



NORDIC
INVESTMENT
BANK

FINANCING
THE
FUTURE

2022

Integrity Report

Foreword by the President

The year 2022 brought a multitude of challenges that will affect the Nordic–Baltic region in the near- and long-term. Geopolitical crises, growing inflationary pressures and disruptions of global markets are shaping our business environment. Russia’s war in Ukraine was the latest event that reminded us to stay vigilant and resilient to the sudden emergence of threats.

NIB remains in a strong financial position, and we have invested considerable time and effort in strengthening our resilience. This includes upgrading our IT infrastructure and its security. The Integrity & Compliance Office also continued to improve our integrity controls through a detailed review of the Bank’s Integrity Due Diligence (IDD) Policy and related procedures, which includes our sanctions compliance program. By improving our understanding of the parties with which NIB engages and any associated risks, we strengthened our client and third-party risk management across all of our operations, which is a key component in ensuring resilient operations.

As the international financial institution of the Nordic and Baltic countries, we understand our responsibility and remain committed to our vision of a prosperous and sustainable region despite the challenges that we face. Our aim is to facilitate long-term positive change, and we will continue to do this work with integrity and though promoting sound business ethics.

André Küssvek

President & CEO





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1 Integrity and Compliance at NIB

1.1 Commitments to Integrity

The Nordic Investment Bank (NIB) is committed to the integrity of markets and to following best practices and international standards in the areas of governance, accountability, transparency and business ethics in all its operations and activities. NIB's stakeholders, which include the Bank's owners, customers, investors and the general public, expect high standards from NIB, and we expect high standards from ourselves.

As an international financial institution (IFI) entrusted with public funds, any misconduct or prohibited practices in NIB's activities and operations, such as corruption, fraud, money laundering or terrorist financing, are regarded as material. These prohibited practices are linked to a wide range of negative impacts, such as diversion of funds leading to reduced benefit of financing (particularly in public sector projects), undermining the rule of law and damage to the environment. Prevention is at the forefront of NIB's efforts, and the Bank has anti-bribery and corruption (ABC) as well as anti-money laundering and combatting financing of terrorism (AML/CFT) controls in place.

1.2 Integrity & Compliance Office

NIB's Integrity & Compliance Office (ICO) is part of the Risk and Compliance department, which represents the Bank's second line of defence and has the overall responsibility for managing risks across organisational units. ICO oversees all matters relating to integrity and compliance risks and is the Bank's focal point for integrity due diligence (IDD), AML/CFT, prohibited practices and sanctions.

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

ICO's roles and objectives



Integrity culture

ICO works to protect the integrity and reputation of NIB and to promote high ethical standards in the Bank's culture. ICO interprets and advises on NIB's Codes of Conduct and provides guidance on handling conflicts of interest.



Risk management

ICO oversees the identification, assessment and monitoring of integrity and compliance risks, and engages with all functions across the Bank to ensure effective risk management. ICO also ensures that NIB's integrity policies and controls are up to date and draw on relevant international standards.



Integrity Due Diligence

ICO serves as the second line of defence in NIB's integrity due diligence process. The IDD process serves to identify risks arising in NIB's lending and trust fund activities, treasury operations and internal procurement.



Sanctions

ICO monitors and advises management on sanctions issued by international bodies and certain national authorities.



Handling reports of misconduct and non-compliance

The CCO is responsible for receiving and handling reports of prohibited practices, misconduct and non-compliance occurring in NIB's activities and operations. ICO assesses and investigates all reports.

NIB has a Sanctions Panel that decides on sanctions following investigations of external prohibited practices.



Training

ICO provides training to the Bank's staff and members of the governing bodies to increase awareness and mitigate integrity and compliance risks.

