



NORDIC
INVESTMENT
BANK

Integrity Report

2021

Foreword by the President

Good governance, transparency and accountability are essential aspects of sustainable finance. Having recently joined Nordic Investment Bank, I wish to take the opportunity to reiterate NIB's commitment to integrity and compliance, and its importance in supporting NIB to achieve its mandate.

2021 continued to bring uncertainties; requiring NIB to remain vigilant for new risks and adapting to the new ways of working. It was also a year of change at NIB with several key personnel joining. We updated our business strategy with backing from our Board; reflecting on the business we are doing and how we are doing it.

From the integrity perspective, we evaluated how well our integrity and compliance processes address the money laundering risk. While there are always enhancements given the continually evolving operating environment, the outcome of the risk assessment demonstrated that we have a robust framework.

The Bank's Integrity & Compliance function continued its work on strengthening the processes and controls in place. Reviews were conducted of our policies on the prevention of market abuse and the protection for whistleblowers.

As a part of the Risk and Compliance department, which was established in 2020, the Integrity & Compliance Office has continued to benefit from the close cooperation with the other functions in the second line of defence. In particular, the close relationship with the Credit Risk unit has strengthened the controls and compliance with NIB's standards.

The above activities have helped us to strengthen our integrity and compliance which will support the new initiatives set out in NIB's newly approved business strategy. Part of this new strategy includes broadening the Bank's product offering, moderately increasing our risk-taking, and promoting higher quality standards within the existing mandate of financing projects that improve productivity and benefit the environment of the Nordic and Baltic countries.

As the international financial institution of the Nordic-Baltic region, NIB is committed to supporting a sustainable post-COVID recovery and to facilitating positive change in our member countries and with the clients with which we work. We will continue our work with integrity and in compliance with our policies.

André Küüsvek
President & CEO

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1 NIB's Integrity Framework

1.1 Commitments to Integrity

The Nordic Investment Bank (NIB) is committed to the integrity of markets and to following relevant best practices and international standards in the areas of governance, accountability, transparency and business ethics. NIB is also committed to acting without bias or prejudice.

As an international organisation, more specifically an international financial institution (IFI), entrusted with public funds, NIB strives to carry out its operations with the highest integrity and in compliance with the Bank's own legal framework.

Any issues related to prohibited practices, including corruption, fraud, money laundering and terrorist financing, are regarded as material. These prohibited practices are linked to a wide range of negative impacts, such as the misallocation of funds, undermining the rule of law and damage to the environment.

NIB's stakeholders – that includes the Bank's Board of Directors, customers, investors, and the general public – expect high standards from NIB and its staff, and we expect high standards from ourselves. Prevention is at the forefront of NIB's compliance efforts, and the Bank has controls in place to prevent money laundering, corruption and breaches of relevant sanctions.

NIB has also endorsed the Uniform Framework for Preventing and Combating Fraud and Corruption (IFI Uniform Framework). The Framework was agreed upon and signed by the large multilateral organisations, including the World Bank, the International Monetary Fund and the European Bank for Reconstruction and Development. NIB has aligned its policies and procedures accordingly.

1.2 Integrity Policy Framework

NIB’s anti-money laundering (AML) and anti-bribery and corruption (ABC) controls include policies and processes that cover a wide range of themes. As an IFI, NIB is not under the supervision of any financial or supervisory body but benchmarks its policies and procedures against the legislation of its member countries and that of the European Union.

The Bank’s integrity framework is set out in the [Integrity and Compliance Policy](#). The policy outlines NIB’s commitments and establishes the Bank’s compliance function and the Business Integrity Council. It also provides definitions of the prohibited practices (corruption, fraud, coercion, collusion, theft, obstruction, money laundering, terrorist financing), which are based on the IFI Uniform Framework.

NIB has adopted a risk-based approach regarding the application of AML/CTF and KYC controls. The [Integrity Due Diligence Policy](#) and its related internal procedures describe the manner in which NIB carries out its preventive work for identifying, managing and mitigating integrity and reputational risks related to the Bank’s borrowers and other counterparties.

