible Investment and Principles for Responsible Banking. NIB is committed to always consider material non-financial factors in its decision-making and to have an open dialogue about them with its investors, clients, and treasury counterparties. In May 2021, NIB launched a Responsible Investment Framework and accompanying guidelines and processes to ensure that the companies NIB invests in, and transacts with, meet our expectations of sound ESG performance. The new framework has been fully implemented and strengthens our dialogue with investors and treasury counterparties on material ESG issues. NIB strives to continuously develop its staff competence in matters relating to sustainability and ESG. As an example of this, in 2021, the Bank's lending department participated to a tailored "sustainable finance programme" developed in collaboration with Stockholm School of Economics, to better equip NIB's bankers to have informed dialogues with our client on the latest trends and requirements in sustainable finance. In addition, NIB cooperates with other international financial institutions and organisations to develop sound, coordinated and effective ways of promoting sustainable finance. The Bank also participates in several international and regional forums to develop common standards and principles for greening the financial system.	NIB website: Compliance Cooperation Mandate assessment & project review
3.2 Sustainable practices with clients and customers	NIB is committed to always consider material non-financial factors in its decision-making and to have an open dialogue about them with its investors, clients, and treasury counterparties. Our loan originators work closely together with our clients to encourage choosing sustainable practices. The new Responsible Investment Framework, which was introduced in May 2021, has strengthened our dialogue with investors and treasury counterparties on material ESG issues.	See page 9 in the Report of the Board of Directors 2021 . NIB website: NIB Environmental Bond Framework NIB Responsible Investment Framework Sustainability Policy

REQUIREMENTS	BANK'S RESPONSE AND SELF-ASSESSMENT	REPORTING REFERENCE
Principle 4: Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.		
4.1 Stakeholder consultation, engagements and partners	As the international financial institution of the Nordic and Baltic countries, NIB engages with a wide variety of stakeholders. Our main stakeholders are our customers, investors, political decision-makers and public administrations, staff, non-governmental organisations, the media, and the public in the Nordic and Baltic countries. In 2021, the Board and senior management reviewed NIB's strategy, reflecting on the Bank's mission and mandate, credit rating, product offering and value proposition as an international financial institution operating in the Nordic-Baltic region and beyond. The strategy review follows the update of NIB's statutes in 2020. In 2021, NIB conducted a survey among key external stakeholder groups, lending customers, investors, and public authorities to understand their expectations of the Bank, and asked respondents to evaluate NIB's activities and product offering in accordance with their perceived relevance to the stakeholders' business. Further, respondents were asked to rank a list of potential ESG-related focus areas for NIB's financing. Also, in 2021 the Bank carried out a Work Engagement Survey was carried out, in which our staff gave feedback on their individual motivation, their sense of purpose working for NIB, personal development opportunities, management and the work community.	See page 74 Stakeholder dialogue NIB Website: Cooperation on sustainability & green finance
Principle 5: Governance & Culture We will implement our commitment to these Principles through effective governance and a culture of responsible banking		
5.1 Governance structure	Our updated Sustainability Policy outlines the sustainability governance of NIB.	NIB website: Sustainability Policy
5.2 Initiatives and measures	The continuous development of professional skills is of major importance to the Bank's performance. NIB's fundamental objective as an employer is to include the promotion of a balanced diversity among staff.	See page 54 Working at NIB
5.3 Governance structure for implementation of the principles	Our sustainability governance is embedded in the overall bank governance structure and as such will support the implementation of the PRB principles. We could add something about the climate risk integration, risk appetite statement etc...	See governance section in Sustainability Policy
Principle 6: Transparency & Accountability We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.		
6.1 Progress on Implementing the Principles	Becoming a signatory to the Principles was a natural step given that our mission is to finance projects that improve productivity and benefit the environment of the Nordic and Baltic countries. The mission, reviewed by NIB's Nordic and Baltic owner countries in 2021, addresses future challenges such as the urgency of climate action and the important role of IFIs and the private sector in mobilising climate finance. Our business strategy is to increase our climate finance activities, focusing on financing high-impact transitions in hard-to-abate sectors, which are considered very relevant in NIB's geography of operations. We will also support the development of sustainable finance and capital markets in its member countries by broadening our product offering and promoting high quality standards.	See page 9-10 in the Report of the Board of Directors 2021 .

PRI

Principles for Responsible Investment

In May 2021, NIB launched a Responsible Investment Framework and accompanying guidelines and processes to ensure that the companies NIB invests in, and transacts with, meet our expectations of sound ESG performance. The new framework has been fully implemented and strengthens our dialogue with investors and treasury counterparties on material ESG issues. You can read the NIB Responsible Investment Framework [here](#).

NIB became a signatory of the United Nation Principles for Responsible Investment (PRI) in 2020, thus committing to incorporate environmental, social and governance (ESG) factors into our investment decisions. Simultaneously, NIB started developing a framework in which external ESG rating data is used to assign the Bank's internal scores to treasury investments.

The responsible investment approach covers all assets and activities of NIB Treasury and consists of the following five approaches:

1. Exclusion list
2. Best-in-class approach to tilt the portfolio holdings towards higher ESG performance
3. Sustainable thematic investments
4. Counterparty selection and controversies monitoring
5. Active engagement with the issuers and counterparties

NIB will report according to PRI's guidance.



