
NORGES BANK'S SUPERVISORY COUNCIL

REPORT FOR 2021

DOCUMENT NO. 9 (2021-2022)



NORGES BANK'S SUPERVISORY COUNCIL REPORT FOR 2021

Document No. 9 (2021–2022)

TO THE STORTING

The Supervisory Council shall at least once a year submit a statement to the Storting on its supervision of the Bank.

This report presents the Council's decisions and its supervision of Norges Bank's activities conducted in 2021.

[The Council's responsibilities are regulated by the Central Bank Act.](#) The Council shall supervise the operation of Norges Bank and oversee its compliance with the provisions governing its activities. One of Norges Bank's key duties is its management of the Government Pension Fund Global (GPF). The Council's responsibilities include supervising that task. It shall also oversee that the Executive Board is exercising satisfactory management and control of the Bank's administration and operations and that appropriate procedures have been established so that the Bank's activities are conducted in accordance with legislation, agreements, decisions, and other relevant rules.

The Council has approved Norges Bank's annual financial statements for 2021 prepared by the Executive Board and adopted Norges Bank's budget for 2022 on the basis of a proposal from the Executive Board.

As of the 2022 financial year, the Council has signed an engagement agreement with Ernst & Young AS as the new auditor for Norges Bank and related activities.

This Report to the Storting was approved at the Council's meeting on 17 March 2022.

Oslo, 4 April 2022

Julie Brodtkorb
Chair of Norges Bank's Supervisory Council

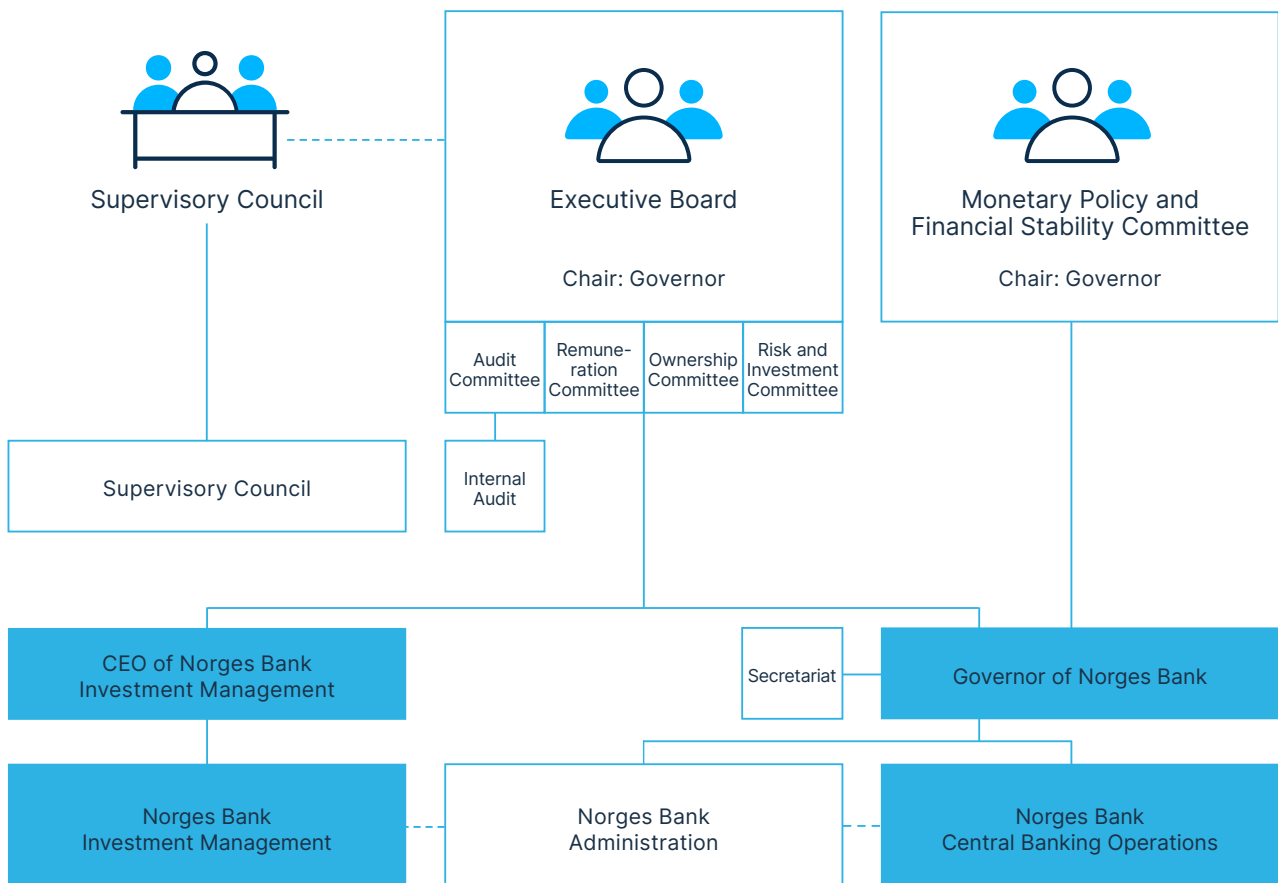
NORGES BANK'S ORGANISATION STRUCTURE



The Storting
(Norwegian parliament)



Ministry of Finance



CONTENTS

Summary and main conclusions	6
Executive summary of the report	7
Main conclusions	9
1 Supervision of Norges Bank in 2021	10
1.1 Supervisory role, mandate and implementation	11
1.2 Supervision of the Executive Board's management and control	12
1.3 Supervision of NBA and NBCBO	21
1.4 Supervision of management of the Government Pension Fund Global	25
1.5 Supervisory Council's role in Norges Bank's associated activities	30
2 Norges Bank's annual financial statements and budget	34
2.1 The Supervisory Council approves Norges Bank's annual financial statements	35
2.2 The Supervisory Council adopts Norges Bank's budget – on budgeting and cost management	40
3 Priorities for future work	46
4 Norges Bank's Supervisory Council's organisation of its work	50
4.1 Supervisory Council members 2022–2023	51
4.2 Organisation of the supervision	56
4.3 The Supervisory Council's work in 2021	59
4.4 The Supervisory Council's expenditure in 2021	62

SUMMARY AND MAIN CONCLUSIONS

EXECUTIVE SUMMARY OF THE REPORT

The Supervisory Council shall supervise the operation of Norges Bank and monitor its compliance with the provisions governing its activities. Its duties and responsibilities are regulated by the Central Bank Act. Its supervision also covers the management of the Government Pension Fund Global (GPFG), which is a substantial task for the Bank and is to be carried out in accordance with a mandate issued by the Ministry of Finance.

The Executive Board is responsible for the governance and management of the Bank's activities, and it shall ensure that the Bank has an appropriate and efficient organisational structure.

The Council presents its assessment of the Executive Board's governance and control of Norges Bank in 2021 in this report. The priorities for supervision in 2021 were presented in a separate chapter of Document No. 9 (2020–2021).

All minutes of the meetings of the Executive Board and Norges Bank's Monetary Policy and Financial Stability Committee have been presented to the Supervisory Council in accordance with the Central Bank Act. The Supervisory Council had no comments on the Board's minutes.

In 2021, the Executive Board considered eight periodic reports on operational risk management, internal control and compliance from the operational areas.

The Board's summary of its assessment is that:

- *Internal control at Norges Bank has been carried out in a satisfactory manner.*
- *During the year, the estimated operational risk exposure at NBIM remained within the risk tolerance defined by the Executive Board.*
- *Operational risk exposure within the Governor's area of responsibility was acceptable over the course of the year.*
- *The Board's composition and expertise enable it to successfully fulfil the requirements of the regulations.*

The Supervisory Council has taken note of the overall assessment of risk and internal control at Norges Bank for 2021 and deems that the processes and reporting in place

satisfy the requirements of the Central Bank Act, the Regulation on risk management and internal control at Norges Bank and the Management Mandate for the GPFG.

Norges Bank's whistleblowing policy shall satisfy the requirements of Section 2 (A-6) of the Working Environment Act and shall facilitate the reporting of misconduct. None of the whistleblowing cases handled in 2021 were considered sufficiently serious for them to be reported to the Executive Board or the Council. The Council has received information about the policy and the role of the Board in a memo from the Board.

The Council considers it important for Norges Bank to have a good reputation and has previously recommended that the Executive Board clarify its target groups in its communication principles. A reputation survey from the autumn of 2021 was presented at one of the Council's meetings. This showed that the Bank enjoys a high level of trust and a good reputation amongst the population, that the Bank is viewed as more open and transparent than in previous surveys and that knowledge about the Bank's role and function has increased.

Norges Bank works systematically to achieve gender balance, and its goal is to achieve at least 40 percent of each gender at the Bank as a whole. At the end of 2021, 34 percent of the Bank's employees were women. This is an increase from 33 percent in 2020 and 32 percent in 2019. The proportion of female employees at the Bank's international offices is lower than in Oslo. Norges Bank Administration (NBA) is the only department where almost 60 percent of staff are women. The Council considers it important for Norges Bank to set targets for improving the gender balance and will monitor the Board's efforts to achieve them.

The Council hired Mercer Sentinel to carry out an assessment of the way in which Norges Bank manages operational risk based on their experience of what is considered good market practice. The main conclusion of the report was that the Bank has implemented operational processes that are proportionate to the size and complexity of its operations. In certain areas, the Bank was recommended to take action to reduce operational risk. The report has been sent to the Executive Board. The Board's assessments of the recommendations and its subsequent actions will be followed up by the Supervisory Council.

In accordance with the supervision plan for 2021, an investigation of the Bank's handling of the Covid-19 pandemic was performed. The Supervisory Council has been

part of a dynamic process involving written communication between itself and the Board, which has involved it receiving updates and assessments directly from the Board on several occasions. The purpose of the investigation was not to check that there is a crisis management framework in place, but rather to ascertain whether the Board's established framework had worked in practice. Our general impression is that the Board is conscious of its role in relation to crisis management and that the governance and control of the handling of the pandemic has been good. The Council has sent its supervision report to the Board, whose feedback has been noted by the Council.

The Council has received and reviewed two annual assurance statements from the external auditor on the government accounts at Norges Bank and on accounting and payments in the management of government debt. It has taken note of their conclusions and forwarded them to the Ministry of Finance.

The audit firm Deloitte AS has also performed an independent assurance engagement for Norges Bank relating to the Bank's risk management and control framework, in terms of how it relates to due diligence ahead of individual investments in unlisted assets by the Government Pension Fund Global. Certain issues were pointed out that may be relevant to efforts to further improve risk management. Extracts from the Board's response to this are quoted in Chapter 1. The Council has noted the report and the Board's responses to it. The report has been forwarded to the Ministry of Finance and has been published in its entirety.

The Council has followed up the employment contract with the CEO of NBIM Nicolai Tangen, in line with the wishes of the Standing Committee on Finance and Economic Affairs, as stated in Recommendation 590 S (2020–2021). This involves continuously monitoring the Executive Board's oversight of the adherence to the stipulations of the agreement, which include that it shall be final, irrevocable and have no time limit.

With reference to the section of Nicolai Tangen's undertaking relating to the restriction on repurchasing his holding in AKO Capital, the Council notes that the wording is now identical to that of the AKO Foundation's undertaking. Nicolai Tangen's undertaking has been noted.

The Council has also taken note of the Board's oversight of the employment contract of the CEO of NBIM and expects to receive equivalent annual updates on the

control measures taken by the Board for the duration of the contract. The Office of the Supervisory Council was asked by the Council to clarify certain matters with the Bank. These matters have now been clarified and taken note of.

The Council considers cost efficiency to be a priority and it has followed up the budget process and reporting on costs during the year. The Council has adopted Norges Bank's budget for 2022 on the basis of a proposal from the Executive Board.

It has also considered the Board's annual report for Norges Bank and adopted the annual financial statements for 2021 prepared by the Board. The external auditor's report has been noted. Norges Bank's equity on 31 December 2021 was NOK 289bn, compared with NOK 277bn on 31 December 2020. In accordance with the guidelines on provisions and allocations of the Bank's profit, NOK 11.1bn will be transferred to the Treasury.

The Council has taken note of Norges Bank's annual report for 2021 on investment management at the GPFG, including the Executive Board's assessment of its investment results and the auditor's report.

The Supervisory Council works to an annual supervision plan, which covers ongoing supervision, supervisory reviews and active investigations of topical issues. Within ongoing supervision, the supervision plan for 2022 places particular emphasis on the areas of risk management, following up agreements with suppliers, regulatory compliance, budgeting and performance against targets.

A decision has also been taken to carry out supervision projects, with a final report on each project, in the following areas:

- *Operational Risk Management*
- *Cost Efficiency*
- *Responsibility for Supplying Cash*
- *Use of External Managers by GPFG*

The Supervisory Council has also drawn up a plan for its own professional development activities over the coming year. To ensure that it is competent to perform its supervisory role, it aims to build up good collective expertise on security, corporate governance and financial management, as well as an adequate understanding of Norges Bank's technical areas in order to detect relevant risks in the Bank's processes.

MAIN CONCLUSIONS

Norges Bank's Supervisory Council has a statutory duty to submit a statement to the Storting at least once a year on its supervision of the Bank.

In 2021, the Council once again received all of the information that it requested. Its supervision did not uncover circumstances that merit any particular comments.

In the Council's opinion, the Executive Board exercised governance and control of Norges Bank's activities in accordance with the requirements of the Central Bank Act, the Regulation on risk management and internal control at Norges Bank (Internal Control Regulations), and the Management Mandate for the Government Pension Fund Global. Appropriate procedures have been established to ensure that these activities are conducted in accordance with statutes, agreements, decisions and other regulatory provisions.