NIB has Codes of Conduct in place for its staff and members of the governance bodies. The Codes are obligatory and provide guidance on how to exercise good judgement in ethical matters.

Further, NIB has approved policies on investigations and enforcement, speaking-up and whistle-blower protections, prevention of market abuse and handling of inside information.

NIB’s integrity policies



1.3 The Integrity & Compliance Office

NIB's compliance function is part of the Risk & Compliance department, which is the second line of defence for NIB and has the overall responsibility for managing risks across risk types and organisational units.

The Integrity & Compliance Office (ICO) oversees, coordinates and reports on matters relating to compliance and integrity risk. Further, ICO provides independent advice to staff, management and the Board of Directors on compliance matters. This includes the interpretation of the Codes of Conduct and giving guidance on the proper management of conflicts of interest. ICO is also responsible for overseeing NIB's AML and ABC controls and is the second line of defence for NIB's Integrity Due Diligence process.

The Chief Compliance Officer (CCO), who heads ICO, reports to the Chief Risk Officer, and has unrestricted access to the President, the Chair of the Board of Directors and the Chair of the Control Committee. The CCO regularly meets with the governing committees.

In August 2021, the Board of Directors appointed the CCO to be the Bank's first Data Protection Officer with responsibility for leading and overseeing the implementation and maintenance of the Bank's data privacy framework.



ICO's roles:

A) Preventative

Through its preventative work, ICO aims to ensure that the Bank's staff and counterparties meet NIB's compliance and integrity standards. Preventative work includes the assessment of the potential risks the Bank is facing and the mitigation of these risks by establishing appropriate procedures and controls. These procedures are regularly reviewed to meet the market expectations that are created by a changing regulatory landscape.

Integrity Due Diligence

A critical element of preventative work is the scrutiny of NIB's borrowers and other counterparties in the Integrity Due Diligence (IDD) process. The IDD process supports the identification and management of the compliance risks that arise in the context of NIB's lending activities, trust fund activities, treasury operations and internal procurement processes.

NIB's Integrity Due Diligence is comprised of four elements:

1. General Integrity Review,
2. Anti-Money Laundering and Counteracting Terrorist Financing Review,
3. Cross-border Structural Review, and
4. Sanctions Screenings.

Codes of Conduct and conflicts of interest

ICO also interprets and advises staff and members of governing bodies on the Bank's Codes of Conduct. The Codes provide guidance on handling conflicts of interest that staff members – or anyone else linked to NIB – may encounter. Any potential conflict of interest has to be promptly and fully disclosed to the CCO, who will give advice on how to manage the situation. On an annual basis, staff are required to complete a Financial and Business Interest Declaration, by which they attest understanding of the Code of Conduct and the absence of conflicts of interest.

Training

Training also plays a key role in preventing and combating misconduct and non-compliance with NIB's policies. As part of the induction programme for new staff members (this includes permanent employees, temporary employees, internal consultants and trainees), training on NIB's integrity and compliance framework is provided. This includes an eLearning course on the Code of Conduct, which new hires are required to complete. Further, staff in the Lending department receive additional training on the IDD process to ensure that potential integrity risks are identified as early as possible in the project cycle.

The Integrity & Compliance Office also sets up an annual plan to provide training that is specifically targeted at the staff, the management and/or members of governing bodies. The plan is approved by the Board of Directors. On request, tailor-made trainings for specific employee groups are organised.

B) Investigative

Handling allegations of prohibited practices, misconduct and non-compliance

ICO is responsible for receiving and investigating all allegations of prohibited practices, misconduct and complaints of non-compliance with NIB policies. The process is governed by the [Investigation and Enforcement Policy](#) and supported by the [Speaking Up and Whistleblower Protection Policy](#).