GRI Content Index

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGS
GRI 101: Foundation			
GRI 102: General Disclosures 2016			
Organizational profile			
102-1 Name of the organization	Nordic Investment Bank (NIB)		
102-2 Activities, brands, products, and services	NIB provides long-term lending to private and public limited companies, governments, municipalities and financial institutions. Financing from NIB complements and leverages commercial lending. Loans are extended on market terms and according to sound banking principles.		
102-3 Location of headquarters	Fabianinkatu 34, 00171 Helsinki, Finland		
102-4 Location of operations	NIB finances projects that are located in the eight Nordic and Baltic member countries, as well as in non-member countries. See NIB's Financial Report 2021 pg. 64 Note 12: Loans outstanding and guarantee commitments . The Bank's only office is located in Helsinki, Finland.		
102-5 Ownership and legal form	NIB is an international financial institution (IFI) owned by the governments of Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden.		
102-6 Markets served	NIB provides loans and guarantees to private and public limited companies, governments, municipalities and financial institutions. The Bank finances projects in several sectors, both in its member countries and in non-member countries. The focus sectors of NIB's operations are the environment, energy, water, innovation, industry, transport, infrastructure and telecommunications.		
102-7 Scale of the organization	At the end of 2021, NIB employed a total of 221 people. The Bank signed 36 new loan agreements and invested in 13 labelled bonds and one commercial paper with an aggregate total of EUR 1,852 million in 2021. Total disbursements were EUR 2,440 million. The profit for the year was EUR 159 million. See Financial Report 2021 pg. 15 Operating and financial review 2021 , Financial Report 2021 pg. 69 Note 18: Capitalisation and reserves		

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGS
102-8 Information on employees and other workers	As an international organisation, NIB is not subject to national law. Therefore, NIB applies its own legal framework for the staff in employment matters. NIB has five types of employee contracts: permanent contracts [which have no due date], fixed-term contracts [which are 4 years and longer], project contracts, substitute contracts and temporary contracts. NIB divides its employees into two main categories: permanent and temporary employees. "Permanent employees" refers to permanent and fixed-term contract types. "Temporary employees" cover all remaining contract types. NIB's only office is in Helsinki, where all staff members are located. By year-end 2021, NIB had a total of 221 employees. Of these, 198 were permanent employees (81 women and 117 men), and 23 employees held temporary contracts (9 women and 14 men). 199 employees worked full-time (77 women and 122 men), and 22 worked part-time (13 women and 9 men). Suppliers or hired labour do not make up a significant share. This data has been compiled based on 2021 timestamp data for all employees. All numbers are based on head count and are per 31.12.2021. See pg. 58 Working at NIB		
102-9 Supply chain	Being a financial institution, NIB does not produce or manufacture any products. The services and goods the Bank needs to support its operations and activities are mainly consulting and training services, IT applications, electronics and other office supplies. In addition, NIB uses external providers for services such as cleaning, security and catering at its premises. As an international organisation, and in line with other international organisations, NIB has established its own internal procurement rules. For projects financed by NIB, separate procurement guidelines are established. Read about NIB's internal procurement and see the Legal framework and policy documents.		
102-10 Significant changes to the organization and its supply chain	No significant changes to NIB's organisation or its supply chain took place during 2021.		
102-11 Precautionary Principle or approach	NIB's Sustainability Policy is 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	pg. 77 Promoting sustainable finance		
102-13 Membership of associations	pg. 77 Promoting sustainable finance		
Strategy			
102-14 Statement from senior decision-maker	pg 5. Message from the CEO		
102-15 Key impacts, risks, and opportunities	Financial Report 2021 pg. 3 Report of the Board of Directors Financial Report 2021 pg. 38 Note 2: Risk management pg. 38 NIB and climate change		

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGS
Ethics and integrity			
102-16 Values, principles, standards, and norms of behavior	NIB's mission is to finance projects that improve productivity and benefit the environment of the Nordic and Baltic region. This mission was given by the Bank's owner countries to address the needs and challenges the region is facing. In line with the Bank's mission, NIB's core values are competence, commitment and cooperation. NIB has compulsory Codes of Conduct [CoC] that reflect the Bank's values and principles for its staff, Board of Directors, the President and the Control Committee. The CoCs are approved by the Board of Directors, and are publicly available on NIB's website. NIB's Integrity & Compliance Office [ICO] interprets the Codes, giving advice to staff on their implementation. Training on the CoC is given as an obligatory part of the induction process for new staff. Further, regular training courses on integrity and compliance issues are provided for all employees. As part of the annual financial declaration process, every staff member is required to attest their compliance with the CoC. See pg. 9 NIB's Integrity Report 2021.		
102-17 Mechanisms for advice and concerns about ethics	The Integrity & Compliance Office [ICO] is NIB's contact point for seeking advice on ethical and lawful behaviour as well as organisational integrity. Reports of misconduct in NIB's operations and activities or allegations of non-compliance with NIB's policies can also be addressed to ICO. NIB's reporting channel is open to all staff members as well as to external parties. All reports are confidential and the identity of reporters is protected. Reports can also be made anonymously. The Speaking-up and Whistleblower Protection Policy provides protections for whistle-blowers. Contact forms in English and the eight Nordic and Baltic languages are publicly available on NIB's website. See also NIB's Integrity Report 2021. Additionally, NIB's staff members can also seek advice on ethical and lawful behaviour or report concerns to the Bank's Ombudsman. See pg. 57 Working at NIB.		
Governance			
102-18 Governance structure	Financial Report 2021 pg. 99 Governance statement		
Stakeholder engagement			
102-40 List of stakeholder groups	pg. 76 Stakeholder dialogue		
102-41 Collective bargaining agreements	NIB staff are employees of an international financial institution [IFI]. Based on NIB's legal status as an IFI, the Bank has established its own provisions for its employees. National legislation and procedures under which collective bargaining takes place are not applicable to NIB. NIB's Code of Conduct for the Staff allows, however, freedom of association for its staff with reference to general democratic principles. As NIB enjoys immunity from national jurisdiction [court proceedings] in employment-related matters, the Bank has established arbitration rules for employment-related disputes. NIB also has an independent Ombudsman, whom the employees can consult in any employment-related matters and who may act as mediator between the employee and the Bank. NIB has a Cooperation Council that aims to promote communication between the Bank and the staff on issues related to conditions in the workplace.		
102-42 Identifying and selecting stakeholders	pg. 74 Stakeholder dialogue		
102-43 Approach to stakeholder engagement	pg. 74 Stakeholder dialogue		
102-44 Key topics and concerns raised	pg. 80 Defining what matters		

