

2018

NIB Activity Report



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Activity Report (PDF)

Overview of NIB's operations, sustainability management and governance in 2018.



NIB Environmental Report (PDF) ↗

Full report of NIB Environmental Bonds in 2018.



Financial Report (PDF) ↗

The Report of the Board of Directors and the complete Financial Report 2018.

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About NIB

The Nordic Investment Bank's mission is to finance projects that improve productivity and benefit the environment of the Nordic and Baltic countries. The Bank is an international financial institution owned by the governments of Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden.

NIB's member countries gave the mission to address the needs of the region and the challenges it is facing - sustainable growth, technological innovation, climate change, the development of circular economy and the protection of marine environments.

NIB offers long-term loans to complement and leverage commercial lending. Loans are extended according to sound banking principles and on market terms. NIB has lending operations both within and outside its member countries.

The Bank acquires the funds for its lending activities by borrowing on the international capital markets. NIB has the highest possible credit rating of AAA/Aaa. This way, the Nordic and Baltic member countries can finance the transition to more sustainable societies.

Located in Helsinki, Finland, NIB had an international staff of 199 at the end of 2018.



NIB's vision is a prosperous and sustainable Nordic-Baltic region.

Impact of NIB's financing in 2018

CO₂ REDUCTION

NIB-financed projects in 2018 contribute to an annual reduction of **457,000 tonnes of CO₂ emissions**, and an increase of 78,000 tonnes.*

The net reduction equals the annual carbon footprint of 38,000 people in NIB's member countries.

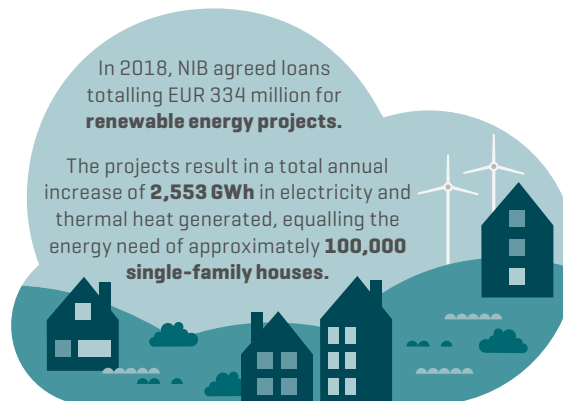


* This CO₂ impact is prorated to NIB's share of financing, the total annual net CO₂ reduction is 818,000 tons.

ELECTRICITY AND THERMAL HEAT GENERATION

In 2018, NIB agreed loans totalling EUR 334 million for **renewable energy projects**.

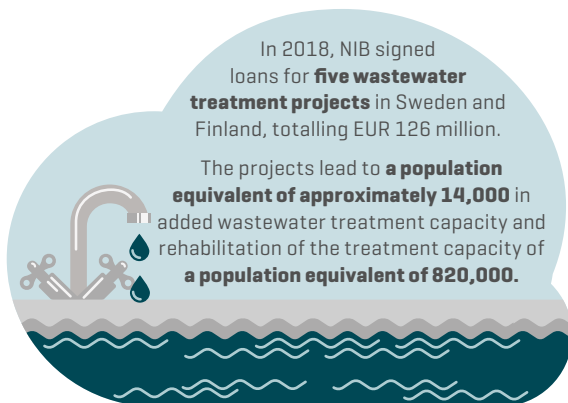
The projects result in a total annual increase of **2,553 GWh** in electricity and thermal heat generated, equalling the energy need of approximately **100,000 single-family houses**.



WASTEWATER TREATMENT

In 2018, NIB signed loans for **five wastewater treatment projects** in Sweden and Finland, totalling EUR 126 million.

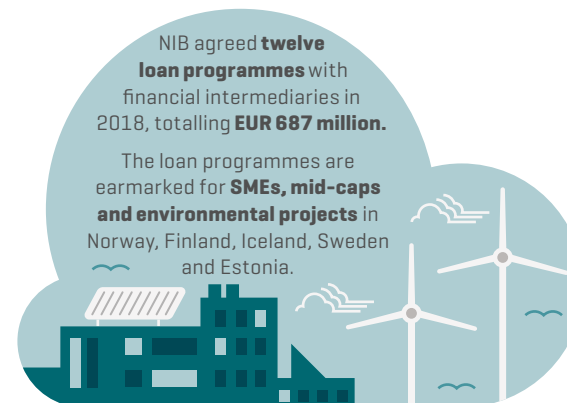
The projects lead to a **population equivalent of approximately 14,000** in added wastewater treatment capacity and rehabilitation of the treatment capacity of a **population equivalent of 820,000**.



ONLENDING TO SMES AND ENVIRONMENTAL PROJECTS

NIB agreed **twelve loan programmes** with financial intermediaries in 2018, totalling **EUR 687 million**.

The loan programmes are earmarked for **SMEs, mid-caps and environmental projects** in Norway, Finland, Iceland, Sweden and Estonia.



R&D PROGRAMMES

NIB signed nine loans for financing **R&D investments**, totalling **EUR 393 million**.

The loans will finance **product innovation and new facilities** in Sweden, Denmark and Finland.

GREEN BUILDINGS

In 2018, NIB signed loans for **three green building projects** that are certified in accordance with LEED Platinum or BREEAM Excellent.

The green building projects cover **23,000 square meters** to be certified.*

* Gross Floor Area not available for all buildings.

HUMAN CAPITAL DEVELOPMENT

In 2018, NIB financed investments in **new education facilities**, totalling **EUR 118 million**.

The investments affect **18,475 students** from pre-school to university level in Finland and Sweden.

CONNECTIVITY & DIGITALISATION

In 2018, NIB financed **telecommunications projects**, totalling **EUR 176 million**.

The loans will support the creation of over **98,000 new broadband connections** for households and businesses.

President's review

On the global scale, the Nordic-Baltic region is highly advanced in many respects. Combined, our economies would be the tenth largest in the world. While the Baltic countries are still catching up with their Nordic neighbours, the gap in income levels per capita is narrowing and the region is becoming more integrated.

NIB's mission is to finance projects that improve the productivity and benefit the environment of the Nordic and Baltic countries. In 2018, NIB experienced record-strong demand, mostly driven by corporate borrowers. Most of this lending was for projects that increase productivity, measured as the economy's overall efficiency in the use of capital, labour or raw materials. That is why we focus on the productivity aspect of our long-term lending in this activity report for 2018.

In 2018, we paid out a total of EUR 4,047 million in loans to customers, which is the highest amount ever in the Bank's history. NIB agreed 58 loans, of which 91% were rated to have "good" or "excellent" effect on either productivity or the environment.

Increasing productivity is the main factor driving growth and income levels, leading to welfare and prosperity. We are living longer and healthier lives, which means a shrinking working-age population will have to provide for a larger

proportion of dependents. As a result, we will have to produce more efficiently in order to uphold sustainable growth.

That is why NIB's mission is not only about the environment. The mission is also to provide long-term lending to projects that contribute to productivity gains of special importance to the region.

During 2018, we revised our mandate rating framework on how to analyse the impact of loan projects, and to adapt to the current business environment and expectations of our stakeholders. One addition to the productivity drivers was equal economic opportunities, which is the core success factor in the Nordic societal model.

We also updated the framework for the issuance of NIB Environmental Bonds to further strengthen our framework in the areas of resource efficiency, including circular economy, water related investments, climate adaptation and resilience.

This report is about NIB's activities with an emphasis on lending to projects that contribute to productivity growth, and how the impact of our financing relates to the UN Sustainable Development Goals for socially inclusive and environmentally sound economic growth.

Henrik Normann, President & CEO



"Increasing productivity is the main factor driving growth and income levels, leading to welfare and prosperity."

The economies of the Nordic-Baltic region

The economy of a combined Nordic-Baltic region would be among the largest in the world, after the G7 and BRIC economies. Measured by nominal GDP per capita, the region would be in the top ten of the most productive economies in the world.

Over the past few decades, the Nordic-Baltic region has generated strong GDP growth rates, led by the Baltic economies, and has outperformed other European economies even throughout the more challenging post-crisis period.

Since the early 2000s, the region has become increasingly more integrated, as growth in productivity has narrowed the gap in per capita income levels between the Baltic and the Nordic countries.

The Nordic-Baltic region is a global frontrunner in several respects. Many of the countries perform well in international comparisons with regards to the business environment, technological progress and innovation, such as global competitiveness, corruption perceptions and innovation, although differences between countries remain.

This also holds true for measures of human capital and equal opportunities, as evidenced by indicators of human capital and gender-based disparities. Measures such as the World Bank's Logistics Performance Indicator suggest that improvements in much of the Nordic-Baltic region's infrastructure has outpaced that of other countries.

In addition to continued variation in per capita income and other performance indicators between the Nordic and Baltic countries, the region as a whole faces challenges in the increasingly complex global environment.

For example, the populations are aging, with the ratio of retired people to working-age people continuing to rise. Intense global competition and emerging technologies will continue to put pressure on the region's competitiveness.

Like other small, open economies, the Nordic and Baltic economies will continue to be exposed to changes in the geopolitical environment, such as those relating to trade and economic tensions.

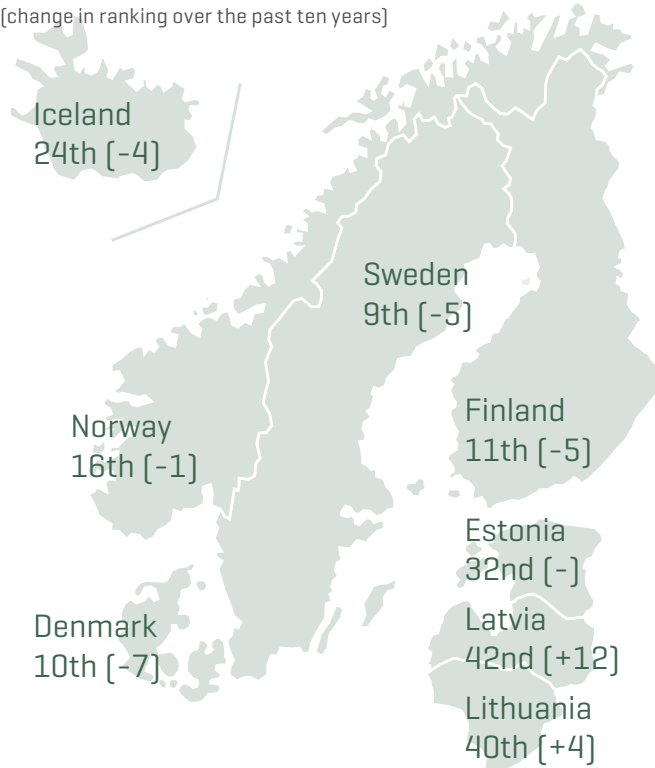
Measures already taken to improve the business environment, such as infrastructure spending, as well as investments in research, innovation and human capital, should facilitate productivity growth in the region to help offset the impact of these challenges.



The Nordic and Baltic countries in global comparison

NORDIC-BALTIC RANKINGS IN THE GLOBAL COMPETITIVENESS INDEX¹

(change in ranking over the past ten years)



OTHER SELECTED INDICES

(change in ranking over the past ten years)

CORRUPTION PERCEPTIONS²

Denmark 1st [-]
 Finland 3rd [+2]
 Sweden 3rd [-2]
 Norway 7th [+7]
 Iceland 14th [-7]
 Estonia 18th [+9]
 Lithuania 38th [+20]
 Latvia 41st [+11]

GLOBAL INNOVATION³

Sweden 3rd [-]
 Finland 7th [+6]
 Denmark 8th [-]
 Norway 19th [-5]
 Iceland 23rd [-3]
 Estonia 24th [+5]
 Latvia 34th [+26]
 Lithuania 40th [+2]

HUMAN CAPITAL⁴

Finland 5th
 Sweden 8th
 Denmark 17th
 Norway 18th
 Estonia 29th
 Iceland 33rd
 Latvia 35th
 Lithuania 37th

GLOBAL GENDER GAP⁵

Iceland 1st [+3]
 Norway 2nd [-1]
 Sweden 3rd [-]
 Finland 4th [-2]
 Denmark 13th [-6]
 Latvia 17th [-7]
 Lithuania 24th [-1]
 Estonia 33rd [+4]

INFRASTRUCTURE⁶

Sweden 2nd [+2]
 Denmark 8th [+5]
 Finland 10th [+5]
 Norway 21st [-5]
 Estonia 36th [+11]
 Iceland 40th [NA]
 Lithuania 54th [+4]
 Latvia 70th [-28]

AGE DEPENDENCY RATIO⁷

Lithuania 51% [3]
 Iceland 53% [3]
 Norway 53% [1]
 Latvia 54% [7]
 Estonia 56% [9]
 Denmark 57% [5]
 Sweden 60% [7]
 Finland 60% [10]

¹ World Economic Forum Global Competitiveness Index 2018 and changes in rankings since 2008-9 Report.

² Transparency International Corruption Perceptions Index 2018 and changes in rankings since 2008 Report.

³ Global Innovation Index 2018 by World Intellectual Property Office, Cornell University and INSEAD and changes in rankings since 2008-9 Report.

⁴ World Bank Human Capital Index 2018. No data is available for previous years.

⁵ World Economic Forum Global Gender Gap 2018 and changes in rankings since the 2008 Report.

⁶ World Bank Logistics Performance Index 2018 and changes since the 2007 Report.

⁷ The age dependency ratio, calculated by the World Bank, is the ratio of dependents (people younger than 15 or older than 64) to the working-age people (those aged 15-64). Data are shown as the proportion of dependents per 100 working-age population. Changes refer to percentage point changes between 2017 and 2007.

OPERATING ENVIRONMENT

While the global macroeconomic environment remained favourable in 2018, growth lost some of the strong momentum of 2017 and became less synchronised across countries.

Growth in the US remained strong, supported by public spending, while a more modest increase in export volumes contributed notably to a slowdown in the euro area. The slower expansion in world trade reflects a combination of factors, including weaker investment spending in a more uncertain global environment.

Domestic price pressures remained low in most advanced economies, supporting central banks in

maintaining interest rates at low levels. In turn, financial conditions – despite slightly deteriorating over the year – continued to support growth. Corporate profits generally stayed healthy, despite some increase in corporate spreads, and hence funding costs, during 2018.

NIB’s member states benefited from the positive external environment. Further decline in unemployment rates, low inflation and favourable financial conditions continued to support domestic spending. Spending by businesses remained strong and broad-based, supporting an increase in NIB lending, particularly to SMEs via financial intermediaries. Growth was also affected by country-specific factors.

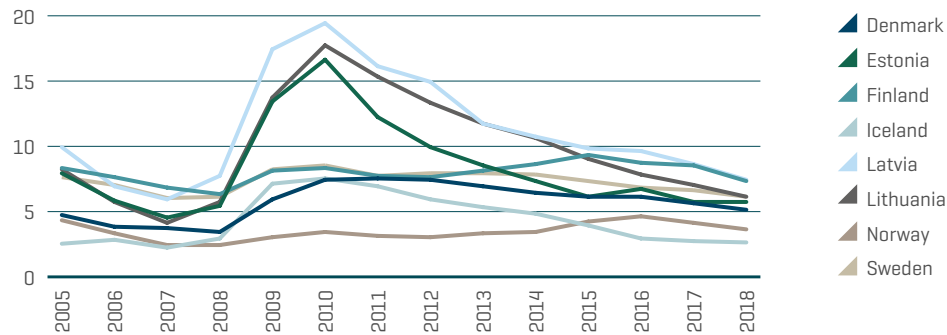
The global expansion is projected to continue in 2019, with some countries likely to experience faster growth rates, and others more moderate ones as the productive capacity of their economies starts to constrain further expansions in activity.

Demand from the main trading partner countries will continue to support exports and business investment in NIB’s member countries, albeit less intensely as global growth moderates. Financial conditions should also encourage growth, but to a more moderate degree as monetary policy normalises.

Rising trade tensions and uncertainties pose downside risks, given that these factors could lead firms to postpone capital spending, which could lead to slower growth in investment and demand.

UNEMPLOYMENT RATES IN THE NORDIC-BALTIC REGION

Percent of labour force [national definitions]



OECD Economic Outlook, Volume 2018 Issue 2

FURTHER AHEAD

Longer term, the evolution of the Nordic-Baltic region's economies will continue to crucially depend on productivity growth, measured as the economy's overall efficiency in the use of capital, labour or raw materials.

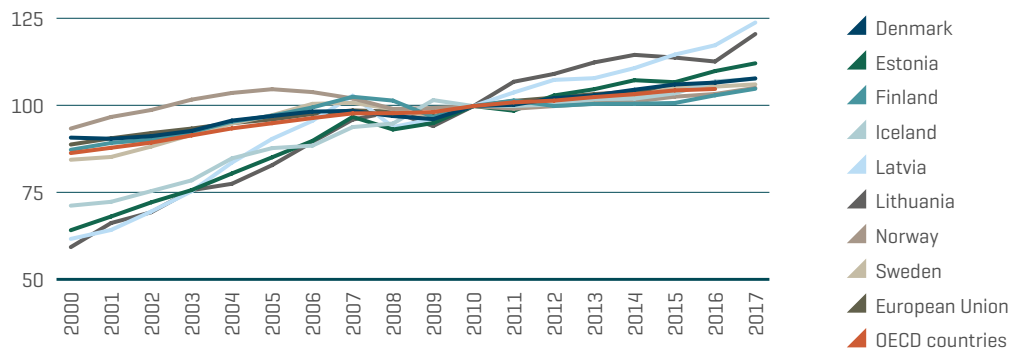
The strong performance of the region over the past few decades has been underpinned by investments in innovation, human capital and physical infrastructure, as well as strong institutions facilitating a competitive business environment and interactions with the global economy.

A sustained expansion in the region against structural challenges such as an ageing population, and issues relating to the retention of talent, will rely on domestic labour forces becoming increasingly productive. Particularly as the contribution to GDP growth of other inputs into production, such as increases in the labour force or physical capital, wanes.

Policy measures already taken to improve the competitiveness of the region should help facilitate productivity growth going forward.

EVOLUTION OF PRODUCTIVITY

GDP per hour worked, Index 2010 = 100



Source: OECD

Focus on NIB's productivity lending in 2018

NIB's purpose is to finance projects that improve the productivity and benefit the environment of the Nordic and Baltic countries. In 2018, NIB experienced record-strong demand for its sustainable long-term lending, driven by corporate borrowers. Most of this lending was for projects that contribute to productivity gains, measured as the economy's overall efficiency in the use of capital, labour or raw materials. Simply put: doing more with less.

In 2018, the Nordic and Baltic countries experienced a pick-up in productivity growth investments in the corporate sector. The challenge, especially for the Nordic-Baltic countries with their rapidly aging populations, is to avoid a situation in which the age-related decline of labour supply were to exceed productivity growth.

Financing projects that boost productivity is therefore a way for NIB to support societies in reaching higher levels of prosperity and well-being.

NIB's sustainable financing covers broad economic, social and environmental aspects.

This approach to sustainability is also reflected in the UN Sustainable Development Goals targeting development issues, such as health, education, gender equality, water, sanitation, energy and urbanisation.

