



NORGES BANK

STRATEGY 2022



One Bank

The strategy for the period to 2022 marks a new chapter in Norges Bank’s more than 200-year-long history. The Storting (Norwegian parliament) has passed a new central bank act, thereby establishing the framework for the Bank’s tasks and activities ahead.

The main features of Norges Bank’s activities are retained in the new act. While our mission remains the same, the Bank’s independence has been more clearly defined. Our responsibility as manager of the Government Pension Fund Global (GPFG) is now enshrined in law. At the same time, the governance structure of Norges Bank has been changed as the Storting has established by statute an expert committee for monetary policy and financial stability. The Executive Board will continue to be responsible for overall governance of the Bank, tasks within the payment system, and management of the GPFG and the Bank’s foreign exchange reserves.

The Storting and the Government have stated in their preparatory works on the new act that Norges Bank will perform key tasks on behalf of the Norwegian people. As it is now clarified that the GPFG will remain in the Bank, the authorities have also expressed their expectation that the Bank will take advantage of opportunities related to economies of scale and cost-efficient solutions, where appropriate.

Norges Bank consists of two operational areas, but is One Bank. The Executive Board has decided to establish a shared unit for the Bank’s support functions, Norges Bank Administration (NBA), which will make use of combined expertise,

contribute to cost-efficient solutions and underline the Bank as a single organisation. At the same time, the two operational areas will retain their distinctive professional characteristics and responsibility for performance.

In following up these changes, it is now natural for the Executive Board to present a comprehensive strategy for the whole of Norges Bank that provides guidance for the organisation over the next three years. In addition, the Executive Board has approved a strategy for management of the GPFG, in accordance with the Bank’s mandate.

As a nation, we increasingly depend on the world around us. The global backdrop is characterised by turbulence and uncertainty associated with trade barriers, the risk of a global downturn and geopolitical instability. Climate risk must be considered and addressed. Digitalisation and technological innovations are altering the way the economy and markets function.

It will be more important than ever before for Norges Bank and its employees to be willing and able to change, work together, and use and deepen their expertise. We will continue to build on our shared values: team spirit, integrity, innovation and excellence. This will be crucial if the Bank is to evolve in pace with the world around us and accomplish its mission in the best possible way.

Øystein Olsen
Governor



Our mission

Norges Bank's mission is to promote economic stability and manage substantial assets on behalf of the Norwegian people.

- Norges Bank conducts monetary policy, monitors the stability of the financial system and promotes robust and efficient payment systems and financial markets.
- Norges Bank is responsible for the management of the Bank's foreign exchange reserves and the Government Pension Fund Global (GPF). The GPF aims to obtain the highest possible return within the framework set by the mandate.



Strategy 2022 - in brief



**SUCCEEDING
TOGETHER**



**A WELL-RUN
BANK**



**LONG-TERM AND RESPONSIBLE
INVESTMENT MANAGEMENT**



**AT THE FOREFRONT OF
CENTRAL BANKING**



Succeeding together

Our most important resource is our staff. With the fund under the aegis of the Bank, we are a global organisation with a third of our employees located outside Norway and with employees representing almost 40 nationalities. The aim is for all of us to work together as a team while also allowing different parts of the organisation to retain distinctive professional characteristics and specialist expertise. How well we succeed will depend on the Bank staff working together as a team.