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGS
Reporting practice			
102-45 Entities included in the consolidated financial statements	The Nordic Investment Bank (NIB). NIB does not have any subsidiaries. The Bank's only office is located in Helsinki, Finland.		
102-46 Defining report content and topic Boundaries' 102-47 List of material topics	pg. 78 Defining what matters pg. 80 Defining what matters		
102-48 Restatements of information	None		
102-49 Changes in reporting	In 2021, NIB reviewed its materiality and updated its list of material topics. See pg. 78 Defining what matters		
102-50 Reporting period	NIB has reported in accordance with the GRI Standards: Core option for the period of 1 January until 31 December. This report covers the year 2021.		
102-51 Date of most recent report	16 March 2021		
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	This report has been prepared in accordance with the GRI Standards: Core option. See pg. 78 Defining what matters		
102-55 GRI content index	pg. 87 GRI content index NIB has reported the information cited in this GRI content index for the period from 1 January to 1 December 2021 with reference to the GRI Standards: Core option.		
102-56 External assurance	In 2021, NIB sought independent, external assurance of its sustainability reporting according to the ISAE 3000 (Revised) standard. The assurance was provided by KPMG, who carried out at limited level of assurance. See pg. 104 Independent Assurance Report .		

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGS
Material Topics			
GRI 200 Economic Standard Series			
GRI 201: Economic Performance 2016			
103-1 Explanation of the material topic and its Boundary	NIB's purpose is to make financing available in accordance with sound banking principles and taking into account socio-economic considerations, to carry into effect investment projects of interest to the Nordic and Baltic owner countries, and other countries that receive such financing. In order to fulfil its mission effectively, NIB is required to be financially strong. The Bank therefore needs to earn a sufficient return from its business operations to meet economic obligations, ensure its future lending capacity and to guarantee its owner countries a reasonable return on their paid-in capital. However, NIB is not a profit maximising entity. NIB finances its lending by issuing bonds in the global financial markets. To maintain investor confidence in the Bank as a debt issuer, the Bank is rated by international credit rating agencies. The evaluation covers several areas, including the Bank's business operations, governance structures, and capital and liquidity management. NIB has kept its issuer ratings at the highest possible level (AAA/Aaa) since 1982 when first rated. Having strong external ratings allows the Bank to obtain funding at a favourable cost and to extend financing on competitive market terms. This impact occurs both inside and outside of the organisation.		
103-2 The management approach and its components	NIB's constituent documents require that loans be granted in accordance with sound banking principles, that adequate security be obtained for the loans, unless sufficient security is considered to exist under the circumstances, and that the Bank protect itself against the risk of exchange rate losses to the extent practicable. The Bank's risk appetite is defined in its Risk Appetite Statement (RAS), which is approved by the Board of Directors. The RAS aims to align the Bank's willingness to take risk with its statutory requirements, strategic business objectives and capital planning. NIB strives to maintain its issuer rating at the highest possible level, supported by strong capital and liquidity position as well as stable earnings and operational efficiency. Lending goals and targets are proposed by the President and approved by the Board of Directors. The Board decides on NIB's strategic direction. NIB does not publish any lending-related targets. Complaints about misconduct in the Bank's activities and operations, including allegations of misconduct and corruption, can be addressed to the Integrity & Compliance Office [ICO].		
103-3 Evaluation of the management approach	NIB publishes annual audited financial statements for the year ending on 31 December on its website www.nib.int, and these financial statements are approved by the Board of Directors and included in the annual report. The Bank publishes an unaudited interim management statement as of 31 March and 30 September. The Bank publishes an interim financial report for the six month period ended 30 June in accordance with the International Accounting Standard 34, reviewed by the external auditors and approved by the Board of Directors. All reports are available on NIB's website. The Board of Directors is responsible for evaluating NIB's management approach and for deciding on targets and adjustments. The Control Committee is NIB's supervisory body and ensures that the Bank's operations are conducted in accordance with the Statutes. The CC is also responsible for the audit of the Bank and submits its annual audit report to the Board of Governors. The CC appoints the Bank's external auditors. See Financial Report 2021 pg. 99 Governance Statement.		

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGs
201-1 Direct economic value generated and distributed	Financial Report 2021 pg. 24 Statement of comprehensive income Financial Report 2021 pg. 69 Note 18: Capitalisation and reserves NIB's main economic impact stems from its lending operations and the projects the Bank finances. In 2021, NIB disbursed EUR 2,440 million in loans, of which EUR 340 million were in Response Loans aimed at alleviating the economic impact of the COVID-19 pandemic.		 
201-2 Financial implications and other risks and opportunities due to climate change	NIB is taking a gradual approach to implementing the recommendations set out by the Task Force on Climate-Related Disclosure (TCFD). The reporting process includes the identification of climate-related risks and opportunities and the assessment of their potential impact on NIB's business, strategy and financial planning. See pg. 38 NIB and climate change and pg. 81 TCFD index.		
201-3 Defined benefit plan obligations and other retirement plans	Financial Report 2021 pg. 30 Note 1: Accounting policies Financial Report 2021 pg. 56 Note 7: Pension obligations		
201-4 Financial assistance received from government	Financial Report 2021 pg. 69 Note 18: Capitalisation and reserves		
GRI 203: Indirect Economic Impacts 2016			
103-1 Explanation of the material topic and its Boundary	NIB works towards a prosperous and sustainable Nordic-Baltic region. The Bank consequently finances improvements to infrastructure, education, health and human capital to support well-functioning markets and equal opportunities, which are major drivers for prosperity and productivity growth. The quality of regional infrastructure and infrastructure services shapes the business environment of a region and supports productivity directly by reducing frictions in operations, and indirectly by increasing the efficiency of labour and product markets. The impact mainly occurs outside of the organisation.		
103-2 The management approach and its components	NIB conducts a sustainability review of all loan applications, according to its Sustainability Policy. With 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. To assess whether the projects considered for financing support the vision of the Bank, NIB has a Mandate Rating Framework, which contains guidelines and tools to assess how the projects provide productivity gains and environmental benefits. A decision to grant a loan is made by the Board of Directors, after preliminary approval by the Bank's Mandate, Credit and Compliance Committee. NIB's President is authorised by the Board to make certain lending decisions. Complaints about the Bank's activities and lending-related issues, including allegations of misconduct and corruption, can be addressed to the Integrity & Compliance Office (ICO).		
103-3 Evaluation of the management approach	Following project completion, NIB's analysts evaluate the realisation of the estimated productivity gains and/or environmental benefits as agreed during the loan negotiation. This is part of the Bank's ex-post procedure to ensure our impact and learn lessons for future lending. NIB has outlined the process in its Monitoring and ex-post mandate assessment framework. The ex-post evaluation supports NIB in identifying areas for improvement to increase performance in the future. The results are described in the Financial Report 2021 pg. 6 Report of the Board of Directors. No adjustments to the management approach were made in 2021.		