SUSTAINABLE FINANCING

NIB has been a frontrunner in sustainable finance for a long time. While the prosperity of the region was a major driver for the Bank since its establishment in 1976, environmental aspects became an integral part of the financing decisions at the beginning of the 1990s. Since then, NIB has viewed improvements in productivity and environmental progress as integral aspects of sustainable development.

Over the years, NIB has developed a [framework](#) that sets out the drivers, criteria and guidelines on how our analysts assess and rate the economic and environmental impacts of potential loan projects to finance.

In addition, the Bank reviews all projects contributing to productivity gains according to NIB's [Sustainability Policy and Guidelines](#) to ensure compliance with accepted environmental and social standards.

NIB'S DRIVERS

PRODUCTIVITY GAINS:

Technical progress and innovation

Human capital and equal economic opportunities

Improvements in infrastructure

Market efficiency and business environment

ENVIRONMENTAL BENEFITS:

Pollution reduction

Preventive measures

Resource efficiency

Climate change mitigation

DOING MORE WITH LESS

In order to sustain the high levels of well-being in NIB's member countries, the economies require further investments in projects that help unlock their productivity potential. For this, we have identified four main drivers for productivity growth. These are: technical progress and innovation, the development of human capital and equal economic opportunities, improvements in infrastructure, as well as market efficiency and the business environment in the member countries.

NIB's lending supports skills and infrastructure development, technical progress and well-functioning markets where individuals have equal opportunities to prosper economically. Growth in productivity contributes to higher income levels, which leads to resilient welfare and prosperity.

TECHNICAL PROGRESS AND INNOVATION

NIB supports technical progress mostly through its lending to corporate clients' expansion and R&D projects. Expansion projects mainly involve investments in new production facilities or sales networks, or significant upgrades of existing ones.

In 2018, these types of projects accounted for 18% of total loans agreed, and will help NIB's Nordic-Baltic clients to add value to their operations.

NIB is financing Scania CV AB's investment in a new foundry in Södertälje, Sweden, that will triple the production capacity of cast cylinder heads and blocks. [See the case study on Scania on the following page.] The foundry will continue to employ the same number of staff at the plant and attain a significantly lower energy consumption per unit produced. The labour productivity of the facility will thus triple

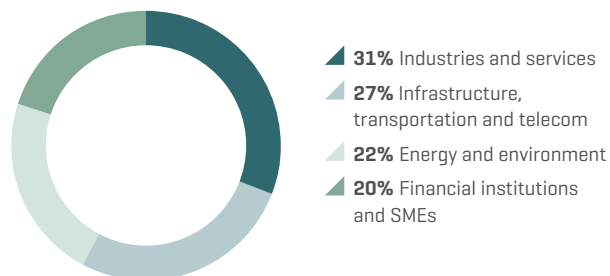
over time and the significance of foundry in Scania's value chain will increase notably.

NIB has a long history supporting the automotive sector in Sweden. The Bank has mainly financed innovation activities in this R&D-intensive sector. Since this is one of Scania's largest single investments in a new plant, it is an important milestone for an important Swedish cluster built on continuous technical progress and skills development.

Projects such as this generate wider impacts for the economy by improving market structures. The most productive companies emerge in markets where competitive pressures force them to focus on productivity.

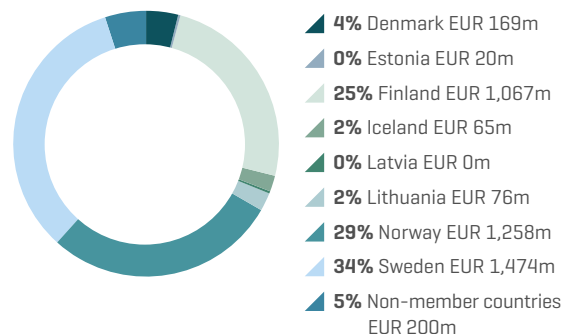
LOANS AGREED IN 2018

[including Lending Green Bond purchases]
%, by business areas



LOANS AGREED IN 2018

Geographical distribution



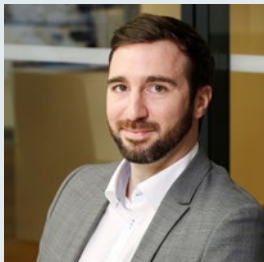
Case study: **SCANIA**

The Swedish heavy transport vehicle manufacturer Scania and NIB have signed an eight-year loan facility of EUR 75 million to finance the company’s new foundry in Södertälje, Sweden.

The investment will accommodate Scania’s current needs, as over 60% of the current production of cast cylinder heads and blocks are outsourced due to limited production capacity at the existing foundry. The project will allow a capacity increase from the current 30,000 tonnes to 90,000 tonnes of melted iron a year, and it will supply the group’s European vehicle production plants.

The capacity expansion will support Södertälje to remain a hub for engine production and allow Scania to maintain technological leadership in the region. Moreover, the project includes improvements in material handling and recycling processes as well as the usage of renewable electricity, thus resulting in substantial energy savings.

The investment in the foundry is one of Scania’s largest single investments in new plant. The construction is currently underway and start-up is expected in 2020.



“This project is a great example of mutual value creation: enabling strategic value investment for Scania while contributing to the sustainable growth in the region.”

Arnaud Defrance / Senior Transaction Manager at NIB

Disbursement year:
2018

Amount disbursed:
EUR 75 million

Maturity:
2026

Business area:
Industries and services

Scania Truck operating in Myvatn, Iceland.

Photo: Gustav Lindh, Scania



MARKET EFFICIENCY AND BUSINESS ENVIRONMENT

Investments that place competitive pressures on actors in a specific sector may well affect the whole market efficiency and business environment indirectly. An example of this is NIB financing UAB Lidl Lietuva’s expansion of its network of stores in Lithuania to improve market efficiency in a concentrated food retail sector. Lidl’s expansion in Lithuania will lead to an almost 70% increase in the chain’s network of stores and create over 650 new jobs. The expansion will likely make some jobs in less productive companies obsolete, but the positive impact on labour productivity will nevertheless be significant. [See the case study on Lidl on the following page.]

Food products account for 22% of Lithuanian households’ expenditures, and a reduction in price levels induced by

intensified competition will pass directly on to households’ disposable income. This will boost the cost-competitiveness of the whole economy and support productivity growth in the food retail sector by forcing all companies to streamline their operations.

Previously, NIB has financed Lidl in Sweden and Finland, where the expansions have had a similar impacts on competition and prices.

Lidl focuses on sustainability and improving the environmental performance of its operations, especially with regard to energy efficiency. The investments in the Lithuanian store network during 2017–2019 will include the certification of all the current 42 existing stores, and the Kaunas logistics centre, according to the EDGE green building certification system, which sets targets for energy efficiency, building materials and water usage.



Case study:

Lidl Lietuva

The Lithuanian grocery retail chain UAB Lidl Lietuva, part of the German-based Schwarz group, and NIB have signed a loan agreement of EUR 50 million to finance the expansion of Lidl's network of stores in Lithuania. EUR 4 million of the facility was financed by NIB Environmental Bond proceeds.

The ten-year loan will fund the company's store network expansion during 2017-2019. By the end of 2018, Lidl was operating 42 stores and one warehouse in Lithuania, and is planning to continue its expansion in the coming years.

The expansion is in line with Lidl's growth strategy in the Baltic countries, which has put competitive pressure on the Lithuanian grocery market. As food products account for a significant share of Lithuanians' household expenditures, market diversification will have an impact on disposable income. Moreover, the expansion has the potential to create more than 650 new jobs and improve labour productivity.

Further, in the construction of the new stores, Lidl is applying energy efficiency measures, which include automated building controls and heat recovery in the ventilation systems. The Lidl shops in Lithuania, as well as the logistics centre in Kaunas, have been certified under the EDGE system for environmentally efficient buildings, which was developed by the IFC, a member of the World Bank Group.

In 2018 alone, Lidl invested EUR 38 million and opened seven new stores in Lithuania. According to the Lithuanian State Tax Inspectorate (VMI), Lidl Lietuva was the 12th largest tax payer in Lithuania last year, contributing over EUR 61 million in taxes to the country's economy.

Disbursement year:

2018

Amount disbursed:

EUR 50 million

Maturity:

2028

Business area:

Industries and services

NEB financing:

8%

Inside Lidl store.

Photo: Lidl



“We are proud to be part of Lidl’s growing business journey in Lithuania as its presence is lowering food prices as well as creating a number of new jobs in the country.”

Nicolas Audibert / Director, Head of Industries & Services at NIB

HUMAN CAPITAL AND EQUAL ECONOMIC OPPORTUNITIES

Investments in learning processes are fundamental for human capital development. The impact will be strongest in early education, and for children from less privileged family backgrounds.

The positive impact of high-quality education on skills development and equal economic opportunities is the main reason why NIB in 2018 made investments in educational infrastructure that will affect over 37,000 students and pupils.

Among these investments is the City of Lahti in Finland, which is investing in new facilities providing both school and early education services. The investments will help Lahti to meet increasing demand for the services and provide more flexibility in the design for educational service systems. [See a case study on the City of Lahti's project on the following page.]

The investments will affect approximately 3,300 pupils in the region, including about 100 children requiring assistance due to learning disabilities. Since immigration is driving population growth in Lahti, where the proportion of elderly people is increasing fast, investing in quality and capacity of education services is one way to ensure that children from immigrant families have equal economic opportunities with their peers in future labour markets.



Case study: City of Lahti

The municipality of Lahti in Southern Finland and NIB have signed a five-year loan agreement for the construction and renovation of schools and day care facilities.

The EUR 10 million loan facility will fund a municipal investment programme that includes the construction of three new educational centres [Laune, Rakokivi and Humpula] as well as the extension and renovation of two existing school facilities [Kivimaa and Länsiharju] in Lahti, a growing city of 120,000 residents and the centre of a region of 200,000 people.

The investment will have positive impacts on the academic and labour market outcomes of the region’s children, especially on pupils in early education and with less-advantaged socioeconomic backgrounds. It will improve the learning environment for 3,300 children in schools and day care centres.

Further, the modern construction solutions will attribute to improved energy efficiency and reduced energy usage in the educational facilities. It is estimated that the buildings’ energy usage will decrease by 4.1 GWh, resulting in energy efficiency gains of approximately 40%.

The project work started in 2017 and is expected to be completed in 2022.

Disbursement year:

2018

Amount disbursed:

EUR 10 million

Maturity:

2023

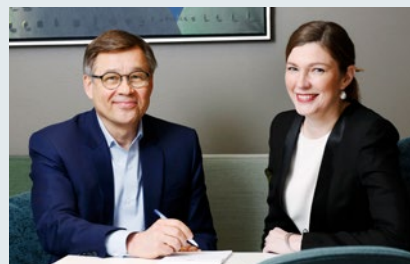
Business area:

Infrastructure, transportation and telecom

Rakokivi multipurpose facility.

Illustration:

City of Lahti



“Investing in education and schools, with a positive environmental impact, is a great investment in our future.”

Olli Lempiäinen / Senior Manager, Origination at NIB

Eva Nickull / Transaction Manager at NIB

IMPROVEMENTS IN INFRASTRUCTURE

A well-functioning society is dependent on maintaining its core infrastructure, such as electricity grids, sewage networks and stormwater control.

Although NIB member states, in the global context, have well-functioning infrastructures, re-investments in technical systems that are reaching the end of their lifetimes are necessary in order to maintain resilient infrastructure.

Due to climate change, there is also an increasing need to adapt to rising sea levels, changing precipitation patterns and increased flooding.

NIB's refined environmental rating criteria includes financing of preventive maintenance projects that are necessary to adapt our infrastructure to climate change. Adaptation projects include improving the capacity of stormwater and sewage systems to handle significantly increased short-term precipitation caused by climate change. Greater amounts of stormwater during heavy rainfall may cause overflows and increase the pollution load on fragile ecosystems.

Climate change adaptation is a key aspect for NIB financing the reconstruction of the Slussen water locks and traffic hub in central Stockholm, Sweden. The water locks regulate the water passage between Lake Mälaren and the Baltic Sea. [See a case study on Slussen on the following page.]

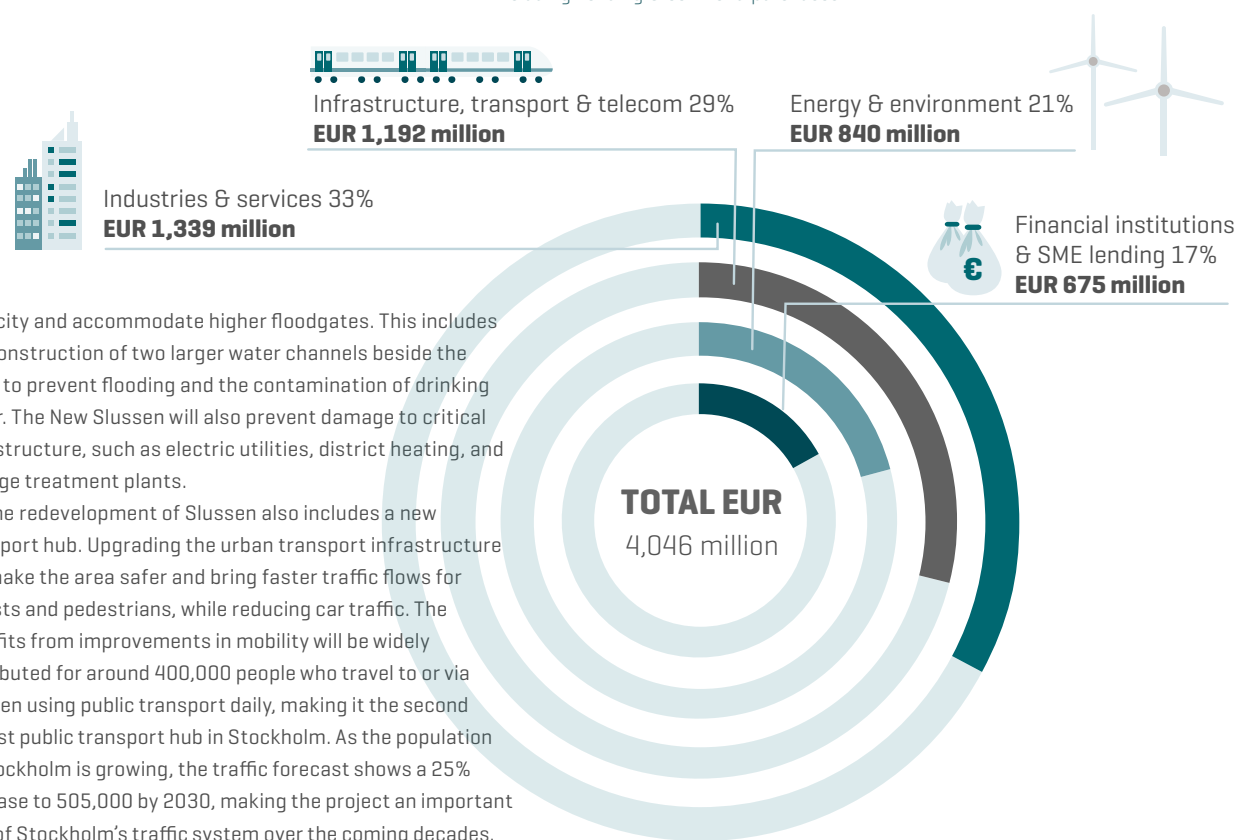
Lake Mälaren provides drinking water to a population of approximately two million people. As of 2050, rising sea levels are expected to surpass Sweden's land uplift. The renovation of the Slussen water locks will increase the drainage

capacity and accommodate higher floodgates. This includes the construction of two larger water channels beside the locks to prevent flooding and the contamination of drinking water. The New Slussen will also prevent damage to critical infrastructure, such as electric utilities, district heating, and sewage treatment plants.

The redevelopment of Slussen also includes a new transport hub. Upgrading the urban transport infrastructure will make the area safer and bring faster traffic flows for cyclists and pedestrians, while reducing car traffic. The benefits from improvements in mobility will be widely distributed for around 400,000 people who travel to or via Slussen using public transport daily, making it the second largest public transport hub in Stockholm. As the population of Stockholm is growing, the traffic forecast shows a 25% increase to 505,000 by 2030, making the project an important part of Stockholm's traffic system over the coming decades.

LOANS DISBURSED IN 2018

including Lending Green Bond purchases



Case study:

City of Stockholm

The City of Stockholm and NIB have signed a SEK 500 million [EUR 48 million] loan with a ten-year maturity to finance the Slussen redevelopment project in Sweden’s capital. The facility is financed by NIB Environmental Bond proceeds [EUR 15 million], and Nordic-Baltic Blue Bond proceeds [EUR 33 million].

The loan has been provided to co-finance the construction of new water locks and investments in Slussen’s new public transport hub infrastructure.

Slussen is an area in central Stockholm built on a water lock allowing passage between Lake Mälaren and the Baltic Sea. The current water discharge capacity of the water locks is becoming insufficient as rising sea levels are expected to surpass Sweden’s land uplift by 2050. Its renovation will increase the drainage capacity and accommodate higher floodgates, ensuring that strategic infrastructure assets are resilient to climate change in the future. The investments will also protect the drinking water supply for two million people from Lake Mälaren and shield crucial infrastructure.

The Slussen metro station is the city’s second-largest public transport hub and a crucial meeting point for rail, water, and road traffic coming into the city. The construction of a new, 200-metre-long bicycle and pedestrian bridge, as well as a new entrance to the metro station and an improved quay for the ferries, will provide safer connections and improved traffic flows for commuters, cyclists and pedestrians. The flow of people on bikes in the area is estimated to increase from about 25,000 movements per day to 53,000 by 2030, thus also reducing car traffic.

The New Slussen is currently one of the largest ongoing construction projects in Sweden. The flood locks are expected to be commissioned in 2022, and the entire Slussen project will be completed in 2025.

Disbursement year:
2018

Amount disbursed:
SEK 500 million

Amount in EUR:
EUR 48 million

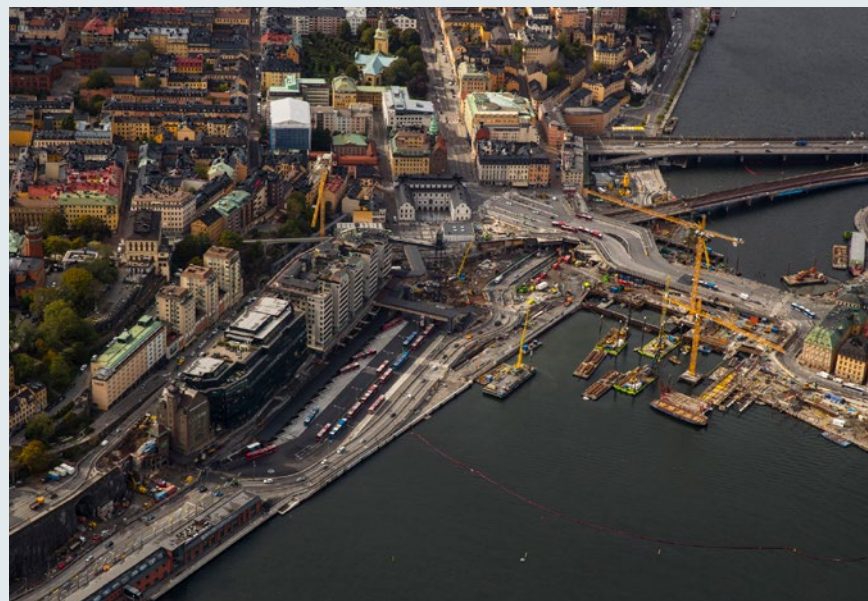
Maturity:
2028

Business area:
Energy and environment

NEB financing:
100%

Aerial view of Slussen, Stockholm.

