



NORDIC
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Integrity Due Diligence Policy

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DEFINITIONS

“Beneficial Owner” means any natural person or legal entity (when there is no natural person) controlling or owning, directly or indirectly, ten percent (10%) or more in a legal entity. Beneficial Owner also includes the natural person on whose behalf a transaction is being conducted, and those persons who exercise ultimate effective control over a legal person or arrangement.

“Counterparty” means the contractual counterparty of any lending, treasury or procurement activity and controlling entities of any such contractual counterparty.

“Cross-border Link” means when a Counterparty, its Beneficial Owner(s) or any corporate Key Stakeholder¹ that has a key role in the NIB financed activity (for example a sponsor or a fund manager if the Counterparty is a fund) is established in a jurisdiction other than the jurisdictions where the NIB-financed operation or activity will take place.

“Enhanced Due Diligence (EDD)” means additional due diligence on a transaction or the parties associated with it. EDD is required when further information is needed to fully understand or assess integrity concerns identified in the initial integrity screening or as a result of the structure of the transaction.

“Financial Services Provider (FSP)” means any natural or legal person who conducts as a business one or more of the following activities or operations for or on behalf of a customer:

- a. acceptance of deposits and other repayable funds from the public;
- b. lending;
- c. financial leasing;
- d. money or value transfer services;
- e. issuing and managing means of payment (e.g., credit and debit cards, cheques, traveler’s cheques, money orders and bankers’ drafts, electronic money);
- f. financial guarantees and commitments;
- g. trading in:
 - (a) money market instruments (checks, bills, certificates of deposit, derivatives etc.);
 - (b) foreign exchange;
 - (c) exchange, interest rate and index instruments;
 - (d) transferable securities; and/or
 - (e) commodity futures trading;
- h. participation in securities issues and the provision of financial services related to such issues
- i. Individual and collective portfolio management;
- j. safekeeping and administration of cash or liquid securities on behalf of other persons;
- k. otherwise investing, administering or managing funds or money on behalf of other persons;
- l. underwriting and placement of life insurance and other investment related insurance; and/or
- m. money and currency changing.

“Integrity Risk” means 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.²

“Key Stakeholder” means the persons or legal entities that have a material association with NIB’s Counterparty. Key Stakeholders include, but are not limited to, subsidiaries, guarantors, Beneficial Owners, members of boards of directors and Senior Management.

¹ This excludes natural persons such as board members and senior management.

² Integrity risk is a collective term for several risks which fall within NIB’s non-financial risk taxonomy including financial crime risk and conduct risk.

“Operational Unit(s)” means Lending, Treasury and any other NIB unit engaging with a Counterparty to procure goods, works and/or services for NIB’s internal use.

“Politically Exposed Person (PEP)” means any natural person who is or has been entrusted with prominent public functions and their immediate family members, or person known to be close associates with such person. Examples include central and local government officials, members of parliament, senior executives of state-owned enterprises and of international organisations, judicial or military officials, and high-ranking political party officials³.

“Relevant Entity” means any third party that has a significant implementing or facilitating role in transactions conducted by NIB’s Operational Units. Relevant Entities include, but are not limited to, main contractors, co-financiers, securities counterparties, paying agents, goods and service providers, implementing agents, fund managers, derivative counterparties and any entity, other than a Counterparty, directly receiving funds from or remitting funds to NIB.

“Sanctions Lists” means the sanctions lists maintained by the United Nations Security Council (UN), the European Union (EU), any NIB Member country, the United States of America (US) and the United Kingdom (UK) as well as NIB debarred entities⁴.

“Senior Management” means the CEO, CFO, COO, CRO, President, General Counsel, Secretary General and Treasurer, or their equivalents according to the company’s organizational structure.

“Tax Monitored Jurisdiction” means a jurisdiction that is unrated or has received an overall rating of *partially compliant* with the peer reviews by Global Forum on Transparency and Exchange of Information (“**Global Forum**”)⁵ or listed by the EU⁶ as “*cooperating with the EU with respect to commitments taken to implement tax good governance principles*”.

“Tax Prohibited Jurisdiction” means a jurisdiction that has received an overall rating of *non-compliant* with the Global Forum peer review or a jurisdiction that the EU has included in its “EU list of non-cooperative jurisdictions for tax purposes”.

³ See the guidance concerning PEPs from the Financial Action Task Force for further information.

