



NORDIC
INVESTMENT
BANK

FINANCING
THE
FUTURE

2023

Integrity Report

Foreword by the President

Economic uncertainty and the prevailing geopolitical situation shaped NIB's operating environment throughout 2023. Despite this, we continued to drive the Bank in achieving its mandate. We launched our new Climate Strategy and strengthened the resilience of our operations. All of this is supported by our commitment to integrity and promoting a business culture that is based on accountability and transparency.

Throughout the past year, NIB remained vigilant to emerging issues and their potential impact on our clients and lending activities, particularly those arising from Russia's ongoing war in Ukraine. Our Integrity & Compliance Office (ICO) plays a critical role in this through the continual development of our controls and by improving our understanding of the integrity issues we face.

As part of this, we updated our Codes of Conduct for staff and members of the governing bodies. The Codes establish our values and principles of conduct. We also enhanced our project level due diligence in support of our participation in the InvestEU programme, which we joined in 2022. Further, significant steps were taken in the development of NIB's non-financial risk management framework, which includes staff conduct and financial crime risk.

While NIB benefits from operating within a region that has high governance standards, we need to remain proactive in upholding our stance on integrity. Going into 2024, NIB is in a strong financial position, and we will continue to provide long-term lending for positive and sustainable change in our member countries. ICO will support this mission by further enhancing key processes and monitoring the risks we face.

André Kүүsvek

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, business ethics, and transparency in all its operations and activities.

As an international financial institution (IFI) entrusted with public funds, any misconduct or prohibited practice, such as corruption, fraud, money laundering or terrorist financing, is regarded as material. These prohibited practices are linked to a wide range of negative impacts, such as undermining the rule of law, economic loss and inefficiency, and damage to the environment. Prevention is at the forefront of NIB's efforts, and the Bank has anti-corruption and anti-money laundering controls in place. Further, NIB complies with the sanctions regimes relevant to its operations.

1.2 The 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 related risks and is the Bank's focal point for integrity due diligence (IDD), anti-money laundering, 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 reports twice a year to the Bank's governing bodies on integrity and compliance matters in NIB's operations. ICO also presents its annual activity plan to the Board of Directors for approval. In addition, NIB publishes this integrity report annually, which presents an overview of NIB's integrity and compliance framework and associated activities over the past year.

ICO's roles and objectives



1.3 NIB’s Integrity Policy Framework

As an IFI, NIB is not subject to supervision by any national or regional financial or supervisory body. However, it 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 has adopted a risk-based approach regarding the application of integrity and compliance controls.

NIB’s Integrity and Compliance Policy outlines the Bank’s commitments to integrity and expectations for itself and its counterparties in relation to prohibited practices, including corruption, fraud, money laundering and terrorist financing.

NIB has Codes of Conduct for its staff and members of governing bodies in place. The Code of Conduct for Staff is applicable to all employees, regardless of contract type. The Codes are available in English, NIB’s working language. Upon joining the Bank and annually thereafter, all staff and members of the governing bodies are required to give written attestation of compliance with the principles and obligations of the Codes.

The Integrity Due Diligence (IDD) Policy and its related internal procedures describe how NIB identifies, manages, and mitigates integrity and reputational risks related to the Bank’s counterparties. Where relevant, IDD also includes cross-border structural reviews and tax due diligence to assess whether financial flows are subject to effective taxation.

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 harmonised approach between the MDBs to combat corruption including the mutual recognition of enforcement actions [cross-debarment].

