

Nordic Development Fund



Rules of Procedure for the Control Committee

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2023
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1 The Control Committee as part of statutory governance

The Nordic Development Fund's ("NDF" or "Fund") governance structure is set out in the Agreement as of 9 November 1998 between Denmark, Finland, Iceland, Norway and Sweden concerning the Nordic Development Fund and the pertaining Statutes. The Statutes define the relations between and mandate of NDF'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 Fund are conducted in accordance with these Statutes. The Committee shall be responsible for the audit and shall annually deliver an auditor's report to the Nordic Council of Ministers (MR-SAM).

The members of the Control Committee appointed by the Nordic Council to be responsible for the audit of the Nordic Investment Bank¹ together with a Chair appointed by the Nordic Council of Ministers shall function as the Control Committee of the Fund."

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 Committee Secretary.

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.

The Members and the Chair shall acquaint themselves thoroughly with NDF'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

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.

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 NDF staff member, with adequate knowledge of the Fund'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 NDF's operations are conducted in accordance with the Statutes, including the fulfilment of NDF'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 NDF and report on the financial statements of NDF to the Nordic Council of Ministers.

The Committee shall monitor the following main areas:

- 1) NDF's core operations, in particular fulfilment of NDF's purpose (Sections 1 and 3 of the Statutes);
- 2) efficiency and feasibility in relation to NDF's governance and decision-making, including the Board and the Managing Director (Sections 5, 6, 7 and 8 of the Statutes);
- 3) effectiveness of NDF's risk management policies and internal control framework, including risk management, compliance, and internal audit activities (Sections 3 and 4 of the Statutes);
- 4) NDF's financial results (Sections 2, 3, 4 and 9 of the Statutes);
- 5) activities and performance of the External Auditors (Section 9 of the Statutes); and
- 6) NDF's risk level, capital and liquidity management (Sections 2, 3 and 4 of the Statutes).

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. Furthermore, in order to fulfil the tasks of the Committee, interaction is needed with the Board, the Managing Director, the External Auditors and the Internal Audit.

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 NDF in order to examine current matters together with the Managing Director, the Internal Auditors and the External Auditors. 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 NDF'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 External Auditors are appointed by the Committee for a term of up to ten (10) years through competitive tendering. The appointment shall be confirmed annually by the Committee. The Committee may also terminate the engagement of the External Auditors. 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 NDF's host country Finland and the other from another Member country of NDF.

The External Auditors shall carry out the financial audit and deliver annually the auditor's report on the financial statements of NDF, and if so agreed on the trust funds administered by NDF to the Committee for delivery to the Board and to the NCM. In addition, if separately agreed with NDF, the External Auditors may also be asked to review NDF's interim financial formation. The NDF administration may also instruct the External Auditors to carry out other specific services, including but not limited to limited assurance on sustainability metrics.

The External Auditors shall carry out the audit of NDF as commissioned by the Committee as detailed by NDF's administration. 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 statement 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 the Fund'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 the Fund 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 the Fund, including any possible problem areas.

- 5) *Reporting between the internal auditor and the Committee.* The internal auditor shall submit and present a written overview of the continuous internal audit activities at each autumn and spring meeting of the Committee 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); and
- 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.
- 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

The Committee's mandate is limited to taking decisions concerning the monitoring of NDF's activities as laid down in Section 3 and shall not involve taking decisions on matters which are within the powers of the Board, or the Managing Director.

At any meeting, three Members present shall constitute a quorum³. 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 the Fund 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 the Fund'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. The Fund shall distribute the documentation no less than ten (10) days prior to the meeting. The Fund 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, and such persons from the staff of the Fund as the Chair and the Managing Director shall designate.

Parts of the meetings are designated for discussions and deliberation only among the Chair, Members and the Head of Internal Audit, or the Chair and Members and parts of the meeting are designated for discussions and deliberation only among the Chair and the

³ For clarity, the Chair is not a Member of the Control Committee.

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 the Fund 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, the Managing Director and the NEFCO Chief Ethics and Compliance Officer.⁴

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

8 Conflicts of Interest

Members shall disclose to the Chair, to the Secretary and NEFCO's Chief Ethics and Compliance Officer any potential or actual conflict of interest prior to any deliberation or decision on the matter giving rise to the potential or actual conflict of interest, and when appropriate, recuse themselves from that deliberation or decision. In the case of the Chair, the disclosure shall be made to the NEFCO Chief Ethics and Compliance Officer. Further guidance regarding conflicts of interest is provided in the Code of Conduct of the Control Committee.

9 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 Committee. 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.

⁴ As agreed between NDF and NEFCO, the NEFCO Chief Ethics and Compliance Officer has a formal role with respect to NDF's Control Committee as regards handling conflicts of interest.

10 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 NDF as agreed in a service contract between NIB and NDF.

11 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.