Photo: Lennart Johansson



“Reshaping Slussen is one of the largest urban transformation projects in Sweden, facilitating modern traffic solutions and ensuring strategic infrastructure’s resilience to climate change for years to come.”

Marina Unnéus / Senior Economist at NIB

DOING IT FOR THE ENVIRONMENT

We have identified a set of drivers for achieving environmental benefits. These are: pollution reduction, preventive measures, resource efficiency, development of clean technology and climate change mitigation.

NIB defines loans to projects with significant direct or indirect positive environmental impact as environmental loans, regardless of the drivers.

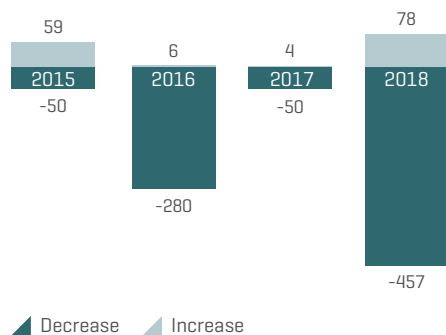
In 2018, NIB's environmental lending mostly included conventional climate change mitigation, such as increased renewable energy capacity and energy efficiency measures. The overall emission reduction from agreed loans in 2018 was 379,265 tonnes of CO₂ equivalents per year, pro-rated to NIB's share of financing, which is higher when compared to previous years.

NIB's environmental lending in 2018 was to an increasing extent also directed to preventive measures, resulting in avoided pollution as well as an increasing the resilience towards climate change.

Environmental projects that receive the highest ratings from our environmental analysts are considered for financing with NIB Environmental Bond proceeds. You can read more about our green bond financing in the [NIB Environmental Bond Report 2018](#).

CO₂* IMPACT OF NIB'S FINANCING

Thousands of tonnes of CO₂ per year

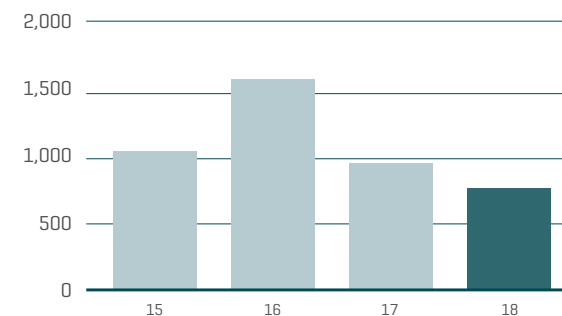


▲ Decrease ▲ Increase

* CO₂ is CO₂ equivalent, pro-rated to NIB's share of financing.

ENVIRONMENTAL LOANS

of loans agreed, excluding Lending Green Bond purchases and unallocated credit facilities
EUR m



NIB-FINANCED PROJECTS AND THE UN SDGS

The seventeen UN Sustainable Development Goals (SDGs) set out a global roadmap for tackling economic, environmental and social challenges as part of the 2030 Agenda for Sustainable Development. The SDGs present a common framework for governments, business and civil society to

enhance the value of their innovations and investments, and to strengthen stakeholder relations.

In line with its mission, NIB has identified the SDGs to which its financed projects, business strategy and sustainability approach can contribute:

NIB-financed projects and the UN Sustainable Development Goals



Loans agreed in 2018

Borrower	Project	Sector
Vestfjorden Avløpsselskap [Norway]	Capacity expansion at the VEAS wastewater treatment plant in the Oslo-region	Energy and environment
City of Lahti [Finland]	Construction of three new educational facilities and extension and renovation of two existing facilities in Lahti, southern Finland	Infrastructure, transportation and telecom
Teollisuuden Voima Oy [Finland]	Upgrade of the safety systems in existing nuclear power plants	Energy and environment
Tele2 AB [Sweden]	Merger of Tele2 and broadband provider Com Hem	Infrastructure, transportation and telecom
Elisa Corporation [Finland]	Investment programme for communication networks in Finland and Estonia	Infrastructure, transportation and telecom
Liedon Säästöpankki [Finland]	A loan programme for financing SMEs and environmental projects in south-western Finland	Financial institutions and SMEs
E-CO Energi Holding AS [Norway]	Construction of three new hydropower stations and upgrade of an existing plant in Norway	Energy and environment
AB Lietuvos pastas [Lithuania]	Construction of a new centralised mail sorting facility in Vilnius, renewal of the post service's vehicle fleet and development of self-service parcel terminals	Infrastructure, transportation and telecom
Royal Unibrew A/S [Denmark]	Acquisition of European beverage companies	Industries and services
Municipality of Kauhava [Finland]	Construction of a new school centre and extension of two day-care facilities in Kauhava	Infrastructure, transportation and telecom
Nokia Oyj [Finland]	Research & development related to 5G in Europe 2018–2020	Infrastructure, transportation and telecom
H&M Hennes & Mauritz AB [Sweden]	Project development costs related to the digitalisation of global fashion retail business	Industries and services
Srei Equipment Finance Ltd. [India]	Loan programme for financing the acquisition and leasing of industrial equipment for companies in India	Financial institutions and SMEs
Scania CV AB [Sweden]	Investment in a new foundry in Södertälje, Sweden	Industries and services
Eidefoss AS [Norway]	Construction of the Rosten hydropower plant in Oppland, Norway	Energy and environment
SpareBank 1 SMN [Norway]	Loan programme for onlending to SMEs and environmental projects in Norway	Financial institutions and SMEs
UAB Lidl Lietuva [Lithuania]	Expansion of Lidl's network of stores in Lithuania during 2017–2019	Industries and services
Intea Fastigheter AB [Sweden]	Construction of a new university campus in Kalmar, Sweden	Infrastructure, transportation and telecom

Borrower	Project	Sector
Municipality of Tanum [Sweden]	Upgrading of water and wastewater infrastructure in the municipality of Tanum, Sweden	Energy and environment
Oma Säästöpankki Oyj [Finland]	Loan programme for onlending to SMEs and SMCs as well as environmental projects in Finland	Financial institutions and SMEs
Bane NOR Eiendom AS [Norway]	Construction of a new green office building in Oslo	Infrastructure, transportation and telecom
Vantaan Energia Oy [Finland]	Retrofitting the Martinlaakso K1 boiler at the Vantaan Energia plant	Energy and environment
Municipality of Norrtälje [Sweden]	Investments in water supply, wastewater treatment, schools and a new fire station in Norrtälje	Infrastructure, transportation and telecom
City of Stockholm [Sweden]	Renovation of the Slussen water locks and construction of new pedestrian and cyclist infrastructure in Stockholm	Energy and environment
Orusts Sparbank [Sweden]	Loan programme for onlending to SMEs and environmental projects	Financial institutions and SMEs
Ferde AS [Norway]	Expansion of the E18 motorway in Aust-Agder County, Norway	Infrastructure, transportation and telecom
African Export-Import Bank [Multilateral]	Loan programme for onlending to various infrastructure projects in African countries	Financial institutions and SMEs
FERD AS [Norway]	Co-financing of investments in mid-cap and small large-cap companies in NIB's member countries	Industries and services
Sparebanken Sør [Norway]	Loan programme for onlending to SMEs and environmental projects in southern Norway	Financial institutions and SMEs
City of Varberg [Sweden]	Construction of infrastructure for water, wastewater and waste in the municipality of Varberg	Energy and environment
Oulun Energia Oy [Finland]	Construction of a new combined heat and power plant in Oulu, Finland	Energy and environment
Municipality of Ystad [Sweden]	Expansion of the port of Ystad, Sweden	Infrastructure, transportation and telecom
Turun Seudun Puhdistamo Oy [Finland]	Construction of a new wastewater removal channel at the Kakolanmäki wastewater treatment plant in Turku, Finland	Energy and environment
Danish Crown A/S [Denmark]	Acquisition of DK-Foods and the Gzella Meat Group, as well as the construction of a new processing plant in China	Industries and services
City of Jyväskylä [Finland]	Construction of new school facilities in Jyväskylä, Finland	Infrastructure, transportation and telecom
Caruna Networks Oy [Finland]	Improving the reliability of electrical distribution networks in Finland	Energy and environment
Ellevia [Sweden]	Modernising electricity networks with underground cables and substations	Energy and environment
AS LHV Pank [Estonia]	Loan programme for onlending to SMEs in Estonia	Financial institutions and SMEs
Sparebank 1 Nord-Norge [Norway]	Loan programme for onlending to SMEs and environmental projects in Northern Norway	Financial institutions and SMEs
Brage Finans AS [Norway]	Loan programme for onlending to SMEs in Norway	Financial institutions and SMEs

Borrower	Project	Sector
S-ryhmän logistiikkakeskukset Oy [Finland]	A new investment loan to continue the financing of a new grocery logistics centre	Industries and services
Instoria Sweden AB [Sweden]	Investments in R&D, tangible capital and ICT during 2018–2022	Industries and services
Municipality of Karlskrona [Sweden]	Expansion of the local optical fibre network and investments in water and wastewater management	Infrastructure, transportation and telecom
Svensk Luftambulans [Sweden]	Merger of four Swedish airborne ambulance services	Infrastructure, transportation and telecom
SG Finans AS [Norway]	Loan programme for equipment leasing to SMEs in Norway	Financial institutions and SMEs
Eidsiva Energi AS [Norway]	Rollout of optical fibre broadband networks in Norway during 2017–2020	Energy and environment
Bergen–Os Bompengeselskap AS [Norway]	Expansion of the E39 motorway in Hordaland county, Norway	Infrastructure, transportation and telecom
TINE SA [Norway]	Construction of a new dairy in Western Norway	Industries and services
BillerudKorsnäs Aktiebolag [Sweden]	Investment in a new board machine in Gruvön, Sweden	Industries and services
Säästöpankki Optia [Finland]	Loan programme for onlending to SMEs and environmental projects in Finland	Financial institutions and SMEs
Kemira Oyj [Finland]	Increase in sodium chlorate production capacity and R&D costs during 2016–2019	Industries and services
SKR Spallation AB [Sweden]	Construction of offices and laboratories on the ESS campus in Lund, Sweden	Infrastructure, transportation and telecom
Trelleborg AB [Sweden]	Acquisition of tyre and polymer group CGS Holding a.s	Industries and services
Hemsö Fastighets AB [Sweden]	Construction of the “Patienten” life science centre in Solna	Industries and services
Development Bank of Southern Africa [South Africa]	Loan programme for financing projects in African countries that are in line with NIB’s mandate	Financial institutions and SMEs
Boliden Mineral AB [Sweden]	Investments at the Aitik copper mine and at the Rönnskär smelter in Sweden	Industries and services



Sustainability

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Sustainability management

NIB's vision is a prosperous and sustainable Nordic–Baltic region. To achieve this goal, the Bank's mission is to finance projects that improve productivity and benefit the environment.

SUSTAINABILITY IS OUR CORE BUSINESS

The mission was given to NIB by its owner countries to address current and future challenges, such as the decline in productivity in advanced economies, climate change, resilient growth, the protection of the environment and sustainable urban development. Therefore, NIB analyses each project considered for financing for its potential sustainability impact and to determine the extent to which it fulfils the Bank's mission.

Hence, sustainability is at the core of NIB's business model, and the Bank has both economic and social roles to play.

To guide its activities, NIB has a [Sustainability Policy and Guidelines](#) in place that cover the environmental and social dimensions of sustainable growth. The Policy also includes an exclusion list of activities not eligible for financing.

In addition to the Sustainability Policy, NIB has a [Mandate Rating Framework](#) in place that guides the Bank's economists and environmental analysts in assessing a project's impact on productivity and the environment.

During spring 2018, the Mandate Rating Framework was updated to allow the Bank to adapt to the current business environment and to better respond to the expectations of our stakeholders.

REVISING THE MANDATE RATING FRAMEWORK

The aim of updating the Mandate Rating Framework was to increase the robustness and consistency of NIB's project assessments, and to keep abreast of the latest developments in sustainable finance, technology and environmental science.

The main changes from the previous framework concern the project evaluation criteria, which have been refined to better capture the transformative trends and the areas of social and technological change that will shape the future of sustainable economies. The new framework will allow NIB to better address the perceived investment needs in its member region.

While the previous framework emphasised measurable environmental improvements, the revised concept was extended to recognise environmental benefits in broader terms. The drivers that contribute to these benefits were defined as pollution reduction, preventive measures, enhancing resource efficiency, development of clean technology and climate change mitigation.

This approach allows the Bank to more widely support investments that contribute to the green transition and the development of climate change-resilient infrastructure. Eligible investments include renewable energy projects, water and waste management, circular economy, green buildings and clean transport solutions.

In this context, NIB recognises the special protected status of the Baltic Sea and its importance for the Nordic–



Baltic region. Further, the Bank also has a focus on the protection of the environment in the Arctic.

The second cornerstone of the mandate, previously “competitiveness”, is now defined as “productivity gains”. The term has been updated to more accurately describe what aspects the Bank is analysing.

NIB finances projects that support the region’s ability to sustain productivity growth and increase society’s overall prosperity and well-being. These aims are regarded as a crucial element of sustainable development. The Bank’s economists evaluate the degree to which projects support technical progress and innovation, the development of human capital, and improvements in infrastructure, as well as market efficiency and the business environment of the Nordic–Baltic countries.

Under this pillar of NIB’s mission, the importance of social aspects is also emphasised. As a result, “equal economic opportunities” was introduced as a new productivity driver. This includes, but is not limited to, investments in innovation, healthcare and education, as well as other investments that contribute to the development of human capital. The returns on these types of investments are significant, as they are widely distributable and affect society as a whole.

Projects leading to productivity gains are naturally required to comply with NIB’s Sustainability Policy and Guidelines to

ensure that they are in line with acceptable environmental and social standards. While the Bank recognises that not all adverse impacts of a project can be avoided, it requires that they are appropriately reduced, mitigated or compensated for.

GREEN FINANCING

Since 2011, NIB has raised funds for part of its lending by issuing NIB Environmental Bonds (NEBs). The Bank issues NEBs to attract investors who particularly want to finance projects that benefit the environment. In 2018, NIB updated its [NEB Framework](#) to align it with the revised mandate rating framework. Read more in [NIB’s Environmental Bond Report 2018](#).

Today, as the leading Nordic green bond issuer, NIB has a strong interest in participating in setting the standards for environmental financing. In 2018, NIB was re-elected as a member of the Executive Committee of the “Principles”–the Green Bond Principles, the Social Bond Principles and the Sustainability Bond Guidelines. The group develops voluntary process guidelines for the sustainable bond market. Lars Eibeholm, NIB’s Head of Treasury, was also elected Chairman of the Principles’ Steering Committee.

Furthermore, the Bank can expand its lending activities by purchasing green bonds issued by companies and municipalities in the member countries. The selection criteria

for investing in green bonds is based on an issue’s market merits as well as its value for improving the environment, including the mitigation of climate change. In 2018, NIB acquired three new green bonds and sold one.

PEOPLE ARE KEY

The Bank emphasises good management of human resources. Respect for workers’ rights and freedom of association are seen as basic elements of good business practice. NIB does not tolerate discrimination based on gender, race, nationality, ethnic origin, religion, disability, age or sexual orientation internally or in any of the projects it finances. When a risk of discrimination is identified in a financed project, a review by a third party expert may be performed.

Furthermore, NIB requires its clients to comply with international standards for the employment of minors. The use of forced labour is not accepted by NIB. Sound management of health and safety issues among workers and communities is essential for the productivity and efficiency of the business, as is respect for their livelihoods.

As an employer, NIB has introduced an Equality and Diversity Plan that specifies the aims and practical actions to be taken in order to promote a balanced working environment free from harassment or discrimination. Read more about the Bank’s human resources practices in [Working at NIB](#).



NIB updated its Mandate Rating Framework to adapt to the current business environment.

SUSTAINABILITY GOVERNANCE & COMPLIANCE

Sustainability matters are shared between the Chief Compliance Officer (who reports to the CEO and has access to the members of the Board of Directors), the Control Committee, and the Head of Sustainability and Mandate.

As defined in [NIB's Public Information Policy](#), the Head of Communications, who also reports directly to the CEO, is responsible for the communication of sustainability matters.

NIB pursues the highest level of integrity, transparency and accountability in all its operations and activities.

The Bank has adopted a zero-tolerance attitude towards corruption and fraud. NIB has a [Compliance and Anti-Corruption Policy Framework](#) in place, which includes policies for the protection of whistle-blowers, and investigation and enforcement procedures.

The Office of the Chief Compliance Officer handles allegations of non-compliance with the Bank's policies and procedures, including denials of information. Anti-corruption training is undertaken regularly for the Bank's staff and members of governing bodies to ensure that their respective

codes of conduct are well understood and complied with. Read more about [Integrity and anti-corruption](#).

The Sustainability and Mandate unit is responsible for analysing the sustainability impact of projects considered for financing and for assessing each project's level of compliance with the Bank's mission.

NIB's Office Services unit coordinates in-house environmental matters, including the WWF's Green Office programme. Read more about NIB's internal environmental management in [Ecological footprint](#).

Further, the Bank engages an independent Ombudsman, who can be contacted by all of NIB's staff members under strictly confidential terms for advice and counselling on questions on employment conditions, harassment and other disputes. The Ombudsman may contact the President, the members of the Executive Committee and the Human Resources unit, as well as the member of the Cooperation Council and other relevant staff members. More information can be found in [Working at NIB](#).

Integrity, compliance and anti-corruption

NIB aims to maintain the highest levels of integrity and ethical standards as fundamental aspects of its organisational culture. The Bank has adopted a zero-tolerance attitude towards fraud and corruption, regardless of whether they occur in connection with projects or are committed by the Bank's own staff. During 2018, a range of initiatives was completed that further strengthen NIB's integrity and anti-corruption framework.

NEW INTEGRITY DUE DILIGENCE POLICY

NIB's Board of Directors approved an updated [Integrity Due Diligence \(IDD\) Policy](#) in March 2018. The new Policy provides a robust framework for identifying, mitigating and monitoring integrity risks. It is built around risk assessments and defines the necessary checks prior to engaging with different counterparties, as well as the frequency of counterparty monitoring. As a result, the Bank can concentrate its IDD resources in proportion to the associated risk.

The IDD Policy further describes how NIB manages compliance risks, and defines the internal roles when assessing them. It also provides guidance on when and how to escalate IDD issues to the Office of the Chief Compliance

Officer (OCCO) and the decision-making bodies within the Bank, including escalation to the Board of Directors.