⁴ Including the mutual recognition of the other MDBs’ enforcement actions (cross-debarment): [IFI Uniform Framework for Preventing and Combating Fraud and Corruption](#).

⁵ For more information regarding the Global Forum visit: <http://www.oecd.org/tax/transparency/>.

⁶ For more information regarding the Council of the European Union’s activities on tax issues: <http://www.consilium.europa.eu/en/council-eu/>.

INTEGRITY DUE DILIGENCE POLICY

1 INTRODUCTION

The Nordic Investment Bank's ("**NIB**" or "**the Bank**") Integrity and Compliance Policy outlines the Bank's integrity and compliance framework and provides the basis for the adoption of integrity due diligence ("**IDD**") policies and procedures to manage Integrity Risks related to the parties that the Bank engages. NIB has adopted a risk-based approach in its IDD process, focusing efforts and resources on those activities and cases that present elevated Integrity Risk.

This Integrity Due Diligence Policy ("**the Policy**") sets out the key requirements of IDD in accordance with the risks that each NIB activity and operation presents.

2 OBJECTIVE

This Policy describes NIB's approach to identifying and assessing the Integrity Risks arising in the context of its lending, treasury and procurement activities. The purpose of carrying out IDD assessments is to enable NIB to make informed decisions regarding its transactions and to safeguard the Bank's reputation.

As part of this objective, NIB draws upon international practices regarding the prevention of financial crimes such as corruption, fraud, collusion, theft, money laundering and terrorist financing and sanctions compliance. Identifying the Beneficial Owners is an integral part of the IDD assessment as it prevents NIB from entering into a relationship with a Counterparty whose source of funds is of dubious origin, or whose Beneficial Owners are linked with financial crimes or sanctions.

NIB adheres to the Uniform Framework for Preventing and Combating Fraud and Corruption signed by the major Multilateral Development Banks ("**MDBs**")⁷ 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).

3 RESPONSIBILITIES

The President

The President shall ensure that the Bank's compliance and Integrity Risks are managed properly and shall keep the Board of Directors and the Control Committee informed of material Integrity Risks in the Bank's lending, treasury and procurement transactions.

Decision-making Bodies

The relevant decision-making body for a lending, treasury or procurement activity shall ensure that Integrity Risks are taken into account when considering to continue with a transaction.

Operational Units

The Bank's Operational Units are responsible for gathering information, assessing, mitigating, disclosing and monitoring Integrity Risks.

⁷ The Multilateral Development Banks signatories to the Uniform Framework for Preventing and Combating Fraud and Corruption are the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank Group (IADB), the International Monetary Fund (IMF), and the World Bank Group (WB).

Integrity & Compliance Office (“ICO”)

ICO shall act as an advisory body to the Operational Units, the decision-making bodies and relevant NIB governing bodies. Specifically, the Operational Units shall consult with ICO when medium or higher Integrity Risks are identified or when Enhanced Due Diligence (“**EDD**”) is warranted.

ICO shall, at regular intervals, conduct quality checks on the IDD conducted and present its findings as part of its reporting to the Board of Directors and the Control Committee.

ICO shall coordinate the development of procedures with the Operational Units subject to this Policy.

4 IDD PROCESS OVERVIEW

NIB’s Integrity Due Diligence is comprised of three key elements:

1. integrity review;
2. sanctions screening; and
3. cross-border structural review.

In accordance with the Bank’s risk-based approach, the applicability of each element depends on the nature of the transaction, the types of Counterparties, Key Stakeholders and Relevant Entities and the associated Integrity Risks. The objective is to gather specific information and identify Integrity Risks related to NIB’s lending, treasury and procurement activities. Further details on the three main elements of the IDD are provided below.

Furthermore, an anti-money laundering and counteracting terrorist financing (“**AML/CTF**”) review may also be carried out if the entity is a Financial Service Provider (“**FSP**”).

Based on the results of these reviews, enhanced due diligence may be required. EDD involves gathering additional information about persons or entities and associated risk indicators.

ICO shall be consulted regarding transactions involving elevated Integrity Risk and may at its discretion require that EDD is conducted. ICO may also provide a separate opinion to a decision-making body.

The below internal rules implement NIB’s risk-based approach when identifying and mitigating Integrity Risks:

- Integrity Due Diligence Rules for Lending and Trust Fund Activities;
- Integrity Due Diligence Rules for Treasury Operations;
- Integrity Due Diligence Rules for Internal Procurement; and
- Rules for Sanctions Screening on Lending and Treasury Payments.