CHAPTER 1

SUPERVISION OF NORGES BANK
IN 2021

1.1 SUPERVISORY ROLE, MANDATE AND IMPLEMENTATION

MANDATE AND FRAMEWORK FOR SUPERVISION

The overall regulatory framework for Norges Bank consists of the Central Bank Act, the Regulation on risk management and internal control at Norges Bank (Internal Control Regulations), and the Management Mandate for the Government Pension Fund Global established by the Ministry of Finance.

The Supervisory Council is one of three governing bodies at Norges Bank, cf. Section 2-1 of the Central Bank Act: *“Norges Bank shall have an Executive Board, a Monetary Policy and Financial Stability Committee and a Supervisory Council.”*

The Council is appointed by the Storting – the Norwegian parliament – to conduct supervision of Norges Bank and perform the other duties set out in the Central Bank Act.

The Council shall supervise the Bank’s operations and oversee its compliance with the provisions governing its activities. The supervision focuses on ensuring that the Executive Board’s management and control of the Bank’s administration and operations are satisfactory and that appropriate procedures have been established so that the Bank’s activities are conducted in accordance with legislation, agreements, decisions and other regulatory frameworks.

All of the minutes of the Board’s meetings shall be sent to the Council, which shall review the work and decisions of the Board, requesting further details as necessary. One of the aims of the supervisory process is to help ensure that the Board establishes sound processes and control procedures. This is particularly achieved by ensuring that resolutions passed by the Council in keeping with its role are considered and assessed by the Board.

The Monetary Policy and Financial Stability Committee exercises the Bank’s executive and advisory role in relation to monetary policy, and it is responsible for the use of instruments to achieve monetary policy goals. It shall support efforts to promote financial stability by providing advice and using the policy instruments at its disposal. The Council receives the minutes of the meetings held by the Bank’s Monetary Policy and Financial Stability Committee for its information, but it does not comment on the activities and decisions of the committee.

Nor does the Council’s supervision extend to the Bank’s exercise of discretionary powers with regard to economic policy. The supervision of the Bank’s operations will, however, cover processes and documents at Norges Bank that form the basis for such advice and exercise of discretionary powers. The Council is kept informed about the Bank’s work in these areas.

ASSESSMENT OF RISKS AFFECTING SUPERVISORY ACTIVITIES

The Supervisory Council reviews a large number of matters over the course of a year. The long duration and complexity of projects at Norges Bank, the internationalisation of society, digitalisation requirements and the need to use resources efficiently can all create challenges that affect its work. For the Council to perform its duties in a satisfactory manner, it is vital that the right documentation is available at the right time.

Another issue that may affect its work is the difference between how the Council and Executive Board interpret certain concepts due to their differing perspectives and roles. The risk outlook at and facing the Bank, as perceived by the Council, may differ from the one assumed by the Board in its governance. For the Council to have an understanding of the risk outlook that is as accurate as possible, it is important for the Board’s reports on governance, compliance and internal controls to be complete, clear and up-to-date.

In its dialogue with the Board, situations may also arise in which the Board and Council have differing views of the nature of their tasks pursuant to the Central Bank Act. This may lead to the Council not being given access to information that it believes it is entitled to under its mandate, if the Board disagrees with its interpretation. This could have a negative impact on the work of both bodies. The Council is conscious of this in its work, but these kinds of situations only rarely arise.

IMPLEMENTATION OF SUPERVISION

The Council has developed the methodology and implementation process for its supervision over time. The Council’s supervision of Norges Bank’s activities is primarily based on a review of the minutes of the Executive Board’s meetings, reports, memos and other documents used in meetings. Decisions on individual cases and any follow-up may involve future supervision, ongoing supervision or separate investigations.

A key prerequisite for carrying out trustworthy supervision is set out in the Central Bank Act: *“The Supervisory Council shall be entitled to access all information relating to the affairs of Norges Bank and may conduct such enquiries as it deems necessary for the performance of its duties under the Act.”*

The Council's supervision of the Bank's activities builds on its own assessments of risk and materiality. In its supervision, it stresses the importance of the Bank's activities being carried out in accordance with the framework set for them by laws and rules, the use of resources being targeted and efficient, and external reporting on the Bank's activities being accurate and reliable. In addition, it emphasises both the reputational risk and financial risk that would arise from the Bank's activities not being carried out in accordance with applicable laws and rules.

The Council's supervision considers governance, internal controls, working processes and Norges Bank's organisation to be closely related to compliance with its statutory duties. The Council must be given good information about the governance and control mechanisms that the central bank has established, including the scope and quality of policy documents, the internal control and compliance functions, and the work of Internal Audit.

Based on the approved annual supervision plan, the Office of the Supervisory Council performs ongoing supervision, investigations and supervisory reviews in

specific areas. During the year, assurance engagements implemented in accordance with international audit standards may be approved, and special investigations may be initiated if warranted. The Council receives reports on supervisory reviews and assurance statements.

The figure shows the model for the various forms of supervision, process flows and reporting.

The supervision conducted in 2021 is described below in accordance with this model, covering ongoing supervision, investigations, supervisory reviews and assurance engagements where relevant.

1.2 SUPERVISION OF THE EXECUTIVE BOARD'S MANAGEMENT AND CONTROL

The Executive Board is responsible for the governance and management of the Bank's activities, and it shall ensure that the Bank has an appropriate and efficient organisational structure. It is responsible for determining the objectives and strategy of Norges Bank and the principal guidelines for the Bank's operations. The risk profile of the Bank's various areas of activity shall be made clear, as well as the limits on risk exposure that apply where relevant.¹

FIGURE 1 SUPERVISORY PROCESSES AND REPORTING



The Executive Board has established four subcommittees, each with its own mandate. These are the Audit Committee, Risk and Investment Committee, Remuneration Committee and Ownership Committee. The members of the subcommittees are largely appointed from among the external board members. The Board has set the mandates for all of the four subcommittees.

The Supervisory Council has been informed of, and has taken note of, all of their mandates. The Board also provided information on appointments to the committees.

The Audit Committee (AC) comprises three of the external members of the Executive Board, in line with the stipulations of the Central Bank Act. The AC shall help to strengthen and increase the efficiency of the Board's work on monitoring, oversight and control of financial reporting, operational risk, compliance and systems for risk management and internal control. The AC's duties include preparing matters concerning Internal Audit's plans and reporting.

The Council holds a meeting with the chair of the AC annually. Information is provided on the AC's work and view of risk management and internal control at Norges Bank, and on the Executive Board's audit plan for Internal Audit. These meetings give the Council insight into the Board's overall work on risk management and internal control.

The Council has taken note of the statement by the chair of the Audit Committee, the Board's annual plan for Internal Audit for 2022 and its long-term plan for Internal Audit for 2022–2025.

By law, the Governor of Norges Bank is also its general manager. The Governor's duties as general manager shall not include "matters relating exclusively to the day-to-day management of Norges Bank's management of the GPFG", cf. Section 2-11 (1), line 3.

The Bank's operations are split into two operational areas: Norges Bank Central Banking Operations (NBCBO) and Norges Bank Investment Management (NBIM). In addition, there is the joint department, Norges Bank Administration (NBA), and a secretariat.

NBCBO comprises three departments: Monetary Policy, Financial Stability and Markets and ICT. NBA's role is to support the operational areas. The heads of NBCBO and NBIM report to the Governor.

The Executive Board is responsible for the Bank's management of the GPFG and appoints a separate CEO for NBIM.² NBIM, which comprises six departments³, has international offices in London, New York, Shanghai and Singapore. GPFG Real Estate Management has subsidiaries in Tokyo, Paris and Luxembourg.

The Board's strategic focus, including plans and goals for the Bank's activities, as well as the principles and guidelines adopted for governance and control, must be clear. It is important for Norges Bank to have good internal control systems and processes that are targeted, adequate, of a high standard and effective, so that it can perform its core tasks in a way that is consistent with the requirements and expectations of society and the Bank's purpose.

In its supervision of the Bank, the Council monitors the work of the Board with respect to regulatory compliance, implementing plans, performance against targets, and ensuring good governance and control of the Bank's processes and functions. The Council also checks that the Bank is managing the wider areas of risk that affect society as a whole, and which could affect the Bank's performance of its duties and ability to meet its targets.

THE EXECUTIVE BOARD'S SELF-EVALUATION

The Management Mandate for the Government Pension Fund Global⁴ requires the Executive Board to perform an annual evaluation of its work and expertise with respect to its management assignment. The Board's self-evaluation is forwarded to the Ministry of Finance. The Board gave the following summary: *"The Executive Board's overall assessment is that the Board's composition and expertise provides a good basis for carrying out its assignment of managing the GPFG."*

The Supervisory Council has received a copy of the letter to the Ministry and has noted the Board's self-evaluation.

EXECUTIVE BOARD'S OVERALL GOVERNANCE FRAMEWORK: "GOVERNANCE DOCUMENTS"

The Regulation on risk management and internal Control at Norges Bank requires the Executive Board to *"determine the objectives and strategy of Norges Bank and principal guidelines for the Bank's operations"*. The Bank is to conduct a systematic evaluation of material risks in all its areas of operation. The established internal control should address the risks identified appropriately. The Board has laid down principles for risk management at Norges Bank both at a general level and specifically for NBCBO and NBIM.

The rules are submitted routinely to the Council for its information. A number of internal governance documents have been drawn up covering governance and to clarify duties and areas of responsibility. The rules of procedure for the Executive Board, rules of procedure for Norges Bank's Monetary Policy and Financial Stability Committee, and principles on the division of responsibilities between the Executive Board and Monetary Policy and Financial Stability Committee have been adopted by the relevant governing bodies.

The Board adopts general rules for the whole of the Bank's activities, Internal Audit and for each individual operational area, but may also delegate responsibility for some general rules to the Governor. The Governor also issues guidelines for NBA and NBCBO, and the CEO of NBIM issues guidelines for NBIM.

When new high-level governance documents are adopted, or existing ones are updated, the Council is informed by being shown the governance document in question or being provided with information through compliance reporting.

THE EXECUTIVE BOARD AND GOVERNOR'S DEVELOPMENT OF THE GOVERNANCE FRAMEWORK

In 2020, the Executive Board embarked on a process of updating the governance documents for risk management, security and crisis management/contingency planning at Norges Bank. The aim was to ensure that the documents reflect the Bank's management model, as well as changes to the Central Bank Act and Security Act.

The Board has a special responsibility for the Bank's contingency planning for financial crises. The Board adopts

the plans, but the Monetary Policy and Financial Stability Committee shall first be given the opportunity to submit its comments. The main purpose of the principles is to ensure that the Bank has plans and procedures in place for managing any non-conformities and crises that represent a threat to financial infrastructure or economic stability, which includes contingency planning for the use of policy measures.

The Board adopted new "Principles for contingency planning and managing financial crises within central banking operations" at its meeting on 17 December 2021, after first presenting them to the Monetary Policy and Financial Stability Committee. The updated principles, together with an overview of how the governance documents for contingency planning and crisis management are structured, have been sent to the Council.

The Council has taken note of the adoption of the principles.

REVIEW OF THE MINUTES OF THE EXECUTIVE BOARD'S MEETINGS BY THE SUPERVISORY COUNCIL

All minutes of the meetings of the Executive Board and the Monetary Policy and Financial Stability Committee have been presented to the Supervisory Council in accordance with the Central Bank Act.

Reviewing the Board's minutes and the items and reports submitted at its meetings is an important element of the Council's supervision of the Bank, which provides an overview of the matters considered by the Board and the decisions reached on specific matters. The Governor and Deputy Governors attend these meetings and provide information on the minutes and the items considered by the Board. NBIM's management attends when matters relating to investment management are being considered.⁵

The review of the minutes and the items and reports submitted at meetings provides an overview of the matters considered by the Board and the decisions reached on specific matters. The statements of the Governor and Deputy Governors and their answers to questions during discussions influence the Council's assessments and decisions. Amongst other things, it has been commented that the presentation of material operational risks should be made clearer in reporting.

Questions were asked about the Bank's procedures for reducing operational risk arising from the GPFG's investments in equities and fixed-income securities. The Board confirmed that the limit on operational risk remains unchanged. The Council has also requested further information about possible conflicts of interest both in relation to jobs and in the management of the GPFG. The Bank's management answered questions about expertise at NBIM, expectations and recognised practice for management of the GPFG.

FOLLOW-UP OF PAST SUPERVISORY REVIEWS OF THE EXECUTIVE BOARD'S FRAMEWORKS FOR, AND ORGANISATION OF, GOVERNANCE AND CONTROL

Please see the supervisory review referred to in Document 9 (2020–2021), which discussed the questions of the Board's liability, and of individual and collective liability. The Supervisory Council's recommendation was that the terms of Executive Board members' liability should at all times be made known to them, either by regularly submitting items for information or by being included in the Board's rules of procedure.

The Board sent a memo to the Council detailing the extent to which members of the Board are potentially liable for damages under Norwegian law. The Board and Monetary Policy and Financial Stability Committee have both taken note of the memo. The memo covers employer liability, government/corporate/institutional liability and the need for directors' liability insurance.

The Executive Board also states: *"Information has been obtained from the central banks in the other Nordic countries, and there too the practice is for central banks to self-insure any liability for damages on behalf of Board members or equivalent management positions. The overall conclusion therefore remains that there is no need to take out liability insurance on behalf of the members of the Bank's Executive Board or its committees."*

Including a clarification in the Board's rules of procedure was considered, but the Board concluded as follows: *"The criminal liability of Executive Board members has not been considered here, but it should be included for the sake of completeness. There is no doubt that individual Board members could in serious cases be held criminally liable for breaches of their duties."*

"In practice, we deem the liability of Board members to be limited, as previously discussed, due to several reasons and rules. Any addition to the rules of procedure of the kind discussed would not reflect that reality and could easily be construed as misleading. Adding extra exemptions etc. from the rules of procedure is not considered appropriate. Rather, a system should be put in place for informing new Executive Board members of the issues at stake, e.g. by showing them this memo."

