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Integrity Report 2015

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Message from the President

In 2015 NIB continued its efforts to minimise the risks of getting involved with clients and projects with corruption risks. NIB has a zero tolerance of fraud and corruption, which means that immediate actions will be taken to investigate any allegation of corrupt and fraudulent practices detected in the projects we finance.

Emphasis is made on identifying risks of fraud and corruption in our operations, but we also assist our clients in mitigating integrity risks by providing advice on establishing appropriate and relevant policies and rules to fight fraudulent and corrupt practices. During 2015 NIB has been in dialogues with several of its potential borrowers and discussed possible improvements to their codes of ethics and policies and rules, which will enable them to detect, report and investigate prohibited practises.

NIB is continuously monitoring the projects it finances, also with respect to integrity. For this purpose we have integrity due diligence procedures and a screening process in place to help us avoid any compliance, integrity and corruption issues which, if they are realised, could cause serious damage to the Bank's reputation.

I am glad to report that no prohibited practice or misconduct by staff were identified or reported during 2015. Prevention of prohibited practices or misconduct is the key in all our actions. The Bank has recently developed a Speaking-up and Whistleblowing Policy, which will further nourish the Bank's openness for discussion among staff members and management as well as for staff and other stakeholders to report without fear of retaliation incidents or wrongdoings, including suspicions of fraud and corruption, in any of our operations and activities.

The Bank's new policies on compliance, integrity and anti-corruption also includes a new Investigation and Enforcement Policy which establishes more stream lined and transparent processes for investigating and sanctioning alleged fraud and corruption in our operations, and the possibility for sanctioned entities and persons to appeal a sanction decision by the Bank.

I wish the Bank, its staff and all other stakeholders involved in our operations and activities success in the important fight against fraud and corruption.

Henrik Normann
President & CEO

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Abbreviations

AML	Anti-money laundering
CCO	Chief Compliance Officer
CoFC	Committee of Fighting Corruption
CSR	Corporate Social Responsibility
CTF	Counteracting terrorist financing
ESG	Environment, Social, Governance
FI	Financial Intermediary
GRI	Global Reporting Initiative
IDD	Integrity Due Diligence
IFI	International Financial Institution
KYC	Know Your Customer
NCJ	Non-compliant jurisdiction
NDF	Nordic Development Fund
NEFCO	Nordic Environment Finance Corporation
NIB	Nordic Investment Bank
OCCO	Office of the Chief Compliance Officer
PEP	Politically Exposed Person
Uniform Framework	IFI Uniform Framework for Preventing and Combating Fraud and Corruption

1 Introduction

The Integrity Report of 2015 is built around two main topics: Preventive work and investigations. Chapter two covers the preventive work that has been carried out in 2015. Chapter three covers the investigative work that has been carried out in relation to Prohibited Practices and Misconduct.

NIB has a zero tolerance towards fraud and corruption in all its activities. NIB's Resolution on Fighting Corruption (replaced by the Compliance, Integrity and Anti-corruption Policy in February 2016) sets out the principles and guidelines for fighting corruption. The Bank procedures are aligned with the International Financial Institutions (IFI) Uniform Framework for Preventing and Combating Fraud and Corruption that NIB formally endorsed in 2008.

2015 has required less investigative work than 2013 and 2014 when the Office of the Chief Compliance Officer and the Committee on Fighting Corruption investigated an important case of external prohibited practices. This case resulted in a sanction decision to debar the company involved from participating in tendering for NIB financed contracts for a period of five years. One part of this case resulted in a referral to a national enforcement agency of a member country of NIB.

OCCO has, in 2015, worked on the development of a new compliance, integrity and anti-corruption framework based on the principles approved by the Board of Directors in the beginning of 2015. The new framework, including new policies, will come into force in early 2016.

This is the fifth Integrity Report of the Bank. Previous Integrity Reports can be found on NIB's website, see http://www.nib.int/about_nib/compliance_anti-corruption. For more information on the Bank and its financial results, see http://www.nib.int/about_nib and NIB's Annual Report available at <http://annualreport.nib.int/2015/>.