4.1 Integrity Review

The aim of the integrity review is to assess the overall Integrity Risks of the intended transaction and associated parties. The review consists of identifying: (i) the Counterparties and Key Stakeholders; (ii) any adverse integrity related information concerning the Counterparty or Key Stakeholder such as criminal charges or convictions, or ongoing investigations for serious wrongdoings and (iii) the presence of Politically Exposed Persons (“**PEP(s)**”).

NIB’s risk-based approach may require that Relevant Entities be subject to the review detailed above when warranted.

4.1.1 Sanctions Screening

Sanctions screening is a key part of the integrity review to prevent NIB from transacting with entities or individuals involved in, among other things, terrorism or terrorist financing, human rights violations, crimes against world peace, against political and economic stability, and against territorial integrity, security and independence. Furthermore it enables NIB to monitor its compliance with its own debarments and the debarments of the other MDBs.

In addition NIB performs sanctions screening on all payments to and from NIB.

4.2 Cross-border Structural Review

The aim of the cross-border structural review is for NIB to avoid entering into engagements with Counterparties that employ cross-border corporate structures and engage in tax evasion, tax fraud, aggressive tax planning or other harmful practices.

In light of current tax requirements in the European Economic Area (EEA), cross-border structures within the EEA are not subject to this review unless the jurisdictions in question have been deemed by the Council of the European Union or Global Forum to have associated tax-related risks.

NIB will identify Cross-border Links in proposed transaction structures and Beneficial Ownership chains. NIB will also determine if the following risk indicators are associated with the proposed transaction:

- is the Counterparty, its Beneficial Owner(s) or any corporate Key Stakeholder that has a key controlling role in the NIB financed activity located in a Tax Monitored or Tax Prohibited Jurisdiction;
- media reports indicating tax fraud, tax evasion or aggressive tax planning;
- complexity or opaqueness in the corporate/ownership structure; or
- use of shell companies in the corporate/ownership structure.

If a Cross-border Link is identified and any of the above risk indicators are present NIB will conduct further due diligence to:

- understand whether there is a legitimate commercial rationale for using entities established in multiple jurisdictions; and
- review, based on information from the OECD⁸, the tax transparency measures of the jurisdictions involved in the cross-border structure.

4.3 Anti-Money Laundering and Counteracting Terrorist Financing (AML/CTF) Review

The objective of NIB's AML/CTF review is to assess if a Financial Service Providers ("FSP") has the policies, procedures and controls in place to appropriately address money laundering or terrorism financing risks.

The Bank considers the following in its AML/CTF assessment; (i) whether the FSP is regulated or not, (ii) regulatory or integrity history indicating weak controls or poor implementation of AML/CTF systems, and (iii) failure to respond or adequately answer NIB's AML/CTF-related questions. NIB furthermore considers the jurisdiction of incorporation of the FSP and the advisories made by the Financial Action Task Force ("FATF") and the European Commission⁹.

⁸ For more information see the Global Forum website and the Base Erosion and Profit Shifting Actions website: <http://www.oecd.org/tax/beps/>.

⁹ For more information visit: [FATF-GAFI](#) and [EC AML/CTF site](#).

5 INTEGRITY RISKS WITHIN NIB'S RISK TOLERANCE

Counterparties, Key Stakeholders, Relevant Entities, financial instruments, financial structures and their associated risk indicators present different degrees of risk. For this purpose, NIB has defined three levels of Integrity Risk within its risk tolerance. These ratings determine the extent of the integrity due diligence, the necessary mitigating measures and the frequency of the monitoring.

- **Low Integrity Risk** - no material adverse integrity information has been identified that may currently present adverse reputational risk to a Counterparty, Key Stakeholder or a Relevant Entity.
- **Medium Integrity Risk** - a Counterparty, Key Stakeholder or a Relevant Entity is currently, or has previously been, the subject of one or more material adverse integrity events. Having accounted for any mitigating measures these events may have:
 - (i) limited adverse reputational impact on NIB and/or;
 - (ii) adverse reputational impact on the Counterparty, Key Stakeholder or Relevant Entity and/or;
 - (iii) limited adverse financial or legal impact on the Counterparty, Key Stakeholder or Relevant Entity.
- **High Integrity Risk** - a Counterparty, Key Stakeholder or a Relevant Entity is currently, or has previously been, the subject of one or more material adverse integrity events. Having accounted for any mitigating measures these events are likely to have:
 - (i) limited adverse reputational impact on NIB and/or;
 - (ii) material adverse reputational, financial or legal impact on the Counterparty, Key Stakeholder or the Relevant Entity.