The Supervisory Council has taken note of the memo on Board members' liability for damages.

INTERNAL CONTROL STRUCTURE

Norges Bank has established an internal control structure based on a model that represents recognised practice at financial institutions.⁶ The model shows how governance and internal control are coordinated. Traditionally, the model consists of three lines of defence. In addition, a special spotlight on external auditing and regulation/supervision of financial institutions has been incorporated into the model. The aim is to identify key functions and management positions in order to both ensure effective cooperation and clarify and allocate responsibilities. The Council's supervision and the external auditor's work are independent of the internal control structure at the Bank, and its work is based on this control model.

ASSESSMENT OF RISK AND INTERNAL CONTROL AT NORGES BANK FOR 2021

The regulatory framework for risk management and internal control is provided by the Central Bank Act, Internal Control Regulation and the Management Mandate for the GPFG.

There is a requirement for annual reporting:

*"The Governor is to conduct an overall review of the risk situation at least once a year. The assessment is to be submitted to the Executive Board for consideration. The head of Norges Bank Investment Management may also present his or her own assessment. The Executive Board is to submit a risk assessment report for Norges Bank's operations to the Supervisory Council at least once a year."*⁷

"The Executive Board shall evaluate its own work and its expertise in relation to the Bank's risk management and internal control activities at least once a year."

In 2021, the Executive Board considered eight periodic reports on operational risk management, internal control and compliance from the operational areas. These reports were also sent to the Supervisory Council, which noted them for information. The reports provide a good basis for regular assessments in conjunction with supervision of the Bank.

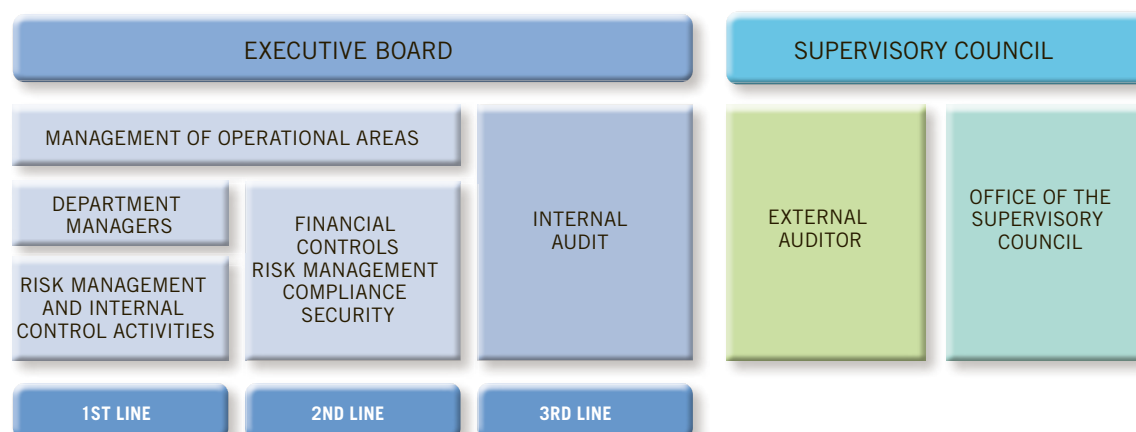
The Board's report on its assessment of risk and internal control at the Bank for 2021 was considered by the Council. The following documents were also appended to the case:

- Annual report on risk management and internal control at GPFG and NBA for 2021
- Annual report on operational risk management and internal control at NBIM for 2021
- Internal Audit's annual report to the Executive Board for 2021

In the annual report, the Executive Board states that:

"According to the Regulation on risk management and internal control at Norges Bank, Section 3 (7), the Executive Board shall 'evaluate its own work and its expertise in relation to the Bank's risk management and internal control activities at least once a year'. In the fourth quarter of 2021, the Executive Board performed a self-evaluation of its work and expertise, covering topics linked to the requirements set out in the Internal Control Regulation. The focus was on the systems and principles under-

FIGURE 2 NORGES BANK'S CONTROL MODEL



pinning risk management, as well as the procedures for reporting on risk management and internal control. The Board's assessment is that its composition and expertise enable it to successfully fulfil the requirements of the regulations."

Several of the Board's frameworks for the Bank were updated in 2021, and they have been adapted to the new Central Bank Act and the current management model. In order to ensure a common approach to crisis management at Norges Bank, NBIM's internal guidelines on contingency planning and crisis management were updated in 2021, bringing their terminology and methodology into line with the framework adopted for NBCBO.

The Board highlights threats facing the Bank in general terms. It discusses material risks and ongoing or completed risk-reduction measures. Some of the Bank's processes and systems are critical to society.

The Board considers that "In spite of high levels of activity, automation and risk-reduction measures are helping to create a robust control environment. During the year, improvements were made to processes and systems to ensure their ability to cope with the increase in transaction volumes. Cloud computing, process optimisation and data management in new systems are contributing to further improvements. In spite of high levels of automation, a number of NBIM's processes and controls rely on human resources having sufficient capacity and expertise. In several areas, investment management is dependent on key personnel and specialist expertise. The increase in staff numbers adopted in the budget for 2022 will help to reduce risk, but hiring, integrating and training the new human resources will take time. The processes for investment in listed equity and fixed-income assets are considered effective and up-to-date from a control perspective."

With respect to this, the Board reports that: *"No material breaches of the Ministry of Finance's Management Mandate for the GPFG or the Executive Board's investment mandate for the CEO of NBIM were recorded in 2021."*

Unwanted incidents are reported and followed up regularly. The Executive Board states that 35 incidents during the year were classified as compliance breaches. None of these were considered serious.

"NBIM recorded 254 operational incidents in 2021, compared with 250 in 2020. In 2021, one incident was considered critical and six incidents were considered material. The estimated financial impact of the operational incidents in

conjunction with investment management in 2021 was around NOK 793.5m. This is the highest annual impact ever recorded for the fund."

When it reviewed the report, the Supervisory Council was provided with more detailed explanations of the Board's assessments and points of view.

The Board's summary of its assessment is that:

- *Internal control at Norges Bank has been carried out in a satisfactory manner.*
- *During the year, the estimated operational risk exposure at NBIM remained within the risk tolerance defined by the Executive Board.*
- *Operational risk exposure within the Governor's area of responsibility was acceptable over the course of the year.*
- *The Board's composition and expertise enables it to successfully fulfil the requirements of the regulations.*

The Council attaches considerable importance to the Board's follow-up and assessment of risk management and internal control. The following resolution was passed by the Council after its deliberations:

The Supervisory Council has reviewed the Executive Board's report on processes and reporting in accordance with the requirements of the Central Bank Act and Regulation on risk management and internal control at Norges Bank. The Council takes note of the overall assessment of risk and internal control at Norges Bank for 2021.

In view of the war in Ukraine, the Council requests that an updated assessment of risks be presented at its meeting in June.

INTERNAL AUDIT'S REPORTING

Internal Audit carries out audits in accordance with the audit plan adopted by the Executive Board. Reports on its audit projects are reviewed by the Audit Committee and Executive Board. Implementation of actions resulting from the recommendations in the reports is followed up through the regular reporting by the Bank's operational areas to the Board. For 2021, Internal Audit reported to the Board on 12 audit projects. In addition, Internal Audit verified that the implementation of the remuneration

arrangements for the GPFG and NBCBO in 2020 complied with the remuneration policy adopted by the Board; cf. Chapter 2.

The Supervisory Council does not assess reports from Internal Audit, but they are reviewed by the Office of the Supervisory Council as part of its ongoing supervision and supervisory reviews of relevant topics.

REPORTING ON WHISTLEBLOWER CASES

Norges Bank's whistleblowing policy shall satisfy the requirements of Section 2 (A-6) of the Working Environment Act and shall facilitate the reporting of misconduct. During the year, the Board's role in whistleblower cases was clarified by updating the instructions to Internal Audit and guidelines on whistleblowing.

The Council has received information about the policy and the role of the Board in a memo from the Board. The Council asked questions about how whistleblowing relating to the head of Internal Audit or central bank management is handled, and about the appeals process in these kinds of cases until a final decision has been reached. The Governor provided the relevant information. Information about the whistleblowing policy has been given to all of the Bank's employees.

During 2021, Internal Audit handled two whistleblower cases. Neither case was considered sufficiently serious for it to be reported to the Board and on to the Council.

REPUTATION SURVEY

The Supervisory Council considers it important for Norges Bank to have a good reputation. In a supervisory review of Norges Bank's periodic public reports in 2019, the Council recommended that the Executive Board should clarify the Bank's target groups in its communication principles. It also recommended that systematic surveys be conducted to test whether the external public reports contain relevant information for the defined target groups. The Board has adopted principles for external communication at Norges Bank.

In the autumn of 2020, the Bank was included in the Ipsos reputation survey of Norwegian public bodies.

A reputation survey from the autumn of 2021, carried out by a communications agency, was presented at one of the Council's meetings.

The survey consisted of two parts:

- A quantitative survey involving 2,000 members of the general public
- A qualitative survey involving in-depth interviews with 40 stakeholders

The 2021 survey showed that the Bank enjoys a high level of trust and a good reputation amongst the population, that the Bank is viewed as more open and transparent than in previous surveys, and that knowledge about the Bank's role and function has increased. The Board was given good advice on communication and has taken note of the survey results.

The Council considers it positive that regular surveys are carried out and that a stakeholder group has been defined for in-depth interviews.

The Council noted the report on the 2021 reputation survey.

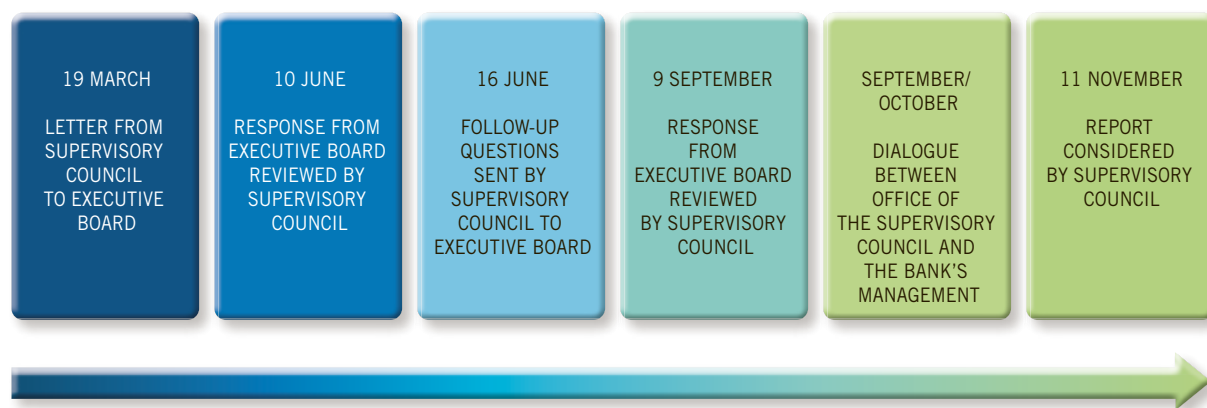
NORGES BANK'S HANDLING OF THE COVID-19 PANDEMIC – SUPERVISORY REVIEW

Norges Bank plays a critical role in society, performing many tasks and delivering many services. Any outbreak in which many employees fell ill at the same time, leading to high sickness absence, could have had serious consequences.

In accordance with the supervision plan for 2021, an investigation of the Bank's handling of the Covid-19 pandemic was performed. The purpose of the investigation was not to check that there is a crisis management framework in place, but rather to ascertain whether the Board's established framework had worked in practice.

The Supervisory Council has been part of a dynamic process involving written communication between itself and the Board, which has involved it receiving updates and assessments directly from the Board on several occasions. The period covered by the investigation was August 2020 to June 2021. A summary report, including the main contents of the correspondence between the Council and the Board, was considered at the Council's meeting of 11 November 2021.

In addition to the correspondence, the Council looked at reporting on operational risk and compliance reporting in the areas of responsibility of the Governor and CEO of NBIM respectively. Minutes of the meetings of the

FIGURE 3 COVID-19 INVESTIGATION PROCESS

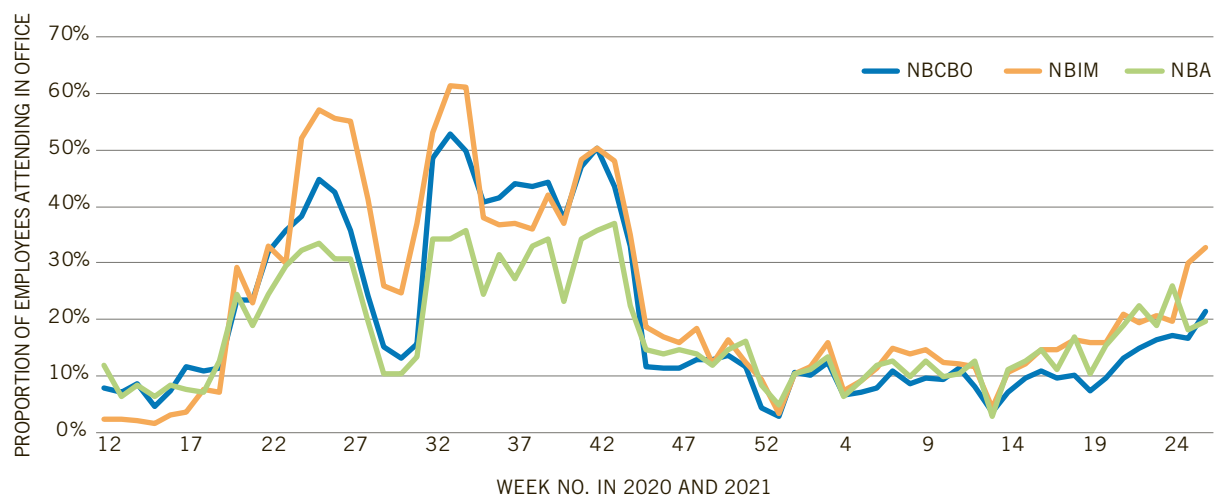
Working Environment Committee between March 2020 and March 2021 were reviewed. One meeting was held with Internal Audit, and there were also regular brief consultations with Governance, Risk and Compliance (GRC) (the compliance unit at NBCBO) and NBA Security & Crisis Management to clarify minor matters.

