



NORDIC
INVESTMENT
BANK

Integrity Report

2020

Foreword by the President

Not only was 2020 the year of the unexpected, it was a year when we were reminded again to remain consistently vigilant for new risks. We also needed flexibility in adapting our practices and capabilities to manage those risks.

In line with our commitment to ensure NIB's ability to manage the risks that it faces, the Bank's integrity and compliance function was integrated into the newly established Risk & Compliance department as part of a larger organisational change that took place at NIB in 2020. This move supported the consolidation of all risk functions in one department and helped strengthen NIB's second line of defence.

We have also continued to enhance our integrity and compliance framework to remain in line with changing market expectations. The Bank's Integrity and Compliance Policy, which outlines NIB's commitments to integrity, was reviewed during the year.

Further, we have continued to cooperate with existing and potential new clients that have experienced challenges in relation to corruption and other integrity-related issues. By providing proactive assistance, we aim to reduce corruption risks in future projects.

We also strive to improve our use of data. In 2020, the functionalities of NIB's electronic Integrity Due Diligence tool were further developed to enhance the integrity screening of lending clients and other counterparties.

Good governance, integrity, transparency and accountability are essential aspects of sustainable finance, which is at the heart of NIB's mandate.

Henrik Normann
President & CEO

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Abbreviations

ABC	Anti-Bribery and Corruption
AML	Anti-Money Laundering
BIC	Business Integrity Council
CCO	Chief Compliance Officer
CFT	Combating the Financing of Terrorism
ICO	Integrity & Compliance Office
IDD	Integrity Due Diligence
IFI	International Financial Institution
KYC	Know Your Customer

1 NIB's Integrity Framework

1.1 Commitments to Integrity

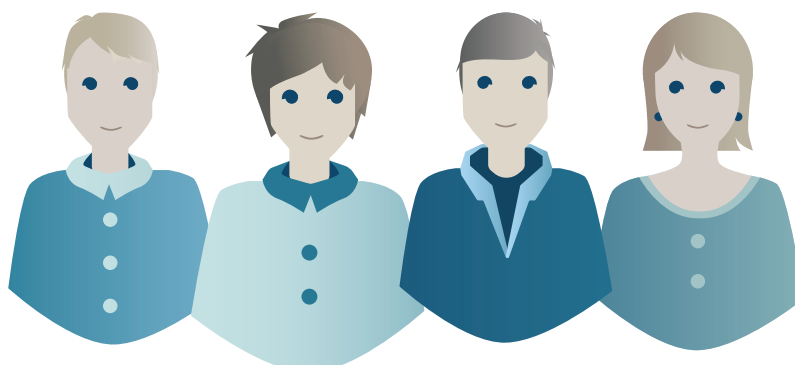
The Nordic Investment Bank (NIB) is committed to the integrity of markets and to following best practices and international standards in the areas of governance, accountability, transparency and business ethics. NIB is also committed to acting without bias or prejudice.

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

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

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

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



1.2 Integrity Policy Framework

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

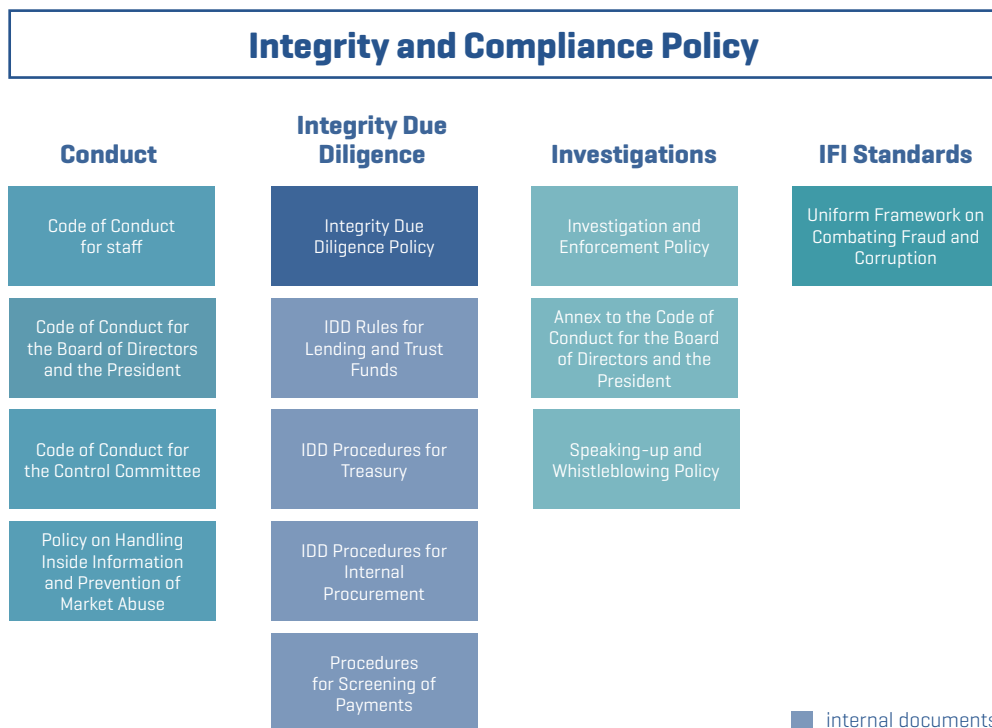
The Bank’s integrity framework is set out in the Integrity and Compliance Policy. The policy outlines NIB’s commitments, and establishes the Bank’s compliance function and the Business Integrity Council. It also provides definitions of the prohibited practices (corruption, fraud, coercion, collusion,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