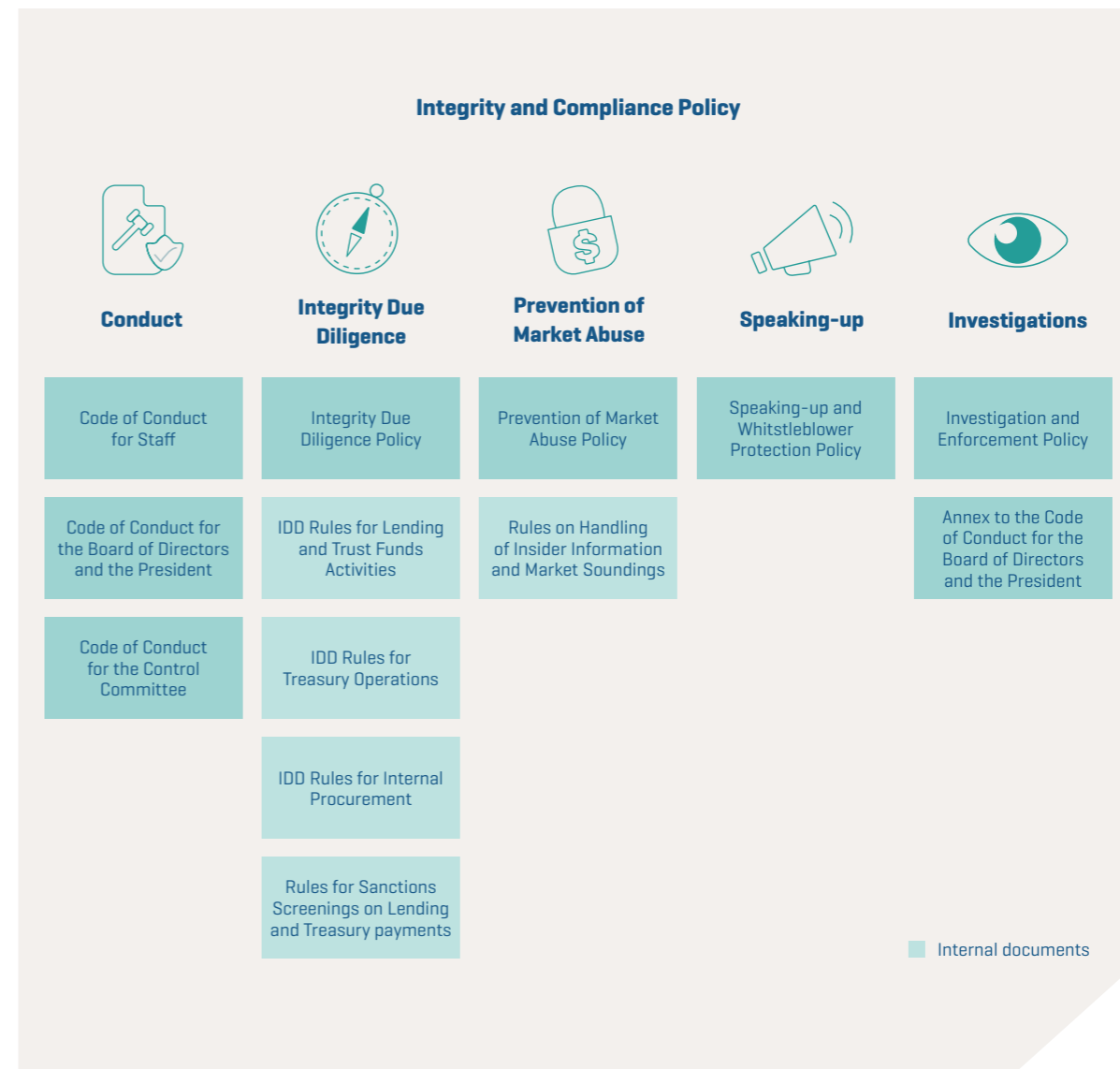
1.4 Reporting to ICO

NIB promotes good governance in the projects it finances and strives to be transparent in its operations. Any person suspecting that corruption or any other type of prohibited practice could have occurred in connection with a NIB-financed activity is encouraged to report this allegation to the Bank. 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 the Chief Compliance Officer via designated email addresses, post, by phone or in person. 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.

NIB's integrity policies



2 ICO’s Activities in 2023

2.1 Policy and process development

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

NIB’s Codes of Conduct for Staff, the Board of Directors and the President, and the Control Committee were updated in 2023. The objective was to update the principles of the Codes and to provide clearer guidance around maintaining a respectful workplace, transparency, and management of conflicts of interests at NIB. The review was done in cooperation with NIB’s sister organisations NEFCO and NDF.

Investigation and Enforcement Policy

NIB’s Investigation and Enforcement Policy establishes 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 strengthen the investigative process and to ensure alignment with new developments at the Multilateral Development Bank level.