Two previous reports by the Supervisory Council and Internal Audit were also taken into account:

- Supervisory review, crisis management (non-financial crises) from 2018
- Internal Audit report “2003 NB Contingency planning and crisis management at Norges Bank”

With respect to NBIM employees, the Working Environment Committee has raised the way in which NBIM’s management is handling the pandemic, and in particular the high proportion of staff working in person at its offices.

In Norway, the areas NBCBO, NBIM and NBA had a total of 257, 300 and 143 employees respectively at the end of 2020.⁸ Using information provided by the Board, a figure has been drawn up showing the proportion of employees who attended their offices (at Bankplassen 2) during the period March 2020–June 2021 at NBCBO, NBIM and NBA respectively. The figure shows, in line with the assertions of the Board, that only a limited number of employees attended their offices in the periods with strict infection control measures imposed by the government.

FIGURE 4 IN-PERSON OFFICE ATTENDANCE

MAIN CONCLUSIONS OF THE REPORT:

“Our general impression is that the Board is conscious of its role in relation to crisis management and that the governance and control of the handling of the pandemic has been good.

“It is good to see that the Board considers the crisis organisation to have worked almost entirely as intended, and reassuring that the Board sees the need for further development through creating clearer common frameworks and tools and by establishing consistent terminology for the Bank as a whole. It is also positive that the Board engages in open dialogue with the Council and informs it so clearly in its letters of any implemented and planned improvements.

“The Council was informed that the operational areas perform their own, separate assessments and report their own operational risk to the Board. In the wake of the restructuring following the new Central Bank Act and the creation of Norges Bank Administration (NBA), all reporting on operational risk relating to areas such as physical security has been brought together in the risk reporting by the Governor's area of responsibility, which may give a better overall picture of Norges Bank's activities in this area. Unplanned events such as pandemics are reported as risks that may affect the Bank's activities, separately for each operational area, and are used to inform contingency and business continuity planning at Norges Bank.

“Consideration should be given as to whether operational risk assessments relating to unplanned events such as pandemics etc. should also be included in overall reporting. The Council notes that overall responsibility for exercises in the area of life, health and physical security is now gathered in a single place, which may help to improve coordination and planning.

“The Board states that the compliance reports from its operations reveal no breaches of national or local infection control regulations. The regulations have been interpreted strictly. Delegating authority to approve applications for travel and events to NBA Security and Crisis Management (NBA SCM)/Global Security Operation Center (GSOC) appears to have helped ensure a uniform and consistent approach to processing applications.”

RECOMMENDATION:

“The Supervisory Council recommends that the Executive Board consider whether the information received by the Board from the operational areas on operational risk arising from unplanned events such as pandemics is suffi-

cient for it to make an overall assessment for the whole of Norges Bank, or whether it would be more appropriate to have joint management/reporting in this area.

“Furthermore, the Council expects to be informed when the planned changes to the contingency planning process have been implemented. Future ongoing supervision will monitor updates from the Bank on costs and day-to-day operations.”

The Council expressed its opinion that the active investigation, including the continuous dialogue between the Council and the Board, had been a success, and set a good precedent for cases where this kind of approach is considered appropriate.

The Council endorsed the assessments in the supervisory report on the Bank's handling of the Covid-19 pandemic. The report was forwarded to the Board, which was asked for its feedback on the recommendation.

In its response to the Council, the Board wrote:

“Re. the letter from the Office of the Supervisory Council dated 12 November 2021, accompanied by the report on Norges Bank's handling of the Covid-19 pandemic, in which the Council asks for the Board's feedback on the recommendation from the review.”

“Reporting on operational risk arising from unplanned events such as pandemics and flooding (referred to as ‘risks’) is covered by the annual risk and internal control reporting to the Executive Board. The annual reports of the two operational areas will add specific reference to this type of risk and to how the risk is managed through the control measures they have established, as well as in their business continuity and contingency planning.

“Based on these annual reports by the two operational areas, an overall report covering the whole of the Bank will be produced. In this overall report, the assessments of this type of risk from the two reports will be combined, in order to provide a complete picture of the risk. The risk reports of the two operational areas and the overall report will, in accordance with Section 8 of the Regulation on risk management and internal control at Norges Bank, be forwarded by the Board to the Council.

“In its letter, the Council also asks to be informed when the planned changes to the contingency planning process dis-

cussed in the report have been implemented. The Executive Board established principles for risk management, security and contingency planning in 2020. The Bank is in the process of updating the overall description of Norges Bank's crisis organisation. This process is due for completion by 30 March 2022. The Supervisory Council will be informed once this work has finished."

The Council considered the Board's response at its meeting on 23 February. When asked by the Council, the Governor confirmed that a joint overall risk assessment for the whole of the Bank will be included in the annual risk and internal control report.

The Council noted the Board's response.

OPERATIONAL RISK AT NORGES BANK – SUPERVISORY REVIEW

Any failure in operational risk management and internal control might have a negative impact on the trust enjoyed by Norges Bank with the Norwegian population and hence also its reputation.

The Supervisory Council hired Mercer Sentinel, a specialist group within the company Mercer LLC, to carry out an assessment of the way in which Norges Bank manages operational risk based on their experience of what is considered good market practice. The Office of the Supervisory Council attended all of the meetings held with the Bank and helped to gather information. The review included an assessment of the management structure and functions used to control the Bank's activities, including the operational activities and control mechanisms of NBCBO, NBIM and NBA.

Mercer Sentinel delivered its report on 31 January 2022. The main conclusion of the report was that the Bank has implemented operational processes that are proportionate to the size and complexity of its operations. In certain areas, the Bank was recommended to take action to reduce operational risk.

The report was considered at the Council's meeting on 23 February 2022. Representatives of Mercer presented the report and answered questions, including about Mercer's basis for making comparisons and about which of the review's findings were considered most important. The following resolution was passed:

The Supervisory Council has taken note of the assessments made by the supervisory review on operational risk at Norges Bank. The report shall be forwarded to the Executive Board, which is asked to assess the recommendations made in the report.

The report has been sent to the Executive Board. The Board's assessment of Mercer's recommendations and any further follow-up will be carried out by the Council. A response is expected in time for the Council's meeting in June 2022.

1.3 SUPERVISION OF NBA AND NBCBO

NBA

BENEFITS REALISATION PLAN NBA

The Supervisory Council has received a letter from the Executive Board on the status of the benefits realisation plan. In its letter, the Board says: *"From 'Strategy 2022 – One Bank', it follows that NBA shall strive to realise synergies and economies of scale. NBA has drawn up a benefits realisation plan for the period up to 2022. The plan was adopted by the Board on 30 September 2020. Work on the benefits realisation plan is mainly proceeding to plan, with the exception of the consequences of the newly revised strategy for NBIM on the number of full-time equivalent employees at NBA. The plan was based on the assumption that conditions during the strategy period would remain relatively stable, but NBIM's investment in HR and communications has affected the need for resources at NBA."*

The Council noted this letter. Areas where there is still considered to be room for improvement include implementing joint methods and communication, and better and more uniform processes across the whole organisation. The Council considers that exploiting economies of scale and coordinating processes and internal frameworks would help to clarify who has ultimate responsibility at the Bank and make it easier for the Board to carry out integrated governance. Updated forecasts for FTEs and budgets in this area were presented in conjunction with the ordinary budget process in the autumn.

MANAGEMENT OF PHYSICAL SECURITY, CONTINGENCY PLANNING AND CRISIS MANAGEMENT

The Council has reviewed periodic management reports over the course of the year. Unwanted incidents are reported and followed up regularly through line manage-

ment structures. A meeting was held between the Bank's security department, NBA Security and Crisis Management (NBA CSM), and the Office of the Supervisory Council in order to provide information about work on security inspections and how they are conducted. A meeting was also held to improve understanding of measures relating to the production, transport and distribution of bank notes.

The judgements presented in the two operational areas' annual reports are based on regular risk and internal control assessments, incident reporting and internal analyses and reports relating to specific areas of risk, including security and compliance. Assessment of the security situation at each of the two operational areas is covered by these reports. The risk assessments are based on judgements of the consequences and probabilities of unwanted incidents. Threat analysis is used by both NBCBO and NBIM when assessing the risk outlook.

In its annual report on risk management and internal control, the Board states that to ensure a common approach to crisis management at the Bank, NBIM's internal guidelines on contingency planning and crisis management were updated in 2021. This brought its terminology and methodology into line with the framework adopted for NBCBO. The Council is in favour of this coordination of internal frameworks, because it helps to clarify who has ultimate responsibility at the Bank and makes it easier for the Board to carry out integrated governance.

COMPLIANCE WITH RULES TO COMBAT MONEY LAUNDERING AND TERRORIST FINANCING

In 2020, the Council considered a supervisory report on the Bank's compliance with rules to combat money laundering and terrorist financing. Document 9 (2019–2020) presented the Executive Board's preliminary response to the recommendations of the report. Furthermore, the Board is separately investigating the need for changes to its organisation, roles and lines of responsibility, and for updates to its governance documents, in response to the recommendations of the Council.

The Council has received a final response to the report's recommendations. According to the Board, based on the Bank's role, only a limited amount of work on compliance with the Anti-Money Laundering Act is needed at the Bank. The Board's principles and associated guidelines for compliance with anti-money laundering regulations have been updated.

The Council took note of the Board's response to the supervisory report on the Bank's compliance with the rules on combating money laundering and terrorist financing.

GOVERNANCE AND CONTROL OF IT DEVELOPMENT AND IT SECURITY

The Supervisory Council has received information about the status of IT security at the Bank through reporting. At a meeting with the Council, NBA and NBIM gave oral presentations on the systematic work being done to raise the IT security maturity level at the operational areas. Both operational areas have set themselves firm goals, based on clear criteria, which they are working systematically to achieve.

Within the Governor's area of responsibility and NBIM, the same international framework (NIST CSF) is used as the benchmark for IT security maturity levels. In its governance documents, the Board has adopted joint principles for risk management and joint principles for security (which also cover IT and cybersecurity risks), while more detailed rules have been adopted for each operational area.

The Board's annual report on risk management and internal control states that the various security experts at Norges Bank work well together to reach a joint understanding of the threat situation through the collaborative forum Norges Bank Cyber Threat Intelligence Centre (NB CTIC).

The Council believes that here too Norges Bank should seek to make the operational areas' methodologies and terminologies consistent. Exploiting economies of scale will help to clarify areas of responsibility and provide a better basis for integrated governance.

PERSONNEL, WORKING ENVIRONMENT AND GENDER BALANCE

The Working Environment Committee shall strive to ensure that there is an entirely good working environment and help to promote compliance with the stipulations of the Working Environment Act. Amongst other things, the committee is to oversee health and safety activities, the inclusive working life agreement, the use of temporary employees, and progress towards the Bank's goals for equality and diversity, as well as promote good communication, cooperation and staff consultation.

The committee's composition, work and reporting comply with the Working Environment Act. The chair and deputy chair of the committee are elected in alternate years from management and employees. The Bank's occupational health unit attends its meetings. The committee reviews the results of annual employee satisfaction surveys. During 2021, the committee closely followed the crisis management with respect to the Covid-19 pandemic. There were no occupational accidents that needed to be reported to the Norwegian Labour Inspection Authority in 2021.

The Working Environment Committee is to submit an annual report to the Executive Board, which forwards it to the Supervisory Council for its information. The committee's report has been presented to the Council, which deems it a priority for the Bank to have a good working environment. The Council notes that relevant laws and agreements concerning the working environment have been observed and reported on.

The Council took note of the annual report for 2021 of the Working Environment Committee at Norges Bank.

The Board reports on the working environment in its annual report for 2021, which gives a detailed description of the situation during the Covid-19 pandemic.

The Board's annual report includes a discussion of the gender balance amongst employees at the Bank. Norges Bank works systematically to achieve gender balance, and its goal is to achieve at least 40 percent of each gender at the Bank as a whole. At the end of 2021, 34 percent of the Bank's employees were women. This is an increase from 33 percent in 2020 and 32 percent in 2019. The proportion of female employees at the Bank's international offices is lower than in Oslo. Only NBA reports that almost 60% of its staff are women.

The Council considers it important for Norges Bank to set targets for improving the gender balance and will monitor the Board's efforts to achieve them.

NBCBO

MANAGEMENT OF THE FOREIGN EXCHANGE RESERVES

Through ordinary quarterly reporting, the Supervisory Council was informed about developments in the foreign exchange reserves. The central bank considered the size and liquidity of the reserves to have been sufficient to meet Norges Bank's commitments throughout the year.

No breaches of the guidelines from the Executive Board were reported.

Quarterly reporting on the management of currency reserves is published at www.norges-bank.no.

NORGES BANK'S SETTLEMENT SYSTEM (NBO)

The Supervisory Council monitors reporting on operational stability and the management of risk and contingency planning through the Bank's ordinary management reporting. No interruptions to operations were reported in 2021.