The new Policy covers all operations of the Bank. The screening includes borrowers, treasury counterparties and entities providing goods and services to NIB. In addition to the IDD Policy, detailed procedures have been developed for all relevant activities to provide practical guidance for staff conducting the integrity checks.

To assist NIB staff with the identification of integrity risks, a new unit has been established in the Lending department that provides support by collecting information and conducting the IDD screenings.

The Policy also covers the assessment and mitigation of risks for money laundering and terrorist financing, the prevention of engagement with sanctioned entities and individuals, and the assessment of cross-border structures.

The development of the new IDD Policy and procedures has been carried out by OCCO in close cooperation with the Lending, Treasury and Legal departments.

INVESTIGATIONS

In 2018, NIB's Sanctions Panel debarred four companies and three individuals for prohibited practices. This was the first application of the Bank's [Investigations and Enforcement Policy](#) leading to a sanction [debarment]. The subjects appealed the initial decision by the Sanctions Panel. The Bank's Appeals Committee upheld the decision by the Sanctions Panel.



The new IDD Policy provides a robust framework for identifying, mitigating and monitoring integrity risks.



The Sanctions Panel is comprised of two external members appointed by the Board of Directors and one internal member from NIB appointed by the President on a case-by-case basis.

The Appeals Committee handles appeals related to Sanctions Panel decisions to impose sanctions. The Appeals Committee comprises the Chairperson and Deputy Chairperson of the Bank’s Board of Directors.

Additional information about OCCO’s investigative activities can be found in the [Annual Integrity Report](#), published by OCCO. The most recent information about NIB’s debarments can be found on [NIB’s website](#).

UPDATED CODE OF CONDUCT

In November 2018, the Board of Directors also approved an updated [Code of Conduct for Staff](#). The main changes relate to trading in financial instruments and to declarations of financial and business interests. The trading rules were

updated to minimise any real or perceived conflicts of interest in relation to staff’s actions taken at work and in their personal investments. The declaration of interests was, among other things, expanded to include sections on certifying that staff are acquainted with the changes in the Bank’s legal framework made during the previous year. Staff members are not allowed to trade in financial instruments issued by borrowers while NIB is considering providing a loan to the borrower. In addition, the President and the members of the Executive Committee shall declare their financial interests in NIB’s borrowers.

Another change relates to staff’s ability to report cases of harassment to OCCO, in addition to the previously available reporting channels.

The Bank’s Code of Conduct e-learning tool has been updated to align with the changes, and the staff will be required to complete compulsory training as well as a test.

Stakeholder dialogue

NIB maintains a constant dialogue with its stakeholders to develop its operations and its service offering. Engaging with different interest groups allows us to take into account evolving global trends and issues that are significant for the Nordic-Baltic region, and to understand stakeholders' expectations of our Bank.

NIB's main stakeholders are its staff, customers, investors, political decision-makers and public administrations, non-governmental organisations, the media, and the general public in the Nordic and Baltic member countries.

We use a range of channels for engagement, including publications, surveys, seminars, panels and roundtables. In 2018, we also streamed our first webcasts. An overview of our [stakeholder interactions during the year](#) can be found here. During the year, we also conducted a stakeholder survey, the results of which are discussed later in this chapter.

CONTINUOUS COMMUNICATION

As described in [NIB's Public Information Policy](#), the Bank discloses information on all agreed loans on its website, including information about the borrower, the loan sum, its maturity and a project description. The degree to which the loan projects comply with the Bank's mission is published as well. In 2018, NIB signed 58 new loan agreements. More detailed information on these loans can be found under Agreed Loans on [our website](#).

Loan projects with potentially negative social or environmental impacts are classified as [Category A projects](#). These type of projects must undergo a full environmental impact assessment (EIA). The EIAs are published on NIB's website for comment for a period of 30 days. This is one way for stakeholders to voice their opinions on projects before the Bank makes a decision on financing.

In 2018, NIB published information about seven Category A projects, and received no responses. NIB eventually signed loan agreements with two of these projects during the year.



STAKEHOLDER SURVEY 2018 RESULTS

NIB actively and regularly seeks feedback from key target groups on their awareness of the Bank and its reputation, on the importance of sustainability matters and NIB’s added value. This is done by conducting a thorough stakeholder survey every three years. The most recent survey was carried out during 2018. NIB’s external partner for conducting the survey was Deloitte.

The key respondent groups were lending customers, investors and public authorities. Altogether, 108 interviews were completed during September and October 2018.

NIB website, newsletter and bilateral contacts preferred

According to the results, the preferred communication channels among all respondents are bilateral contacts, the Bank’s website and the NIB Newsletter. Seminars and events are also considered important. Among the lending customers, the popularity of social media has increased by almost 20% from the previous survey, both as a channel that people regularly use and as a preferred communication channel.

High reputation and a reliable partner

The survey results further show that NIB’s overall reputation among its stakeholders is very high: 4.6 on a scale of 1–5, with 5 being the highest rating. The most important positive attributes in customer relationships include the Bank’s



reputation and reliability, its approach to sustainability and its financial strength. With regards to operations and process-related attributes, both investors and lending customers gave the highest scores to the professionalism of the staff. Further, lending clients rated NIB highly in being easy to reach, and investors value NIB’s timely and smooth execution of deals.

Sustainability adds value

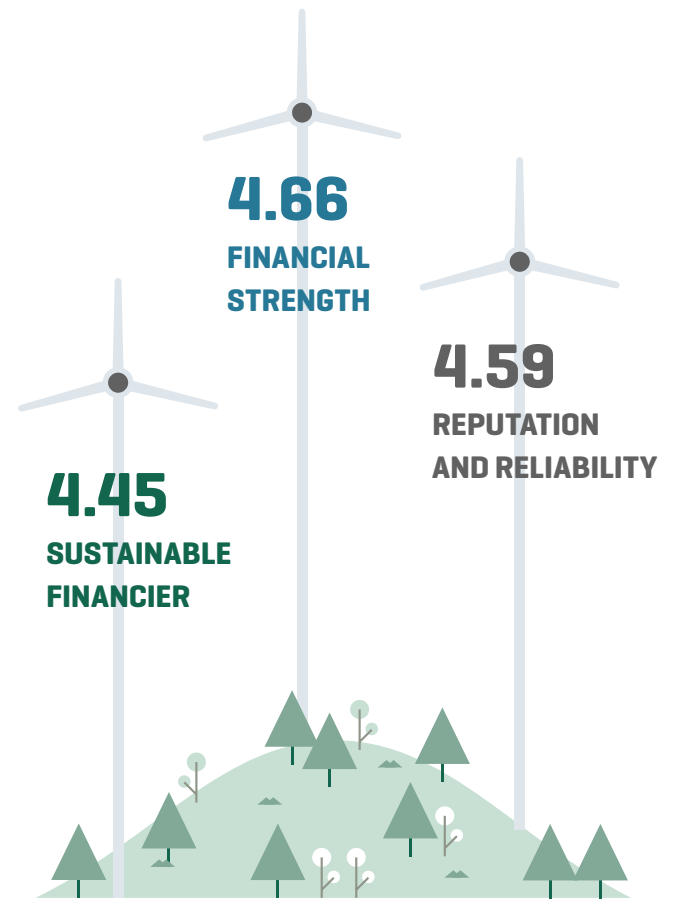
The results also reflect the increasing importance of sustainability. Across all respondent groups, sustainability is seen as one of NIB’s most important areas of added value. When asked to prioritise different practices in NIB’s operations, anti-corruption and transparency as well as the assessment and monitoring of the sustainability impact of loan projects were at the top. In addition, our stakeholders have stated that, according to their views, the focus of NIB’s financing should be on promoting the progress of climate change mitigation and renewable energy systems.

No lower criteria for green bonds

The majority of the investors surveyed have bought green bonds, and half of them have also purchased NIB Environmental Bonds. Of the respondents, 85% stated that they would be willing to refinance existing projects, but not to compromise the current strict criteria for green bond issuance.



NIB’s added value



	KEY STAKEHOLDERS	MODES OF INTERACTION	2018 ACTIVITY EXAMPLES
Customers	Private and public companies, institutions, municipalities, sovereign countries, banks and other IFIs	Visits, meetings, seminars, emails, webcasts, newsletters, survey	<ul style="list-style-type: none"> - 58 new loans signed - About half of the loans went to new customers - SMEs in member countries reached via 11 new loans to financial institutions - First risk-sharing facility signed
Investors	Central and commercial banks, pension and insurance funds, asset managers and government entities	Bilateral meetings, investor events, newsletters, seminars, conferences, web-based communication, survey	<ul style="list-style-type: none"> - Issuance of two USD benchmark bonds - Issuance of one NIB Environmental Bond
Political decision-makers and public administrations	State representatives in Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden, as well as selected other countries where NIB operates	Our owners govern NIB via representatives on the Board of Governors [BoG], Board of Directors [BoD] and Control Committee [CC].	<ul style="list-style-type: none"> - BoD held 8 regular meetings and 6 Board seminars - CC held 2 meetings - 2 new non-member country framework agreements - Participation in Green to Scale climate events in Baltic capitals, Almedalen, Arendal, and COP24
NGOs	Non-governmental organisations raising awareness of ways to protect the environment	<p>Publishing information on loans signed</p> <p>Inviting comments to loan projects with potentially extensive environmental impacts, known as Category A projects</p>	<ul style="list-style-type: none"> - Contributions to NGOs working to protect the Baltic Sea in the form of expertise and donations - Responding to requests for information on NIB's activities
Media	Mainly the press in member countries and financial media	Press releases about signed loans, electronic newsletters, emails and bilateral meetings with press representatives	<ul style="list-style-type: none"> - Interviews with NIB's directors and experts - Answering questions from the media - Offering background information to journalists writing about the Bank's operations
General public	Everyone interested in NIB's operations	Meetings, website, newsletters, printed information material, online annual reporting, social media and emails	<ul style="list-style-type: none"> - Staff giving presentations about NIB and its mission to various student groups and NGOs - Dialogue via info@nib.int
Staff	NIB is headquartered in Helsinki and had 199 employees at year-end 2018.	Meetings, intranet, monthly plenum, induction for new employees, in-house training	<ul style="list-style-type: none"> - Monthly plenary meetings - Several internal seminars - NIB Day - Career counselling - Work engagement survey - Summer trainee kickoff events

Our year 2018 at a glance

03

MARCH

▲ NIB streams a [live webcast](#) on sustainable financing. The topics include the Bank's lending activity in 2017 and developments of the green bond market.

▲ A Work Engagement Survey for [NIB staff](#) is held.

04

APRIL

▲ During spring, NIB co-organises three climate events with [Sitra's "Green to Scale"](#) initiative in the Baltic capitals. The first event is held in Tallinn. NIB's Head of Business Services Gunnar Okk discusses the challenge of finding financing for new climate solutions.



Photo: Raul Mee

05

MAY

▲ "Green to Scale" continues in Vilnius, where NIB's Head of Origination Søren Mortensen gives a presentation on financing climate solutions.

▲ The third and final "Green to Scale" event takes place in Riga, where NIB's Head of Lending Thomas Wrangdahl presents the Bank's model of financing projects that promote energy and resource efficiency.

▲ NIB's new website is launched.

▲ The revised Mandate Rating Framework enters into force. It is also the topic of [NIB's second webcast](#).

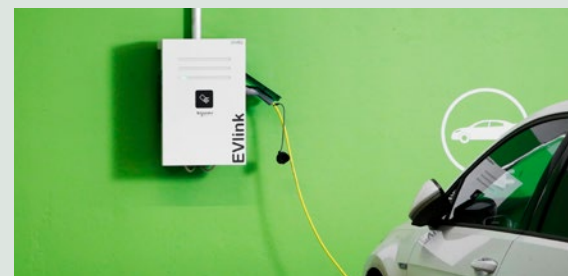
06

JUNE

▲ NIB and the Royal Swedish Academy of Engineering Sciences [Kungliga Ingenjörsvetenskapsakademien IVA] arrange a seminar titled "Climate Strategies in Other Countries" in Stockholm.

▲ NIB is re-elected as member of the Green Bond and Social Bond Principles [the Principles].

▲ NIB installs altogether 15 charging stations for PHEV [Plug-in Hybrid Electric Vehicle] and EV [Electric Vehicle] vehicles in its office garage.



07

JULY

▲ NIB's Thomas Wrangdahl participates in a panel debate on financing sustainable investments in the Baltic Sea region at Almedalen Week in Visby, Sweden.

▲ NIB's Head of Treasury Lars Eibeholm is chosen as chairman of the Green Bond Principles' Steering Committee.

08

AUGUST

▲ NIB signs a framework agreement on financial cooperation with the Republic of Georgia.

▲ A "NIB Day" for all staff is held in Kirkkonummi, Finland.

▲ NIB's Head of Credit & Analysis Hilde Kjelsberg participates in a debate about reaching the Paris Agreement at Arendalsuka in Norway.



09

SEPTEMBER

▲ NIB's General Counsel & Head of Legal Heikki Cantell speaks about "the Nordic model" of resolving conflicts at a legal conference organised by the Asian Infrastructure Investment Bank (AIIB) in Beijing, China.

▲ [NIB stakeholder survey interviews](#) start.

10

OCTOBER

▲ NIB's Head of Communications Jukka Ahonen speaks at the 12th Sustainability Reporting and Communications Summit in London, UK.

▲ NIB signs a framework agreement on financial cooperation with the Republic of Kazakhstan.

11

NOVEMBER

▲ NIB's Søren Mortensen speaks at press seminar "State of Green - Nordic Green Energy" in Copenhagen. The seminar is arranged by the Nordic Embassies in Warsaw and the Nordic Council of Ministers.

▲ NIB's Senior Economist Igors Kasjanovs speaks at a seminar on sustainable finance in the Nordic-Baltic region in Helsinki, organised by Finance Finland and the Finance Latvia Association with the European Commission.

12

DECEMBER

▲ NIB updates its NIB Environmental Bond Framework to better address environmental challenges. The new framework receives a second opinion from the independent Center for International Climate and Environmental Research in Oslo (CICERO).

▲ NIB organises a panel debate at the UN climate conference COP24 in Katowice, Poland. The debate "Sustainable financing: What can we expect for the future" is held as part of the Finance Day at the Nordic Council of Ministers' Nordic Pavilion with NEFCO and NDF. The panellists are from IPCC, SEB, Finance Norway, NIB and Vasakronan.



Photo: Joel Sheakoski

Working at NIB

At NIB, our highly skilled staff and the international scope of the Bank's projects set the baseline for our working culture. Together, we aim to contribute to the sustainable growth of the Nordic-Baltic region. Our corporate values are commitment, competence and cooperation. We hold these values in high regard, and we continuously work to improve our levels of professionalism and expertise.

WORK COMMUNITY

At the end of 2018, NIB had 199 employees in permanent positions. Of these, 83 were women and 116 were men. The average age of employees was 48 years. The average number of permanent employees during the year was 197. In addition, 19 employees worked on projects in long-term temporary positions.

The average length of employment was 12.2 years in 2018. Our exit turnover rate during the year stood at 6.2%.

The number of permanent employees holding a university degree was 152, or 76% of NIB's staff. Overall, our people represented 23 nationalities.

In 2018, twelve people were recruited for permanent positions and 22 for temporary positions.

ORIGINS OF STAFF

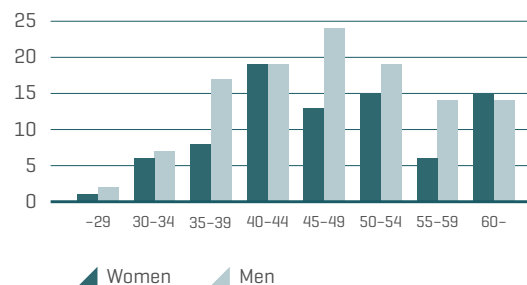
as of 31 Dec 2018
%, distribution by country



- ▲ **67%** Finland
- ▲ **20%** Other member countries [Denmark, Estonia, Iceland, Latvia, Lithuania, Norway, Sweden]
- ▲ **13%** Non-member countries

EMPLOYEES BY GENDER AND AGE GROUP

as of 31 Dec 2018



WORK ENGAGEMENT SURVEY 2018

NIB periodically conducts a work engagement survey. The purpose of this survey is to collect employee feedback on issues related to the work environment, management and well-being at work. The most recent work engagement survey was carried out in March 2018.

The 2018 survey consisted of 46 questions and focused in particular on the respondent's own work, management, the working community, team spirit, functionality, and the employer in general. The response rate was 90% in 2018, with 183 staff members participating.

According to the overall result of the survey, the strengths of the Bank lie in the areas of team spirit, collaboration within teams, enthusiasm for work and a shared sense of purpose. However, the results for interaction between management and staff and supervisory work in general showed that there is still room for improvement.

WORK ENGAGEMENT SURVEY RESULTS 2018

[scale 1-5, 5 being the highest rating]



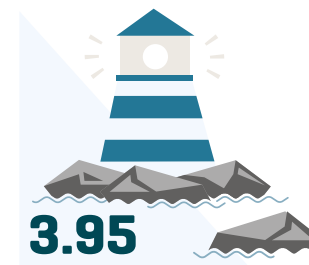
4.21

Team work
We are committed to our common targets and objectives in my team



4.04

Learning opportunities
My work gives me the opportunity to learn something new



3.95

Sense of purpose
I feel that my work is meaningful

SKILLS DEVELOPMENT

NIB encourages its employees to continuously develop their skills. During the year, the Bank offered various tailor-made training opportunities for its staff members on topics such as project management, financial restrictions, collateral, understanding of bonds and bond markets, and the European Emissions Trading System.

NIB also offers language training to its employees in English, Swedish and Finnish, and, in special circumstances, other work-related languages. Most of NIB's language training is carried out in small groups or in individual training sessions.

The average number of training days was 2.4 in 2018.

EQUALITY, DIVERSITY AND INCLUSION

NIB's fundamental objectives as an employer include the promotion of balanced diversity among the staff, equal treatment of all staff members and the prevention of discrimination in relation to these objectives (read more about these objectives in [NIB's Staff Regulations](#)).

NIB has an Equality, Diversity and Inclusion Plan for 2016–2018 in place that focuses on raising awareness and creating a diverse and inclusive work environment free from harassment and discrimination.

In accordance with the Plan, embracing diversity is defined as creating a workplace in which people of all backgrounds and cultures feel included, welcome and valued. Inclusion involves respecting individual differences and capturing the advantages they provide.

A working group consisting of representatives of the staff and the employer has been set up to define the development areas for the period of 2019–2021.

CODE OF CONDUCT, REPORTING HARASSMENT AND OMBUDSMAN

NIB expects the highest ethical conduct from its staff members. The [Code of Conduct for the staff](#), governed by the Compliance unit, provides guidance on business ethics and standards as well as personal conduct.

The functions and activities of the Ombudsman form an integral part of the legal framework for all staff members. The Ombudsman's role is to enhance cooperation on employment matters, and is a means of safeguarding the rule of law within the Bank while maintaining professional conduct and an attractive working environment.

In 2018, the Ombudsman was available once a month for all staff members. Five consultations on employment matters were held, none of which resulted in any further action.