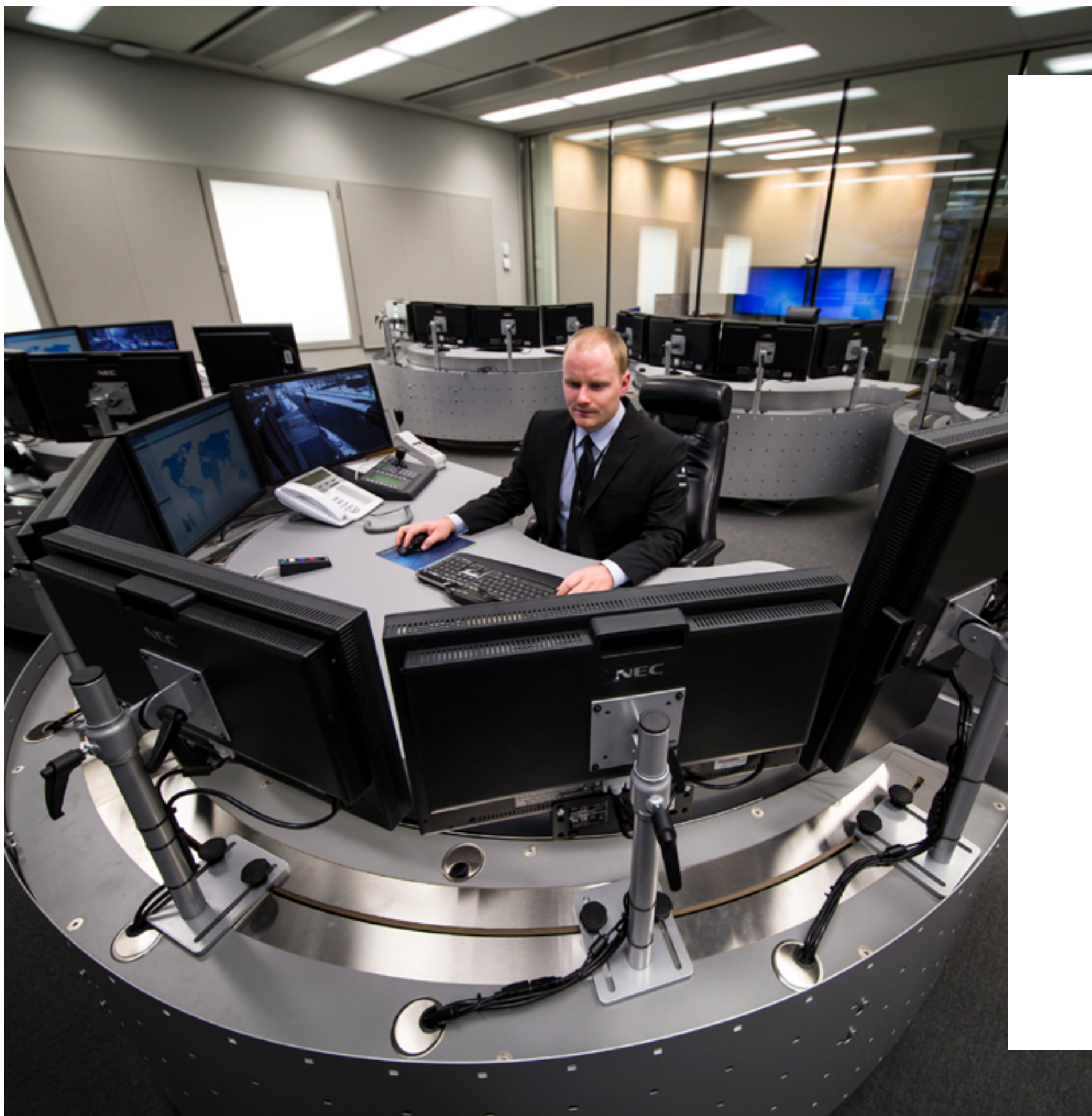
To accomplish this, we have to develop employee expertise in both existing and new fields. We must be able to challenge one another, think differently and develop our skills in pace with the challenges we face. At the same time, we need to communicate clearly, both within and outside our organisation, to ensure that our values and objectives are well known and complied with throughout the organisation and across nationalities.

Our working process will be characterised by teamwork and support for change. We will:

- achieve results based on professional quality, integrity and mutual respect
- foster an identity and culture based on common values
- enable new working processes to promote innovation and cooperation
- further develop digital platforms for interaction and efficiency
- encourage employees to pursue professional development
- be a preferred employer, have a systematic recruitment strategy and strive for gender equality and diversity.

We will be transparent, and communicate reliably and clearly both within and outside our organisation. We will:

- be open about our work and our performance
- spread knowledge about our activities to a wider audience
- consider new mediums of communication to reach new target groups.



A well-run Bank

In the preparatory works of the new central bank act, the authorities have underlined that the Executive Board is responsible for the efficient organisation of the Bank. As the general manager of Norges Bank, the Governor will carry out this responsibility on behalf of the Executive Board. The act also establishes that the Board is to recruit a CEO for Norges Bank Investment Management (NBIM), who will be responsible to the Board for overall performance.

Organising the Bank's activities in well-run units will be a primary task for the Bank's Board and management in the coming years. We will take advantage of synergies and economies of scale in the organisation. We have established a shared unit for the Bank's support functions – Norges Bank Administration (NBA) – to promote efficiency and strengthen a shared culture.