1.2.1 ICO's reporting

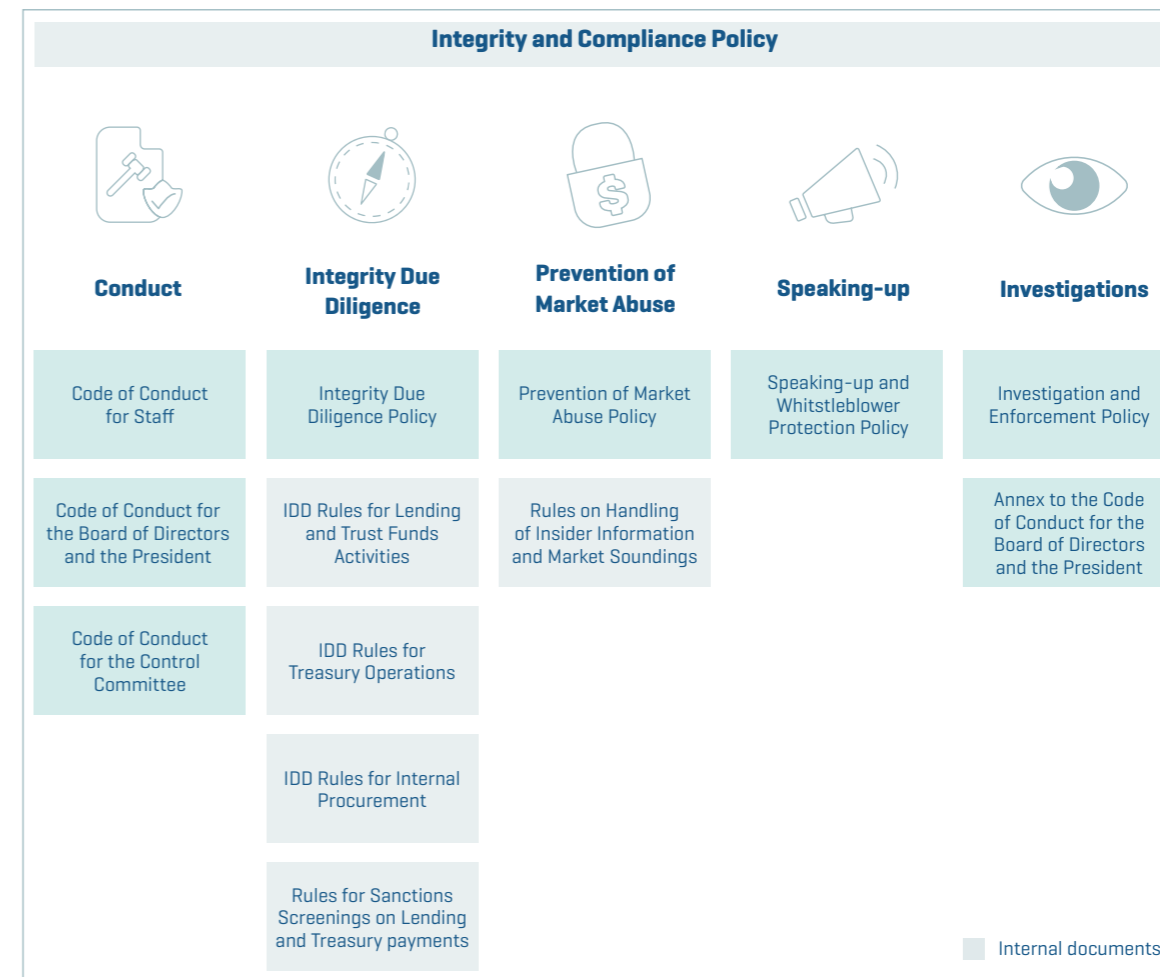
The CCO reports twice a year to the Board of Directors and the Control Committee on integrity and compliance matters in NIB's operations. ICO also presents its annual activity plan to the Board for approval. In addition, NIB publishes an annual integrity report, which presents an overview of NIB's integrity and compliance framework and associated activities over the past year.

1.3 NIB's Integrity Policy Framework

As an IFI, NIB is not under the supervision of any financial or supervisory body but benchmarks its policies and procedures against the standards set out by international institutions as well as regulations of its member countries and the EU. NIB's Integrity and Compliance Policy outlines the Bank's commitments and establishes the compliance function. Further, NIB has adopted a risk-based approach regarding the application of integrity and compliance controls. The Integrity Due Diligence Policy and its related internal procedures describe how NIB identifies, manages and mitigates integrity and reputational risks related to the Bank's counterparties.

NIB also adheres to the Uniform Framework for Preventing and Combating Fraud and Corruption, signed by the major Multilateral Development Banks (MDBs) in 2006. The agreement outlines a consistent and harmonized approach between the MDBs to combat corruption including the mutual recognition of enforcement actions (cross-debarment).