2 Proactive and preventive work

OCCO's main focus is on proactive and preventive work to ensure that the Bank is carrying out its operations and all other activities with a high level of integrity. This work entails the management of many processes and the participation of members of staff from different departments as further described in subsequent sections of this report.

OCCO provides advice to all the Bank's business functions in their activities in relation to compliance and integrity matters, including avoiding reputational risks. The overall aim is to maintain an open atmosphere where integrity concerns are taken seriously and openly discussed, but also where staff and other stakeholders shall have the possibility to report suspicions and allegations of prohibited practices and misconduct without fear.

The aim of OCCO is to remain constructive in its approach to help solving problems relating to integrity and compliance whilst maintaining its independence and integrity.

2.1 Preventive work with the lending operations

In the Bank's lending operations OCCO has provided advice in relation to the application of the Integrity and Due Diligence Guidelines (IDD-Guidelines), the Non-Compliant Jurisdictions (NCJ-Policy) as well as in consultations regarding the Anti-Money Laundering (AML) and Counteracting Financing of Terrorism (CFT) procedures. This is done in relation to projects that are under consideration for financing, under disbursement and when new integrity concerns have been identified in the regular project monitoring process or in the annual portfolio review.

In accordance with NIB's IDD-Guidelines the Lending department shall conduct the first line integrity check of all new and existing borrowers. In case integrity concerns are identified these concerns shall be flagged and presented to the decision-making bodies of the Bank. OCCO shall also be informed of the identified concerns and be consulted on how serious concerns can be resolved. This can include recommendations for further internal or external investigations, hiring of an external consultant to conduct enhanced due diligence checks, insertion of additional integrity clauses in the loan documentation or postpone the loan processing or to refrain from lending to potential borrowers involved in or being investigated for prohibited practices.

During 2015 OCCO has also provided its own integrity opinions to projects presented to the Credit Committee and ensured that integrity concerns have been correctly represented in the Board documentation

2.2 Preventive work with the treasury operations

Relating to treasury operations OCCO's advice has mainly been related to NCJ-questions and KYC requests from other financial institutions and treasury stakeholders. NCJ-questions are dealt with in slightly different ways in the Lending and Treasury departments as stated in the Non-Compliant Jurisdictions (NCJ) Policy. When the Bank engages with new treasury counterparties an NCJ-link assessment shall be made. The findings and conclusions of this assessment shall be documented and archived by the Treasury Department and be accessible for OCCO.

2.3 Preventive work with the other operations

In general administrative operations OCCO has provided assistance in relation to integrity concerns that arise in the Bank's own procurement or in the administration of related contracts. OCCO has also provided comments to new and revised administrative related policies, rules of procedures and instructions.

OCCO coordinates its control activities with Internal Audit and with the Risk Management Unit on operational risk matters. This is essential since some integrity matters entail also operational risk questions, such as how to ensure that appropriate processes and instructions are in place.

2.4 Consultations in relation to the Codes of Conduct

NIB's Codes of Conduct establishes a set of rules for its staff and members of governing and supervisory bodies on sound business conduct and ethical behaviour.

As an international organisation entrusted with public monies, NIB puts high value on upholding the highest ethical standards and professional objectivity to retain public trust in the institution. The codes of conduct for the Staff, the Board of Directors and the President and the members of the Control Committee provide guidance on the type of behaviour the Bank encourages. Rules on insider information and insider trading are also in place.

To avoid any real or perceived conflict of interest in its operations, the Bank requires all staff, the President and members of the Board to annually disclose their financial and business interests.

OCCO provides advice and recommendations on a continuous basis to questions relating to the application of the codes of conduct and organises courses on integrity and ethics as part of the Bank's induction programme for all new staff.

2.5 Training

During the year OCCO arranged several training sessions. The aim of the trainings is twofold. First, the aim is to increase general awareness of various integrity and compliance risks. Second,

the aim is to train staff in the search for and identification of integrity concerns and to highlight the concerns to the decision making bodies of the Bank. A central part of the training is also to lower the threshold for operational staff to discuss integrity concerns with OCCO.