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGS
203-1 Infrastructure investments and services supported	In 2021, disbursed EUR 507 million [21% of total loans disbursed] in the sector of Infrastructure & Project Finance, and EUR 958 million [39% of total loans disbursed] in the business area Public Sector & Utilities. The financed projects include investments in transport, urban development and municipal infrastructure, and telecommunication in the Nordic-Baltic region. See pg 13 Lending in 2021 .		 
203-2 Significant indirect economic impacts	In line with its mandate rating framework, NIB considers both the micro- and economy-wide [direct and indirect] productivity impacts of the projects it finances. Indirect impacts are usually more widely distributed and can create spill over effects that support economies' abilities to create value. Such projects involve investments in infrastructure, healthcare, education, R&D and in financial intermediation to support SMEs. Negative indirect economic impacts mainly occur when an investment is likely to strengthen the market power of a dominant company in an imperfectly competitive market, such as, for example, a large grocery retail chain in a NIB member country. However, the ex-ante quantification of indirect economic impact is rarely feasible, due to data limitations. While NIB is not a "policy bank", the projects the Bank finances contribute to meeting international standards and the national policy agendas of NIB's member countries. Since the selection criteria for eligible projects emphasise indirect impacts that are beyond commercial interests and often well aligned with national and regional development goals, the impacts can be considered significant for stakeholders.		 
GRI 205: Anti-corruption 2016			
103-1 Explanation of the material topic and its Boundary	NIB is an international financial institution entrusted with public funds. Any concerns relating to prohibited practices [including corruption, fraud, bribery, money laundering and terrorist financing] are regarded as material by the Bank and its stakeholders. Issues relating to corruption or other integrity-related failures may occur within NIB's own operations, in the Bank's client companies and in the projects the Bank finances. The impact may therefore occur both inside and outside the organisation. NIB applies integrity due diligence to its counterparties, and performs regular risk assessments to identify and manage the potential impact of integrity concerns.		
103-2 The management approach and its components	NIB has anti-money laundering [AML], and anti-bribery and corruption [ABC] controls in place, covering NIB's operations and activities. These policies and processes constitute NIB's integrity and compliance framework and are established to prevent NIB from becoming involved with prohibited activities and other integrity issues. The Bank's integrity framework is outlined in the Integrity and Compliance Policy, which also sets out NIB's commitments to integrity. NIB's also has Codes of Conduct [CoC] for the staff and the Bank's governing bodies, and include provisions for handling conflicts of interest. All policies in the integrity and compliance framework are approved by the Board of Directors, and are publicly available on NIB's website. Responsibility for integrity controls are shared between the Control Committee, the Board of Directors, the President & CEO, the Chief Risk Officer, the Integrity & Compliance Office [ICO] and the staff. ICO is NIB's focal point for all integrity-related matters. See NIB's Integrity Report 2021 for more information on ICO's roles, communication, resources, cooperation and training. ICO also manages NIB's mechanism for reporting misconduct, corruption and non-compliance.		

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGS
103-3 Evaluation of the management approach	As an IFI, NIB is not under the supervision of any financial or supervisory body, but benchmarks its integrity and compliance policies against the legislation of its member countries and of that of the European Union. NIB complies with the sanctions regimes relevant to its operations. NIB internally audits the effectiveness and implementation of its policies and processes. The Bank has not sought an external audit for its integrity and compliance framework. Further, ICO measures its own performance against the internal goals and targets set out its annual action plan, which is approved by the Board of Directors. Based on the results of the AML risk assessments that was concluded in 2021, NIB will continue the process of updating its policies, including the Integrity Due Diligence policy, to better capture integrity risk and strengthen its controls. No adjustments were made to the management approach in 2021.		
205-3 Confirmed incidents of corruption and actions taken	In 2021, no incidents of corruption were confirmed. See pg. 9 NIB's Integrity Report 2021		
GRI 300 Environmental Standards Series			
103-1 Explanation of the material topic and its Boundary	NIB's mission is to finance projects that improve productivity and benefit the environment of the Nordic-Baltic countries. Challenges related to climate change, the use of resources and the need for innovation and environmental protection have both an environmental as well as a social dimension, and are therefore seen as material to NIB's business and operations. NIB's main environmental impact stems from the projects the Bank finances in the Nordic-Baltic region and in other countries. The smaller impact arises from the running of NIB's organisation; including the Bank's headquarter in Helsinki. NIB therefore reports separately on its own internal impact and the impact of NIB-financed projects. Own indicators on energy, GHG emissions, green buildings, and water are included.		