NIB's integrity policies



2 ICO's Activities in 2022

2.1 Sanctions

In response to Russia's war in Ukraine, the EU and US have adopted a series of new sanctions against Russia and Belarus in 2022. The sanctions include targeted restrictive measures, economic sanctions, diplomatic measures and a ban preventing certain Russian and Belarusian banks from making or receiving international payments using the SWIFT messaging service.

NIB has very limited direct exposure towards Russia and Belarus. The Bank ceased financing new projects in Russia in 2014 and no new loans have been signed in Belarus since 2012. As of 14 March 2022, NIB has suspended any further disbursements under the existing loan agreements.

Throughout the year, ICO has supported NIB management and the Bank's operational departments in understanding the actual and potential impact of the issued sanctions on NIB's business activities and clients. ICO has also engaged with other IFIs to share and develop approaches in addressing the sanctions.

2.2 Policy and process development

Revision of the Integrity Due Diligence (IDD) Policy

NIB's IDD Policy describes NIB's approach to identifying and assessing the integrity risks arising from its lending, treasury and procurement activities. In 2022, ICO revised the IDD Policy and related procedures to incorporate current due diligence requirements, refine the integrity risk ratings, and enhance and clarify the IDD processes within NIB. As part of this, NIB draws upon international practices regarding the prevention of financial crime and sanctions compliance. The revised policy and procedures come into effect from January 2023.

Review of Codes of Conduct for the Staff, the President and Board of Directors, and the Control Committee

The ongoing review of NIB's Codes of Conduct aims to provide clearer guidance around fostering and maintaining professionalism, a respectful workplace, transparency and management of conflict of interests at NIB. To further strengthen the cooperation and alignment between NIB and its sister organisations, the revision is coordinated with NEFCO's ethics and compliance function. The review also involves coordination with other relevant departments and consultation with staff representatives.

Review of the Investigation and Enforcement Policy

NIB's Investigation and Enforcement Policy sets out the Bank's procedures for investigating and processing allegations of prohibited practices, misconduct and non-compliance with NIB's policies in relation to NIB's activities and operations. A review of the policy has been initiated to ensure alignment with new developments on handling of investigations by other IFIs. The review will also clarify the responsibilities and processes relevant for each party involved.

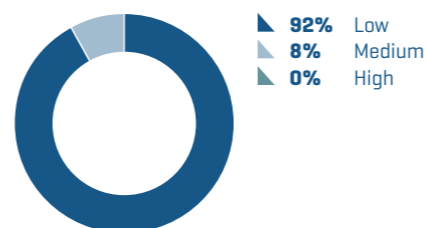
2.3 Operational support in the IDD process

As established in the IDD Policy, ICO acts as the second line of defence for the IDD process. This means that ICO gives advice and recommendations to the operational units, senior management and the Board of Directors whenever the integrity risk is assessed to be Medium or High.

Lending

In 2022, 360 IDD's were conducted for the bank's lending operations, with ICO providing support as required and when requested by the Lending teams which are the first line of defence. The level of engagement varied from project to project and ranged between simple internal assessments to extensive client engagements.

Figure 1: Integrity Risk Ratings for potential new Lending in 2022



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

Treasury

ICO continues to provide input on IDD screenings of relevant Treasury transactions, in particular the departments corporate bond investments, to ensure that operations are carried out with a high level of integrity and in compliance with the IDD rules for Treasury. The revised IDD process for Treasury operations which was approved in December 2022 will significantly strengthen the due diligence conducted for Treasury counterparties.

Legal – procurement of goods and services

In line with NIB's procurement rules for the selection of the Bank's suppliers and vendors, ICO and the Legal department, which is responsible for coordinating the procurement processes, have continued cooperation to ensure appropriate scrutiny of NIB's counterparties.

Payment screening

ICO provides support to the Bank's back office in managing the sanctions screening process, which is performed on all incoming and outgoing Lending and Treasury payments.

2.4 Training

Training is a critical component of ensuring the proper implementation of NIB's integrity and compliance framework. ICO is committed to providing dedicated and continuous training to NIB staff. Throughout the year, ICO continued to develop new eLearning programmes aimed at raising awareness on integrity issues among staff and the Board of Directors.

Two courses on handling of inside information and speaking up and whistleblowing are being rolled out to all staff in early 2023. Alongside this, training is being provided to relevant staff in relation to the implementation of the revised IDD Policy and related rules, which came into effect in January 2023.

