

Rules of Procedure for the Control Committee

Adopted by the Control Committee of the Nordic Environment Finance Corporation on 17 February 2022 with entry into force as of 17 February 2022.

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Responsible Function / Department

Legal

Document version history and review dates

<i>Document name</i>	<i>Adopted by</i>	<i>Adopted on</i>	<i>Entry into force as of</i>	<i>Information classification</i>
Rules of Procedure for the Control Committee	Control Committee	17.2.2022	17.2.2022	Public
Riktlinjer för kontrollkommitténs arbete	Control Committee	6.3.2008	6.3.2008	Internal
Riktlinjer för kontrollkommitténs arbete (NIB, NDF, NEFCO)	Control Committee	8.3.2002	8.3.2002	Internal

These Rules of Procedure shall be reviewed at least every three (3) years.

RULES OF PROCEDURE FOR THE CONTROL COMMITTEE

1. The Committee as part of statutory governance

The Nordic Environment Finance Corporation's ("NEFCO" or the "Corporation") governance structure is set out in the Agreement of 6 November 1998 between Denmark, Finland, Iceland, Norway and Sweden concerning the Nordic Environment Finance Corporation ("Agreement") and the pertaining Statutes. The Statutes define the relations between and mandate of NEFCO's governing bodies; the Board of Directors ("Board"), the Control Committee ("Committee") and the Nordic Council of Ministers ("NCM").

These Rules of Procedure for the Control Committee ("Rules") are adopted with reference to Section 9 of the Statutes:

"A Control Committee shall ensure that the operations of the Corporation are conducted in accordance with the Statutes. The Committee shall be responsible for the audit of the accounts and shall annually submit an auditor's report to the Nordic Council of Ministers.

A committee, consisting of the members who are appointed by the Nordic Council to the control committee responsible for the audit of the Nordic Investment Bank¹, and of a Chairperson appointed by the Nordic Council of Ministers, shall serve as the Control Committee."

2. Composition of the Committee

The appointment of the Committee Members shall be for a term of up to two years at a time. The appointments of Members shall be renewable. The appointment of Members shall officially be communicated by the Nordic Council to the Secretary of the Committee.

The person appointed as Chair of the Committee shall possess independency, integrity and adequate competence relevant for the position as Committee Chair. The appointment of the Chair shall be until further notice. The appointment of the Chair shall officially be communicated by the Nordic Council of Ministers to the Secretary of the Committee.

If an unforeseen event occurs (for example illness) or if a Member is otherwise not in a position to continue as a Member of the Committee (for example retirement, change of position or work), the Nordic Council shall, within three months, appoint a replacement Member for the unexpired remainder of the term.

If an unforeseen event occurs (for example illness) or if the Chair is otherwise not in a position to continue as the Chair of the Committee (for example retirement, change of position or work), the Nordic Council of Ministers, shall within two months, appoint an interim Chair or a succeeding Chair.

¹ According to the Statutes of the Nordic Investment Bank (NIB), the Nordic Council shall appoint one member from each of the five Nordic countries to NIB's Control Committee.

The Members and the Chair shall acquaint themselves thoroughly with NEFCO's purpose, operations, and governance. The Members and the Chair are expected to allocate sufficient time and resources to the activities of the Committee, including acquainting themselves with the meeting agenda and supporting documentation. The Members and the Chair shall have the ability to work in written and spoken English.

Based on a proposal by the Managing Director, the Committee shall appoint a NEFCO staff member, with adequate knowledge of NEFCO's governance and operations, as Secretary to the Committee. The Secretariats of the Nordic Council of Ministers and the Nordic Council shall be informed of the appointment of the Secretary.

3. Powers and mandate

The Statutes state that the Committee is established to monitor that NEFCO's operations are conducted in accordance with the Statutes, including the fulfilment of NEFCO's purpose as described in section 1 of the Statutes. The Committee shall not take decisions on matters which are within the powers of the Board or the Managing Director.

Furthermore, according to the Statutes, the Committee shall appoint the external auditors ("External Auditors") to perform the audit of NEFCO and report on the financial statements of NEFCO to the Nordic Council of Ministers.

The Committee shall monitor the following main areas:

- 1) NEFCO's core operations, in particular fulfilment of NEFCO's purpose;
- 2) efficiency and feasibility in relation to NEFCO's governance and decision-making, including the Board and the Managing Director;
- 3) effectiveness of NEFCO's internal control and control functions, including compliance activities and prevention of corruption, and internal audit activities;
- 4) adequacy of NEFCO's Legal Framework, including NEFCO's legal status, immunities and privileges;
- 5) adequacy of NEFCO's risk management framework;
- 6) NEFCO's financial results;
- 7) activities and performance of the External Auditors; and
- 8) NEFCO's risk level, capital and liquidity management.