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGS
103-2 The management approach and its components	In line with the Bank's mission and policies, NIB's Sustainability and Mandate Unit conduct a review of all loan applications. The process addresses a project's environmental impact, including on the climate and biodiversity, and its impact on communities and productivity. NIB's Sustainability Policy sets out a list of international frameworks, conventions and frameworks that the analysis draws on. For a list of external initiatives and programmes the Bank is involved see pg. 77 Promoting sustainable finance. NIB-financed projects also have to fulfil the requirements set out in the Bank's Mandate Rating Framework, which includes guidelines for assessing productivity gains and environmental benefits resulting from the project. These sustainability and mandate assessments are included in the loan documentation, and influence the decision process of the management and the Board on whether to approve financing for a project. NIB is committed to supporting sustainable, prosperous and well-functioning societies, and to supporting the transition to an economy where sustainability forms an integral part of businesses' operations and decision-making. The Bank is committed to addressing the climate challenge in accordance with the Paris Climate Agreement, and aims to integrate the management of climate-related risks and opportunities in its business operations. NIB also recognised the special protected status of the Baltic Sea and its importance for sustainable growth in the region. NIB currently does not publish environmental targets set for the projects it finances, but reports annually on the impact of these NIB-financed projects, see pg. 15 Impact of NIB's lending. See our website for more information on how we calculate impact. 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 project descriptions are made publicly available for comments for 30 days before the Bank makes a decision on financing. Communication is managed via the email address info@nib.int. 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. Grievances about the Bank's activities and lending-related issues, including allegations of misconduct and corruption, can be addressed to the Integrity & Compliance Office (ICO). To manage its own environmental footprint, NIB has established an Internal Sustainability Council that functions as a central reference group for coordinating in-house sustainability matters. The Council also defines internal action points and targets. To assess the Bank's own footprint, NIB uses an internal CO₂ calculation tool. The footprint calculation includes direct and indirect greenhouse gas emissions in NIB's value chain, including mobility, energy use, events and catering emissions. NIB aims to become carbon neutral. The Bank is also a member of the WWF's Green Office Programme. See pg. 52 Carbon emissions from internal operations.		

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGS
103-3 Evaluation of the management approach	For all financed projects, NIB's sustainability advisors collect information on the project performance, environmental benefits as well as negative impact caused by the project, and assure the quality of the information provided during site visits and interviews with projects staff and relevant stakeholders. The scope of NIB's sustainability review is risk-based and includes the categorisation of projects (A-C) based on their potential negative impact. The review covers definition of risks, planned mitigation measures, and the commitment and capacity of the client to manage the identified issues. The project's environmental and social performance is benchmarked against relevant national laws, EU regulations and standards. 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. NIB communicates the results of the environmental impact assessment to the customer, and may give advice regarding prospective projects. NIB publishes relevant information on the emission increase and decrease of projects on its website. For the year 2021, NIB has sought a limited external assurance of the impact data arising from its financed loan projects. Following project completion, NIB's analysts evaluate the realisation of the estimated productivity gains and/or environmental benefits as agreed during the loan negotiation. This is part of the Bank's ex-post procedure to ensure our impact and learn lessons for future lending. NIB has outlined the process in its Monitoring and ex-post mandate assessment framework. The results are part of the Report of the Board of Directors, see Financial Report 2021 pg. 6 Report of the Board of Directors. Regarding its headquarter in Helsinki, NIB monitors its energy consumption and complies with the requirements set out in current EU environmental legislation and the WWF's Green Office programme. The Internal Sustainability Council follows up on NIB's internal sustainability performance in line with the annual action plan. The Council also gathers ideas from employees and works to raise awareness on sustainability topics. Information regarding facilities management and sustainability initiatives is regularly communicated to staff members.		
GRI 305: Emissions			
305-1 Direct (Scope 1) GHG emissions	pg. 52 Carbon emissions from internal operations & pg. 72 About our internal carbon emissions		
305-2 Energy indirect (Scope 2) GHG emissions	pg. 52 Carbon emissions from internal operations & pg. 72 About our internal carbon emissions		
305-3 Other indirect (Scope 3) GHG emissions	pg. 52 Carbon emissions from internal operations & pg. 72 About our internal carbon emissions		
305-4 GHG emissions intensity	pg. 52 Carbon emissions from internal operations & pg. 72 About our internal carbon emissions		
305-5 Reduction of GHG emissions	pg. 52 Carbon emissions from internal operations & pg. 72 About our internal carbon emissions		

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGS
Own indicator: Impact of NIB's lending on GHG emission	Prorated to NIB's share of financing, disbursements to projects in 2021 are assessed to contribute to an annual CO ₂ e reduction of 41,800 tonnes and a CO ₂ e increase of 500 tonnes. The net reduction of 41,300 tonnes equals the annual carbon footprint of 4,200 people in the Nordic-Baltic region. See also pg. 15 & 19 Lending in 2021		
Own indicator: Electricity and thermal heat generation	Estimates for the installed capacity and energy generation are provided by clients and/or are based on public documentation. For intermittent renewable energy generation (e.g. wind power, solar power), the P90 estimate is used when possible to mitigate uncertainty on the final generation and related climate impact. In 2021, disbursements to renewable energy projects (EUR 33 million, 2% of loans rated and disbursed) contributed an annual increase of 38,400 MWh of generated electricity. The increase equal the energy need of approximately 1,500 single family houses. See also pg. 19 Lending in 2021		
Own indicator: Electricity networks	Impacts describing the investments in electricity networks are expressed as kilometres of networks. The number includes both distribution and transmission networks including overhead lines and underground cables. Both the extension and replacement of existing cables are accounted for. Renewable energy connected to the grid is expressed as connected capacity, or where feasible, as transmitted energy. Greenhouse gas savings are reported only for projects where energy is saved or recovered directly within the system as such, not for indirect benefits arising from transmitted renewable energy. In 2021, EUR 434 million (23% of loans rated and disbursed) went to electricity network projects, providing 395 kilometres of transmission and 365 kilometres of distribution networks in Denmark, Iceland, Finland and Norway and adding 1,072 MW of renewable energy to the grid. See also pg. 19 Lending in 2021		
Own indicator: Green buildings	Indicators for buildings include gross floor area constructed, certification level and progress, and estimates for own carbon-neutral energy generation (solar or geothermal). Green buildings include commercial buildings certified according to the highest levels of BREEAM and LEED, and public buildings certified according to highest levels of RTS or similar national green building certification scheme. In 2021, EUR 199 million (10% of loans rated and disbursed) went to green building projects with a total floor area of 37,800 m ² . See also pg. 20. Lending in 2021		
Own indicator: Onlending to SMEs and Environmental projects	For loans to SMEs and environmental project through financial intermediaries only the total loan amount and the number of programmes financed are reported. In 2021, one loan programme totalling EUR 40 million (2% of loans rated and disbursed) was signed with a financial intermediary for onlending to SMEs and environmental projects in Denmark. See also pg. 21 Lending in 2021		
Own indicator: Water management	The main indicator for wastewater projects is the added or upgraded treatment capacity presented as population equivalents (PE). One PE approximately equals the pollution load in household sewage produced by one person. The value of one PE expressed as biochemical oxygen demand is 60-70 grams of oxygen per day (BOD5 or BOD7), depending on the applicable national standards for wastewater treatment. Projects include expansion of existing wastewater treatment capacity or replacement of less efficient wastewater treatment solutions, e.g. by connection of households to centralised plants or refurbishment of wastewater treatment. In 2021, NIB financed water treatment projects resulted in added wastewater treatment capacity of 10,800 PE. The projects are assessed to reduce 6 tonnes of phosphorous and 32 tonnes of nitrogen annually. See pg. 21 Lending in 2021		