The expertise in identifying fraud and corruption risks in NIB member countries is important as the majority of the projects that NIB finances are located within its membership area (the Nordic and Baltic countries). During 2015 OCCO has tried to tailor its training courses to be directly relevant for lending staff when interacting with borrowers and stakeholders in this area, for which a new training module has been adopted.

As part of this new training module OCCO arranged a workshop on corruption risks in Sweden and Finland and a second workshop on corruption risks in the Baltic countries. Speakers from national enforcement agencies were invited to talk about the corruption risks in their respective countries and about ways to manage and mitigate these risks. The events provided unique insight into the national anti-corruption agendas. A representative of a Baltic company that has undergone a significant renewal of its internal integrity policies and rules was also invited to speak about the measures this company has taken to reduce the risk of fraud and corruption in its operations.

Together with its sister organisations, the Nordic Development Fund (NIB) and the Nordic Environmental Finance Corporation (NEFCO), a seminar was arranged about how the private sector is tackling corruption in their operations in areas with high corruption risks. The invited speaker representing a Nordic company with investments and operations in developing countries talked about how the company's integrity position is cemented in its operations in very high corruption risks environments.

To strengthen the knowledge in the Lending department OCCO arranged an IDD Follow-up Training Session for Transaction Managers. The training focused on how to identify integrity concerns, gathering of IDD-information and the potential hot-spots of corruption.

The relatively new NCJ-Policy was implemented during 2014 but the information sessions on the subject continued well into 2015. .

During 2015 OCCO, in cooperation with the Bank's ICT Unit and with the assistance of an external consulting firm, developed an e-learning platform for complementing OCCO's class room code of conduct training. Following a testing period the first e-learning training for staff will be launched in the first quarter of 2016.

3 Investigations of alleged fraud and corruption

NIB has a zero tolerance of corruption. The Chief Compliance Officer in collaboration with the Head of Internal Audit is responsible for assessing the substance of any allegation of corruption before it is referred to OCCO and the Committee on Fighting Corruption for investigation.

All cases of fraud or corruption reported in 2015 are being investigated in accordance with the Rules of Procedure of the Committee on Fighting Corruption. Future cases will be investigated in accordance with the new Investigation and Enforcement Policy adopted by the Board of Directors in February 2016.

3.1 Investigations in Brief

Table 1 shows the number of cases of alleged fraud, corruption and misconduct that has been registered and processed during 2010 - 2015, including the number of cases that have resulted in sanctions by NIB and referral to national enforcement agencies. Figures 1 and 2 respectively show

graphically the types of allegations handled and the types of information sources that have brought the allegations to the Bank’s attention.

Table 1 Cases registered and processed during 2010-2015

By year end	Registered during the year	Handled ¹ during the year	Concluded during the year	Pending by end of year	Sanctions decisions by NIB	Referrals to national authorities
2015	3	7	1	6		
2014	4	10	6	4	2	1
2013	6	12	6	6	1	1
2012	3	7	1	6		
2011	1	4	0	4		
2010	4	4	1	3		