To ensure a workplace free of harassment, NIB has anti-harassment guidelines, which are governed primarily by the Bank's Human Resources unit. Staff can report allegations of harassment to supervisors, the head of their respective department or the head of HR. Harassment can also be reported to the Office of the Chief Compliance Officer. The Ombudsman can be consulted as well.

WELL-BEING, HEALTH AND SAFETY AT WORK

NIB makes every effort to provide a safe and healthy working environment for its employees, and encourages its staff members to establish and maintain a sustainable balance between their professional and private lives.

Besides occupational healthcare, NIB provides extensive medical care services to its employees. Additionally, the Bank encourages an active and healthy lifestyle by contributing support to sports activities. In 2018, the illness absence rate stood at 2.6% of total working time, compared to 2% in 2017.

ONGOING DEVELOPMENTS

In 2018, the internal HR system SuccessFactors was further developed by implementing a new Onboarding module. The main benefits of the module are the reduction of manual work and a streamlining and automation of the onboarding process.

LEGAL STATUS

NIB has the status of an international financial institution. Hence, the labour laws and other legislation of the host country, Finland, or any of NIB's other member countries, do not automatically apply to the Bank's employees. There are, however, some exceptions, particularly with regard to taxation, social security and pensions. These are stated in the Host Country Agreement between the Government of the Republic of Finland and the Nordic Investment Bank.

See [Note 7](#) in the Financial Report for more information on NIB's employees.

Our ecological footprint

NIB recognises that its most substantial sustainability impact arises from its lending activities. Nonetheless, we believe it is important to consistently assess and improve our internal processes for recycling and waste management, sustainable mobility and responsible procurement.

In 2015, the renovation of the Bank's headquarters in Helsinki started. The project is being carried out in four phases. Currently, we are proceeding with the third phase, which is the largest stage and consists of three floors of the office and a machine room. The refurbishment entails the renewal of the building's technological solutions and a completely new interior design.

The renovation is in accordance with the Excellent level under the BREEAM assessment method for sustainable construction.

NIB has been a member of the WWF Green Office programme since 2009. The programme motivates staff to act in an environmentally conscious way in their everyday tasks, and aims to improve environmental awareness and cost efficiency. A certified Green Office is audited every three years to verify compliance with the Green Office criteria. The audit process consists of an office assessment and an interview to review the past three years' improvement actions for the selected indicators. Action points on possible future

improvements are given. NIB's key indicators are presented in the table in this chapter.

The electricity needed to run the Bank's internal operations is purchased from clean and renewable energy sources. Currently, the energy source used is 100% wind energy. The origin is guaranteed by the European Energy Certificate System (EECS). During 2018, the building's exterior lighting was converted to an LED-based system. In addition, the interior lighting on the building's first floor was changed to a more energy-efficient solution.

NIB manages and handles its waste according to sustainable procedures. Whenever possible, the waste is recycled. The main types of waste are mixed energy, bio-,

cardboard, metal, glass and hazardous waste, including electronic waste and ink cartridges.

In connection with the ongoing refurbishment of NIB's premises, the amount of waste has significantly increased. However, we recycle old furniture and office equipment whenever possible. We have sold items to the staff, and also reused some in the new, refurbished premises.

Due to the nature of financial business, paper is still a somewhat essential material in certain operations. However, NIB aims to reduce its consumption when feasible. This can be achieved by switching from paper-based to digital processes in specific areas. All printing paper purchased is certified by the Forest Stewardship Council®.



NIB's office cleaning is conducted sustainably, by regulating the amount of water used and only by utilising eco-certified cleaning products with the Nordic Swan Ecolabel.

The water consumption at the NIB office premises has increased during past few years due to the renovation project and different maintenance procedures.

The Bank encourages its staff to cycle to work by providing bike parking and changing room facilities. The amount of cyclists has consistently grown, contributing to an increase in water consumption in the shower facilities.

NIB also encourages staff to use public transport and offers commuter benefit coupons. To further encourage more sustainable mobility, the Bank's car policy was updated during 2018 to promote the usage of electric/hybrid cars. One of NIB's company cars was changed to a hybrid vehicle, and

fifteen charging stations were installed in the Bank's garage for the staff's use.

The volume of business travel by NIB employees has been stable during past years. As the Bank has clients all over the world and owners in eight countries, a certain amount of business travelling is unavoidable. However, the Bank is providing ICT solutions that support remote meetings and distance work to avoid unnecessary travel.

ENVIRONMENTAL AWARENESS

NIB offers frequent internal trainings on sustainability matters. In 2018, seminars were held for the whole personnel about the European Emissions Trading System, black carbon and methane emission reductions and anti-corruption. For 2019, the Bank is planning to organise an information

session on the ongoing renovation of its premises and the implications of a BREEAM Excellent certification.

PROCUREMENT

NIB's organisational units are responsible for supplying the Bank with goods and services.

These activities are guided by NIB's internal procurement rules that take ethical, environmental and social considerations along with profitability and responsibility aspects into account. NIB's procurement rules aim for respectful and long-term relationship between suppliers and customers.

When agreeing contracts, NIB favours products and services that are transparent, cost-efficient and that apply sustainability standards and offer security of supply.

NIB'S DIRECT ENVIRONMENTAL IMPACT

	2014	2015	2016	2017	2018	CHANGE FROM PREVIOUS YEAR %
Electricity [MWh]	1,352	1,269	1,280	1,300	1,308	0.6%
District heating [MWh]	1,347	1,188	1,348	1,535	1,654	7.8%
District cooling [MWh]	422	336	349	311	426	37.0%
Energy total [MWh]	3,121	2,793	2,977	3,146	3,388	7.7%
Water [m ³]	2,507	2,725	2,738	2,990	3,576	19.6%
Paper; copy and printing [tonnes]	7	6	6	6	5.7	-5.0%
Business travel, air [million km]	4.2	5.0	4.2	4.1	4.0	-1.6%
Business travel, CO ₂ [t]	536	632	491	443	438	-1.2%
Recycled paper; office, newspapers, magazines and brochures [tonnes]	12	12	12	10	10.1	0.2%
Other waste [tonnes]	15	16	15.4	22.2	25.6	15.3%
- Bio waste	10.7	10.5	11.0	14.1	15.4	9.2%
- Energy waste	2.9	2.2	1.2	1.6	1.6	0.0%
- Mixed waste	1.7	3.5	3.2	6.5	8.6	32.3%
Commuter benefit coupons [signed for in number of persons]	150	143	140	156	158	1.3%

Assessing NIB's material items

Materiality analysis is an exercise that assists an organisation in identifying its most significant economic, environmental and social impacts. The practice is based on the assessment of stakeholders' views on various sustainability issues. Furthermore, materiality analysis is a mandatory part of sustainability reporting models. NIB reports on its sustainability matters based on the GRI Sustainability Reporting Standards (GRI Standards). This also includes disclosures from GRI's Financial Sector Supplement.

NEW INSIGHTS FROM SURVEYS

During 2018, we continued our efforts to obtain current views on NIB's most topical sustainability matters and stakeholders' expectations of future developments by conducting two engagement exercises.

The first exercise focused on our internal stakeholders: in March, NIB conducted a [work engagement survey](#) of all staff members. The second exercise was directed at external parties. This was [NIB's stakeholder survey](#), which was conducted during September and October.

To develop these two surveys, we spent time in the field and at different events meeting our key counterparties. The aim was to understand what is expected from NIB as a

financier of a more prosperous and sustainable Nordic-Baltic region. We have also sought to deepen the dialogue with our staff to understand and match their expectations of NIB as an employer. Read more about our activities in our [Stakeholder dialogue](#) chapter and on our [Timeline](#).

These exercises allowed us to collect up-to-date views on what our stakeholders see as the most material topics in our processes, and what they perceive as NIB's added value to them. We present these issues in this chapter, and explain how NIB addresses these topics at policy level and in its procedures.

THE BUSINESS ENVIRONMENT IS GREENING

The operational environment in which we conducted our stakeholder engagements was influenced by the current global discourse on climate change and sustainable development. This prompted reflection on NIB's mission and its role in society.

NIB's Board of Directors last reviewed the Bank's mission and overall strategy in 2015. In this process, it was concluded that the mission and business model were relevant and should remain at the foundation of NIB's operations. The core principles for the materiality assessment have therefore remained the same as in previous years.

However, after the ratification of the Paris Agreement in 2016, general awareness of climate change and related issues has increased, which affected the business environment in the Nordic-Baltic region. Investors in particular have expressed stronger interest in green funding.

In May 2018, we updated our [Mandate Rating Framework](#) – our most significant tool for assessing a project's economic and environmental impact – to adapt to the latest developments in sustainable finance and better address the expectations of our stakeholders. The results of our two main stakeholder exercises showed that both NIB's staff and our external stakeholders consider the Bank's Mandate Rating Framework essential to its business activities. The Framework can be seen as NIB's competitive edge, and as a factor that distinguishes the Bank from other financiers.

In 2018, NIB, as the biggest Nordic issuer of green bonds, further decided to update its [NIB Environmental Bond \(NEB\) Framework](#) to better address ecological challenges through the issuance of environmental bonds. The revised NEB Framework has received a second opinion from the independent Centre for International Climate and Environmental Research in Oslo (CICERO).

THE MOST MATERIAL TOPICS

Based on the stakeholder interactions we conducted during the year, we identified key attributes and targets that reflect NIB's economic, environmental and social impacts. These are of high importance for both our internal and external stakeholders, and are the central topics we are reporting in 2018. The relevant GRI disclosures were mapped as closely as possible to these material topics. [All relevant disclosures](#) are reported in line with the requirements of the GRI Standards "in accordance" core option.

▲ Financial strength

NIB's profit has been stable in recent years, and the Bank's strong financial standing is crucial for maintaining its ability to make an impact in society. When financially strong, NIB can fulfil its mission best and continue to provide long-term funding for projects that support the sustainable growth of the Nordic-Baltic region.

▲ Reputation and reliability

The external stakeholder survey has shown that our counterparties regard a loan from NIB as a stamp of quality for a project. Furthermore, NIB is seen as a stable supplier of long-term financing by its lending customers, and investors have said that they value the Bank's high asset quality and triple-A credit rating. Overall, NIB is viewed as a reliable and trustworthy partner. To live up to these stakeholder expectations, NIB aims to maintain the highest level of

integrity and ethical standards as fundamental parts of its organisational culture. The Bank also aims for an open and constructive dialogue about its activities with all interested parties.

▲ Anti-corruption and transparency

NIB's external key counterparties rated anti-corruption and transparency as one of the most important items in the stakeholder survey. The Bank has adopted a zero-tolerance policy towards fraud and corruption. In prevention, NIB especially emphasises knowing its customers and training its staff well to prevent the Bank from becoming involved with unethical borrowers and projects, or in money laundering, terrorist financing or tax evasion. All new clients are thoroughly screened in the Bank's Integrity Due Diligence Processes.

NIB has a [Compliance and Anti-Corruption Policy Framework](#) in place that specifies guidelines for staff members reporting misconduct and grants whistleblower protection. Employees can address concerns to the Office of the Chief Compliance Officer (OCCO) or the Bank's Ombudsman. External parties can report cases of misconduct and corruption to the OCCO either by telephone or via a dedicated email address. Furthermore, the Bank has developed a channel for its external stakeholders to comment on projects with potentially significant impacts. These projects are classified as Category A projects and are made publicly available for comment on NIB's website before the Bank makes a decision on financing.

▲ Estimating and monitoring the sustainability impact of all loan projects

NIB's stakeholders regard the analysis and monitoring of the sustainability impact of all financed projects as the most important aspect of the Bank's operations. To stay in line with stakeholders' evolving expectations of and attitudes towards environmental impact and economic development, NIB has updated its mandate rating framework to continue to provide relevant analysis to its customers.

▲ Sustainable financier

Being a Bank with a mission distinguishes us from our peers. Correspondingly, it allows us to have an impact on the green transition, which is crucial for preventing or mitigating climate change. To meet the Paris climate goals, the financial sector needs to become fully engaged. Besides its lending activities, NIB buys green bonds to support the issuers' environmental projects and issues its own environmental bonds. In doing so, the Bank is taking on an important role in the development of the green bond market in the region. NIB has also actively participated in the efforts to develop common EU-level principles for sustainable financing. NIB was re-elected as a member of the Green Bond and Social Bond Principles [the Principles] in 2018. Additionally, NIB was elected as the chair of the Principles' Steering Committee.

NIB's material items

▲ Renewable energy systems, climate change mitigation and adaption, and well-functioning infrastructure

When the Bank's external stakeholders were asked to specify which areas should be prioritised in NIB's lending activity, renewable energy systems, climate change mitigation and adaptation and well-functioning infrastructure were listed. During 2018, we did indeed finance a significant number of public infrastructure projects, such as water supply and wastewater treatment, renewable energy generation and distribution, as well as the construction and renovation of public buildings, such as hospitals and schools.

▲ Professional staff

Our external stakeholders consider NIB's professional staff to be one of the Bank's most significant assets. Without highly skilled personnel, NIB cannot reach its targets and fulfil its mission. The Bank therefore encourages its employees to continuously develop their skills by providing tailor-made training schemes.

▲ Teamwork, learning opportunities and a sense of purpose

Learning opportunities have also been raised by the Bank's staff as one of the three most important aspects of working at NIB in the [work engagement survey](#). In addition, the level of teamwork was rated highly, indicating that staff members themselves value each other's professionalism. Furthermore, staff have indicated that they feel a sense of purpose in working for a financial institution with a sustainability mandate.



Financial strength



Reputation and reliability



Anti-corruption and transparency



Estimating and monitoring the sustainability impact of all loan projects



Sustainable financier



Renewable energy systems



Climate change mitigation and adaption



Well-functioning infrastructure



Professional staff rated highly among both investors and lending clients



Team work
We are committed to our common targets and objectives in my team



Learning opportunities
My work gives me the opportunity to learn something new



Sense of purpose
I feel that my work is meaningful

Governance

Capital structure

NIB's capital base consists of authorised capital subscribed by its member countries and reserves accumulated through internal profit generation.

The Bank's authorised capital was EUR 6,141.9 million as of 31 December 2018. The paid-in capital at the end of the year amounted to EUR 418.6 million. The remainder of NIB's authorised capital is subject to call if the Bank's Board of Directors deems it necessary for the fulfilment of the Bank's debt obligations. The Bank's equity consists of the paid-in portion of the authorised capital and accumulated reserves. As of 31 December 2018, the Bank's equity amounted to EUR 3,577.6 million. Further information on the composition of the Bank's equity is provided in the statement of financial position and the statement of changes in equity in [NIB's Financial Report 2018](#).

NIB's member countries have subscribed to the Bank's authorised capital and guaranteed the special loan facilities

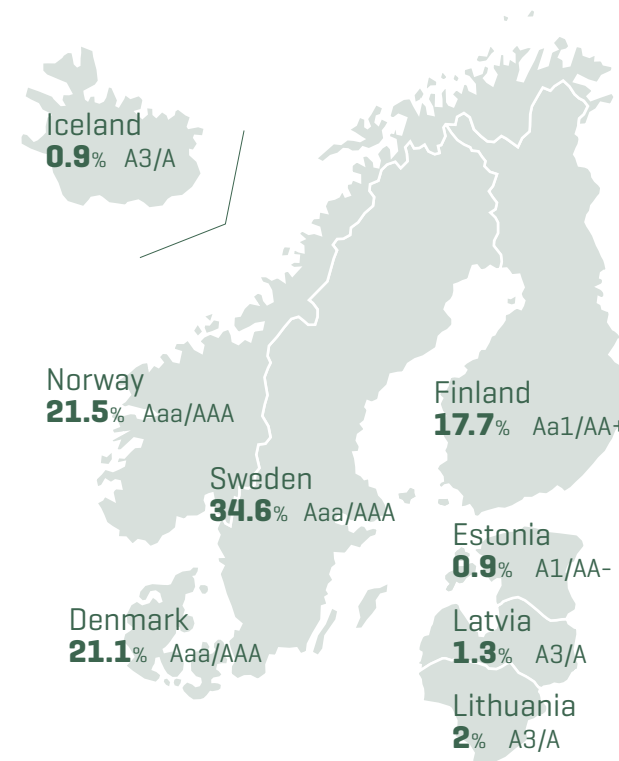
mentioned below in proportion to their gross national incomes. The countries' share of the authorised capital is shown on the map of member countries. The Bank's ordinary lending ceiling corresponds to 250% of the authorised capital and accumulated general reserves. After the appropriation of profits from the financial year 2018, in accordance with the proposal made by the Board of Directors, the ordinary lending ceiling amounts to EUR 22,085 million.

In addition to ordinary lending, NIB has two special lending facilities. The Project Investment Loan (PIL) facility amounts to EUR 4,000 million. The member countries guarantee 90% of each loan under the PIL facility up to a total amount of EUR 1,800 million.

The Bank, however, will assume 100% of any losses incurred under an individual PIL loan, up to the amount available at any given time in the Special Credit Risk Fund for PIL. Only thereafter would the Bank be able to call in the member countries' guarantees. Each member country's share of the guarantee amount is shown in the map of the member countries.

MEMBER COUNTRIES

Share of authorised capital and rating by credit rating agencies Moody's and Standard & Poor's as of 31 December 2018.



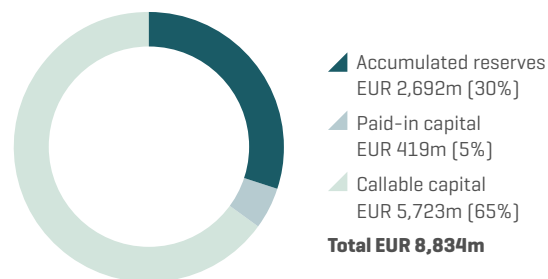
The second special facility, the Environmental Investment Loan (MIL) facility has a statutory ceiling of EUR 300 million. The Bank's member countries guarantee 100% of loans outstanding under the MIL facility.

Following a call on the guarantees in 2014 and 2016, the member countries' total guarantee liabilities as of year-end 2018 amount to EUR 266 million.

In view of the Bank's solid capital position, the high quality of its assets, its sound liquidity and fulfilment of its public policy mandate, the leading international rating agencies, Standard & Poor's and Moody's, have accorded NIB the highest possible credit rating, AAA/Aaa, for long-term obligations and A-1+/P-1 for short-term obligations.

NIB first obtained the highest possible credit rating in 1982. The Bank has continuously maintained this credit rating since then.

CAPITAL BASE
%, as of 31 Dec 2018



* excludes special credit risk reserve & proposed dividend

Governance

Governance structure

NIB was established on 4 December 1975 through an intergovernmental treaty between Denmark, Finland, Iceland, Norway and Sweden. As of 1 January 2005, Estonia, Latvia and Lithuania became members of the Bank on equal terms with the original member countries.