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGS
GRI 307: Environmental Compliance			
307-1 Non-compliance with environmental laws and regulations	Environmental compliance mainly relates to the projects NIB finances. All projects proposed for financing undergo a sustainability review in accordance with NIB's Sustainability Policy. This review, which is carried out by the analysts of NIB's Sustainability & Mandate unit, ensures that the project complies with internationally and nationally recognised environmental and social standards. The Bank is also a signatory of the European Principles for the Environment (EPE). Another benchmark reference for NIB-financed projects that is often applied is the HELCOM standards for discharges to the Baltic Sea. See pg 77 Promoting sustainable finance. Assurance concerning adherence with environmental laws and regulations in NIB-financed projects forms part of NIB's portfolio monitoring. The Bank has established a mechanism for consulting the public about projects with potentially extensive social and environmental impacts (Category A projects). NIB publishes project descriptions and environmental impact assessments on its website for 30 days, inviting all interested parties to comment. Stakeholder input is considered when a financing decision is made. Communication on Category A projects is handled via the email address info@nib.int. See pg. 75 Stakeholder dialogue NIB's Integrity & Compliance Office is responsible for receiving complaints of non-compliance with NIB's policies including its Sustainability Policy. No complaints regarding non-compliance with the Sustainability Policy were made in 2021.		
GRI 400 Social Standards Series			
GRI 401: Employment 2016			
103-1 Explanation of the material topic and its Boundary	NIB's employees are one of the Bank's most important assets and its main internal stakeholder group. Without highly skilled personnel, NIB cannot reach its targets and fulfil its mission. NIB's goal as an employer is to provide a sustainable working environment that encourages personal and skills development, and a good work-life balance. NIB's training and education programmes are an important aspect of the Bank's commitment to fulfilling its mission by investing in employees' skills and expertise. The Bank aims to maintain continuous communication with its staff members and regularly collects feedback. Further, ensuring employee wellbeing and occupational health and safety are a priority of NIB's human resource management. The impact occurs inside of the organisation.		

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGs
103-2 The management approach and its components	NIB's staff are employees 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 NIB's employees. The Bank has therefore established its own regulations. NIB's legal framework for the staff covers the relationship under which work is performed at the Bank. The main document is the Staff Regulations, which set out the conditions for employment, compensation, working hours, social security and parental leave. NIB's fundamental principles in respect to its staff are the rule of law, transparency, predictability and equity. The Bank is committed to promoting fair and equal treatment of all its employees and aims for a balanced diversity among staff. NIB supports inclusion and strives to prevent discrimination and harassment. The Human Resources (HR) unit is responsible for handling employment-related matters, including employee wellbeing and training. The Bank has a Cooperation Council representing the employer (NIB) and the staff. Staff can report grievances to supervisors, HR business partners and the Integrity & Compliance Office. NIB also has an independent Ombudsman who can be contacted by all staff members in work-related matters. NIB has its own Arbitration Regulations for handling employment-related disputes. The Speaking up and Whistleblower Protection Policy grants protection to whistle-blowers. NIB's Business Continuity & Security unit is responsible for developing and implementing NIB's security policies, which cover all aspects of physical, personal and knowledge security. The Cooperation Council additionally functions as an occupational health and safety body. Read more about NIB's provisions for its staff on pg. 59 Working at NIB and see NIB's website		
103-3 Evaluation of the management approach	NIB benchmarks its policies and practices against those of other IFIs. The Bank also collects regular feedback from its staff to evaluate the efficacy of its processes. The Cooperation Council works to promote communication between NIB and its staff, and evaluates the Bank's management approach under consideration of employees' opinions on an ongoing basis. NIB's policies are internally audited, but the Bank has not sought external audit for its employment-related policies. Based on the stakeholder feedback received, NIB will continue its work to improve its training offerings and provisions for employee wellbeing in 2021. See pg. 54 Working at NIB and pg. 74 Stakeholder dialogue. No changes to the management approach were made during 2021.		
401-1 New employee hires and employee turnover	In 2021, NIB hired 14 new permanent employees (4 women and 10 men), resulting in a hiring rate of 7%. New hires by age group: under 30: 1 person, 30-50: 8 persons, over 50: 5 persons. In 2021, 20 people left the Bank (8 women and 12 men). The exit turnover rate stood at 10%. Exit turnover by age group: under 30: 0 persons, 30-50: 8 persons, over 50: 12 persons. Calculations are based on the number of permanent employees in 2021 [198].		 
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Financial Report 2021 pg. 56 Note 7: Personnel expenses, compensation and benefits includes explanations of Pension obligations, Staff loans and Additional benefits for expatriates. See also pg. 59 Working at NIB for more information about benefits such as insurance, healthcare and parental leave.	Not applicable: Stock ownership is not applicable as NIB is an international financial institution.	  