The CCO, in collaboration with the Head of Internal Audit, conducts preliminary assessments of all reported complaints and allegations. If an allegation is linked to a NIB-financed project or activity, and meets the criteria established in the Investigations and Enforcement Policy, it is referred to ICO for investigation.

If there is sufficient evidence to support the allegation or complaint, a findings report is presented for decision to the President (for cases related to staff) or to an independent Sanctions Panel (for cases involving prohibited practices related to counterparties). The Sanctions Panel is made up of three members, one internal and two independent external experts.

NIB also adheres to the Cross Debarment Agreement (the “Agreement on Mutual Enforcement of Debarment Decisions”) signed among the Multilateral Development Banks. More information on the grievance mechanism is given under *3 Reporting to ICO*.

C) Reporting

The Chief Compliance Officer reports twice annually to the Control Committee and the Board of Directors on integrity and compliance matters in relation to NIB’s operations. ICO presents its annual activity plan to the Board of Directors for approval. Progress made on these activities is part of the CCO’s reporting to the governing bodies. In addition, NIB publishes an annual integrity report, which presents an overview of NIB’s integrity and compliance framework and associated activities over the past year.

2 ICO's Activities in 2021

2.1 Maintaining NIB's Integrity

2.1.1 Risk assessments: Anti-money laundering (AML)

To ensure that NIB appropriately manages its money laundering, bribery and corruption risks, the Integrity & Compliance Office undertakes AML assessments of NIB's activities.

In 2020, ICO initiated an AML assessment of NIB's lending operations. The assessment was completed in May 2021 and approved by the Board of Directors and presented to the Control Committee Chairmanship in June.

Overall, the assessment proved that the Bank has a robust framework. Nonetheless, ICO made recommendations to enhance integrity related data collection, improve monitoring of sanctions risk, conduct AML Risk Assessments and Training at regular intervals.

ICO is working together with the relevant departments to address the recommendations.

2.1.2 Policy and process development

Revision of the Prevention of Market Abuse Policy and Rules on Handling of Insider Information and Market Soundings

ICO revised the policy and the rules to align both documents with the latest EU regulations on market abuse. Both documents were approved by the Board of Directors and the Executive Committee in June 2021. The documents set out measures to prevent market abuse as well as enhanced controls on the management of inside information and market soundings.

Revision of the Speaking Up and Whistle-blower Protections Policy

ICO revised this policy to define more clearly how concerns around NIB's operations can be raised and what the available protections for whistle-blowers are to reflect the latest EU directive concerning whistle-blowers. The purpose is to have a user-friendly document for staff and external parties. The Board of Directors approved the revised policy on 9 December 2021.

Revision of the Integrity Due Diligence Policy

Following the revision of NIB's Integrity and Compliance Policy in October 2020, ICO is in the process of revising the Bank's Integrity Due Diligence Policy and rules for Lending, Treasury and procurement operations. The main objective is to update the documents to incorporate current due diligence requirements, to assess the integrity risk ratings currently in use and to refine and clarify due diligence processes within NIB.

Review of Codes of Conduct for 1) Staff, 2) President and Board of Directors and 3) the Control Committee

A review of the Codes of Conduct for Staff, the President and the Board of Directors, and the Control Committee has been initiated. The aim of this review is to make these documents effective guidelines for all the relevant parties. With the aim of further strengthen the cooperation and alignment of the Nordic sister organisations, this exercise is being coordinated with NEFCO's Ethics and Compliance function.

Integrity Due Diligence Process - Enhancement of IT tool

As part of NIB's IDD process, the Bank's borrowers are subject to a screening process and are monitored on an ongoing basis. To improve this process, an electronic IDD tool was launched in 2019. The purpose of the tool is to automate record keeping and to ensure the availability of information for the transaction teams.

During 2021, the functionalities of the tool continued to be expanded and improved. The upgraded IDD Tool was launched on 14 January 2022.