Furthermore, when assessing the Integrity Risks the Bank takes into account:

- the nature of the activity (e.g. lending transaction, bond issuance, procurement);
- the subject of the adverse event;
- timing of the adverse event;
- severity of the adverse event;
- aggravating and mitigating factors; and
- the actions taken by the entity after the event came to light.

The Operational Units are responsible for initially assessing the Integrity Risk of a transaction and for proposing the appropriate Integrity Risk rating (Low, Medium, High) to the relevant decision-making body. The NIB decision-making body is responsible for approving the Integrity Risk rating for a transaction, taking into account the inherent risk of the transaction, any mitigating factors as well as the residual risk following the completion of the due diligence review.

ICO is an integral part of the Integrity Risk assessment and rating process. The Operational Units shall consult ICO when medium or higher Integrity Risks are identified or when additional due diligence is needed. ICO further acts as an advisory body to the relevant decision-making bodies.

6 INTEGRITY RISKS OUTSIDE OF NIB'S RISK TOLERANCE

NIB shall not engage in a transaction that presents Integrity Risks outside NIB's risk tolerance. Transactions are considered outside risk tolerance if they involve a Counterparty, Key Stakeholder or a Relevant Entity that is currently, or has previously been, the subject of one or more adverse integrity events and, having accounted for any mitigating measures, these events are reasonably expected to have:

- (i) a material adverse reputational impact on NIB and material adverse reputational, financial or legal impact on the Counterparty and/or;

(ii) a material risk of Prohibited Practices¹⁰ occurring in relation to the transaction.

As a general rule, NIB shall not enter into an engagement with a Counterparty when any of the scenarios below are identified. The occurrence of any of the below scenarios, in an existing transaction, may cause NIB to review the situation and take appropriate action. The applicability of these principles is further described in the internal rules of each Operational Unit.

a. A Counterparty's Beneficial Owners and/or Ownership Structure are unidentifiable

NIB shall not enter into a transaction where the Beneficial Owners of a Counterparty are not identifiable. Furthermore, the Bank is required to identify the complete ownership structure of a Counterparty including the identification of any intermediate legal entity used in said structure.

b. A transaction includes Counterparties that are included in a Sanctions List

NIB shall not enter into a transaction where a Counterparty is included in a Sanctions List or if the Counterparty is debarred by the MDBs.

c. A transaction includes Counterparties that have a history of alleged wrongdoing and have a recent criminal conviction

NIB shall not enter into a relationship with a Counterparty that has a history of alleged wrongdoings and has a recent criminal conviction for serious wrongdoings such as corruption, money laundering, terrorist financing, fraud, tax evasion, tax fraud, collusion, human, drug and firearm trafficking, and cybercrime, among others. NIB will consider the corporate behavior and culture, as well as the response of the Counterparty to such issues.

d. A transaction involves a Cross-border Link to a Tax Prohibited Jurisdiction

NIB shall not enter into a transaction that includes a Cross-border link involving a Tax Prohibited Jurisdiction.

e. A Counterparty is a Financial Services Provider that is established in an AML/CTF Prohibited Jurisdiction

NIB shall not enter into a relationship with a FSP that is established in a jurisdiction designated by the FATF as "High-Risk Jurisdictions subject to a Call for Action".

7 ON-GOING DUE DILIGENCE

The Integrity Risk shall be monitored and the risk rating reassessed, as applicable, at least once a year during the life of the NIB transaction. Transactions with a High Integrity Risk rating or with specific monitoring needs may be monitored more frequently in accordance with the internal procedure for each Operational Unit stated in Section 4 of this Policy.

8 RECORD KEEPING

The Operational Units are responsible for documenting the identified risk indicators, any mitigating measures undertaken, and the conclusions reached. The Operational Units shall keep these records for at least five (5) years after the end of the customer relationship. All data including any personal data collected, processed and/or stored in the course of conducting an IDD procedure shall be duly protected and handled in accordance with the relevant NIB policies¹¹.

¹⁰ As defined in the Integrity and Compliance Policy.

¹¹ See NIB's policies concerning data protection and information classification.