Figure 1 Types of allegations 2010 – 2015²

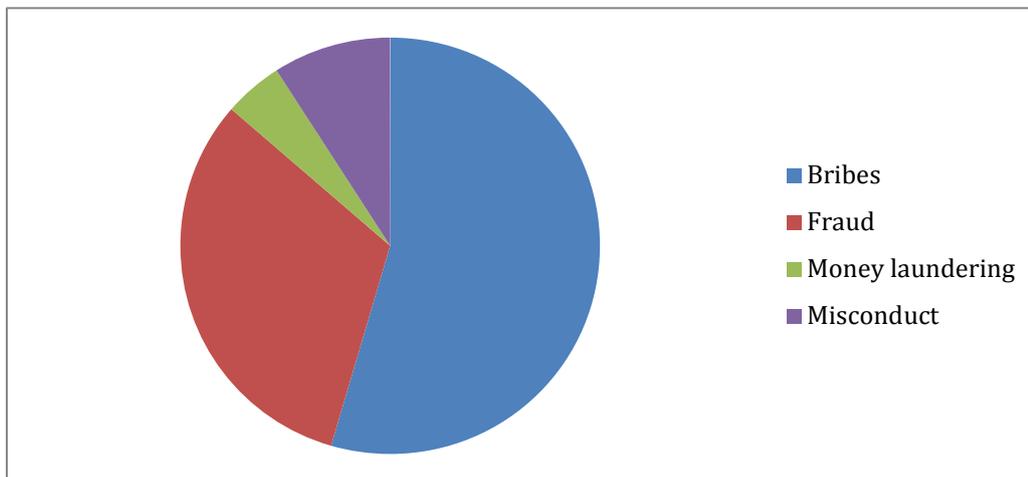
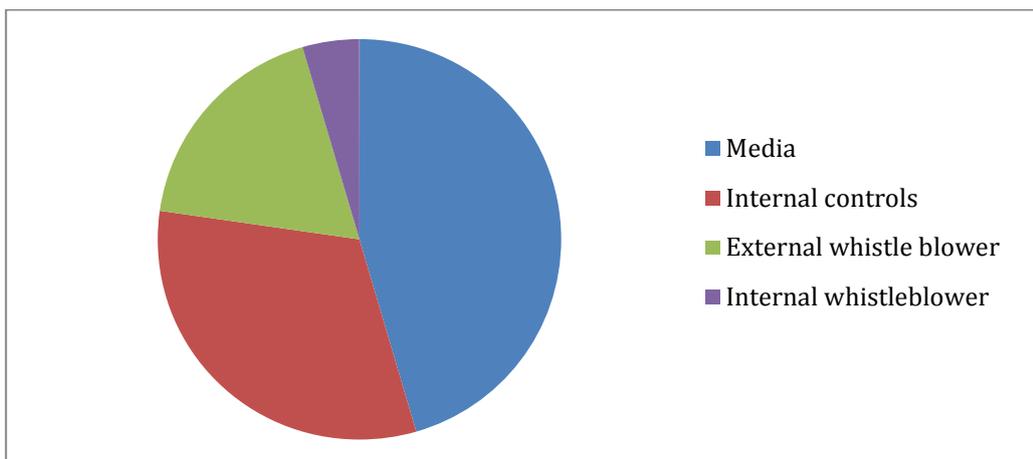


Figure 2 Source of allegations 2010 – 2015³



¹Cases under investigation by CoFC and cases under investigation by other IFIs or national authorities and monitored by CoFC

² More than one type of allegation may be attributed to an individual case.

³ More than one source of allegation may be attributed to an individual case.

3.2 Alleged cases of internal fraud and corruption

OCCO was not notified of any internal cases in 2015.

3.3 Alleged cases of external fraud and corruption

OCCO registered three new cases in 2015, all relating to payments of bribes involving high level officials of the institutions and companies concerned. Seven (7) cases were altogether handled by OCCO, whereof one (1) case was concluded and closed.

Of the aforementioned concluded cases in 2014, two resulted in sanctions by NIB and one case was referred to a national authority for investigation. One of the case concluded in 2013 resulted in a sanction by NIB and referral to a national authority. OCCO has been following up on both the referred cases during 2015.

By the year end of 2015 six cases were pending. All these cases are being investigated by national authorities. The Committee on Fighting Corruption is currently conducting parallel investigations of three cases in close cooperation with the national authorities and the investigation function of a co-financing institution.

4 Transparency and accountability

NIB promotes good governance and best practices and strives to be transparent in its own operations. The Bank is guided by the principles of transparency, predictability, accountability, responsibility and disclosure. These principles strengthen the Bank's commitment to prevent corruption and to ensure compliance with its own policies and rules, for example when it comes to sustainability, disclosure of information and procurement.

As a main rule, NIB discloses all information that is of interest to its stakeholders, unless a specific confidentiality commitment applies. Such exceptions must be legitimate and may, for example, refer to bank secrecy rules or specific client privileges.