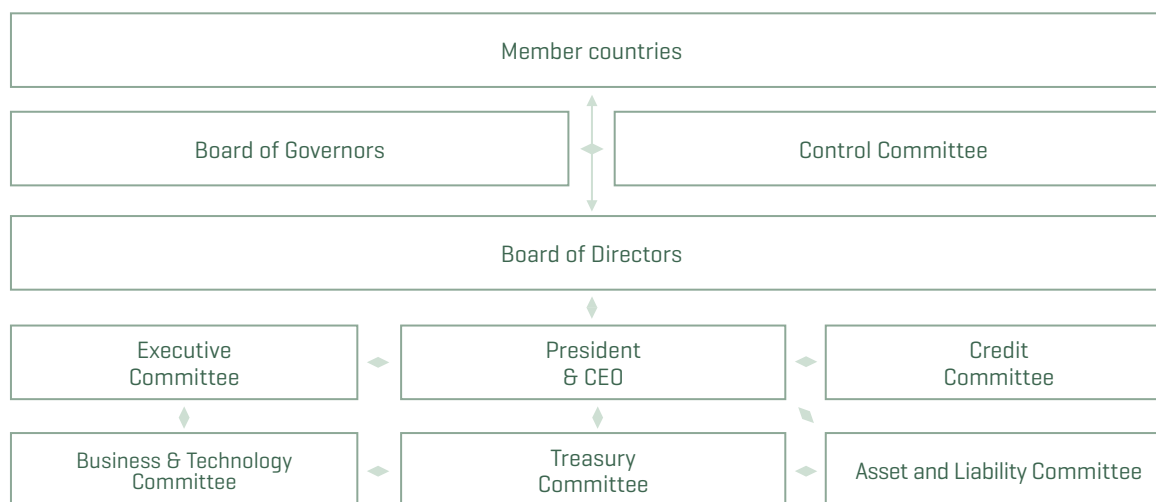
NIB is governed by the Agreement concerning the Nordic Investment Bank among its member countries, the related Statutes which entered into force in 2005, and the Host Country Agreement between the Government of Finland and the Bank, which entered into force in 2011.

According to the Statutes, the Bank has a Board of Governors, a Board of Directors, a President and the staff necessary to carry out its operations. In addition, the Bank has a Control Committee.

NIB promotes transparency, predictability, accountability, responsibility and disclosure as general principles enhancing and furthering good governance. NIB aims to follow best practices in the field of corporate governance.

BOARD OF GOVERNORS

The Board of Governors is composed of eight governors, one designated by each member country from among the ministers in its government. The Board of Governors appoints a Chairman for a term of one year, according to the rotation scheme it has adopted.



Until 31 May 2018, the Governor for Sweden served as Chairman. The Governor for Latvia is currently serving as Chairman until 31 May 2019.

The Board of Governors held its annual meeting by written procedure on 25 May 2018. In addition, the Board of Governors held an extra meeting by written procedure on 29 January 2018.

BOARD OF DIRECTORS

All the powers that are not exclusively vested in the Board of Governors are entrusted to the Board of Directors. The Board of Directors is composed of eight directors and eight alternates appointed by each member country.

The Board of Directors approves projects to be financed by the Bank, adopts the policy decisions concerning the operations of the Bank, in particular the general framework for the financing, borrowing and treasury operations and their

management. The Board of Directors may delegate its powers to the President to the extent it considers appropriate.

The Board of Directors held eight ordinary meetings in 2018. The Board of Directors appoints from among its members a Chairman for a term of two years.

The member for Latvia served as Chairman until 31 May 2018, and the member for Sweden has served as Chairman since 1 June 2018.

PRESIDENT

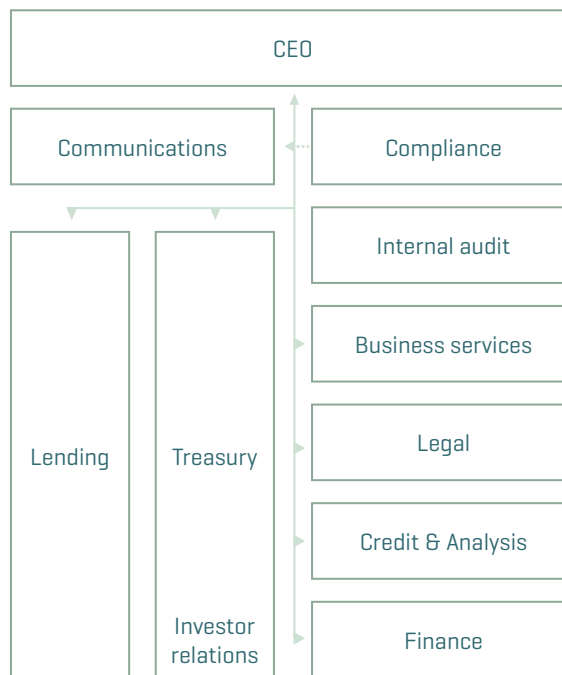
The President is responsible for conducting the Bank’s current operations and is appointed by the Board of Directors for a term of five years at a time. Since 1 April 2012, Mr Henrik Normann has been the President and Chief Executive Officer of the Bank. NIB’s Board of Directors extended the appointment of Henrik Normann as President and CEO until the end of March 2020.

Advisory bodies to the President

The President is assisted in his work by the Executive Committee, the Credit Committee, the Asset and Liability Committee, the Treasury Committee and the Business and Technology Committee.

The *Executive Committee* is a forum for addressing all aspects of the performance, policy and financial soundness of the Bank. The Executive Committee consists of the President and the six Heads of Department, whose appointments are confirmed by the Board of Directors.

The Executive Committee meets formally approximately twice a month. In 2018, it met 26 times. The meetings are ordinarily chaired by the President, who reaches decisions after having consulted the members of the Committee. The Executive Committee meets informally at the commencement of every working day.



The *Credit Committee* is responsible for the preparation and decision-making related to the Bank’s lending activities and certain treasury counterparty matters. The President exercises his executive powers concerning lending operations in the Credit Committee.

The Credit Committee is composed of the President and six senior staff members appointed by the Board of Directors. At the end of 2018, the Credit Committee had the same members as the Bank’s Executive Committee. The Credit Committee is chaired by the President or, in his absence, by

one of its members. The Committee meets generally once or twice a week. In 2018, it met 61 times.

The *Asset and Liability Committee* assists and advises the President in monitoring and steering NIB’s balance sheet and capital adequacy development, as well as NIB’s risks at an aggregate level, and it is a forum for sharing information on these issues. The members of the Asset and Liability Committee are appointed by the President, who chairs the Committee.

The Asset and Liability Committee is composed of the members of the Executive Committee and the Chief Risk Officer. The Asset and Liability Committee meets approximately six times a year, but can convene more frequently if necessary. In 2018, the Asset and Liability Committee met six times.

The *Treasury Committee*¹ assists and advises the President in the management and decision-making concerning NIB’s Treasury operations, more specifically with respect to NIB’s capital markets (funding) and derivatives activities, asset and liability management, and portfolio management.

The Treasury Committee includes the President, the Head of Treasury, the Chief Financial Officer and the Chief Risk Officer. The Treasury Committee usually convenes once a month. In 2018, it met eleven times.

The *Business and Technology Committee* assists and advises the President on information and communications technology matters, and functions as a body established to prioritise, monitor and govern NIB’s IT-related matters and strategic goals. However, strategically important decisions on IT matters are taken by the President in the Executive Committee.

The Business and Technology Committee consists of the Head of IT and other senior staff members appointed by the President. In 2018, the Business and Technology Committee met eleven times and held two meetings by written procedure.

¹ As of 25 September 2018, the Finance Committee was re-named the Treasury Committee.

OTHER INTERNAL COMMITTEES

In addition to the aforementioned advisory bodies to the President, the Bank has the following permanent internal committees: the New Product and Structure Committee, the Council of Fighting Corruption and the Trust Fund Committee, all composed of senior staff members.

The *New Product and Structure Committee* scrutinizes product and deal structure proposals which, from a risk and/or administrative point of view, significantly differ from what NIB has entered into previously. It gives its recommendations to the Executive Committee, Treasury Committee or the Credit Committee for their decision-making.

The Bank has established a *Council of Fighting Corruption* to enhance the awareness of integrity and corruption risks among the Bank's staff and stakeholders. The Council deals with both corruption prevention and cases of suspected corruption, and gives recommendations for actions to the President for decision-making.

The *Trust Fund Committee* ensures that the purposes of the trust funds managed by NIB are fulfilled in the most efficient way. The Committee also approves the activity plan of the trust funds as well as proposed allocations from trust funds. The Committee gives its recommendations to the respective donor(s) for their final decision.

CONTROL COMMITTEE

The Control Committee is a supervisory body established to ensure that the operations of the Bank are conducted in accordance with the Statutes. The Control Committee is responsible for the audit of the Bank's accounts, and annually delivers an audit statement to the Board of Governors. The audit of the financial statements of the Bank is carried out by external professional auditors appointed by the Control Committee.

To enhance its governance, the Control Committee can appoint an independent expert to assist the Chairmanship

in financial and audit matters. The term of the previous independent expert ended on 31 May 2018. The appointment of a new independent expert was pending as of 31 December 2018.

REMUNERATION AND INCENTIVE PROGRAMMES

The Board of Governors determines the remuneration and attendee allowance for the Board of Directors and for the Control Committee. The President's terms of employment, including remuneration, are determined by the Board of Directors. The Control Committee determines the principles for remuneration of the professional auditors.

The principles for the remuneration of staff are set out in the Compensation Regulations. The Bank applies a fixed salary-based system in which individual performance plays an important role, as well as a small bonus programme that rewards exceptional performance on a yearly basis.

INTERNAL CONTROL

NIB's internal control system has the dual objective of securing and developing the long-term financial preconditions for operations while conducting cost-efficient operations that comply with rules and regulations. Internal control is focused on managing various forms of financial, compliance and operational risks.

NIB's operational risk management focuses on proactive measures in order to ensure business continuity, the accuracy of information used internally and reported externally, the expertise and integrity of the Bank's personnel and its adherence to established rules and procedures, as well as security arrangements to protect the physical and IT infrastructure of the Bank.

The Compliance function assists the Bank in identifying, assessing, monitoring and reporting on compliance risk in matters relating to the institution, its operations and the

personal conduct of staff members. The Chief Compliance Officer reports to the President, with full and unlimited access to the Chairman of the Board of Directors and the Chairman of the Control Committee.

NIB's internal audit adheres to international professional standards established by the Institute of Internal Auditors. The task of the Internal Audit function is to provide assurance on the effectiveness of the Bank's internal control, risk management and governance processes, and to make recommendations to the management.

The Internal Audit function of the Bank reports to the Board of Directors and to the Control Committee and works administratively under the auspices of the President. The Board of Directors approves the annual plan for the Internal Audit.

For further information on risk management, see the Financial Report.

In 2018, the development of information security measures continued, particularly in the areas of security awareness, security risk assessments and endpoint protection. In addition, the process of updating the Bank's Information Security Policy and related instructions commenced.

Also during 2018, NIB's rules for personal data management were adjusted to align with the standards set out in the European Union General Data Protection Regulation [GDPR], which came into force on 26 May 2018. In particular, NIB introduced a [revised privacy policy](#) for all external individuals dealing with NIB, which was published on NIB's website before the GDPR came into effect. This policy provides equivalent protection regarding all personal data handled by NIB. In addition, new internal privacy rules were introduced, and the rules applicable to the staff were updated to clarify that GDPR equivalent rights are available to all employees.

Governance

Executive Committee

As of 31 December 2018

Mr Henrik Normann (1953)

- ▼ President and CEO, joined NIB in 2012
- ▼ Denmark

Mr Thomas Wrangdahl (1957)

- ▼ First Vice-President, Head of Lending, joined NIB in 2012
- ▼ Sweden

Mr Lars Eibeholm (1964)

- ▼ Vice-President, Head of Treasury, joined NIB in 2007
- ▼ Denmark

Ms Hilde Kjelsberg (1963)

- ▼ Vice-President, Head of Credit & Analysis, joined NIB in 2006
- ▼ Norway

Mr Gunnar Okk (1960)

- ▼ Vice-President, Head of Business Intelligence & Administration, joined NIB in 2006
- ▼ Estonia

Mr Heikki Cantell (1959)

- ▼ General Counsel, Head of Legal Department, joined NIB in 2007
- ▼ Finland

Mr Björn Ordell (1973)

- ▼ Vice-President, Head of Risk & Finance and CFO, joined NIB in 2015
- ▼ Sweden



The Executive Committee at the NIB Day 2018

From left: Lars Eibeholm, Björn Ordell, Thomas Wrangdahl, Henrik Normann, Hilde Kjelsberg, Heikki Cantell and Gunnar Okk

Governance

Board of Directors

SWEDEN

Mr Sven Hegelund
Member of the Board
Elected: 2012
Attended meetings: 8
Former State Secretary

Alternate
Ms Line Rosvall
Elected: 2017
Attended meetings: 5
Deputy Director/Deputy Head of the Division
for International Financial Institutions
Ministry of Finance

DENMARK

Ms Julie Sonne
Member of the Board
Elected: 2016
Attended meetings: 7
Head of Division
Ministry of Industry,
Business and Financial Affairs

Alternate
Ms Helle Dam Sørensen
Elected: 2018
Attended meetings: 3
Chief Special Advisor
Ministry of Industry,
Business and Financial Affairs

Alternate
Ms Christine Nielsen
Elected: 2018
Attended meetings: 1
Special Advisor
Ministry of Industry,
Business and Financial Affairs

Alternate
Mr Rasmus Mortensen
Elected: 2016
Attended meetings: 1
Head of Division
Ministry of Industry,
Business and Financial Affairs

ESTONIA

Mr Madis Üürike
Member of the Board
Elected: 2005
Attended meetings: 8
Advisor
Ministry of Finance

Alternate
Ms Merle Wilkinson
Elected: 2017
Attended meetings: 6
Advisor of the State Treasury Department
Ministry of Finance

FINLAND

Mr Pekka Morén
Member of the Board
Elected: 2016
Attended meetings: 8
Director
Ministry of Finance

Alternate
Mr Petri Peltonen
Elected: 2015
Attended meetings: 6
Under Secretary of State
Ministry of Economic Affairs
and Employment

ICELAND

Ms Esther Finnbogadóttir
 Member of the Board
 Elected: 2016
 Attended meetings: 7
 Head of Division
 Ministry of Finance and Economic Affairs

Alternate
Ms Steinunn Sigvaldadóttir
 Elected: 2016
 Attended meetings: 5
 Head of Division
 Ministry of Finance and Economic Affairs

LATVIA

Mr Kaspars Āboliņš
 Member of the Board
 Elected: 2008
 Attended meetings: 8
 Treasurer
 Treasury of the Republic of Latvia

Alternate
Ms Līga Kļaviņa
 Elected: 2013
 Attended meetings: 4
 Deputy State Secretary on
 Financial Policy Issues
 Ministry of Finance

LITHUANIA

Ms Jurgita Uzieliienė
 Member of the Board
 Elected: 2017
 Attended meetings: 8
 Deputy Director, EU and
 International Affairs Department
 Ministry of Finance

Alternate
Ms Dovilė Jasaitienė
 Elected: 2013
 Attended meetings: 7
 Head of the International Affairs Division
 Ministry of Finance

NORWAY

Ms Silje Gamstøbakk
 Member of the Board
 Elected: 2016
 Attended meetings: 6
 Deputy Director General
 Ministry of Finance

Alternate
Mr Sindre Weme
 Elected: 2017
 Attended meetings: 6
 Director
 Norges Bank

Governance

Control Committee

As of 31 December 2018

Chairman Ms Rasa Kavolytė Deputy Director of State Treasury Department LITHUANIA	Deputy Chairman Mr Peter Engberg Jensen DENMARK	
Mr Sjúrdur Skaale Member of Parliament DENMARK	Mr Mihhail Stalnuhhin Member of Parliament ESTONIA	Mr Arto Pirttilahti Member of Parliament FINLAND
Mr Vilhjálmur Árnason Member of Parliament ICELAND	Mr Jānis Vucāns MEMBER OF PARLIAMENT LATVIA	Ms Sigita Ščajevienė Head of the Office of the Committee on Audit LITHUANIA
Mr Michael Tetzschner 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 in 2018.

Governance

Board of Governors

As of 31 December 2018

<p>Ms Dana Reizniece-Ozola Minister of Finance LATVIA</p>	<p>Mr Rasmus Jarlov Minister for Industry, Business and Financial Affairs DENMARK</p>	<p>Mr Toomas Tõniste Minister of Finance ESTONIA</p>
<p>Mr Petteri Orpo Minister of Finance FINLAND</p>	<p>Mr Bjarni Benediktsson Minister of Finance and Economic Affairs ICELAND</p>	<p>Mr Vilius Šapoka Minister of Finance LITHUANIA</p>
<p>Ms Siv Jensen Minister of Finance NORWAY</p>	<p>Ms Magdalena Andersson Minister of Finance SWEDEN</p>	

The Annual Meeting of the Board of Governors was held in according to written procedure by 25 May 2018.



GRI Reporting

56 GRI Index

GRI Index

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
GRI 101: FOUNDATION		
GENERAL DISCLOSURES		
GRI 102: General Disclosures	Organizational profile	
	102-1 Name of the organization	Nordic Investment Bank (NIB)
	102-2 Activities, brands, products, and services	NIB offers long-term loans to projects that promote productivity gains and environmental benefits to support a prosperous and sustainable Nordic-Baltic region. 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	Helsinki, Finland
	102-4 Location of operations	NIB has lending operations in its eight Nordic and Baltic member countries, as well as in non-member countries.
	102-5 Ownership and legal form	NIB is an international financial institution (IFI) owned by Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden.
	102-6 Markets served	NIB finances projects in several sectors, both in its member countries and in non-member countries. The focus sectors of the Bank's operations are the environment, energy, innovation, industry, transport, infrastructure and telecommunications.
	102-7 Scale of the organization	At the end of 2018, NIB had 199 employees in permanent positions. During the year, the Bank agreed 58 loans and invested in three green bonds, altogether amounting to EUR 4,330 million. The net profit for 2018 was EUR 173 million.
	102-8 Information on employees and other workers	Out of NIB's 199 employees in permanent positions, 83 were women and 116 were men. The average age of employees was 48 years. The average number of permanent employees during the year was 197. In addition, 19 employees worked on projects in long-term temporary positions. Read more about Working at NIB .
	102-9 Supply chain	Being a financial institution, NIB does not produce or manufacture any products. The materials the Bank needs to perform its operations are mainly electronics and office supplies. In addition, NIB uses external service providers for cleaning, security and catering services at its offices. As an international organisation (to which national legislation on public procurement does not apply), NIB has its own internal procurement rules. These rules are aligned with those of other international organisations. For projects financed by NIB, there are separate procurement guidelines. For more information, see Legal framework and policy documents .
102-10 Significant changes to the organization and its supply chain	In 2018, the Bank's Sustainability & Mandate Unit (SUM) moved from the Lending department to the Treasury department. The change reflected increasing demand from capital markets for sustainable financing.	