2.2 InvestEU and tax due diligence

NIB is an implementing partner for the InvestEU programme, which enables the European Commission [EC] to provide guarantees alongside NIB’s own lending activities. To facilitate the implementation of the programme, ICO supported the development of the processes required by the EC, which included the development of a tax due diligence process at project level.

2.3 Operational support in the IDD process

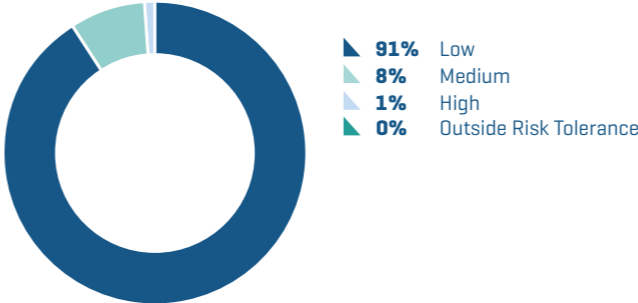
As established in the *Integrity Due Diligence Policy*, ICO acts as the second line of defence in the IDD process to identify integrity-related risks arising in NIB’s lending, treasury, and procurement activities. ICO advises the Bank’s operational units, senior management, and the Board of Directors whenever the integrity risk is assessed to be Medium or higher during the appraisal process.

Lending

In 2023, a total of 422 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.

Common integrity issues leading to increased risk involve sanctions and corruption matters. 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.

Figure 1: Integrity risk ratings for potential new Lending in 2023



Treasury

The revised IDD rules for Treasury operations were approved in December 2022 and implemented during 2023. ICO continued to provide support to the operational units on the IDD applicable to relevant Treasury counterparties.

Legal – procurement of goods and services

In accordance 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 Investigations

During 2023, ICO received three internal reports of alleged misconduct. Following preliminary assessment of each of the reports, one case resulted in an investigation. The case was closed during the year.

At the beginning of the year, ICO had no external investigations related to NIB's borrowers registered as open. No new allegations or prohibited practices in relation to NIB's counterparties or financed projects were received. At the end of 2023, ICO had no investigations open.

External investigations

	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
2023	-	-	-	-	-	-
2022	4	-	4	-	-	-
2021	4	2	2	4	-	-
2020	4	-	-	4	-	-
2019	6	1	3	4	-	-

2.4.1 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 February 2023, Ms. Jelena Madir started her five-year term as the new sanctions panel member, joining Mr. Rohil Hafeez, who is currently the chair of the panel.

2.5 Training

Training is a critical component in raising awareness on integrity and compliance matters.

Mandatory eLearning courses on NIB's Code of Conduct, the Integrity & Compliance policy framework and data privacy need to be completed by all employees upon joining NIB. ICO continues to develop new trainings and provides refresher courses on a need's basis.

At the beginning of the year, several training sessions on the recently updated IDD Rules were held for Lending and Treasury staff.

In May, the Bank's mandatory eLearning course on the Code of Conduct for Staff was updated and re-launched to all staff. Further, a new course on speaking up and whistleblowing was rolled out. Training on handling inside information is currently under development.

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. NIB's Chief Compliance Officer acts as the Data Protection Officer (DPO) and is responsible for monitoring the processing of personal data and for assessing compliance with the data protection policies across the organisation. The DPO also oversees the implementation of NIB's data protection plan. The Data Privacy Team, which consists of members of Legal, IT and ICO.

During 2023, the DPO appointed departmental data privacy coordinators (DPCs), who are responsible for promoting the proper handling of personal data in their respective departments and units. An induction session was held for the DPCs in June, and more tailored training is in development.

This year, NIB also strengthened its data processing agreements with its sister organisations NDF and NEFCO to establish principles, roles and responsibilities pertaining to the processing of personal data by NIB as part of the professional services provided to NDF and NEFCO.

4 Cooperation with peers

NIB strives to harmonise its policies and controls with that of other international financial institutions. Collaboration with the compliance functions of peer organisations supports ICO in aligning its processes and helps to improve information sharing. NIB is also part of the Independent Accountability Mechanism Network (IAM), and ICO joined their annual meeting.

As in previous years, cooperation with peers mainly concerned topics related to private sector integrity, sanctions compliance, investigations, and data privacy.

ICO also 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.

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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