



NORDIC  
INVESTMENT  
BANK

FINANCING  
THE  
FUTURE



# Responsible Investment Framework

Adopted by the President and CEO of the Nordic Investment Bank  
on 26 September 2023 with entry into force as of 2 October 2023



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# RESPONSIBLE INVESTMENT FRAMEWORK

## 1 INTRODUCTION

The Nordic Investment Bank (“**NIB**”) provides long-term sustainable financing to projects that improve the productivity and benefit the environment of the Nordic-Baltic region. The mission is given by NIB’s Nordic and Baltic member countries to meet challenges such as climate change and protection of marine environments, while promoting the economy and technical progress, high quality education, health care, and resilient infrastructure. NIB draws upon and bases its core sustainability principles on international agreements, frameworks and conventions as defined in the [Sustainability Policy](#)

With an aim to support sustainable development and good business conduct, NIB’s Treasury function (“**NIB’s Treasury**”) considers environmental, social and governance (“**ESG**”) related factors when making investment decisions and selecting transaction counterparties.

NIB has signed the United Nations [Principles for Responsible Investment](#) (“**UN PRI**”), in which NIB has committed to integrating ESG factors in its investment and ownership decisions.

## 2 SCOPE AND OBJECTIVE

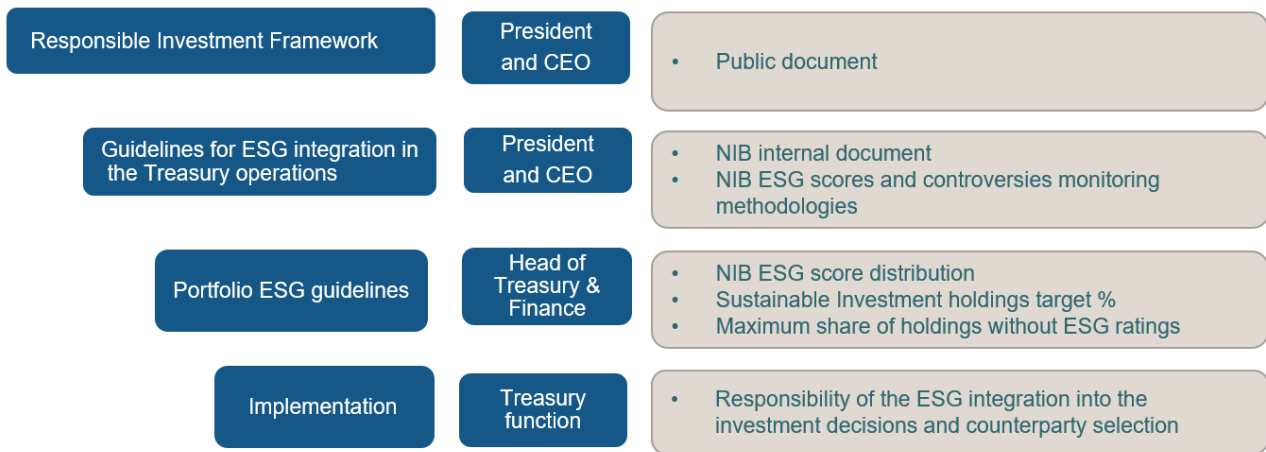
This Responsible Investment Framework (“**Framework**”) sets out the principles for integrating environmental, social and governance aspects into all of NIB’s treasury activities (“**Treasury Operations**”).

The Framework covers and aims at strengthening Treasury’s objectives of mitigating risk and generating stable earnings. NIB has developed this Framework and the accompanying guidelines and processes to ensure that the companies NIB invests in and transacts within its Treasury Operations, meet NIB’s expectations of sound ESG performance.

This Framework follows the principles set out in the Sustainability Policy and supplements other policies and Board approved documents, such as the Liquidity Policy, Integrity and Compliance Policy, Risk Appetite Statement and Integrity Due Diligence Policy. As this Framework supports the management of ESG-related risks and the assessment of their materiality, it should also be read in conjunction with the NIB Risk Management Policy. This Framework is complemented with practical internal guidelines for both ESG integration and portfolio composition.

## 3 GOVERNANCE AND RESPONSIBILITIES

This Framework as well as the internal Guidelines for ESG Integration in the Treasury Operations are approved by the President and CEO of NIB. The Portfolio Guidelines providing practical ESG requirements and limits for the Treasury Operations described in this Framework are set by the Head of Treasury & Finance. NIB’s Treasury is responsible for implementing this Framework according to the Portfolio Guidelines. The governance and responsibilities of this Framework and related Portfolio Guidelines are pictured below:



The second line of defence function at NIB (Risk & Compliance) shall oversee that the ESG methodologies implemented properly address ESG-related risks to the extent they are or may become financially material in the Treasury Operations.