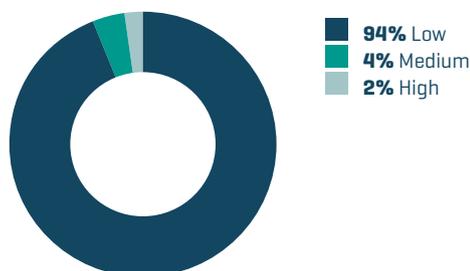
2.1.3 Support to Operational Units

ICO continued to provide advice to the Bank's operational units, including the Lending, Treasury, and Legal departments. As established in the IDD Policy and the IDD Rules for Lending, ICO acts as the second line of defence for the IDD process. In practice, this means that ICO gives advices and recommendations to the operational units, senior management and the Board of Directors in cases that have been assessed to have Medium or High integrity risks.

Lending

ICO was involved in the review of 43 Lending cases that had received a Low, Medium or High integrity risk rating. The level of ICO's engagement varied from project to project and ranged between simple internal assessments to full reviews of a borrower's policies, which required extensive client engagement.

Figure 1: Compliance risk ratings for potential new Lending in 2021



As and when appropriate, ICO offers expertise to client companies dealing with high integrity-related risks. This may include reviewing clients' integrity management controls and providing advice on how these controls can be enhanced. The cooperation with clients helps to improve NIB's understanding of the risks our lending customers are facing, and to mitigate risks in future projects.

Treasury

ICO continues to work closely with the Treasury department to ensure that operations are carried out with a high level of integrity and in compliance with the IDD rules for Treasury.

Legal - Procurement of goods and services

In connection with NIB's procurement rules for the selection of its vendors and suppliers, ICO and the Legal department (responsible for coordinating the IDD in procurement processes) have continued cooperation to ensure that the process follows best practices and that our counterparties are of an acceptable reputation. The process is risk-based and caters to enhanced due diligence for contracts that are of strategic importance or have a high monetary value.

External Counterparties

In recent years, ICO has seen an increase in the number and complexity of know-your-customer assessments that NIB receives from its counterparties, including correspondent banks and investors.

2.1.4 Training

ICO aims to increase awareness of integrity risks by providing regular training for staff and members of the Bank's governing bodies.

During the year, a new eLearning course titled "Introduction to NIB's Integrity and Compliance framework" was launched and was mandatory to all staff. The course provides with an overview of NIB's Integrity & Compliance framework and an introduction to its policies.

2.2 Investigating allegations of Prohibited Practices, Misconduct and Complaints

At the beginning of the year, ICO had four investigations related to NIB's borrowers registered as open. Two of these investigations were closed during the course of the year based on insufficient information to substantiate a prohibited practice linked to NIB's financing, and the lack of linkage between the project financed by NIB and the event under investigation by the national authority. The remaining two investigations are being conducted by the relevant national authorities and continue to be monitored.

During the period, two internal reports were received concerning non-compliance with NIB's respectful working place. The investigations into these reports are ongoing.

	ONGOING AT THE START OF THE YEAR	REGISTERED DURING THE YEAR	CONCLUDED DURING THE YEAR	ONGOING AT THE END OF THE YEAR	SANCTIONS DECISIONS BY NIB	REFERRALS TO NATIONAL AUTHORITIES
2021	4	2	2	4	-	-
2020	4	0	0	4	-	-
2019	6	1	3	4	-	-
2018	6	2	2	6	1	-
2017	5	2	1	6	-	-

3 Reporting to ICO

NIB promotes good governance in the projects it finances and strives to be transparent in its operations. In this, the Bank is guided by its commitments to integrity, accountability, transparency and business ethics. Any person suspecting that corruption or any other type of prohibited practice could have occurred in connection with a NIB-financed activity is encouraged to report this allegation to the Bank.