The Council receives the annual report for Norges Bank's settlement system (NBO). The report discusses relevant events and developments, as well as operational activities over the course the year in relation to key figures, operational stability, risk assessment and contingency planning exercises. An edited version of the report is published on the Bank's website. The public version leaves out the discussion of individual institutions, and its discussion of internal matters, such as risk assessments and contingency plans, is shorter and more general.

This annual report was noted.

BANKNOTES AND COINS, NORGES BANK'S RESPONSIBILITY FOR SUPPLYING CASH, ROLE AS ISSUER AND INVENTORY MANAGEMENT

The Office of the Supervisory Council has examined reports on the Bank's inspection visits to central bank depots, which are operated by an external supplier, and has been informed of the external auditor's work. No nonconformities with procedures were reported. The Office consulted with NBCBO's cash management department and NBA's security department in order to gather information about their tasks and responsibilities. In addition, a visit was carried out to the central bank depot in Oslo. This also formed part of the preparations for a supervisory review in 2022.

Each year, the Council receives an internal report on notes and coins and a public annual report on financial infrastructure, which it notes for information.

In its audit report on Norges Bank's annual financial statements for 2021, Deloitte AS describes the key audit matters. "Key audit matters are those matters we consider to be of most significance in the audit of the annual financial statements for 2021. These matters were considered during the audit and when we formed our opinion on the annual financial statements as a whole."

Deloitte writes: *“Norges Bank has established various control measures relating to notes and coins in circulation. We assessed and tested the processes for selected control measures relating to notes and coins held, including for ordering and receiving new notes and coins, recording transfers in and out, counting at central bank depots and recording the destruction of notes and coins. For a selection of these control measures, we tested whether they had worked as intended during the period in question.*

“In the case of central bank depots operated by third parties, we obtained reports from them on their holdings of notes. In the case of the central bank depot operated by Norges Bank, we performed an independent count of selected notes. We compared the reports from the third parties and Norges Bank, as well as the results of our count, with the information given by Norges Bank on holdings at central bank depots.”

The Council has noted the auditor's report. Please also see Chapter 3 of this report, which discusses a planned supervisory review.

TASKS PERFORMED FOR THE GOVERNMENT, GOVERNMENT ACCOUNTS AT NORGES BANK AND MANAGEMENT OF THE PUBLIC DEBT

Government accounts at Norges Bank in 2021 – annual assurance statement by the external auditor

Norges Bank has various duties relating to central government payments, cash management and debt. These duties have their legal basis in the Central Bank Act and are regulated in more detail in an agreement with, and mandate from, the Ministry of Finance.

Through the treasury single account system, all central government money is gathered in an account at Norges Bank each day. At the end of 2021, deposits from the Treasury amounted to NOK 344bn. This makes up the largest liability item in the Bank's balance sheet other than the deposit account for the GPFG. Government deposits will, however, vary considerably during the year due to large payments to and from the government's current accounts.

The Bank is responsible for implementing and overseeing agreed stipulations on security, backups and emergency procedures, including tasks performed by external suppliers of operational and account management services. This work is to be performed in accordance with the regulations on financial management in central government and the guidelines for settlement accounts in the treasury single account system.

Deloitte AS has issued an assurance statement on how Norges Bank documents the requirements of the agreement, including the requirements relating to security in the management of these accounts. The statement for 2021 had a positive conclusion. This means that no non-conformities were identified that present risks or a need for follow-up action.

The Supervisory Council has taken note of the assurance statement regarding the government's accounts at Norges Bank for 2021. The statement has been forwarded to the Ministry of Finance.

Accounting and payments in the management of government debt in 2021 – annual assurance statement by the external auditor

The Ministry of Finance has, in line with the Central Bank Act, issued a mandate for the management of central government debt along with supplementary provisions and powers for Norges Bank. Norges Bank has operational responsibility for these management activities and the costs are covered by the Bank.

The Bank issues government debt and enters into financial contracts in the name of the Ministry of Finance. Transactions relating to the management of government debt are presented in the central government accounts and not on the Bank's balance sheet. The regulations on financial management in central government are to be adhered to in the management of the loan portfolio.

The Bank is to publish public quarterly and annual reports on its management of government debt. The reports should be as transparent as possible about the GPFG's investments, within the constraints of what is compatible with fulfilling the investment mandate.

At the request of the Ministry of Finance, the Bank's external auditor submits an independent assurance statement each year on the governance and control of accounting and payments in the management of government debt. The external auditor's statement for 2021 had a positive conclusion. This means that no nonconformities were identified that present risks or a need for follow-up action.

The Supervisory Council has taken note of the assurance statement on accounting and payments in the management of government debt for 2021.

The statement has been forwarded to the Ministry of Finance. The Office of the Auditor General also received a report from Deloitte AS in 2021 on agreed-upon procedures relating to the accounting for government debt management.

Under Section 2-1 of the Management Mandate for the GPFG, the Bank is to draw up a borrowing strategy describing how the Bank intends to cover the government's borrowing requirements. Prior to the start of the budget year, the Bank is to present a borrowing programme for the Ministry. The programme should describe planned new borrowing and include a calendar for debt issuances. On 24 November 2021, the Board considered the draft borrowing strategy for 2022, and it adopted the enclosed strategy and borrowing programme for 2022. The strategy, which has been forwarded to the Ministry of Finance, was published on 22 December 2021.

The Council has received a letter from the Board enclosing the strategy and borrowing programme for 2022, which it has noted.

1.4 SUPERVISION OF MANAGEMENT OF THE GOVERNMENT PENSION FUND GLOBAL

FOLLOW-UP OF THE EMPLOYMENT CONTRACT BETWEEN THE EXECUTIVE BOARD AND THE CEO OF NBIM

On 11 June 2020, the Supervisory Council sent a letter to the Storting (Document 9:1 (2019–2020)) in conjunction with the Executive Board of Norges Bank hiring a new CEO for NBIM. In Recommendation 398 S (2019–2020), the Standing Committee on Finance and Economic Affairs expects the Council to continue supervising the work of the Bank's Executive Board in the normal manner.

With reference to Document 9 (2020–2021), the Standing Committee on Finance and Economic Affairs notes in Recommendation 590 S (2020–2021) that the Council has followed up past comments arising from its supervision and dialogue with the Executive Board of Norges Bank. The committee notes that the Council intends to continuously monitor the Executive Board's oversight of adherence to the stipulations of the agreement, which include that it shall be final, irrevocable and have no time limit. The committee expects this work to be given the necessary attention and priority by the Council and the Storting to be kept informed as necessary.

In August 2020, Norges Bank's Executive Board adopted the following points for follow-up:

- The General Secretariat, through GRC, is to establish procedures for regular checks and control measures relating to the agreements and third-party declarations associated with Tangen's employment contract, with reports being made to the Board. NBIM Compliance is to assist with this work.
- In its activities, NBIM shall not:
 - › use AKO as an external manager, or buy any other services from AKO companies,
 - › sign securities lending agreements directly with AKO companies or
 - › trade significant shareholdings directly with AKO companies (OTC trades)
- Beyond this, NBIM may, in conjunction with its day-to-day operations, trade normally in the markets, regardless of whether or not AKO is its true counterparty.

Control measures have also been established at NBIM through internal guidelines and procedures, which amongst other things cover potential conflicts of interest.

At its meeting on 10 June 2021, the Council considered the Board's letter of 25 March, which contained a response to the question raised by the Council at the meeting on 24 February 2021. The letter is reproduced in Document 9 (2020–2021). Together with the letter, the Council was also sent copies of the signed agreements "Amended and restated agreement of undertaking" and "Deed of undertaking" between Norges Bank and Nicolai Tangen, both dated 13 April 2021.

Resolution adopted in June 2021:

The response from the Executive Board has been noted. With reference to the section of Nicolai Tangen's undertaking relating to the restriction on repurchasing his holding in AKO Capital, the Council notes that the wording is now identical to that of the AKO Foundation's undertaking. Nicolai Tangen's undertaking has been noted. The Council will monitor the Board's oversight of the employment contract as part of its ongoing supervision.

As part of its ongoing supervision in 2021, the Council was forwarded the Board's reports on the control measures relating to the employment contract with the CEO of NBIM. The Board informed the Council that GRC, which is

the unit responsible for overseeing the agreement, had requested and received undertakings from the relevant parties by email. It also confirmed that NBIM had not bought any services from, signed any securities lending agreements with or traded significant shareholdings with AKO companies. It said assessments had been made of counterparties and advice had been given in response to internal questions. The Council was informed that there were no cases in which the CEO of NBIM had declared a conflict of interest, nor had there been any breaches of the guidelines.

At the Council's meeting on 23 February 2022, the Bank's management provided information about the oversight of the control measures for the CEO of NBIM. The Governor responded to the Council's questions regarding what is meant by no "significant" shareholdings being traded directly with AKO companies, to what extent this only applies to manual transactions and what is meant by the term "trade directly".

The following resolution was adopted:

The Supervisory Council takes note of the Executive Board's oversight of the employment contract of the CEO of NBIM and expects to receive equivalent annual updates on the control measures taken by the Board for the duration of the contract. The Office of the Supervisory Council was asked by the Council to clarify certain matters with the Bank.

Arising from the Council's discussions and resolution, the Office contacted the Bank's management, and was able to find out that the significance threshold in the control measures allows potential exceptions for "trivial" transactions that cannot be considered to create any conflict of interest. NBIM prohibits all direct (OTC) trade with AKO companies, and not only trade involving "significant" shareholdings. A clarification regarding this was presented at the meeting on 17 March, where the Council adopted the following resolution:

The Council takes note of the Executive Board's clarification of its control measures relating to the CEO of NBIM, including the fact that trades which are not considered "significant" are also ruled out by the management's measures and oversight.

LETTERS BETWEEN THE MINISTRY OF FINANCE AND NORGES BANK

During 2021, the Supervisory Council was copied into a number of letters from the Ministry of Finance. It is usual practice for the Council to be copied into correspondence between the Ministry of Finance and Norges Bank regarding the Management Mandate for the GPFG.⁹ These letters have been presented as items for information at the Council's meetings. Of the letters in 2021, it is worth drawing special attention to a letter in which the Bank is consulted on the oversight of the work of the *Expert Group on Climate Risk at GPFG*¹⁰, which presented its report on 20 August 2021. At the Council's meeting, Deputy Governor Øystein Børsum explained Norges Bank's comments in its letter of 2 July 2021.

NORGES BANK'S WORK ON TAX AND TRANSPARENCY

In February 2021, the Supervisory Council considered the Bank's letter to the Ministry of Finance on the topic of tax and transparency. In the letter, the Bank explains the basis for its approach to tax and transparency, and how that will inform its future investment activities. The Council raised questions about the impact of the Bank's measures on the approach to tax at companies in which it invests. The Bank stated that the aim of its investments is to maximise the fund's returns, but that it is also concerned about financial risk and reputational risk. The fund's main tool remains engaging in dialogue with companies. The aim of closely tracking index performance in the management of the GPFG creates a high threshold for excluding companies, but in 2020, for the first time, the fund performed risk-based sell-downs based on tax considerations.

In order to follow up this matter, the Council requested a more detailed explanation from NBIM on tax and transparency. This was provided through a presentation and oral report at a meeting in June, where NBIM showed an expectations document about tax and transparency that was published in 2017. At the request of the Council, NBIM and the Governor explained how the Bank approaches this topic, including how it engages in dialogue with the companies in its portfolio. The Council was informed about upcoming work on tax and transparency, including the use of analyses of companies' tax reporting, assessments of risk-based sell-downs and further refinement of stated expectations. The Council took note of this information.

EXTERNAL PORTFOLIO MANAGEMENT

At the end of 2021, NBIM had 97 individual equity mandates relating to external managers. These mandates are divided between emerging markets and developed markets. NBIM has established set procedures for selecting, overseeing and terminating agreements with external managers.

The Office of the Supervisory Council has developed a model for selecting external managers for supervisory visits, and it has normally visited selected managers annually. No in-person visits were carried out in 2021 due to the Covid-19 pandemic. Conversations with NBIM confirmed that the monitoring of external managers was done by analysing the growth and development of the number of managers, and the use of depots etc was analysed through electronic platforms.

As described in Chapter 3 of this report, a supervisory review of external managers is planned for 2022.

NORGES BANK'S RISK MANAGEMENT AND CONTROL FRAMEWORK FOR DUE DILIGENCE AHEAD OF INDIVIDUAL INVESTMENTS IN UNLISTED ASSETS BY THE GOVERNMENT PENSION FUND GLOBAL – ASSURANCE STATEMENT

The Supervisory Council engaged Deloitte AS to carry out an independent review of Norges Bank's risk management and control framework for due diligence ahead of individual investments in unlisted assets by the Government Pension Fund Global. The rules governing this kind of review are set out in the Management Mandate for the GPFG, Section 3-10 (4).

The project was carried out over the period August–November 2021. Deloitte drew on its resources in both the UK and Norway, and the work was carried out in accordance with the relevant international standard for this kind of assurance engagements (ISAE 3000). The Office of the Supervisory Council attended all of the meetings held during the project.

The main conclusion in Deloitte's report was positive, but it identified certain issues that may be relevant to future work on further developing the Bank's risk management and control framework, and it made some recommendations.

The Council considered its report on 9 December 2021 and adopted the following resolution:

The Supervisory Council takes note of the assurance report *"Independent assurance engagement for the Supervisory Council of Norges Bank on the Bank's risk management and control framework for due diligence ahead of individual investments in unlisted assets by the Government Pension Fund Global"*.

The report is to be forwarded to the Executive Board so it can comment on the recommendations and is to be made publicly available once it has been sent to the Ministry of Finance.