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGS
GRI 404: Training and education 2016			
404-1 Average hours of training per year per employee	The average number of training hours per year per employee was 16.2 in 2021, compared to 15.6 in 2020 (figures are based on head count). This figure does not include online trainings completed by employees during the year.	Information unavailable / incomplete: Data on average hours of training by gender and employment category is not collected. Reporting the average number of training hours per year per employee is sufficient for our purpose and for tracking progress. We do not plan on reporting on training days broken down by gender or employee category in the future.	
404-2 Programs for upgrading employee skills and transition assistance programs	NIB has support models for its employees in place, which include individual career counselling programmes, leadership training and job placement services. Such programmes are paid for by NIB and are facilitated by external service providers. For example, NIB offers a career counselling programme for employees who have been working at the Bank for several years. The programme functions as a development initiative and aims to ensure continued employability of NIB staff. NIB also started to develop a young professionals programme, which aims to provide staff at the beginning of their careers with tools for skills development and networking. Further, NIB encourages job rotations across different department at the Bank as well as secondment arrangement with other institutions. Pre-retirement planning services are offered to staff reaching old-age pension, which include administrative support and guidance for pension applications, and related off-boarding services. During the year, the Bank offered various tailor-made training opportunities for its staff members. Most training was carried out on an individual level, and was based on employees' specific needs. NIB also offers language training to its employees in English, Swedish and Finnish and, in special circumstances, other work-related languages. See pg. 56 Working at NIB		
404-3 Percentage of employees receiving regular performance and career development reviews	All permanent employees (2021: 198 employees, 90% of total staff) take part in regular, structured appraisal and development discussions with their supervisors, where individual work plans and performance are reviewed. These talks are held at least twice a year. Similar development discussions are also provided to temporary employees.		
GRI 406: Non-discrimination 2016			
406-1 Incidents of discrimination and corrective actions taken	In 2021, no formal claims of discrimination or harassment were reported.		

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGS
GRI 64 Financial Sector Supplement			
CATEGORY: SOCIAL			
Sector specific aspect: Product Portfolio			
The management approach and its components	In line with the Bank's mission, NIB's sustainability analysts assess all projects proposed for financing for their potential impact on productivity and the environment of the Nordic-Baltic region. This mission fulfilment is rated on a five-grade scale from "negative" to "excellent", and measures a project's compliance with NIB's Sustainability Policy. The Sustainability Policy - which is approved by the Board of Directors - address the environmental and social dimensions of growth, including the impact of NIB's lending on the climate, local communities and human resource management. At least 90% of loans should achieve a "good" or "excellent" mandate rating. Further, NIB-financed projects have to fulfil the requirements set out in the Bank's Mandate Rating Framework, which sets out guidelines for assessing a project's impact on productivity and the environment. These sustainability and mandate assessments are included in the loan documentation, and influence the decision process of the management and the Board on whether to approve financing for a project. NIB is committed to supporting sustainable, prosperous and well-functioning societies, and to supporting the transition to an economy where sustainability forms an integral part of businesses' operations and decision-making. The Bank is committed to addressing the climate challenge in accordance with the Paris Climate Agreement, and aims to integrate the management of climate-related risks and opportunities in its business operations. NIB also recognised the special protected status of the Baltic Sea and its importance for sustainable growth in the region. NIB currently does not publish environmental targets for the projects it finances, but reports annually on the impact of these NIB-financed projects, see pg. 15 Impact of NIB's lending. NIB has developed a channel for its stakeholders to express their views or comment on projects with potential significant adverse social or environmental impacts (Category A projects). 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 about non-compliance with NIB's policies, including the Sustainability Policy, as well as allegations of misconduct and corruption, can be addressed to the Integrity & Compliance Office (ICO).		
Policies with specific environmental and social components applied to business lines	NIB's Sustainability Policy is approved by the Bank's Board of Directors, and cover the environmental, social and governance dimensions of NIB's activities and operations. In line with the policy, all projects considered for financing undergo a sustainability review to identify significant environmental and social risks. This review addresses a project's environmental impact, including on the climate and biodiversity, and its impact on communities and productivity. The Sustainability Policy also sets out a list of international frameworks and conventions that NIB draws on. The policy includes an Exclusion List of activities the Bank will not finance or invest in. In addition, the Mandate Rating Framework guides the Bank's economists and environmental analysts in assessing a project's impact on productivity and the environment, and defines the drivers for NIB's lending activities. Mandate rating is a compulsory part of the credit process. NIB is committed to consider these risks and opportunities identified in the sustainability review when making financing decisions. The policies are publicly available on NIB's website.		

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGS
Procedures for assessing and screening environmental and social risks in business lines.	NIB's environmental and social review is performed by the analysts of the Sustainability and Mandate unit. The review includes the following key components: -categorisation based on assessment of potential negative impact of the project -definition of risks and impact of the project and of planned mitigation measures -benchmark 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 Based on the categorisation, NIB indicates to the customer what type of environmental information NIB requires. These sustainability and mandate assessments are included in the loan documentation, and influence the decision process of the management and the Board on whether to approve financing for a project. See pg.67 Sustainability management for more information on sustainability governance, monitoring and decision-making.		
Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	The implementation of NIB-financed projects is monitored on an ongoing basis. When a project has reached operating maturity (normally within three years after completion), it receives an ex-post assessment. Ex-post assessment is based on impact indicators that are determined during the ex-ante assessment of a project prior to loan approval and aims to identify lessons learnt and aspects that can serve as recommendations for improvement. The principles for this process are set out in NIB's Monitoring and Ex-Post Mandate Assessment Framework. All NIB-financed projects receive ex-post evaluations, with the exception of sub-projects in financial intermediary lending within NIB's member countries, which already has an established scheme for reporting. In 2021, fifteen such ex-post assessments were completed. See Financial Report 2021 pg. 6 Mission fulfilment As outlined in the Investigation and Enforcement Policy, the Integrity & Compliance Office handles investigations of alleged non-compliance with NIB's policies, including the Bank's Sustainability Policy.		
Interactions with clients/investees/ business partners regarding environmental and social risks and opportunities.	NIB's Sustainability and Mandate unit (SUM) is responsible for assessing and monitoring projects, and for interacting with clients on issues relating to environmental and social risks and opportunities. The SUM analysts perform regular interviews with project staff and conduct site visits. The extent and frequency of interactions depend on the type of project financed, and are based on the impact indicators defined during the ex-ante project assessment. NIB's sustainability analysts can also advise clients on how to improve the sustainability impact of a project and how to avoid, mitigate and manage risks. See Financial Report 2021 pg. 6 Mission fulfilment		
FS6 Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	Financial Report 2021 pg. 61 Note 12: Loans outstanding and guarantee commitments		
FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	In 2021, some 72.8% of the total loans disbursed and rated (EUR 1.39 billion) were channelled to projects received a "good" or "excellent" rating on the environmental mandate. See also Financial Report 2021 pg. 6 Mission fulfilment		