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

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

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

NIB’s integrity policies



1.3 Integrity & Compliance Office

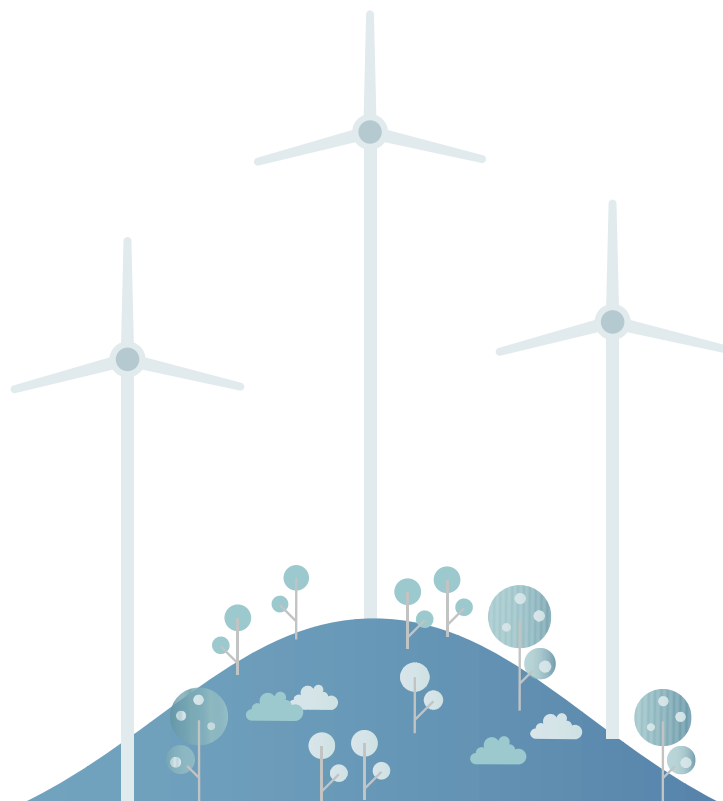
As part of a larger organisational change at NIB, the Bank's compliance function was integrated into the newly established Risk & Compliance department in August 2020. Subsequently, the unit – previously called the Office of the Chief Compliance Officer – was renamed the Integrity & Compliance Office (ICO).

The Risk & Compliance department is part of the second-line-of-defence for NIB, and has the overall responsibility for managing risks across risk types and organisational units.

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

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

In addition, NIB has established the Business Integrity Council (BIC) to raise awareness of integrity and corruption risks among the Bank's staff and stakeholders. The BIC is headed by the CCO, and comprises between six to ten staff members from different departments within the Bank who are appointed by the President.



Roles of the Integrity & Compliance Office

A. Preventative

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

▲ Integrity Due Diligence

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

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

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

▲ Codes of Conduct and Conflicts of Interest

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

▲ Training

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

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

B. Investigative

▲ Handling allegations of misconduct and non-compliance

ICO is responsible for receiving and investigating all allegations of prohibited practices and complaints of non-compliance. The process is governed by the Investigation and Enforcement Policy and the Speaking Up and Whistleblowing Policy.

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

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

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

▲ ICO’s reporting

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

2 Integrity & Compliance Office: Activities in 2020

2.1 Maintaining NIB's Integrity

2.1.1 Risk Assessments: Anti-Money Laundering

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

In 2020, a risk assessment of the Bank's lending operations was initiated, and the results will be presented to the Board of Directors in Q1 2021. The findings will be used to further develop NIB's integrity controls and processes.