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
GRI 102: General Disclosures	102-11 Precautionary Principle or approach	NIB's Sustainability Policy and Guidelines are 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	NIB has signed the Declaration on the European Principles for the Environment (EPE) concerning environmental management in the financing of projects.
	102-13 Membership of associations	NIB is an active partner in the Northern Dimension Environmental Partnership (NDEP). Within the Council of the Baltic Sea States, NIB is part of the international Baltic Agenda 21 working group. NIB also participates in the MFI Environmental Working Group, which is a cooperation forum for multilateral institutions. In 2018, NIB was re-elected as a member of the Green Bond and Social Bond Principles (the Principles) Executive Committee, a group that develops the voluntary process guidelines for the green bond market, and was elected as Chair of the Principles' steering committee. NIB first joined the GBP in 2014. NIB further acted as an observer to the High Level Expert Group for sustainable finance, which delivered its report to the European Commission in 2018.
	Strategy	
	102-14 Statement from senior decision-maker	President's review
	102-15 Key impacts, risks, and opportunities	NIB finances projects that promote productivity gains and environmental benefits for the Nordic and Baltic countries. President's review Report of the Board of Directors Operating and financial review Operating environment
	Ethics and integrity	
102-16 Values, principles, standards, and norms of behavior	NIB's vision is a prosperous and sustainable Nordic-Baltic region. The Bank's core values are competence, commitment and cooperation. NIB has codes of conduct in place for its staff, Board of Directors, the President and the Control Committee. In November 2018, the Board of Directors approved a revised version of the Code of Conduct for Staff. The codes of conduct are publicly available on NIB's website and reflect the Bank's values and principles. In addition to the induction programme for new staff, NIB has a compulsory e-learning course on the Code of Conduct in place that all staff members have to pass. Read more about Ethics and Integrity and the Code of Conduct here.	

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
GRI 102: General Disclosures	102-17 Mechanisms for advice and concerns about ethics	<p>NIB expects a high level of integrity and high ethical standards from its staff and other stakeholders, and has adopted a zero tolerance policy towards fraud and corruption. The Office of the Chief Compliance Officer (OCCO) oversees matters relating to integrity and is independent from the Bank's operations. OCCO reports directly to the Bank's President, and has unrestricted access to the chairpersons of the Board of Directors and the Control Committee. NIB puts particular emphasis on knowing its customers and training its staff to avoid the Bank becoming involved with unethical borrowers and projects or activities related to money laundering, terrorist financing or tax evasion. All new clients are screened thoroughly in the Bank's integrity due diligence (IDD) process. NIB has endorsed the Uniform Framework for Preventing and Combating Fraud and Corruption, which was agreed upon by the major Multilateral Development Banks (MDBs) in 2006.</p> <p>NIB has a dedicated email address for reporting concerns of unethical or unlawful behaviour that is managed by OCCO. Reporting can also be done by directly contacting OCCO by telephone or a personal visit, or alternatively by contacting a supervisor, who is obliged to pass the report on to OCCO. Reports can be made anonymously, and the Code of Conduct for Staff and the Speaking-up and Whistleblowing Policy provide protection for whistleblowers. Read more about NIB's Compliance and Anti-Corruption.</p> <p>In 2018, the Board of Directors approved an updated Integrity Due Dilligence (IDD) Policy for detecting, documenting and escalating integrity concerns in NIB's lending activities, trust fund activities, treasury operations, and internal procurement processes. Read more in NIB's Integrity Report 2018.</p>
	Governance	
	102-18 Governance structure	<p>The Nordic Investment Bank was established in 1975 by Denmark, Finland, Iceland, Norway and Sweden. In 2005, Estonia, Latvia and Lithuania became members of the Bank on equal terms with the original member countries. NIB is governed by the Agreement concerning the Nordic Investment Bank among its Member countries signed in 2004, as well as the related Statutes and the Host Country Agreement concluded between the Government of Finland and the Bank in 2010. According to the Statutes, the Bank shall have a Board of Governors, a Board of Directors, a President and the staff necessary to carry out its operations. In addition, the Bank has a Control Committee. Read more about Governance.</p>
Stakeholder engagement		
	102-40 List of stakeholder groups	<p>NIB's stakeholders are its customers, investors, political decision-makers and public administrations, NGOs, the media, the general public and its staff.</p>

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
GRI 102: General Disclosures	102-41 Collective bargaining agreements	<p>NIB's employees are members 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 its employees. There are, however, some exceptions, particularly with regard to taxation, social security and pensions. NIB grants the whole staff full freedom of association, subject to NIB's staff-related documents and Code of Conduct. These documents ensure full freedom of association, subject only to non-conflict of interest and democratic principles.</p> <p>As NIB is not subject to the jurisdiction of national courts, the Bank has set up arbitration rules for potential employment-related disputes. NIB has an ombudsman whom the employees can consult and who may also act as mediator in the event of such disputes.</p> <p>The Bank has a Cooperation Council in place, consisting of four members representing the Bank and four members representing the staff. The Cooperation Council aims to promote communication between the Bank and the staff on issues related to conditions in the workplace, allowing the Bank to take better account of the staff's views and opinions. The purpose is to achieve mutually acceptable solutions for both the Bank and the staff. The Cooperation Council met four times during 2018.</p>
	102-42 Identifying and selecting stakeholders	<p>NIB aims to maintain an open dialogue with all interested parties. Stakeholders are categorised as external or internal. The internal stakeholders are the Bank's owners, the member countries that govern NIB via representatives on the Board of Governors (BoG), Board of Directors (BoD) and Control Committee (CC), and the staff. The main external stakeholders are customers and investors.</p>
	102-43 Approach to stakeholder engagement	<p>The Bank communicates with its external stakeholders in order to support lending and funding processes, but also to attract new prospective employees. Further, as an international financial institution, NIB is accountable to its member countries and to society as a whole. This creates an obligation to inform about its activities. The main purpose of NIB's internal communication is to keep its staff members informed about the Bank's results, strategies, policies, activities and relevant work-related issues, and to maintain communication channels to reach out to all employees.</p> <p>With regards to its lending activities, NIB publishes information on every project it finances, including the project description, the borrower, the amount of the loan and its maturity. The degree to which the loan projects comply with the Bank's mission, which is to promote productivity gains and benefit the environment of the Nordic and Baltic countries, is also published. See a list of NIB's stakeholders, communication channels and activities with stakeholders in 2018.</p>

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
GRI 102: General Disclosures	102-44 Key topics and concerns raised	<p>Every three years, the Bank conducts a stakeholder survey among its key target groups. NIB seeks to follow up on the findings of each survey to best meet stakeholders' expectations. The most recent stakeholder survey was conducted in 2018. The interviewed counterparties were lending clients, investors and public authorities. Their views on the value the Bank adds and its reputation were requested. They were also asked to rate the importance of different sustainability topics. Investors' interest in and awareness of green bonds was also requested. Further, NIB regularly conducts a work engagement survey of its staff. The most recent survey was also conducted in 2018, with the aim of assessing the wellbeing and functionality of the working community. Read more about the surveys and our materiality process.</p> <p>NIB classifies loan projects with potential significant adverse social or environmental impacts as Category A projects. These projects must therefore undergo a full environmental impact assessment (EIA). The EIAs are made publicly available on our website at www.nib.int for a period of 30 days to allow our stakeholders to give their opinions before the Bank makes a decision on financing the project. In 2018, the Bank published information about seven (7) Category A projects and received no responses. NIB eventually signed loan agreements with two (2) of these Category A projects during the year.</p>
	Reporting practice	
	102-45 Entities included in the consolidated financial statements	The Nordic Investment Bank
	102-46 Defining report content and topic Boundaries, 102-47 List of material topics	<p>Issues considered to be material or relevant for disclosure in this annual report were identified in different processes in 2018. The most significant processes were the Stakeholder Survey for external key counterparties and the work engagement survey for the Bank's staff.</p> <p>Based on the stakeholder interactions we carried out during the year, we identified key attributes and targets that are of high importance for our internal and external stakeholders, and that reflect NIB's economic, environmental and social impacts. These are the central topics we are reporting on in 2018:</p> <ul style="list-style-type: none"> · Financial strength · Reputation and reliability · Anti-corruption and transparency · Estimating and monitoring the sustainability impact of all loan projects · Sustainable financier · Renewable energy systems, climate change mitigation & adaption, and well-functioning infrastructure · Professional staff · Teamwork, learning opportunities and the sense of purpose <p>Read more about the materiality process and defining the content of the report.</p>
	102-48 Restatements of information	None
	102-49 Changes in reporting	None
	102-50 Reporting period	NIB reports on an annual calendar year basis from 1 January until 31 December. This report covers the year 2018.

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
GRI 102: General Disclosures	102-51 Date of most recent report	13 March 2018
	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	NIB's Annual Report 2018 has been reported in accordance with the GRI Standards' core option. See more details on materiality.
	102-55 GRI content index	GRI content index
	102-56 External assurance	NIB has not set a policy on seeking external assurance for its sustainability reporting.
MATERIAL TOPICS		
GRI 200 ECONOMIC STANDARD SERIES		
Economic Performance		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<p>In prosperous economies, where wealth and economic opportunities are equally distributed, a common denominator is high labour productivity. Therefore, NIB seeks to finance projects that lead to productivity gains and that foster:</p> <ul style="list-style-type: none"> ·Technical progress and innovation ·Human capital and equal economic opportunities ·Infrastructure improvements ·Market efficiency and business environment <p>In order to fulfil its mission effectively, NIB needs to be financially strong. The Bank therefore aims to earn a sufficient amount of return from its business operations to guarantee its owners a reasonable return on capital.</p>
	103-2 The management approach and its components	<p>NIB's lending complements and leverages commercial lending. Projects that are considered for financing are analysed for their potential economic impact based on the Bank's Mandate Rating Framework. All clients are screened in the integrity due diligence (IDD) process.</p> <p>NIB extends loans on market terms and according to sound banking principles. The funds acquired for NIB's lending are borrowed on the international capital markets.</p> <p>The Bank's Board of Directors (BoD) is in charge of policy decisions in matters that involve lending, borrowing, and administrative questions. The BoD approves the financial transactions proposed by NIB's President, and is responsible for the financial statements.</p> <p>For more information on the policies that frame NIB's activities, see Legal framework and policy documents.</p>
	103-3 Evaluation of the management approach	<p>NIB publishes information on all financed projects on its website, including the degree to which the project complies with the Bank's mission and impacts productivity. For certain projects with potentially substantial environmental impact, a public procedure is in place allowing stakeholders to comment before a decision on financing is made.</p> <p>The Bank seeks regular feedback from its stakeholders, and aims to maintain an open dialogue with all key groups about its activities and can be contacted directly by any interested party. Grievances about the Bank's activities and lending-related issues, including allegations of misconduct and corruption, can be addressed to the Office of the Chief Compliance Officer (OCC). NIB's contact information.</p>

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	Financial Report 2018 Operating and financial review
	201-2 Financial implications and other risks and opportunities due to climate change	<p>Each loan project under consideration for financing undergoes an individual assessment of its potential environmental impact, including climate-related and social aspects, as an integral part of NIB's mission of promoting sustainable growth in its member countries. The Bank regularly reports on the impact of the projects it finances in terms of greenhouse gas emissions.</p> <p>NIB has introduced a framework that allows investors to provide funds for the Bank's environmental lending, meaning that the Bank can issue NIB Environmental Bonds (NEBs), the proceeds of which are used to finance projects that have a positive impact on the environment. NIB reports on project-specific impact by different NEB categories: Renewable energy generation, water management & protection, energy efficiency, green buildings, clean transport solutions and resources & waste management Impact is measured ex-ante according to a set of environmental indicators in line with the harmonized impact reporting guidelines under the Green Bond Principles.</p>
	201-3 Defined benefit plan obligations and other retirement plans	See Note 7 in the Financial Report 2018 - Pension obligations
	201-4 Financial assistance received from government	Capital structure
Indirect Economic Impacts		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	To contribute to the prosperity and well-being of society, new ways of improving and strengthening productivity are being sought. NIB therefore analyses all prospective projects on their potential impact on the overall prosperity and productivity of society as a whole.
	103-2 The management approach and its components	NIB aims to foster sustainability and prosperity in its member countries. All financed projects are reviewed from a sustainability perspective, which distinguishes NIB from commercial banks. Through its lending activities, NIB aims to add value to its member countries, especially in regards to human capital development, innovation, energy, transport, telecommunications and environmental improvements.
	103-3 Evaluation of the management approach	NIB regularly reviews its strategy and mission to keep up with market developments and to better address issues related to sustainable financing and international agreements, such as the Paris Climate Agreement. During 2018, NIB's Mandate Rating Framework was updated to allow the Bank to adapt to the current business environment and to better respond to the expectations of our stakeholders. Read more in the Report of the Board of Directors .

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
GRI 203: Indirect Economic Impacts 2018	203-1 Infrastructure investments and services supported	Lending in the business area of infrastructure, transportation and telecommunications is primarily directed towards financing efficiency improvements in transport, logistics and communications. In 2018, approximately 30% of all loans agreed were related to this business area, totalling EUR 1,152 million. The financed projects included road construction projects, new power generation capacity, a number of telecommunications projects that expand the coverage and capacity of data networks, water management projects (fresh water and wastewater) mostly in urban areas, and several projects in education.
	203-2 Significant indirect economic impacts	In addition to financing projects directly with large enterprises, NIB channels funding to small and medium-sized enterprises (SMEs) through banks and other financial intermediaries. SMEs are regarded as the key drivers of the economy in the Nordic-Baltic countries, since they employ two-thirds of the workforce in the region. Consequently, they are of great importance for productivity gains and economic growth. In 2018, some 25% of all loans agreed, a total of EUR 867 million, were provided to banks and other financial institutions for on-lending to their clients, those being mainly SMEs.
Anti-corruption		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	The funds handled and projects financed by NIB are of high monetary value. Issues relating to corruption and bribery could therefore be material. Incidents of corruption can occur both internally and externally. NIB has adopted a zero-tolerance approach towards fraud and corruption, and has established a policy framework to promote its anti-corruption work, both in terms of preventing and identifying prohibited practices. The framework is updated continuously.
	103-2 The management approach and its components	<p>NIB is endorsing the Uniform Framework for Preventing and Combating Fraud and Corruption that was agreed upon by the major multilateral development banks (MDBs) in 2006. Further, the Bank's Council on Fighting Corruption has the purpose of enhancing awareness of integrity and anti-corruption among the Bank's staff and stakeholders.</p> <p>NIB's Board of Directors approved an updated Integrity Due Diligence (IDD) Policy on March 2018. The new Policy provides a robust framework for identifying, mitigating and monitoring integrity risks. The framework is built around risk assessments that will dictate the necessary checks prior to engaging with different counterparties and the frequency of counterparty monitoring. As a result, the Bank can concentrate its resources on IDD in proportion to the associated risk.</p> <p>NIB has a Sanctions Panel that decides on the sanctioning of external entities that have engaged in prohibited practices. The Sanctions Panel is constituted of two external members and one internal member. Read more in NIB's Integrity Report 2018</p> <p>In 2018, NIB also updated its Code of Conduct for Staff. Read more about Integrity, compliance and anti-corruption</p>

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
GRI 103: Management Approach	103-3 Evaluation of the management approach	<p>NIB's compliance and anti-corruption framework is continuously reviewed, benchmarked against international standards and updated accordingly. In terms of prevention, the Bank puts particular emphasis on knowing its customers and training its staff well to avoid the Bank becoming involved with unethical borrowers and projects, or in money laundering, terrorist financing or tax evasion. All new clients are screened thoroughly in the Bank's integrity due diligence (IDD) processes.</p> <p>The Bank also follows up on investigations and actions taken by national enforcement agencies and prosecutors relating to NIB borrowers and contractors financed by NIB loans. The Office of the Chief Compliance Officer (OCCO) regularly provides advice and guidance to the Bank's Lending department on how to address integrity and reputational risks in new and ongoing lending operations.</p> <p>As part of the induction process, training on compliance and anti-corruption is provided for all new staff members. In line with the Code of Conduct, every employee is asked to declare their financial and business interests once a year. This includes providing information on any positions or assignments in any profit-making institutions or any involvement or business interest that would place the employee or close relatives in any conflict with the duties at NIB.</p>
GRI 205: Anti-corruption	205-1 Operations assessed for risks related to corruption	All of NIB's operations are assessed from a corruption risk point of view, and these concerns are addressed in NIB's IDD process.
	205-2 Communication and training about anti-corruption policies and procedures	All staff members at NIB receive training in anti-corruption, integrity, money laundering and ethics as part of NIB's induction programme. Members of NIB's Board of Directors have also received training in the same subject. Staff working in the lending operations receive additional training in conducting integrity due diligence (IDD) checks. NIB has a compulsory e-learning course about the Code of Conduct that is compulsory for all staff. Training is centralised at NIB's headquarters in Helsinki, Finland, which is the Bank's only office. In 2018, the e-learning platform was updated in line with the new Code of Conduct for Staff. Read more about Integrity, compliance and anti-corruption
	205-3 Confirmed incidents of corruption and actions taken	In 2018, NIB's Sanctions Panel debarred four companies and three individuals for prohibited practices. Read more about OCCO's investigative activities in NIB's Integrity Report 2018 and learn about NIB's Sanctions Panel .

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
GRI 300 ENVIRONMENTAL STANDARDS SERIES		
Materials		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	The Bank promotes sustainable development in its business operations and extends financing to projects that promote productivity gains and benefit the environment. Correspondingly, NIB emphasises environmentally and socially sound practices in its internal operations, which includes the use of energy, materials and waste handling.
	103-2 The management approach and its components	Being a relatively small organisation providing financial services, NIB's usage of materials consists mainly of paper, office supplies and ICT hardware. However, the Bank acknowledges that the purchasing decisions for these items have an impact on the environment. Therefore, NIB is part of WWF's Green Office Network and seeks to continuously reduce its ecological footprint in a cost-effective way. NIB's internal procurement instructions identify various requirements and best practices that the Bank has decided to comply with, especially with regards to procurement of goods and/or services. For the staff, an internal website was set up that provides information on established best practices regarding contract issues with suppliers, and environmental and social consideration that are to be taken into consideration during the procurement process.
GRI 103: Management Approach	103-3 Evaluation of the management approach	NIB has been a member of the WWF Green Office programme since 2009. The programme motivates staff to act environmentally consciously in their everyday tasks, and aims to improve environmental awareness and cost efficiency. A certified Green Office is audited every three years to verify compliance with the Green Office criteria. The audit process consist of an office assessment and an interview to review the past three years' improvement actions for the selected indicators. Action points on possible future improvements are given. The Bank regularly communicates initiatives related to material, energy use and waste handling to its staff and informs them about sustainable behaviour at the workplace.
GRI 301: Materials	301-1 Materials used by weight or volume	Due to the nature of financial business, paper is still somewhat essential material in certain operations. However, NIB aims to reduce its consumption when feasible. This can be obtained by switching from paper-based to digital processes in specific areas. All print paper purchased is Forest Stewardship Council® [FSC] certified. NIB's office cleaning is conducted sustainably, by regulating the amount of water used and only utilising eco-certified cleaning detergents, such as products with the Nordic Swan Ecolabel. Read more about NIB's ecological footprint
Energy		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NIB uses energy to run its day-to-day operations at its headquarters. In light of the impact the extraction of fossil fuels may have on the environment, NIB favours the use of renewable energy.
	103-2 The management approach and its components	The electricity needed to run the Bank's internal operations is purchased from clean and renewable energy sources. Currently, the energy source used is 100% wind energy. The origin is guaranteed by the European Energy Certificate System [EECS].