DISCLOSURE	NIB'S RESPONSE	COMMENT	NIB & THE UN SDGS
Sector specific aspect: Audit			
The management approach and its components	NIB has an independent Internal Audit function that regularly evaluates the Bank's controls, risk management and governance processes. Internal Audit has a direct reporting line to the Bank's Board of Directors and to the Control Committee. The annual audit plan is approved by the Board of Directors. A risk-based approach is applied when selecting the audit activities to be included in the plan. The internal audit activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.		
Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	While a risk-based approach is applied when selecting audit activities, the target is to cover all areas of NIB's operations and activities at least every five years as part of a regular internal audit process. Recent audits related, for example, to sustainability and mandate processes, non-financial risks, green bonds, and the NIB Environmental Bond Framework. No separate auditing system has been implemented for the Bank's environmental and social risk assessment policies. The rectification of reported issues is followed up on a continuous, quarterly basis. In 2021, NIB's Executive Committee decided to again seek independent, external assurance of its sustainability reporting according to the ISAE 3000 (Revised) standard. The assurance was provided by KPMG, who carried out at limited level of assurance. See pg. 104 Independent Assurance Report.		
Sector specific Aspect: Active Ownership			
FS 10 Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	NIB's Sustainability and Mandate unit (SUM) assesses all projects considered for financing for their potential impact on productivity and the environment. As part of this process, the Bank's sustainability analysts engage with clients on environmental and social issues related to the project implementation. When a project is first assessed, impact indicators are defined (ex-ante appraisal). During the implementation phase of the project, NIB's sustainability analysts regularly monitor the project and its progress in line with the ex-ante indicators. Once a project is operational (usually three years after completion), NIB's analysts aim to follow up on the project's impact. This ex-post assessment is also based on the ex-ante defined indicators. In 2021, NIB agreed 36 new loans. The project analyses are available on NIB's website. See also Financial Report 2021 pg. 61 Note 12: Loans outstanding and guarantee commitments for the total number of companies in NIB's portfolio as of 31 December 2021. During the year, NIB's analysts continued to engage with its portfolio clients, and completed 15 ex-post assessments. See Financial Report 2021 pg. 6 Mission Fulfillment. See also the Mandate Rating Framework and the Monitoring and Ex-post Mandate Assessment Framework.	Information unavailable / incomplete: NIB does not report separately on the percentage and number of companies held in the Bank's portfolio with which NIB's sustainability analysts engaged with on environmental or social issues.	

Independent Assurance Report to the Management of Nordic Investment Bank

We have been engaged by the Management of Nordic Investment Bank [hereafter “NIB”] to provide limited assurance on selected sustainability indicators presented in NIB’s Impact Report 2021 [hereafter “Selected Sustainability Information”] for the year ended 31 Dec 2021.

The Selected Sustainability Information consists of the following indicators presented in the GRI content index and “Impact” section of NIB’s Impact Report 2021:

GRI disclosures

GRI 102: General Disclosures 2016

- 102-8: Information on employees and other workers

GRI 305: Emissions 2016

- 305-1: Direct [Scope 1] GHG emissions
- 305-2: Energy indirect [Scope 2] GHG emissions
- 305-3: Other indirect [Scope 3] GHG emissions
- 305-4: GHG emissions intensity
- 305-5: Reduction of GHG emissions

GRI 307: Environmental Compliance 2016

- 307-1: Non-compliance with environmental laws and regulations

GRI 401: Employment 2016

- 401-1: New employee hires and employee turnover

GRI 404: Training and Education 2016

- 404-1: Average hours of training per year per employee

- 404-2: Programs for upgrading employee skills and transition assistance programs
- 404-3: Percentage of employees receiving regular performance and career development reviews

GRI 406: Non-discrimination

- 406-1: Incidents of discrimination and corrective actions taken

Non-financial key performance indicators

- Impact of NIB’s lending
 - Own indicator: Impact of NIB’s lending on GHG emission, page 97
 - Own indicator: Electricity and thermal heat generation, page 97
 - Own indicator: Electricity networks, page 97
 - Own indicator: Green buildings, page 97
 - Own indicator: Onlending to SMEs and Environmental Projects, page 97
 - Own indicator: Water management, page 97
- Table “Impact of NEB-financed projects 2011-2021”: 2021 share, page 35

MANAGEMENT’S RESPONSIBILITIES

The Management of NIB is responsible for the preparation and presentation of the Selected Sustainability Information in accordance with the reporting criteria, i.e. GRI Sustainability Reporting Standards, and the information and assertions contained within it. The Management is also responsible for determining NIB’s objectives with regard to sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

OUR RESPONSIBILITIES

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our assurance engagement on the Selected Sustainability Information in accordance with International Standard on Assurance Engagements [ISAE] 3000 [Revised], Assurance Engagements other than Audits

or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board IAASB. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Sustainability Information is free from material misstatement.

KPMG Oy Ab applies International Standard on Quality Control ISQC 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants IESBA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PROCEDURES PERFORMED

A limited assurance engagement on Selected Sustainability Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Sustainability Information, and applying analytical and other evidence gathering procedures, as appropriate. In the engagement, we have performed the following procedures, among others:

- Interviewed the members of NIB's senior management and relevant staff responsible for providing the Selected Sustainability Information;
- Assessed the application of the GRI Sustainability Reporting Standards reporting principles in the presentation of the Selected Sustainability Information;

- Assessed data management processes, information systems and working methods used to gather and consolidate the Selected Sustainability Information;
- Reviewed the presented Selected Sustainability Information and assessed its quality and reporting boundary definitions and;
- Assessed of the Selected Sustainability Information's data accuracy and completeness through a review of the original documents and systems on a sample basis.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

INHERENT LIMITATIONS

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

CONCLUSION

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not prepared, in all material respects, in accordance with the GRI Sustainability Reporting Standards.

Helsinki, 15 March 2022

KPMG Oy Ab

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