2.1.2 Policy and Process Development

Revision of the Integrity and Compliance Policy

The Integrity and Compliance Policy [previously titled the "Compliance, Integrity and Anti-Corruption Policy"] was updated in 2020. The policy outlines NIB's integrity and compliance framework.

The update was done in response to the reorganisation that integrated the Integrity & Compliance Office into the newly established Risk & Compliance department, which is headed by the Chief Risk Officer. The revised policy was approved by the Board of Directors on 1 October 2020.

Integrity Due Diligence Process - Enhancement of IT Tool

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

During 2020, the functionalities of the tool were expanded and improved. The upgraded version, which was developed in cooperation with the Lending department, launched in early 2021.

Support to Operational Units

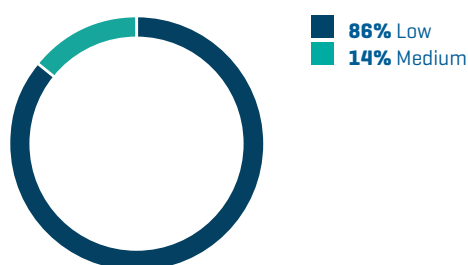
ICO continued to provide advice to the Bank's operational units, including the Lending, Treasury, and Legal departments. As established in the IDD Policy and the IDD Rules for Lending, ICO acts as the second line of defence for the IDD process. In practice, this means that ICO gives advices and recommendations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

▲ Lending

The number of IDD conducted for Lending operations has gradually increased over recent years. Process improvements and growing staff awareness are seen as the main drivers for this increase.

ICO was involved in the review of 52 Lending cases that had received a Medium or High integrity risk rating. The level of ICO's engagement varied from project to project, and ranged between simple internal assessments to full reviews of a borrower's policies, which required extensive client engagement.

Figure 1: Integrity Risk Ratings for Potential New Lending in 2020



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

▲ Treasury

ICO continues to work closely with the Treasury department to ensure that operations are carried out with a high level of integrity and in compliance with the IDD rules for Treasury. During 2020, ICO supported incorporating new asset classes into the IDD process.

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

▲ Legal - Procurement of goods and services

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

2.1.3 Training

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

During the year, a new eLearning course titled “Introduction to NIB’s Integrity and Compliance framework” was developed. The course gives an overview on NIB’s integrity policies, and is made available to all employees and members of the Board of Directors and the Chairmanship of the Control Committee. Based on this course, additional trainings that focus on specific controls and processes will be rolled out in 2021.

2.2 Investigations of Prohibited Practices, Misconduct and Complaints

At the beginning of the year, ICO had four investigations registered as open. These investigations, which are being conducted by the relevant national authorities, are ongoing and continue to be monitored.

During the reporting period, no new investigations were registered.

	ONGOING AT THE START OF THE YEAR	REGISTERED DURING THE YEAR	CONCLUDED DURING THE YEAR	PENDING AT THE END OF THE YEAR	SANCTIONS DECISIONS BY NIB	REFERRALS TO NATIONAL AUTHORITIES
2020	4	0	0	4	-	-
2019	6	1	3	4	-	-
2018	6	2	2	6	1	-
2017	5	2	1	6	-	-
2016	6	2	3	5	-	-

3 Reporting to ICO

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

ICO handles NIB's grievance mechanism for reporting misconduct, corruption and non-compliance. Reporting forms are available in English and in the eight Nordic and Baltic languages on the Bank's website. The forms can be submitted to designated email addresses or can be sent by mail. Reporting can also be done by phone to the Chief Compliance Officer. Staff members can also pay a physical visit to ICO. All reports are confidential, and can be made anonymously. Information is available on NIB's website.

NIB has a Speaking-up and Whistleblowing Policy in place, which provides protection and confidentiality to staff members and other stakeholders, including witnesses in investigations who report in good faith any wrongdoings to ICO. Moreover, the policy establishes that retaliation against whistle-blowers is prohibited, and describes NIB's process for protecting whistle-blowers.

4 Cooperation with peers

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

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

ICO regularly attends the annual meetings of the Chief Compliance Officers of the European Multilateral Development Banks (ECCO), which was hosted by the CEB in 2020. The purpose of ECCO is to establish closer working contacts between the compliance functions and to form common positions on integrity topics, exchange information and to improve communication and responsiveness.

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

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

5 Glossary

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

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

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

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

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.

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

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

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

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



Reporting Allegations of Fraud or Corruption

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

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

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

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

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