The report has been forwarded to the Ministry of Finance and has been published in its entirety.¹¹

The response from the Board was considered by the Council at its meeting on 23 February 2022, where Deputy Governor Øystein Børsum gave a brief introduction to the topic. The following resolution was passed:

The Supervisory Council takes note of the Executive Board's comments on the report on risk management and control relating to due diligence ahead of individual investments in unlisted assets by the GPFG. A summary of the contents of the Board's response will be included in the Council's 2021 report to the Storting.

A discussion of the report and excerpts from the Board's response are reproduced below.

Section 3-10 (4) of the Management Mandate for the GPFG requires the Executive Board of Norges Bank to establish guidelines to ensure proper due diligence ahead of individual investments in unlisted assets in the real estate portfolio, renewable energy infrastructure portfolio and companies where the board has expressed an intention to seek a listing on a regulated or recognised marketplace.

The mandate specifies a number of risk factors that should be assessed in these situations, and there is a requirement to document the review. Deloitte judges that the risk management and control framework for due diligence ahead of individual investments in unlisted assets by the GPFG is to a very large extent designed, and in the case of investments in unlisted real estate and unlisted renewable energy infrastructure implemented, in accordance with the stated measurement criteria.

Nevertheless, its review identified certain issues that may be relevant to future work on further developing the risk management and control framework.

UNLISTED REAL ESTATE AND INFRASTRUCTURE

Section 3-10 of the mandate on due diligence ahead of individual investments in unlisted assets is reproduced in Norges Bank's governance documents. They do not set more detailed requirements than those set by the text of Section 3-10 of the mandate itself, nor are they expanded upon with any guidelines. This applies to the governance documents adopted by the Board, CEO of NBIM and Chief Real Assets Officer (CRAO). In order to reduce the risk of inconsistencies between investments in terms of what is assessed, the level of risk acceptance, the level of detail of the assessments and the scope of the documentation, Deloitte recommends that the Bank establish minimum requirements to expand upon the mandate's stipulations in this area.

The Executive Board responded as follows:

"In the view of the Executive Board, Section 3-10 (4) of the Management Mandate for the GPFG is detailed and clear with respect to which risk factors shall be included and assessed in reviews of this kind. The Board has therefore, in its mandate for the CEO of NBIM, used the wording of the Management Mandate for the GPFG in terms of the requirements for implementing due diligence ahead of investments, and it considers this sufficient. The Board will ask NBIM to update its governance documents (policy and guidelines) by setting minimum requirements in the areas and for the matters that it considers appropriate in order to ensure consistent assessment and documentation of the risk factors."

With respect to assessing risk factors, Deloitte recommends that assessments of market and liquidity risk also be incorporated into the due diligence documentation. Furthermore, Deloitte recommends establishing guidelines to ensure that country risk is also reassessed if new types of investments are made.

The Executive Board's response was:

"Section 3-10 (1) and (2) require the Executive Board to approve, before investments are made, all of the financial instruments that are used in its asset management and all of the markets it invests in. The Bank shall have established procedures for this approval process, including regular reviews of all previously approved markets, and shall ensure consistent management, control and oversight of

all relevant investment risks and operational risks, including country risk.

"The Executive Board considers that the issue of country risk is adequately dealt with for individual investments in unlisted assets. Both market risk and liquidity risk relating to unlisted investments are covered by the process of adopting a strategic plan for asset management, and by work on individual investments. The Board therefore believes that there are adequate measures in place covering market and liquidity risk. Nevertheless, the Board will ask NBIM to clearly discuss liquidity risk in the documents it presents to inform decisions on individual investments in unlisted assets."

NBIM Governance and Compliance has certain responsibilities in conjunction with due diligence processes. The review identified that this team performs certain parts of the due diligence process itself. Deloitte advised Norges Bank to establish guidelines requiring an independent party to take part in the due diligence process, in order to challenge accepted risks and check that the process is comprehensive.

The Executive Board informed that:

"Governance and Compliance is responsible for the second line of defence with respect to the oversight of the activities of Real Assets. This responsibility involves, amongst other things, monitoring, assisting, advising and challenging the first line in its identification, assessment and management of risk. This second-line responsibility does not involve independently reviewing all of the tasks carried out by Real Assets' first line of defence, as this would involve duplicating specialist functions and having an organisational structure that would require significantly more resources.

"For some aspects of Operational Due Diligence (ODD), the first and second lines of defence cooperate to ensure the efficient flow of information and effective implementation. The first line owns the risk, while the second line can challenge it on specific issues, as well as assess the implementation and completeness of its processes. It can also escalate matters up the line in the event of disagreement. Beyond this, GC performs regular reviews of the various processes in the organisation and carries out tests of key control processes. In view of the above, the Executive Board considers that the division of functions and roles between the first and second lines of defence works well and is clearly understood at NBIM, and that there exists the necessary independence and transparency in the performance of their tasks."

External advisers are used in due diligence processes. There are no guidelines setting out when there is a requirement for external advisers to be used or the scope and level of detail of their work. In order to ensure consistency between different investments, and that the appropriate expertise is involved in due diligence processes, it is recommended that such guidelines be drawn up.

The Executive Board's response to this was:

"Different types of transactions require different kinds of external expertise for due diligence. The scope of external assistance with due diligence processes should therefore be risk-based and tailored for each individual investment. NBIM uses external legal, financial and technical expertise in all of its markets. For areas relating to tax and legal questions, external expertise of this kind is used for all transactions. The Executive Board will ask NBIM to formalise its guidelines on the use of external advisers in order to ensure consistency in line with Deloitte's recommendations."

FORMAL APPROVAL OF INVESTMENTS

The investment mandate for the CEO of NBIM states that all investments in unlisted assets whose value exceeds USD 500m shall be approved by the Executive Board. The same applies to sell-downs of unlisted real estate and unlisted renewable energy infrastructure. The mandate does not define how close to completion the due diligence process should be prior to the Board's approval. We recommend that this be defined, including which documentation should be available to the Executive Board prior to approval.

The Executive Board's response was:

"In order to ensure a systematic approach and a good basis for decision-making, a template has been created for the documentation presented to the Executive Board relating to investments in unlisted assets. On a purely practical note, this kind of investment in unlisted assets has a time frame that is largely defined by the external party/parties to the transaction. Documentation presented to the Board will clearly show which stage of the due diligence process the investment has reached. The Board considers that the procedures put in place for its review of investments in unlisted assets meet the need for the documentation to be sufficiently comprehensive, while giving the management the necessary flexibility to process investments in a timely manner."

For investments whose value exceeds USD 500m, the Chief Risk Officer (CRO) shall, prior to the investment being made, prepare a formal assessment of the risks, with a recommendation on whether or not the investment should go ahead, based on an overall risk assessment. The assessment shall be presented to the relevant fora in the decision-making process and form part of the decision documentation. However, this requirement has not been included in any guidelines, which it is recommended should happen. Norges Bank is also advised to consider introducing equivalent requirements for investments with a value of less than USD 500m.

In one investment that Deloitte investigated, it found that the CRO had recommended that the investment be considered by the relevant fora for approval, in spite of the conclusion stating that the CRO had assessed certain risks to be high. The CRO's document left it unclear whether or not these risks were acceptable, and if the CRO believed that there was a need to implement mitigating measures to manage or reduce the risks. It is recommended that the documentation of the CRO's recommendation be clearer.

With respect to this, the Board stated that it would *"ask NBIM to formalise a requirement in its guidelines regarding when the CRO's risk assessment should be included in the documentation and decision-making process. Investments in unlisted assets with a value of less than USD 500m vary greatly in nature depending on the class of investment. A high proportion involve capital increases within existing company structures, as well as CAPEX (development) relating to real estate, in which case the risk assessment only touches on a limited part of the risk outlook. All investments of over USD 100m go through REAB, with the CRO contributing an oral assessment and comments, which are also minuted. Prior to investments being considered by REAB and RIAB, the CRO has their own departmental forum, PREAB, where investments that will be passed on to REAB are analysed and discussed, as well as documented.¹² In addition, all investments of whatever value go through a standard check list covering all relevant topics and risks that need to be addressed. Compliance checks that all of the items on the check list have been completed before an investment decision can be made and can challenge and escalate aspects of the investment during its review."*

"In view of this, the Executive Board considers that there are already adequate procedures and controls in place for investments with a value of less than USD 500m, without any additional requirement for the CRO to prepare a formal risk assessment for all investments. The need for

this should be assessed by NBIM on a case-by-case basis. The CRO's risk assessment indicates on the front page whether or not the CRO recommends that the project/investment can: i) go ahead without any risk alerts, ii) go ahead with risk alerts, or iii) should not go ahead. If the risks associated with the investment are individually or collectively considered too high by the CRO, option iii) should be chosen. If option ii) is chosen, the CRO should list the risks considered material to the assumptions underlying the investment.

"The risks and potential risk reduction measures should be detailed and presented in the assessment itself. Mitigations or hedging arrangements are not always available for the risk factors presented by the CRO. The NBIM Investment Meeting discusses the investment memo and CRO's risk assessment with the aim of balancing the expected return against the overall risk level of the investment. The Board has also stressed that documentation relating to individual investments should set out how NBIM has weighed up the expected return against the risk. The CRO will normally attend the discussions of the relevant decision-making fora on individual investments. In view of the above, the Board considers that the CRO's role is in line with the Board's expectations and understanding."

INVESTMENTS IN UNLISTED COMPANIES WHERE THE BOARD HAS EXPRESSED AN INTENTION TO SEEK A LISTING ON A REGULATED OR RECOGNISED MARKETPLACE.

It is many years since any such investment was made, and the procedures for this kind of investment are inactive. This means that several aspects of the Bank's risk management and control framework have not been implemented in practice. For instance, this applies to NBIM's procedures for assessing and documenting risk and control measures, with their associated roles and responsibilities. Moreover, the CEO of NBIM has not delegated responsibility and authority onwards within the investment mandates and associated job descriptions or drawn up separate guidelines for this kind of investment. If any such investments are to be made, Deloitte recommends implementing the above measures.

The Chief Equities Officer has established guidelines for transactions involving pre-IPO companies. The guidelines use the term "pre-IPO", whereas the mandate refers to "unlisted companies where the board has expressed an intention to seek a listing on a regulated or recognised marketplace". The relationship between these two terms is not documented in the guidelines or in any other of Norges Bank's governance documents. It is recommended that the term be operationalised and that the guidelines

or other governance documents define which investments are covered by the rules in the mandate. This includes documenting the boundary between unlisted and listed equities within the investable universe covered by the mandate.

The Executive Board states that it is "several years since an investment of this kind was made, and the procedures for these investments are not currently active. For this kind of investment, the CEO of NBIM has not delegated responsibility and authority onwards within the investment mandates that are delegated to the chief investment officers at NBIM. If any such investments are to be made, the Executive Board expects NBIM to establish and update guidelines for them in the same way as the guidelines for the fund's other investments, including detailing which investments are covered by the rules in the mandate, and for the investments to adhere to the procedures for the Board's approval of instruments."

1.5 SUPERVISORY COUNCIL'S ROLE IN NORGES BANK'S ASSOCIATED ACTIVITIES

NORGES BANK'S PENSION FUND AND PENSION SCHEME

Norges Bank's Pension Fund (NBPF) is an independent legal entity and prepares its own accounts and annual financial statements. Its assets and liabilities are separate from Norges Bank. The Bank guarantees its share of the fund's premium reserve. The fund's purpose is to provide retirement benefits for former employees of Norges Bank and their survivors. The pension scheme complies with the National Insurance Scheme and is aligned with the rules for the Norwegian Public Service Pension Fund.

The Supervisory Council originally laid down the fund's articles of association. Changes to the articles are to be approved by the fund's board and forwarded to Norges Bank's governing bodies for their information. The fund's operations are supervised by the Financial Supervisory Authority of Norway (Finanstilsynet), which must also approve changes to the articles.

The Supervisory Council considers it important for the fund to have a strong financial position and generate good returns on its assets in order to reduce pension costs for the Bank. The Council is kept updated about the Executive Board's appointment of members of the fund's board and receives the fund's annual report, annual financial statements and auditor's report for information.

The Supervisory Council has appointed Deloitte AS as the pension fund's auditor, and a separate engagement agreement has been entered into between the auditor and the board of the fund. The external auditor submitted a standard report without remarks on the annual financial statements for 2021.

The Pension Fund is headed by its own board. Norges Bank's Executive Board appoints four of the six full members and two alternates, and at least one full member must be external with no connection to the pension fund, the central bank or member companies. Two full members and their alternates are appointed by employee organisations.

When the Board hired a new head of Internal Audit, the Council raised the question of whether it had considered possible conflicts of interest, since the person in question also chairs the Board of the pension fund. In its response, the Board forwarded a memo from the Governor and referenced the fact that the legislation governing pension funds does not disallow someone from combining these roles. The Board also referred to both the ethical principles for employees at Norges Bank and the instructions for the Internal Audit at Norges Bank, concluding: *"Sitting on the board of NBPF is something that employees do at the request of Norges Bank. It is desirable for the Bank's representatives on the board of NBPF to contribute strong expertise. If the responsibilities of the head of Internal Audit are restricted with respect to the bank's agreements with NBPF, the risk of conflicts of interest appears to be very small."*

Norges Bank's Internal Audit function currently has no formal or direct role in relation to the pension fund. The management of NBPF has stated to the Board that if the pension fund has any need for its own internal audit services, it will consider buying them in the relevant market from a company with specialist expertise on managing pension funds.

The Council took note of this response.