At the same time, it is essential that the different parts of the Bank retain their distinctive professional characteristics and responsibility for their performance. The division of duties between the Bank's operational areas must reflect and focus on the expertise that the Bank's experts need to perform their tasks.

Digitalisation and automation are everyday elements at the centre of Norges Bank's field of expertise. The IT systems are closely connected to the Bank's professional tasks and should be operated in close relation with the operational areas. NBIM has recently completed a considerable modernisation of its IT systems, and Central Banking Operations will undertake a similar project over the next three years. Developing well-run and secure IT solutions is crucial for secure and efficient operations at the Bank in the future.

We will further develop a well-run and secure Bank. We will:

- develop robust governance processes in the Executive Board and for the new committee for monetary policy and financial stability
- adapt the organisation in light of the new central bank act and new governing bodies
- ensure an efficient division of tasks between the Bank's operational areas
- limit the Bank's costs by utilising synergies and economies of scale
- implement new and cost-efficient IT solutions that protect the Bank's day-to-day operations and secure systemically critical systems
- continue the Bank's work on the environmental strategy
- protect the Bank's employees and assets.



Long-term and responsible investment management

The management objective of the Government Pension Fund Global (GPF) is to achieve the highest possible return after costs and at an acceptable level of risk. The fund is to be a responsible investor within this overall financial objective.

The fund is a large global fund with a long-term investment horizon and plays an important role in economic policy. The new central bank act establishes that the fund will continue to be managed by Norges Bank.

The fund invests across several asset classes in a large number of countries and currencies. The fund's equity share is 70 percent. New features of the global economy, such as trade barriers, low interest rates, changing technology paradigms and climate change will affect the fund. We should be prepared for large fluctuations in the fund's value.

The investment strategy is characterised by index-tracking at low cost. We will further develop an organisation that is focused on sound investment decisions and is willing and able to manage risk and changing market conditions.

The strategy for 2020-2022 sets out the strategic direction of the fund and is based on the strategy for 2017-2019. We will:

- issue advice on the fund's investment strategy, based on professional financial market analyses and our experience as a market participant
- utilise a set of diversified complementary investment strategies to create excess return after costs
- further develop our investment strategies based on thorough financial analysis and new sources of information
- invest in real estate and renewable energy infrastructure to improve the trade-off between return and risk
- safeguard the fund's long-term economic interests by exercising our ownership rights
- focus on NBIM as an investment management organisation with a result-oriented investment culture and clear reporting lines
- pursue cost-effective investment management where costs are scrutinised in the context of improving investment risk-return.



At the forefront of central banking

Norges Bank Central Banking Operations aim for low and stable inflation and promote both stability in the real economy and a robust and efficient financial system.

The global economy is characterised by change and may be affected by various shocks. The possibility of an international economic downturn owing to geopolitical unrest and trade tensions between the major economies appears to pose the largest risk in the coming years. On the back of already low interest rates, a pronounced global downturn could pose larger challenges to monetary policy than previously. Persistently low interest rates may also increase financial system vulnerability.

More long-term developments are also important for the conduct of monetary and macroprudential policies. The importance of petroleum activities for value creation in Norway will gradually diminish. In addition, we face demographic changes and climate risk that may have a substantial impact on the economy and the financial system. New technology promotes innovation in the payment system, thereby removing barriers to new payment operators. Norges Bank's mission is to promote secure and efficient solutions for society as a whole.

New methods and economic models are being continually developed around the world, and Norges Bank has access to increasingly larger micro data sets from various sources. The Bank will be at the forefront in its use of models and methods that are relevant for our activities.

We will conduct our tasks in line with international best practice. We will:

- have contingency plans for countering an economic downturn and persistently low global interest rates
- give priority to analyses of long-term developments of key economic variables and in the conduct of monetary policy
- utilise new data and methods to develop stronger analytical tools
- communicate decisions and advice clearly to a wider audience
- be a driving force for improved reference rates for the Norwegian krone
- promote an efficient division of responsibilities between monetary, fiscal and macroprudential policies
- promote efficient, secure and robust payment and settlement systems between banks and the general public
- cover society's need for cash in a manner that ensures preparedness and promotes efficiency
- explore the potential for a central bank digital currency and other solutions that can improve efficiency and contingency arrangements in the payment system.