In order to fulfil its tasks under this section 3, the Committee shall have unrestricted access to all necessary information, documents and members of staff of NEFCO. Furthermore, in order to fulfil the tasks of the Committee, interaction is needed with the Board, the Managing Director, the External Auditors, the Internal Audit as well as with the Chief Ethics and Compliance Officer.

The Committee works in practise under the guidance of its Chair. The Chair shall represent the Committee when it is not assembled. The Chair shall, not less than once before every Committee meeting, visit NEFCO in order to examine current matters together with the Managing Director, the Internal Auditor, the External Auditors and the Chief Ethics

and Compliance Officer. The Chair shall be informed of the meeting of the Board where the annual accounts are decided upon in order to be able to attend or to provide comments.

4. External auditors

In accordance with Section 9 of the Statutes, the External Auditors shall carry out the audit of NEFCO's financial statements (financial audit), which shall be prepared in accordance with International Financial Reporting Standards (IFRS). The External Auditors are responsible for carrying out the audit in accordance with generally accepted International Standards on Auditing (ISA). The audit services shall be performed in consideration of NEFCO's legal status as an international financial institution.

The External Auditors are appointed by the Committee in consultation with the Managing Director and the Chair of the Board. The appointment shall be confirmed annually by the Committee. The Committee in consultation with the Board and the Managing Director may also terminate the engagement of the External Auditors. Selection of External Auditors shall be subject to competitive tendering at regular intervals. The tendering process takes place in liaison with NIB's administration. The appointed External Auditors shall be qualified External Auditors (authorised public accountants); one from NIB's (and NEFCO's) host country Finland and the other from another Member country of NEFCO.

The External Auditors shall carry out the financial audit and deliver annually to the NCM an auditor's report on the financial statements of NEFCO, and if so agreed on the trust funds administered by NEFCO. Without prejudice to the independency of the External Auditors, the Chair or the Managing Director may also instruct the External Auditors to carry out other specific services.

The External Auditors shall carry out the audit of NEFCO as commissioned by the Committee. The Committee shall in particular monitor that the co-ordination between the Internal Auditor and External Auditors is arranged efficiently, in order to ensure that the combined audit resources adequately cover the various areas of control.

Furthermore, the Committee shall pay particular attention to the External Auditors' ability to perform their tasks independently.

5. Reporting

The following reporting channels are established related to the work of the Committee:

- 1) *Reporting between the NCM and the Committee.* The annual External Auditors' report shall be submitted to the NCM. The Committee shall also deliver annually a report to the NCM covering the monitoring tasks as listed above in section 3. The Committee may communicate on other matters to the NCM or the Board, as relevant.
- 2) *Reporting between the Board and the Committee.* The minutes from the Committee's meetings shall be submitted to the Board. The minutes from the Board meetings shall be submitted to the Chair. The Chair of the Board shall normally annually attend at least one meeting of the Committee and give account on the Board's activities. The Chair may attend meetings of the Board when deemed necessary.

- 3) *Reporting between the Managing Director and the Committee.* The Managing Director shall normally attend the meetings of the Committee and give a report of NEFCO's activities. The minutes from the Committee meetings shall be submitted to the Managing Director.
- 4) *Reporting between the External Auditors and the Committee.*
The External Auditors shall submit to the spring meeting of the Committee:
- i) a summary report, including management letter items². The summary report shall include comments concerning the annual report, supplementary points of view concerning internal control and any other matter the External Auditors consider important to bring to the Committee's knowledge. The summary report shall also include a report concerning tasks or consultations for NEFCO outside the scope of ordinary audit (if any);
 - ii) an auditors' report; and
 - iii) specific reports when considered necessary.
- The External Auditors shall submit to the autumn meeting of the Committee:
- iv) an interim summary report on the work presently carried out by them and on the status of the internal control of NEFCO, including any possible problem areas.
- 5) *Reporting between the Internal Auditor, and the Ethics and Compliance function, and the Committee.* The Internal Auditor, and the Chief Ethics and Compliance Officer, shall each submit and present a written overview of their respective continuous activities at each autumn and spring meeting of the Committee, and interact with the Chair between the meetings, when there is a reason to do so.
- 6) *Reporting between the Board, the Managing Director and the External Auditors.* The External Auditors shall submit to the Managing Director and to the Board:
- i. the summary report referred to in subsection 4 (i) in draft form to the Managing Director for information and for comments, and in final form to the Board and the Managing Director;
 - ii. the auditors' report referred to in subsection 4 (ii);
 - iii. special reports, written or oral opinions, explanations or comments concerning various questions as needed or upon the request of the Board or the Managing Director. The Chair shall be informed of such requested reports, opinions, explanations or comments; and
 - iv. the interim summary report referred to in subsection 4 (iv) in draft form to the Managing Director for information and for comments, and in final form to the Board and the Managing Director.