DIREKTØR N. RYGGS FOND

Direktør N. Ryggs fond (Governor N. Rygg Foundation) was established through a resolution of the Supervisory Council in 1954. The fund has its own statutes. Its endowment was NOK 200,000. Its purpose is to provide support to current and retired employees if they need and apply for it. The fund is also to promote wellbeing at the Bank by supporting measures that are in the interests of

current and retired employees. Support can be given to measures that do not naturally fall within the Bank's ordinary operating budget.

Members of the fund's board are appointed by the Governor and the Bank's employees. Each year, the board shall prepare financial statements and an annual report, which are forwarded to the Governor. The annual financial statements are audited by an auditor chosen by the Supervisory Council.

The fund is supervised by the Foundation Authority. Any changes to the statutes proposed by the fund's board shall be shown to the Council before being sent to the Foundation Authority. No matters relating to *Direktør N. Ryggs fond* were presented to the Council in 2021.

FOND TIL ØKONOMISK FORSKNING

Norges Banks fond til økonomisk forskning (The Norges Bank fund for economic research) is a foundation that was established in 1966 in conjunction with the 150th anniversary of the Bank, with an endowment of NOK 2m. On the Bank's 175th anniversary in 1991, the endowment was raised to NOK 6m. The Governor decides how the fund's assets are invested. The fund's equity shall not be touched. Each year, only the previous year's return can be used to finance the fund's activities.

The fund's purpose is to support economic research, and particularly applied research, including studies abroad in conjunction with special research projects. The fund's resources can also be used to cover expenses for guest lectures in the field of economics, to reward prize-winning theses and to fund participation at international research conferences.

The fund is managed by Norges Bank and has a 5-member board appointed by the Governor. Three of the board members are appointed based on suggestions from the University of Oslo, the Norwegian School of Economics and Statistics Norway.

By the end of February each year, the board is to send a report to the Governor on the fund's activities during the prior calendar year. The fund's financial statements are audited by an auditor chosen by the Supervisory Council.

According to the fund's statutes, any changes to the statutes proposed by the board shall be shown to the Council before being sent to the Foundation Authority. No matters relating to *Norges Banks fond til økonomisk forskning* were presented to the Council in 2021.

PENSJONISTSTIFTELSEN VED NORGES BANKS HOVEDKONTOR

Pensjoniststiftelsen ved Norges Banks hovedkontor (Pensioner foundation at Norges Bank Head office) was established by the Supervisory Council in 1988. The foundation's articles of association were adopted by the Council in 1989 and were subsequently approved by the Norwegian Gambling and Foundation Authority in 2005. The board's most recent change to the articles of association was approved by the Foundation Authority in 2020.

The Council shall express its opinion on any changes to the articles of association and in conjunction with the creation and closure of the foundation.

The foundation is independent of the Bank's management. The foundation's board, which is its highest decision-making body, shall consist of four members, three appointed by the pensioners' club at Norges Bank and one by the Bank's employees in Oslo, in accordance with the applicable rules on representation at any given time.

The foundation's board appoints its auditor, which is currently Norges Bank's external auditor Deloitte AS. The articles of association state that the financial statements and annual report shall be sent to the organisations represented on the board, the Supervisory Council and the Register of Company Accounts in Brønnøysund. The auditor's report is forwarded to the Foundation Authority.

The fund's endowment consists of NOK 1m of the NOK 13.7m that was put at the foundation's disposal when it was established. The board is responsible for ensuring that the capital is invested responsibly and with a satisfactory return, with the aim of ensuring that the foundation can maintain a reasonable level of activity. The Council takes note of the annual financial statements, the directors' report and the auditor's report.

¹ Regulation on risk management and internal control at Norges Bank, Section 3 (3)

² Central Bank Act

³ Equity Strategies, Asset Strategies, Real Assets, Corporate Governance & Compliance, Technology and Operations Risk

⁴ Section 3-1 (1).

⁵ Central Bank Act, Section 4-3 (4).

⁶ Cf. "The 'Four lines of defence model' for financial institutions" recommended by the Financial Stability Institute at the Bank for International Settlements (BIS).

⁷ Internal Control Regulation, Section 8.

⁸ Source: Norges Bank's and NBIM's annual reports for 2020

⁹ <https://www.regjeringen.no/no/tema/okonomi-og-budsjett/statens-pensjonsfond/eksterne-rapporter-og-brev/id2358366/>

¹⁰ <https://www.regjeringen.no/no/dokumenter/klimarisiko-og-oljefondet/id2868181/>

¹¹ https://www.norges-bank.no/contentassets/c80274266a8f496cbebad44b2045cd04/20211202_norges_bank_uavhengig_attestasjonsoppdrag_uno-terte_investeringer.pdf

¹² REAB = Real Estate Advisory Board and RIAB = Renewable Infrastructure Advisory Board. Both of these are advisory bodies for the head of real estate investment, the Chief Real Assets Officer. PREAB = Preparation Real Estate Advisory Board



CHAPTER 2

NORGES BANK'S
ANNUAL FINANCIAL STATEMENTS
AND BUDGET

2.1 THE SUPERVISORY COUNCIL APPROVES NORGES BANK'S ANNUAL FINANCIAL STATEMENTS

LEGISLATION GOVERNING THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

Section 4-3 (2) of the Central Bank Act states that: *“The Executive Board shall each year prepare annual reports and annual financial statements. Adoption of the annual financial statements shall require the approval of the Supervisory Council, and shall be sent together with annual reports and auditor’s reports to the Ministry and communicated to the Storting.”*

Section 2-1 of the Regulation on the Financial Reporting of Norges Bank also governs the presentation of the financial statements: *“(1) Norges Bank shall prepare annual financial statements and the annual report of the Executive Board in accordance with the provisions of the Accounting Act, subject to the exemptions and additions specified in this regulation. Norges Bank shall follow the provisions in the Accounting Act applicable to large enterprises.”*

In Section 2-2 of the Regulation on the Financial Reporting of Norges Bank, the Ministry of Finance has laid down additional rules, stipulating that the Bank’s financial statements shall be prepared in accordance with international financial reporting standards. In practice, this means that the Bank applies the International Financial Reporting Standards (IFRS).

APPROVED FINANCIAL STATEMENTS FOR 2021

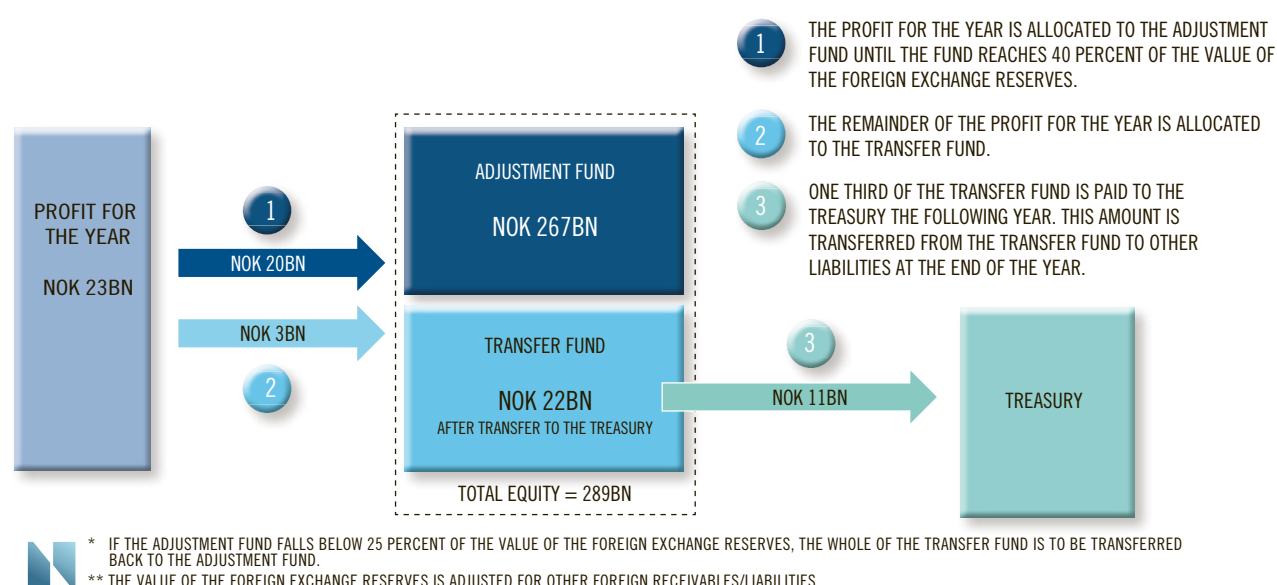
The Executive Board has prepared an annual report and financial statements for 2021, including the proposed allocation of the profit for the year, which it has presented to the Supervisory Council.

The Council’s resolution on Norges Bank’s annual financial statements adopted at its meeting on 23 February 2022 was incorporated into Norges Bank’s annual report:

- The Supervisory Council takes note of the Annual Report of the Executive Board for 2021.
- The Supervisory Council takes note of the auditor’s report and independent assurance statement on the information provided about responsible investment and climate impacts, and approves Norges Bank’s annual financial statements for 2021.
- In accordance with the guidelines, the total comprehensive income of NOK 23bn is to be transferred as follows: NOK 20bn to the Adjustment Fund and NOK 3bn to the Transfer Fund. From the Transfer Fund, one third, or NOK 11.1bn, will be transferred to the Treasury.

The allocation of Norges Bank’s profit for the year is regulated by separate guidelines on provisions and allocations of the Bank’s profit, laid down by the King in Council on 13

FIGURE 5 EQUITY – ALLOCATION OF NORGES BANK'S PROFIT



December 2019 pursuant to the Norges Bank Act, Section 311 (2). The resolution on the annual financial statements includes the allocation of the profit for the year and its impact on Norges Bank's equity.

The value of the Adjustment Fund was NOK 266.5bn on 31 December 2021. Comprehensive income for the year is to be allocated to the Adjustment Fund until the fund reaches 40 percent of the value of the net foreign exchange reserves. Any amount in excess of this is to be allocated to the Transfer Fund. After the allocations for the year, the balance of the Transfer Fund was NOK 33.3bn. Each year, a third of the total value of the Transfer Fund is transferred to the Treasury, which means that NOK 11.1bn was transferred. The resolution conforms to the relevant guidelines.

The figure shows the allocation of Norges Bank's profit, including the impact on its two equity funds, and the NOK 11.1bn transfer to the Treasury.

INVESTMENT RESULTS OF THE MANAGEMENT OF THE GPFG

The balance of GPFG's krone account¹³ at Norges Bank was NOK 12,340bn on 31 December 2021. The management fee from the Ministry of Finance is discussed in Note 13 to the financial statements: *"Total operating costs at Norges Bank incurred in connection with the management of the GPFG are reimbursed by the Ministry of Finance as the client. The management fee is equivalent to the actual costs incurred by Norges Bank, excluding administration fees invoiced separately to Norges Bank's subsidiaries in Norway, but including performance-based fees to external managers. The management fee came to NOK 4,640m in 2021 and NOK 5,305m in 2020."*

During the year, the Supervisory Council took note of the quarterly reports considered by the Executive Board relating to the returns on, and risk profile of, the Government Pension Fund Global. In conjunction with this, the Council queried the need for such frequent updates to the valuations of unlisted real estate assets, which are in principle considered long-term investments.

The financial reporting on the management of the GPFG forms part of Norges Bank's annual financial statements and is presented in detail in Note 20. In addition, a separate annual report on investment management is published, which is considered by the Council at the same meeting.

The Council adopted the following resolution:

The Council takes note of Norges Bank's annual report for 2021 on the management of the GPFG, including the Executive Board's assessment of its investment results and the auditor's report.

Norges Bank's annual report and financial statements for 2021, as well as the annual report for 2021 on the management of the GPFG, are dated 9 February 2022 and were published on 3 March 2022. The report on the management of currency reserves for the fourth quarter of 2021 was also published on that date. For further information about Norges Bank's annual reports and financial results, please see the Bank's website.

EQUITY AS OF 31 DECEMBER 2021

In the annual report for 2021, the Executive Board deems that, with the current balance sheet composition, the Bank's equity is sufficient to fulfill the Bank's purpose and meets the requirements of the Central Bank Act.

Excerpt from Norges Bank's annual report for 2021:

"Norges Bank's equity was NOK 289bn as of 31 December 2021, compared with NOK 277bn as of 31 December 2020. The Bank's equity consists of the Adjustment Fund and the Transfer Fund. At year-end 2021, the Adjustment Fund stood at NOK 267bn and the Transfer Fund at NOK 22bn. Norges Bank's equity was 34.7% of the balance sheet total, excluding the GPFG's krone account, compared with 35.9% in 2020."

The Adjustment Fund constitutes the Bank's non-distributable reserves, while the Transfer Fund provides the basis for transfers to the Treasury. In addition to the allocation of the profit for the year in accordance with the Supervisory Council's resolution, Norges Bank's annual report includes a statement of changes in equity. Also see the figure above relating to equity.

In 2020, the Council recommended that the Board specify its assessment of Norges Bank's equity in relation to the new provision in Section 3-11 (1) of the Central Bank Act.

Stipulations of the new Central Bank Act that entered into force in 2020:

Section 3-11. Norges Bank's equity and allocation of profit

(1) Norges Bank shall have sufficient equity to fulfil the Bank's purpose.

(2) The King in Council shall lay down guidelines on reserves and on the allocation of Norges Bank's profit. The Bank shall be invited to offer its opinion prior to the adoption of such guidelines. The guidelines shall be communicated to the Storting.

Section 1-2. Purpose of the central banking activities

(1) The purpose of the central banking activities is to maintain monetary stability and to promote the stability of the financial system and an efficient and secure payment system.

(2) The central bank shall contribute to high and stable output and employment.