2.5 Investigating allegations of Prohibited Practices, Misconduct and Complaints

At the beginning of the year, ICO had two investigations related to NIB's borrowers registered as open. Both investigations were closed during the year as there was insufficient evidence to prove a case of a prohibited practice linked to NIB's financing. Further, two employee misconduct cases were closed after investigation by ICO with no disciplinary proceedings being instituted.

During the year, no new reports were received. By end 2022, ICO had no investigations open.

	Open at the start of the year	Registered during the year	Closed during the year	Open at the end of the year	NIB Sanctions Panel decisions	Referral to national authorities
2022	4	-	4	-	-	-
2021	4	2	2	4	-	-
2020	4	-	-	4	-	-
2019	6	1	3	4	-	-
2018	6	2	2	6	1	-

2.5.1 NIB's Sanctions Panel

NIB has an independent sanctions panel that decides on appropriate sanctions for prohibited practices which have occurred in relation to projects financed by NIB and have been identified by ICO investigations.

The Panel comprises of three members, two external members appointed by the Board of Directors who serve for a term of five years, renewable once, and one internal member nominated by the President on a case-by-case basis.

In December 2022, Ms. Jelena Madir was appointed by the Board as a new sanctions panel member, joining Mr. Rohil Hafeez who is currently the chair of the panel.

2.6 Other activities

InvestEU Agreement and Pillar Assessment

The EU Pillar Assessments are institutional compliance assessments that certify an entity's capacity to manage funds from the EU budget in line with EU regulation. In October 2022, NIB successfully completed its pillar assessments and became an eligible implementation partner for EU funding and guarantees. NIB's policy framework for integrity due diligence and data privacy were part of the assessment.

3 Data privacy

NIB recognises the importance of the protection of personal data and is committed to upholding the fundamental rights of the individuals the Bank processes data on.

In 2021, NIB reviewed and enhanced its data privacy framework following the completion of the EU's Pillar 9 Assessment on the protection of personal data. The review of the Bank's policies and processes strengthened data privacy requirements across operations and brought NIB's controls closer to alignment with the EU's General Data Protection Regulation (GDPR).

NIB appointed the Chief Compliance Officer as the Data Protection Officer (DPO), who is supported by the data privacy team. The DPO monitors and advises on the processing of personal data at NIB and assesses compliance with the Bank's data protection policies. Further, the DPO acts as the main point of contact for data subjects and, when required, for national or supranational data privacy supervisory bodies.

A Data Privacy Implementation Plan was developed in 2022 with the objective of strengthening NIB's data privacy framework.

4 Reporting to ICO

NIB promotes good governance in the projects it finances and strives to be transparent in its operations. In this, NIB is guided by its commitment to integrity, accountability, transparency and business ethics.

Any person suspecting that corruption or any other type of prohibited practice could have occurred in connecting with a NIB-financed activity is encouraged to report this allegation to the Bank. NIB has established a mechanism for reporting concerns around corruption, misconduct and non-compliance. The mechanism is handled by ICO.

Reports can be made in English and in the eight Nordic and Baltic languages and can be submitted to ICO via designated email addresses, post, phone or directly to the Chief Compliance Officer. All reports are strictly confidential and can be made anonymously. More information is available on [NIB's website](#).

NIB's Speaking up and Whistleblower Protection Policy defines the protections available for reporters and witnesses in investigations. The Policy also establishes the prohibition of retaliation against reporters and describes NIB's process for handling reports. Allegations are handled in line with NIB's Investigation and Enforcement Policy.

5 Cooperation with peers

NIB strives to harmonise its policies and controls with that of the other IFIs. Collaboration with the compliance functions of peer organisations supports ICO in aligning its processes and helps to improve information sharing.

In 2022, cooperation mainly focused on the areas of private sector integrity, sanctions compliance, investigations and data privacy. NIB is also part of the Independent Accountability Mechanism Network (IAM), and ICO joined their annual meeting.

Further, ICO collaborates with the compliance functions of NIB's sister organisation the Nordic Development Fund (NDF) and the Nordic Environment Finance Corporation (NEFCO) on training, information sharing and aligning policies and procedures.

Glossary

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

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

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

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

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

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

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



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