² The Managing Director shall provide the External Auditors with a management representation letter confirming items deemed essential for the annual report. The Managing Director and the External Auditors shall in addition meet when appropriate.

6. Decision-making

At any meeting three Members present shall constitute a quorum. A position supported by a majority of Members present, shall form the decision of the Committee. In case of a tie, the opinion of the Chair shall prevail. Dissenting minority opinions shall be noted upon request in the minutes.

7. Meetings and minutes

The Committee shall hold at least one meeting each year in the spring, usually at the headquarters of NEFCO in Helsinki, where the annual report concerning the previous financial year shall be examined. The prevailing practice is that the Committee holds another meeting in the autumn. At the autumn meeting the Committee shall examine chosen parts of NEFCO's activities and the interim report concerning the two first thirds of the financial year.

The Chair may also convene additional meetings at own discretion or upon the request of two Members.

Notice of the meetings of the Committee together with details of the Agenda and supporting documentation is prepared by the Managing Director and Secretary in consultation with the Chair. NEFCO shall distribute the documentation no less than ten (10) days prior to the meeting. NEFCO may employ electronic means in the distribution of the documentation.

Members and the Chair participate in the meetings in person. If decided by the Chair, in consultation with the Secretary, a meeting may be held as an online meeting.

The Members may ask for additional items to be added to the agenda or to be discussed at the meetings. The Chair shall decide upon taking up additional items on the agenda or for discussion at the meetings of the Committee.

In addition to the Chair, the Members and the Secretary, meetings of the Committee shall also be attended by the External Auditors, the Managing Director, the Head of Internal Audit, the Chief Ethics and Compliance Officer and such persons from the staff of NEFCO as the Chair and the Managing Director shall designate.

Parts of the meetings are designated for discussions and deliberation only among the Chair, the Members and the Head of Internal Audit, or the Chair, the Members and the Chief Ethics and Compliance Officer, and parts of the meeting are designated for discussions and deliberation only among the Chair and the Members. The Secretary shall be present for the whole duration of meetings, unless the Chair decides otherwise.

The examination of various subjects of control shall to a large extent be based on written material. Brief oral presentations will be provided by the Managing Director and/or staff of NEFCO to the Committee so that sufficient time can be reserved at each meeting for discussions within the Committee.

Minutes shall be kept of the proceedings of the Committee by the Secretary. The minutes shall contain a brief summary of the items discussed and reflect the decisions on the outcome of discussions, including suggestions and recommendations for action to be taken.

The Secretary shall circulate draft minutes of the Committee meeting to the Chair for comments as soon as possible after the meeting. The minutes shall thereafter be approved at the Chair's discretion.

The minutes shall be signed by the Chair and the Secretary.

The Secretary shall distribute the minutes to the Chair, the Members, the Board and the Managing Director.

Archiving of the minutes and other documentation relating to the proceedings of the Committee shall be the responsibility of the Secretary.

8. Confidentiality

The proceedings, minutes and all documentation related to the meetings of the Committee are confidential. The Committee shall observe the confidentiality provisions of the Code of Conduct for the Control Committee³. The proceedings shall not be published except when the Committee decides otherwise for valid reasons, in consultation with the Managing Director and/or Chair of the Board.

9. Remuneration and reimbursement

The Chair and the Members receive an annual remuneration and an attendee allowance for the meetings of the Committee.

Expenses incurred by the Chair and Members in the discharge of their official duties for travel and accommodation will be covered and a per diem will be granted in accordance with the applicable travel policy.

The NCM determines the amount of the annual remuneration and attendee allowance of the Chair. The annual remuneration and attendee allowance of the Members is paid by NIB who charges NEFCO as agreed in a service contract between NIB and NEFCO.

10. Implementation, review and amendments

The responsibility for correct implementation of these Rules shall remain with the Committee. These Rules shall be reviewed at least every three years. These Rules may be amended by the Committee.

³ To be established in 2022.