NIB publishes information about loans when a loan agreement is signed. Before the Board of Directors' approval of a loan classified as a category A-loan⁴ NIB shall, in accordance with the Sustainability Policy and Guidelines, disclose information about the project on its website, www.nib.int. Project descriptions shall, according to NIB's Public Information Policy, include the following: the name of the project; the project promoter or financial intermediary; the location of the project; a short project description; and the environmental impact assessment and/or a summary thereof.

OCCO continued its support to the Communication Unit on reporting on sustainability using the Global Reporting Initiative (GRI) standard. Furthermore, OCCO has coordinated NIB's response to an environmental, social and governance (ESG) rating agency.

5 Cooperation with Stakeholders

NIB cooperates with IFIs, national authorities and different stakeholders on a regular basis to ensure that the Bank is up to speed with current developments.

The collaboration with other IFIs' compliance and investigation functions is important for OCCO to maintain a high level of professionalism and for the benefit of the Bank's general integrity work.

⁴ http://www.nib.int/about_nib/environment/environmental_analysis

NIB strives to harmonise its policies and processes with those of other IFIs and to increase information sharing with the aim of improving the effectiveness and speed of investigations and due diligence processes. In 2015 the cooperation with other IFIs has included regular consultations on NCJ related matters and investigations of reported allegations of corruption.

NIB collaborates with the anti-corruption functions of NDF and NEFCO with regard to training, information sharing, reviews of each other's anti-corruption policies and procedures and participation in these institutions' anti-corruption and sanction committees. In 2015 NIB, NDF and NEFCO signed a Memorandum of Understanding concerning integrity and anti-corruption

During 2015 OCCO participated in a number of IFI gatherings, including the annual International Investigators Conference, the annual meetings of the European Compliance Officers and the Independent Accountability Mechanisms of IFIs.

OCCO has advised borrowers on how to develop appropriate procedures to prevent fraud and corruption. This will also help NIB in reducing its integrity and reputational risks as well as in opening possibilities for the Bank to offer new loans to the clients in question.

6 The Office of the Chief Compliance Officer

The Chief Compliance Officer reports to the Bank's President and he has unrestricted access to the chairpersons of the Board of Directors and the Control Committee.

No major changes have taken place in the Office of the Chief Compliance Officer during 2015 with regard to its staffing. One OCCO staff member attended the International Anti-Corruption Academy's summer school in Vienna, Austria.

For more information about OCCO, see NIB's Compliance, Integrity and Anti-corruption Policy available at http://www.nib.int/about_nib/corporate_responsibility/compliance.

7 Planned activities for 2016

OCCO and the Committee on Fighting Corruption will continue its investigations of alleged fraud and corruption cases reported to the Bank in 2015 and earlier.

OCCO, in consultations with the Committee on Fighting Corruption, will finalise the revision of the Bank's compliance, integrity and anti-corruption framework. As part of the new framework there will be three new policies, replacing existing policies. The new policies included in the framework comprise the Compliance, Integrity and Anti-corruption Policy, the Investigation and Enforcement Policy and the Speaking-up and Whistleblowing Policy. The new framework also entails the hiring of experts to a new sanctions panel to decide on sanctions of external parties to the Bank who are found guilty of prohibited practices, including fraud and corruption, based on NIB's own policies. It also entails the training of staff in the new policies and related procedures.

An external consulting firm finished, in 2015, a GAP-analysis of the Bank's Anti-Money Laundering (AML) and Counteracting Terrorist Financing (CTF) processes. The report did not find any crucial gaps in NIB's AML/CFT defences. However, steps will be taken during 2016 to design appropriate AML/CFT-procedures to strengthen the Bank's risk based assessment of NIB's clients, projects and activities.

OCCO will continue the cooperation with the Communications unit to ensure that the Bank follows best practice in sustainability reporting, including CSR and Corporate Governance.

Finally OCCO will continue liaising with counterparts of other IFIs and to attend meetings and conferences that are of relevance for improving OCCO's abilities to provide sound advice on compliance and integrity matters and to conduct high quality investigations of alleged prohibited practices, misconduct and complaints.

8 Contact information

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