ICO handles NIB's grievance mechanism for reporting misconduct, corruption and non-compliance with NIB policies. Reporting forms are available in English and in the eight Nordic and Baltic languages on the Bank's website. The forms can be submitted to designated email addresses or can be sent by mail. Reporting can also be made directly to the Chief Compliance Officer. All reports are confidential and can be made anonymously. Information is available [on NIB's website](#).

NIB has a Speaking-up and Whistle-blower Protection Policy in place, which lays out the protections available to staff members and external stakeholders, including witnesses in investigations who report in good faith any wrongdoings to ICO. Moreover, the policy establishes that retaliation against whistle-blowers is prohibited, and describes NIB's process for handling reports.

4 Cooperation with peers

NIB cooperates with other international financial institution on a regular basis to ensure that the Bank remains abreast of current developments.

Collaboration with the compliance functions of other IFIs supports ICO in maintaining high levels of professionalism and benefits the Bank's general integrity work. NIB strives to harmonise its policies and processes with those of other IFIs and aims to improve information sharing and the effectiveness of investigation and due diligence processes.

ICO regularly attends the annual meetings of the Chief Compliance Officers of the European Multilateral Development Banks (ECCO). This year, ICO hosted two virtual meetings with this network, in June and September. The purpose of ECCO is to establish closer working contacts between the compliance functions and to form common positions on integrity topics, exchange information and to improve communication and responsiveness.

NIB is also part of the Independent Accountability Mechanism Network (IAM). The network is a platform for regular exchange of ideas and international capacity building in accountability and compliance as components of corporate governance. ICO took part in the IAM annual meeting in September.

Further, the Bank collaborates with the compliance functions of other Nordic organisations such as the Nordic Development Fund (NDF) and the Nordic Environment Finance Corporation (NEFCO) on training, information sharing, and aligning policies and procedures.

5 Glossary

Anti-bribery and Corruption Controls means NIB's controls for ensuring that the activities carried out by staff and counterparties meet NIB's integrity standards, and for managing the risk of corruption and unethical business practices.

Anti-money Laundering Controls means policies, procedures, and processes designed to mitigate the risks of money laundering.

Complaint means allegations that the Bank, its borrowers or other entities responsible for the implementation of NIB funded projects have not complied with NIB's policies and related procedures.

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

High Compliance Risk means whenever a risk indicator presents a Compliance Risk that falls outside NIB's risk tolerance. In cases where the Compliance Risk is High, the activity or operation shall not move forward. Indicators presenting High Compliance Risk are considered 'deal-breakers'.

Low Compliance Risk means whenever there are no risk indicators identified, or when the identified risk indicators pose low compliance risk for NIB.

Medium Compliance Risk means whenever a risk indicator presents some degree of Compliance Risk. Indicators presenting Medium Compliance Risk could remain within or outside NIB's risk tolerance subject to the outcome of an Enhanced Due Diligence.

Misconduct means any intentional or negligent failure by the Bank's own staff or consultants/experts appointed by the Bank to observe or comply with the Bank's policies.

Prohibited Practices means a corrupt practice, fraudulent practice, coercive practice, collusive practice, theft, obstruction, money laundering or terrorist financing.



Reporting Allegations of Fraud or Corruption

Any person suspecting that corruption or any other type of Prohibited Practice [fraud, coercion, collusion, theft, obstruction, money laundering, and terrorist financing] has occurred in connection with a NIB-financed activity is encouraged to report this allegation to the Bank.

All alleged cases of internal or external misconduct and Prohibited Practices can be reported to the Chief Compliance Officer by email: Corruption@nib.int

Reporting of Complaints of Non-Compliance with the Bank's Policies

If you believe you are or will be adversely affected by a project financed by NIB due to non-compliance with a NIB policy [e.g. the sustainability policy and guidelines, the public information policy], you may submit a complaint to the Chief Compliance Officer by email: Complaints@nib.int

Allegations or Complaints can also be reported by post to:
Strictly Confidential: For the Attention of the Chief Compliance Officer
Nordic Investment Bank, Fabianinkatu 34, 00171 Helsinki, Finland