## 4 ESG INTEGRATION APPROACHES

Treasury investments are direct fixed income investments or money market instruments and are managed internally. NIB incorporates the ESG factors into its investment process and its choice of transaction counterparties by using five different approaches, which are summarised in the table below:

		ESG integration approaches				
		Exclusion list	Best-in-class approach	Sustainable investments	Counterparty selection and controversies monitoring	Active Engagement
<b>Investments</b>	Fixed income (sovereign)		X	X		
	Fixed income (non-sovereign)	X	X	X	X	X
	Money Market Instruments	X			X	X
<b>Transactions</b>	All counterparties				X	X

### 4.1 Exclusion list

NIB refrains from investing in companies in which it sees major sustainability risks or whose operations are considered harmful to society. The Sustainability Policy defines the type of activities which NIB does not knowingly finance either directly or indirectly. The complete exclusion list is set out in the [Sustainability Policy](#).

## 4.2 Best-in-class approach

NIB's Treasury uses multiple external data providers to support its ESG integration. This provides NIB a range of ratings and rated entities. Since external data providers use different scales and methodologies for their ratings, NIB converts the ratings into an internal ESG rating scale. The conversion methodology is developed and maintained internally. The methodology aims to capture the consensus view of different ESG data providers' ratings, and it is supported with internal analysis if there is a material difference in the external ratings. Similarly, an internal analysis is also applied to counterparties for which there is incomplete coverage by the external data providers. NIB uses findings based on ESG data to either favour or avoid a company under evaluation.

The best-in-class investment approach aims to ensure that liquidity portfolio holdings are tilted towards better rated issuers within their respective industry sector by using the internal ESG-ratings. The best-in-class approach consists of the following elements: (i) minimum ESG rating requirement, (ii) maximum share of unrated investments in the portfolio, and (iii) prioritisation of assets, which are performing better in NIB's internal ESG rating scale. These elements are implemented through practical internal guidelines, which apply to the investment portfolio on an aggregate level.

## 4.3 Sustainable investments

NIB favours issuers with a business model that supports sustainable development. Our sustainable investment approach focuses on specific sustainable projects with clear environmental benefits and/or projects that directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes. In the case of forward-looking performance-based instruments, the ESG objectives are monitored through Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs).

Sustainable investments are Green, Social, Sustainability or Sustainability-linked bonds as defined in the principles and guidelines published by International Capital Markets Association (ICMA). Other labelled sustainable bonds, including EU green bond standard (EUGBS) will be considered when available.

NIB expects issuers to explain their alignment in frameworks verified with external reviews.

NIB conducts investments as part of its normal liquidity investment activity, without allocating a dedicated portfolio for those investments. The management of NIB's Treasury has set a voluntary target rate for the holdings, and NIB discloses the actual holdings rate in the annual PRI reporting and its annual report.

## 4.4 Counterparty selection and controversies monitoring

NIB follows the integrity standards set in the [Integrity Due Diligence Policy](#) when selecting securities for investments or when selecting counterparties for its Treasury Operations. The Integrity Due Diligence Policy applies a risk-based approach to NIB's different operations and is complemented with internal Integrity Due Diligence Rules for Treasury Operations.

In addition, NIB's Treasury actively seeks to conduct business with counterparties that act according to international norms which are aligned with the principles of the UN Global Compact and OECD guidelines for multinational enterprises. These include, but are not limited to, the following:

- Human rights: The International Covenant on Civil and Political Rights (ICCPR), The International Covenant on Economic, Social and Cultural Rights (ICESCR) and The Geneva Conventions
- Labour rights: International Labour Organization (ILO) Conventions

- Environmental standards: The Rio Declaration on Environment and Development, The Convention on Biological Diversity, The UN Framework Convention on Climate Change and The Paris Agreement
- Anti-corruption standards: The UN Convention Against Corruption

NIB's Treasury counterparties are monitored regularly. NIB uses external research for controversies monitoring. Verified controversy classifications have a limiting effect on potential investments and transactions, depending on the type of the activity and the severity of the controversies.

#### **4.5 Active engagement**

As a fixed income investor, NIB is not a direct owner of shares or companies. Thus, NIB conducts active ownership through engagement with the issuers and with transaction counterparties. Engagement is considered to be a dynamic dialogue in which NIB as an investor seeks to improve the conduct of the issuer with respect to ESG issues.

As part of the engagement, NIB's Treasury meets issuers on a regular basis. Meetings with the issuers' management and representatives provide an opportunity to discuss the ESG aspects. A vital part of the engagement is to communicate how the ESG scores and observed controversies affect NIB's willingness to make new investments and transactions. These discussions are also an opportunity for the issuers to provide more information on open controversy cases and actions. NIB has ruled out sovereign issuers from the active ownership measures due to perceived lack of opportunities for engagement.

### **5 TRANSPARENCY AND REPORTING**

Transparency is an important part of the ESG integration. NIB expects issuers and transaction counterparties to report openly on material aspects that reflect their ESG standpoint. Similarly, NIB strives for a transparent and open way of incorporating ESG in its investment decisions and activities. As a signatory of the UN PRI, NIB reports its responsible investment approach annually. The report will be publicly available on [www.unpri.org/](http://www.unpri.org/). Additionally, NIB provides further ESG disclosures of Treasury Operations in its annually report.