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
GRI 103: Management Approach	103-3 Evaluation of the management approach	NIB monitors its energy consumption and complies with the requirements set out in current EU regulations and the WWF's Green Office programme. Information regarding facilities management is communicated to staff members.
GRI 302: Energy	302-1 Energy consumption within the organization	See NIB's ecological footprint table with more information about NIB's energy consumption
	302-4 Reduction of energy consumption	In 2015, NIB started renovating its headquarters in accordance with the BREEAM building refurbishment standard, which has pre-set requirements for energy efficiency and energy consumption. NIB will be completing the renovation according to the standard's Excellent level. During 2018, the third renovation phase was planned. Construction work began in December 2018. NIB is also renewing the building's technical machinery, including the main air supply machines. Once they are fully operational, they will contribute to improving the energy efficiency of the premises.
Biodiversity		
GRI 103: Management Approach	103-2 The management approach and its components	In its Sustainability Policy and Guidelines , NIB states that projects should comply with any obligations and standards enshrined in relevant multilateral environmental agreements (MEAs) according to applicable EU legislation, for example those dealing with biodiversity, climate change, the ozone layer, wetlands, persistent organic pollution, trans-boundary air pollution, endangered species and environmental information, and others that may be ratified in the future. A benchmark reference often applied in NIB's projects is the HELCOM standards for discharges into the Baltic Sea. Correspondingly, the Bank emphasises environmentally and socially sound practices in its internal operations, and in the working environment NIB aims to avoid placing any unnecessary strain on the natural environment. By providing information and training and offering environmentally sound alternatives, the Bank sets out to encourage its staff to act in a way that has less impact on the environment.
GRI 304: Biodiversity	304-3 Habitats protected or restored	NIB does not have any specific programmes to protect or restore habitats.
Emissions		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Climate change is a societal challenge as well as an environmental one, and requires the adoption of advanced new technologies to improve, inter alia, greenhouse gas emissions and energy efficiency. Addressing this challenge is part of NIB's mission to improve the environment and productivity of the Nordic-Baltic region to increase sustainability and prosperity.
	103-2 The management approach and its components	NIB is committed to supporting action for mitigating and adapting to climate change. NIB calculates all the greenhouse gas emissions from its projects, either directly via fuel combustion or production process emissions, or indirectly through purchased electricity and heat. The Bank's management and Board of Directors consider these to be part of the loan decision process. Regarding its direct ecological footprint and housekeeping, NIB has internal environmental guidelines for office practices, business travel, facilities management and procurement in place.

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
GRI 103: Management Approach	103-3 Evaluation of the management approach	When analysing projects, NIB's environmental analysts collect information on a project's potential impact and assure the quality of the information provided during site visits and in interviews with project staff and other relevant stakeholders. The assessed environmental impact is benchmarked against relevant national laws, EU-regulations and standards. NIB publishes relevant information on the emission increase and decrease of projects on its web-site.
GRI 305: Emissions	305-5 Reduction of GHG emissions	The projects financed by NIB in 2018 are estimated to reduce CO ₂ emissions by 817,600 tonnes per annum. Pro-rated to NIB's share of financing, the reduction amounts to 379,265 tonnes CO ₂ e per annum. Read more on the impact of NIB's lending and on the Bank's internal ecological footprint at its headquarters in Helsinki, including information on emissions and waste.
Effluents and Waste		
GRI 103: Management Approach	103-2 The management approach and its components	NIB manages and handles its waste according to sustainable procedures. Whenever possible, the waste is recycled. The main types of waste are mixed energy, bio, cardboard, metal, glass and hazardous waste, including electronic waste and ink cartridges. In connection with the ongoing refurbishment project at NIB's premises, the amount of waste has significantly increased. However, old furniture and office equipment is recycled when possible. Some of these items are also sold to the staff, and are re-used in some of the new, refurbished premises.
GRI 306: Effluents and Waste	306-2 Waste by type and disposal method	NIB's aim is to continuously improve the waste handling and recycling at its premises, and the Bank plans to achieve reductions by means of rearranging and simplifying the sorting stations and by raising awareness about waste management through marketing environmental campaigns, such as Earth Hour and Energy-Saving Week [a national energy-saving awareness campaign organised by a Finnish company specialising in energy and material efficiency].
Environmental Compliance		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Some of the projects NIB finances may potentially have negative environmental impacts. These may include the deterioration of the physical, natural or cultural environment and surrounding community. In line with its own Sustainability Policy & Guidelines, NIB analyses projects with regards to relevant standards and national legislation.
	103-2 The management approach and its components	In order to address any concerns regarding its operations, 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 are made publicly available for comments before the Bank makes a decision on financing. In addition, if anybody involved in NIB's activities observes or has reasonable grounds to suspect misconduct, they are encouraged to report such information. Complaints can be filed with, and are handled by, NIB's Office of the Chief Compliance Officer. Contact information

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
GRI 103: Management Approach	103-3 Evaluation of the management approach	<p>NIB's environmental review includes the categorisation of projects based on their potential negative impact, the definition of risks and planned mitigation measures. For Category A and B projects, site visits and interviews with relevant stakeholders are conducted. Comments received from the public on Category A projects are taken into consideration when a decision on financing is being made.</p> <p>NIB communicates the results of the environmental impact assessment to the customer, and may give advice regarding prospective projects. The management of environmental impacts of projects in line with applicable laws, regulations, standards and NIB's Sustainability Policy & Guidelines is handled by the customer.</p>
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	In 2018, the Bank published details of seven Category A projects and received no responses. No grievances were filed with the Office of the Chief Compliance Officer. Read more about the disclosure of Category A projects.
GRI 400 SOCIAL STANDARDS SERIES		
Employment		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NIB's employees are the Bank's strongest asset in fulfilling its mission, and an essential internal stakeholder group. NIB's staff regulations and code of conduct address labour and management relations, international laws and legal standards, provisions for professional conduct and resolution of disputes, occupational health and safety, training and education, diversity and equal opportunities, non-discrimination and freedom of association.
	103-2 The management approach and its components	The Bank's fundamental principles with regards to its staff are the rule of law, transparency, predictability and equity. Based on its status as an international organisation, NIB has established its own provision for its employees. The primary sources governing employment are employment contracts and the staff documents. NIB's staff are required to comply with the policies, regulations, rules and guidelines issued by NIB, including the Code of Conduct for the staff .
	103-3 Evaluation of the management approach	<p>NIB regularly collects feedback from its employees and conducts staff surveys. The purpose of the surveys is to assess the staff's engagement and well-being at work, as well as the functionality of the working community. The results provide a better overall understanding of issues that need improvement. The most recent survey was conducted in 2018.</p> <p>NIB has a Cooperation Council in place, consisting of four members representing the Bank and four members representing the staff, to promote communication and initiatives between the employer and employees on work-related matters. The Bank engages an independent Ombudsman, who is available once a month for all staff members. To engage all staff and to maintain an open dialogue, NIB duly communicates the Bank's results, strategies, policies, activities and issues related to working conditions in order to keep its staff informed. See NIB's Public Information Policy</p>

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
GRI 401: Employment	401-1 New employee hires and employee turnover	The average length of employment was 12.2 years in 2018. Our exit turnover rate during the year was 6.2%. At the end of 2018, NIB had 199 employees in permanent positions. Of these, 83 were women and 116 were men. The average age of employees was 48 years. The average number of permanent employees during the year was 197. In addition, 19 employees worked on projects in long-term temporary positions.
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Note 7 in the Financial Report has explanations of "Additional benefits for expatriates", "Pension obligations" and "Staff loans".
Labor/Management Relations		
GRI 103: Management Approach	103-2 The management approach and its components	NIB employees are members 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 its employees. There are, however, some exceptions, particularly with regard to taxation, social security and pensions. You can read about these in the Host Country Agreement between the Government of the Republic of Finland and the Nordic Investment Bank .
GRI 402: Labor/Management Relations	402-1 Minimum notice periods regarding operational changes	NIB employees are members of an international financial institution. Consequently, NIB has established its own regulations for the staff. See Staff regulations .
Occupational Health and Safety		
GRI 103: Management approach	103-2 The management approach and its components	<p>NIB makes every effort to create a safe and healthy working environment for its employees. The Bank considers all aspects of work, such as general working conditions, the environment and the personal capacities of its employees. NIB encourages its staff to establish and maintain a sustainable balance between their professional and private lives.</p> <p>NIB cooperates closely with its occupational health care service provider and offers regular health checks and flexible working hours.</p> <p>NIB periodically conducts a work engagement survey. The purpose of this survey is to collect employee feedback on issues related to the work environment, management and well-being at work. The most recent work engagement survey was conducted in March 2018. The survey consisted of 46 questions and focused in particular on one's own work, management, the working community, team spirit, functionality, and the employer in general. The response rate stood at 90% in 2018, with 183 staff members participating.</p>

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
GRI 403: Occupational Health and Safety	403-1 Workers representation in formal joint management-worker health and safety committees	<p>NIB strives to continually develop the interaction and cooperation between employer and staff. NIB's Cooperation Council consists of four Members representing the Bank and four Members representing the staff. The Cooperation Council aims to promote communication and initiatives between the Bank and its staff in issues related to working conditions and the workplace, in particular in a manner enabling the Bank to take better account of the staff's opinions concerning such issues. The goal is to achieve mutually acceptable solutions for both the Bank and the staff.</p> <p>The Cooperation Council functions as an occupational health and safety body. The Occupational Health and Safety Commission consist of an Occupational Health and Safety Manager representing the employer, and two Occupational Health and Safety Agents representing the staff. In addition, NIB has a Business Continuity and Security Unit, which is responsible for, among other things, the development and implementation of NIB's security policies covering all areas of physical, personal and knowledge security.</p> <p>All of NIB's staff are included in its health and safety management system. Read more about Working at NIB.</p>
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	The Bank encourages participation in activities that support wellbeing, and these are highly appreciated by the employees. In 2018, the illness absence rate stood at 2.6% of total working time, compared to 2% in 2017.
Training and education		
GRI 103: Management Approach	103-2 The management approach and its components	NIB is a professional expert organisation and encourages its employees to develop their competencies. It is essential for the Bank to have highly skilled and committed staff members that are able to meet its customers' needs.
GRI 404: Training and Education	404-1 Average hours of training per year per employee	NIB evaluates the need for additional training every year. The average number of training days per employee was 2.4 in 2018, compared to 5.9 in 2017.
GRI 404: Training and Education	404-2 Programs for upgrading employee skills and transition assistance programs	NIB encourages its employees to continuously develop their skills. During the year, the Bank offered various tailor-made training opportunities for its staff members on topics such as project management, financial restrictions, collateral, understanding of bonds and bond markets, and the European Emissions Trading System. The Bank's staff represent 23 nationalities and use English as their working language. Therefore, it is essential to provide language training to ensure that all employees develop and maintain the required language skills. NIB offers language training to its employees in English, Swedish and Finnish and, in special circumstances, other work-related languages. Most of NIB's language training is carried out in small groups or by individual training.
	404-3 Percentage of employees receiving regular performance and career development reviews	The employees' performance and individual work plans are reviewed in personal appraisal and development discussions with their supervisors. These talks are held at the beginning of the year and again in the autumn.

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
Diversity and Equal Opportunity		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Maintaining a balanced diversity among staff members is crucial to NIB's working culture. No discrimination is permitted against any employee on the basis of gender, age, nationality, ethnic origin, family status, religion, health, political activities or any other comparable circumstance. The Bank puts emphasis on preventing discrimination and will intervene if an employee is harassed in any way.
	103-2 The management approach and its components	<p>NIB has an Equality, Diversity and Inclusion Plan for 2016–2018 in place that focuses on raising awareness and creating a diverse and inclusive work environment free from harassment and discrimination.</p> <p>In accordance with the Plan, embracing diversity is defined as creating a workplace in which people of all backgrounds and cultures feel included, welcome and valued. Inclusion involves respecting individual differences and capturing the advantages they provide.</p> <p>A working group consisting of both representatives of the staff and the employer has been set up to define the development areas for the period of 2019–2021.</p>
	103-3 Evaluation of the management approach	NIB regularly collects employee feedback on issues related to equal opportunity in work engagement surveys. In cases of harassment or discrimination, the Ombudsman can be contacted.
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	See Executive Committee Board of Directors Board of Governors Control Committee
	405-2 Ratio of basic salary and remuneration of women to men	Salary levels reflect the work profile, qualifications and competence of the individual job holder, as well as the results that NIB expects the employee to achieve. The Bank's staff regulations and compensation policies state that compensation must not be affected by age, gender or race. Read more about NIB's compensation policy in Staff Regulations
Non-discrimination		
GRI 103: Management Approach	103-2 The management approach and its components	NIB has zero tolerance for any type of discrimination. To ensure a workplace free of harassment, NIB has in place an Anti-harassment Policy, which is governed primarily by the Human Resources unit. In cases of harassment, the Ombudsman can also be consulted. See staff regulations .
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	<p>In 2018, no incidents of discrimination were reported.</p> <p>During 2018, the ombudsman was consulted five times. None of the consultations resulted in any further action.</p>

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
Freedom of Association and Collective Bargaining		
GRI 103: Management Approach	103-2 The management approach and its components	<p>NIB's employees are members 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 its employees. There are, however, some exceptions, particularly with regard to taxation, social security and pensions. NIB grants the whole staff full freedom of association, subject to NIB's staff-related documents and Code of Conduct. These documents ensure full freedom of association, subject only to rules on conflict of interest and democratic principles.</p> <p>As NIB is not subject to the jurisdiction of national courts, the Bank has set up arbitration rules for potential employment-related disputes. NIB has an Ombudsman whom the employees can consult and who may also act as mediator in the event of such disputes.</p> <p>The Bank has a Cooperation Council in place, consisting of four members representing the Bank and four members representing the staff. The Cooperation Council aims to promote communication and initiatives between the Bank and the staff in issues related to working conditions and the workplace, in particular in a manner enabling the Bank to take better account of the staff's opinions concerning such issues. The purpose is to achieve mutually acceptable solutions for both the Bank and the staff.</p>
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	In 2018, no operations or suppliers in which workers' rights to exercise freedom of association or collective bargaining were being violated or at risk were reported.
Child Labor		
GRI 103: Management Approach	103-2 The management approach and its components	NIB does not accept the use of child labour that is illegal or harmful to minors, and requires its clients and suppliers to comply with international standards for the employment of underaged workers. The Bank believes in good human resources management. Respect for workers' rights and their freedom of association is part of good business.
GRI 408: Child Labor	408-1 Operations and suppliers at significant risk for incidents of child labor	In 2018, no operations or suppliers using child labour or exposing young workers to hazardous conditions were reported.
Forced or Compulsory Labor		
GRI 103: Management Approach	103-2 The management approach and its components	The use of forced labour is not accepted by NIB. The Bank emphasises respect for human rights and observance of all national and international legislation in its operations. Sound management of the safety and health of workers and communities is essential for the productivity and efficiency of the business, as is respect for their legal rights and livelihood.
GRI 409: Forced or Compulsory Labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	In 2018, no operations or suppliers at risk of using forced or compulsory labour were reported.

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
Local Communities		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NIB finances large projects that may have a significant impact on the surrounding community, environment, people and economy. Some projects may entail negative consequences. In order to ensure that such risks are identified and addressed, all projects considered for financing undergo an environmental and social impact assessment, of which dialogue with stakeholders is an integral component.
	103-2 The management approach and its components	The preparation of loans that are listed as Category A projects due to social and environmental concerns includes their publication for 30 days on NIB's website to enable stakeholders to submit their views to NIB. Any persons involved in NIB's activities who observe or have reasonable grounds to suspect misconduct, corruption or non-compliance are encouraged to report it. Complaints can be filed with, and are handled by, NIB's Office of the Chief Compliance Officer.
	103-3 Evaluation of the management approach	There are no specific mechanisms in place to evaluate the management approach or its effectiveness. However, NIB's policies and procedures are regularly reviewed. Stakeholder views and opinions on NIB's management approach are regularly requested in stakeholder surveys.
GRI 416: Local Communities	413-2 Operations with significant actual and potential negative impacts on local communities	During 2018, NIB published seven Category A projects with potential impact on local communities on its website. No comments were received. NIB eventually signed loan agreements with two of the projects.
GRI FINANCIAL SECTOR SUPPLEMENT - PRODUCT PORTFOLIO		
FS1	The management approach and its components	The Bank assesses the environmental and social impacts of all loan applications for consistency with the Sustainability Policy and Guidelines. A proposed project can be rejected due to non-compliance with the policy. The policy also comprises an exclusion list with activities not eligible for financing.
	Policies with specific environmental and social components applied to business lines	Sustainability Policy and Guidelines
FS2, FS5	Procedures for assessing and screening environmental and social risks in business lines. Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	NIB's environmental and social review (see also an overview here)
		<p>The review includes the following key components:</p> <ul style="list-style-type: none"> -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 <p>Based on the categorisation, NIB indicates to the customer what type of environmental information NIB requires.</p>

GRI STANDARD	DISCLOSURE	NIB'S RESPONSE
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	The Bank expects its clients to be in compliance with the Sustainability Policy and Guidelines throughout the project, and provisions that entitle the Bank to monitor projects are incorporated into the loan agreement. Three years after a NIB-financed project has been completed, the Bank's analysts follow up on the impacts the project has had. In 2018, the Board reviewed 13 such ex-post assessments. Of these, ten projects had achieved the expected impacts, and three projects had partly achieved them. NIB uses these results to further develop its mandate rating methodology and apply the lessons learned to future projects.
FS6	Percentage of the portfolio for business lines by specific region, size [e.g. micro/SME/large] and by sector	Lending
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	The purpose of NIB's lending activities is to promote productivity gains and benefit the environment of the Nordic and Baltic countries. NIB rates all potential loans internally according to how they contribute to this mission. Only projects that contribute sufficiently to NIB's mission fulfilment qualify for loan approval. The share of lending with a "good" or "excellent" mandate accounted for 91% of all loans agreed in 2018.
FINANCIAL SECTOR SUPPLEMENT - AUDIT		
FS9	The management approach and its components	The Control Committee is a supervisory body that ensures that the operations of the Bank are conducted in accordance with its Statutes. The Control Committee is responsible for the audit of the Bank's accounts and annually delivers an audit statement to the Board of Governors. The Control Committee also monitors the compliance and anti-corruption practices of the Bank. The audit of the financial statements of the Bank is carried out by external professional auditors appointed by the Control Committee.
	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	NIB is mission-driven and its core business is long-term lending. The main risks are assessed in the due diligence process before lending agreements are signed. The Bank has a special monitoring and ex-post mandate assessment process to examine the implementation and results of projects financed by the Bank. After NIB's financing is committed in legal documents and disbursed, NIB especially monitors projects with major environmental and social risks and impacts in accordance with the environmental review or as deemed necessary by NIB due to unexpected events.
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Loans agreed 2018
FS11	Percentage of assets subject to positive and negative environmental or social screening	NIB assesses the environmental and social impacts of all loan applications.