What is considered sufficient equity for Norges Bank has not been defined or quantified. The Bank's equity consists of the Adjustment Fund and the Transfer Fund. The annual change in the Bank's equity depends on the allocation of its profit, which follows set guidelines, cf. the resolution on the allocation of the profit for the year above.

The general question of how much equity central banks need was to some extent discussed in the preparatory work on the new Central Bank Act: *"The composition of the balance sheet determines the bulk of the profit for the year. Central banks will normally generate a profit. The profit for the year and the allocation of this profit determine how much equity central banks build up."*¹⁴

As a general observation it can be said that the amount of equity which central banks have may vary considerably, and there is no absolute amount required. In order to enable a central bank to perform its necessary duties in a crisis situation, it must have the capacity to implement alternative policy measures such as buying securities. There are examples of central banks operating with low or negative levels of equity.

Norges Bank manages the foreign exchange reserves and can influence the size of both these reserves and other assets on the balance sheet. Foreign exchange reserves can be used as a monetary policy tool for transactions in foreign exchange markets, as well as to maintain financial stability and meet the Bank's international commitments.

The GPF's investment portfolio has no impact on the Bank's comprehensive income or equity.

Based on the recommendations of the Supervisory Council, the Executive Board has looked at the requirement for Norges Bank to have sufficient equity in accordance with the Central Bank Act. In a letter to the Council, the Board assesses individual balance sheet items that are related to the tasks of central banks in general, and states:

"The amount of equity needed by a central bank must be assessed in light of the risk on the balance sheet and potential future changes in the size of the balance sheet due to policy actions taken. Both monetary policy goals and the size of the financial sector are relevant in that regard. For example, the liquidity and equity requirements will be different with an inflation target from a fixed-rate regime. Viewed in isolation, a larger financial sector requires more liquidity and equity."

Central banks perform government-mandated tasks and do not primarily engage in commercial activities. The balance sheets of central banks reflect the tasks that they are given. This means that a comparison with the equity requirements for businesses or banks is not necessarily relevant, even if central banks have some similarities with banks."

The Executive Board also set out the results of its risk assessments and its stress testing of the balance sheet:

"The biggest risk factor with respect to Norges Bank's equity is the exposure of its foreign exchange reserves to equity, fixed-income and foreign exchange markets. The foreign exchange reserves are entirely invested in foreign currency-dominated securities, whereas the Bank's liabilities are overwhelmingly NOK-denominated. Fluctuations in the value of the krone therefore have a big impact on the Bank's financial results. A significant strengthening of the krone could lead to the

Bank incurring significant losses. Foreign currency exposure is one kind of exposure that the Bank cannot hedge against without reducing its foreign currency reserves and thereby its ability to use those reserves if needed. A large proportion of the growth of the Transfer Fund and the transfers to the Treasury in recent years have been due to the weakening of the krone.

“By far the biggest risk factor affecting the Bank’s equity is fluctuations in foreign exchange markets. The profit or loss on the Bank’s remaining activities will normally be small in comparison to the contribution from the foreign exchange reserves.

“The Bank’s assessment is that the guidelines for provisions and allocations of Norges Bank’s profit for the year have worked well since the most recent major revision in 2002. Equity has increased significantly over that period and now constitutes over 40 percent of the Bank’s reserves. This gives the Bank a strong buffer against losses, which is also what the stress tests indicate. If big losses were to cause the Adjustment Fund to fall below 25 percent of net foreign exchange reserves, transfers to the Treasury would cease and available funds in the Transfer Fund would be returned to the Adjustment Fund. Only when the Adjustment Fund once again exceeded 40 percent of reserves would further transfers be made to the Transfer Fund. This allows the Bank to gradually build up its equity. Equally, the rules put a limit on how much equity the Bank can have and ensure that more or less all of the Bank’s profit is transferred to the Treasury over the long term.”

The Supervisory Council took note of the Bank’s statement on this matter. The Council expects the Board to present an assessment of the risk outlook in view of changes in the balance sheet composition and equity in an annual report.

EXTERNAL AUDITOR'S STATEMENTS ON NORGES BANK'S FINANCIAL REPORTING

The work of the external auditor plays an important role in informing the Council’s approval of the annual financial statements and its work on reviewing financial reporting during the year.

Deloitte AS has submitted its independent audit report with a statement on its auditing of the financial reporting in the Bank’s annual financial statements for 2021. It has

also submitted an independent audit report with a statement on its auditing of the financial reporting relating to the Government Pension Fund Global’s investment portfolio for 2021, which forms part of the Bank’s annual financial statements. The audit reports, which are addressed to Norges Bank’s Supervisory Council, include no special comments. When the Council considered the Bank’s annual financial statements and reporting on the management of the GPFG for 2021, Deloitte AS provided information on the audit procedures carried out.

In line with the established practice for external auditors, Deloitte AS prepared audit report no. 12 for 2021. The numbering relates to the total period covered by Deloitte’s 12-year contract as Norges Bank’s auditor.

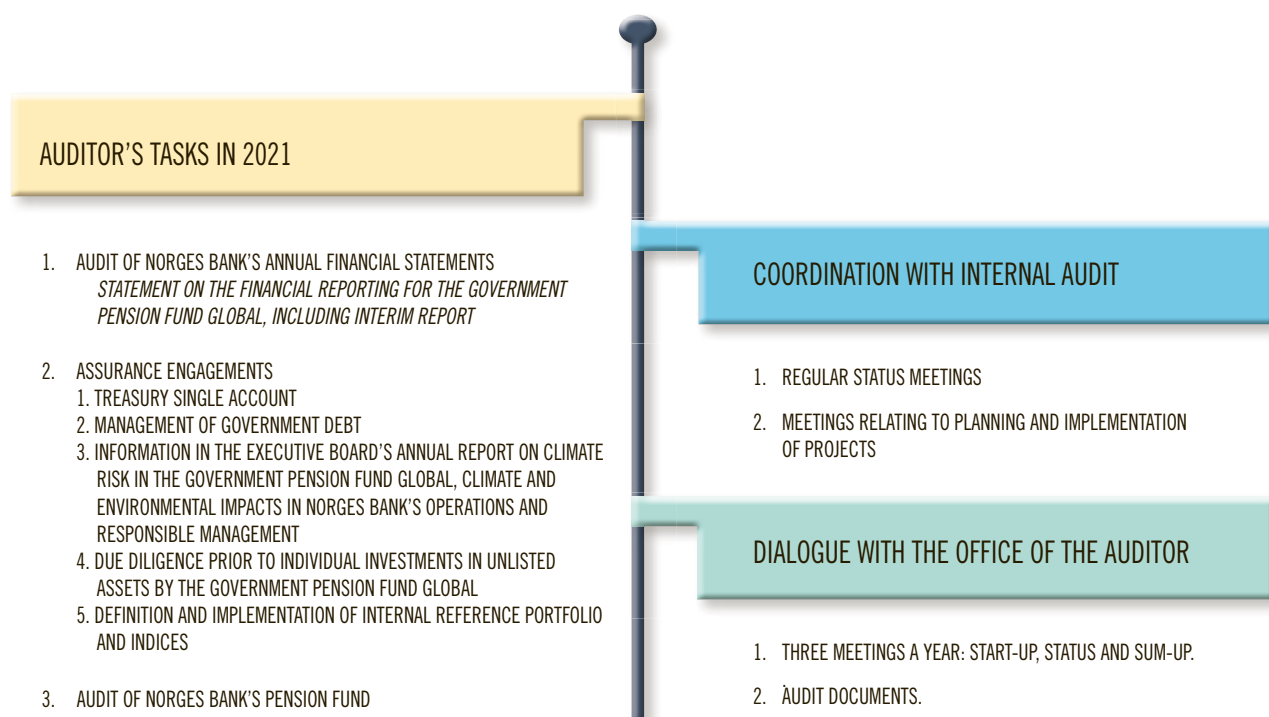
The report provides information on the audit performed and on items that may be significant for the financial reporting. It also contains information on the external auditor’s relationship with Norges Bank’s management and the auditor’s independence. Deloitte concludes by saying that it is *“not aware of any matters having arisen between Norges Bank and our organisation that in our opinion could have affected our independence after we took on the role of auditor.*

“We confirm that we, including the lead auditor and leading team members, up to and including 9 February 2022 acted as Norges Bank’s independent auditor as defined by applicable laws and regulations, Norwegian auditing standards and our internal rules. Furthermore, we confirm that we have not supplied any services that are not permitted under the Act on auditing and auditors.”

The Council’s deliberations led to the following resolution:

The Supervisory Council has taken note of the audit report. The audit report is to be forwarded to the Executive Board for its consideration.

Deloitte has also submitted a report dated 11 August 2021 on its review of the interim financial reporting for the GPFG for the first half of 2021, in accordance with International Standard 2410 “Review of interim financial information performed by the independent auditor of the entity”. In conjunction with its consideration of the interim report for the first half of the year, the Council took note of Deloitte’s report.

FIGURE 6 THE EXTERNAL AUDITOR'S TASKS IN NORGES BANK

Investments in real estate and renewable energy infrastructure are made through whollyowned subsidiaries of Norges Bank, established exclusively to help manage its investment portfolio. These subsidiaries are covered by the audited financial reports for the GPFG. Deloitte's international offices are heavily involved in this work.

Where subsidiaries have appointed their own auditor, the external auditor's report is submitted directly to the board of each company. These reports are not considered by the Council. The audit fee is charged directly to the individual company.

GUIDELINES ON SUPERVISION AND AUDITING OF SUBSIDIARIES

The Supervisory Council has established guidelines for the Council's supervision of companies owned by Norges Bank through the GPFG. These guidelines aim to ensure that the Council is able to obtain information from the subsidiaries and that they chose recognised auditors.

The management of unlisted real estate assets held by the Government Pension Fund Global requires the creation of subsidiaries for legal purposes and in order to

ensure that liability is separate etc. According to Clause 2.3 of the guidelines, the Council may decide which audit models are appropriate and effective for the Bank.

In the past (2014), NBIM decided that its American subsidiaries should be combined, for accounting purposes, into a single entity audited by Deloitte in Oslo. In a memo, NBIM has presented a proposal to reduce the number of subsidiaries requiring auditing. This relates to companies with limited activities whose transactions can be verified through bank reconciliation by NBIM's accounting department and the international depot. According to NBIM, robust internal controls and the board's involvement in preparing budgets also helps to reduce the risk of accounting errors.

The guidelines allow the Supervisory Council to adopt models for the auditing of subsidiaries that are appropriate and effective, and that are tailored to NBIM's activities. The models must be adapted to the regulations in the relevant countries. It should be made clear that companies directly owning real estate or renewable energy infrastructure will always be subject to audit.

The Council noted that changes are being made to the current model for the auditing of subsidiaries that are not subject to statutory audits.

REPORTING ON SUSTAINABILITY AND CLIMATE RISK

Deloitte AS has issued an independent assurance statement on the information provided about responsible investment and climate impacts.¹⁵

The review covered the information in the Bank's annual report on "Climate risk in the GPFG" and "Climate and environmental impacts of Norges Bank's activities" within the area Climate and environment, as well as "Responsible management of the GPFG" within the area Corporate governance, ethics and business culture.

The auditor's conclusion was:

"We have not become aware through our work of any matters that give us reason not to assume that:

- *Norges Bank has established procedures for identifying, collecting, compiling, documenting and quality-assuring information for 2021 for use in the above-mentioned chapters.*
- *The information in the above-mentioned chapters is presented in accordance with the underlying documentation."*

The assurance statement is covered by the Council's resolution on Norges Bank's Annual Report 2021, and it is reproduced in its entirety in the Bank's annual report and financial statements for 2021.

The Bank's 2021 annual report on responsible management of the GPFG provides more detailed information about the Bank's activities. The Council has received a copy of the report for its information.

2.2 THE SUPERVISORY COUNCIL ADOPTS NORGES BANK'S BUDGET – ON BUDGETING AND COST MANAGEMENT

THE SUPERVISORY COUNCIL'S AUTHORITY OVER THE BUDGET

Norges Bank is a separate legal entity owned by the central government. Norges Bank sets its own budget, which is not included in the Storting's consideration of the central government budget.

This kind of budgetary independence is normal for central banks. Economic and political independence helps ensure an independent role in the conduct of monetary policy and promotion of financial stability. Norges Bank's freedom of action under this arrangement brings expectations of strict budget discipline and close monitoring of expenditure. The preparatory work on the current Central Bank Act placed great emphasis on these areas.

The Supervisory Council's authority over the budget is regulated by Section 4-2 of the Central Bank Act: *"The Supervisory Council shall adopt Norges Bank's budget on the basis of a proposal from the Executive Board. The approved budget shall be communicated to the Ministry."* This means the Executive Board has a duty to prepare a budget for Norges Bank that the Supervisory Council can adopt. The Council also approves a budget for operating expenses at operating companies within real estate management and, from 2020, the management of unlisted renewable energy infrastructure in the GPFG.

The Council has issued budget rules for Norges Bank that set out the general principles for financial management. The budget rules were presented in Appendix 3-1 to the 2020 annual report, and they can be read at www.norges-bank.no. The Executive Board has issued supplementary financial rules with general principles for financial management and the budget process.

The Supervisory Council's budget resolution approves Norges Bank's total expected expenditure in the coming year. The Council ensures that the Board has presented clear overviews showing reasonable financial budgets for the Bank's tasks and operation. The annual budget resolution covers the whole of Norges Bank's activities, including the management of the GPFG. At an overarching level, the criteria and assumptions for budgeting are to be consistent across the whole of the Bank.

NORGES BANK'S EXPENDITURE – FOLLOW-UP OF THE BUDGET FOR 2021

The Board has submitted a letter on its budget reporting for 2021. This reporting includes a status report on the budget for the Bank's overall operating revenue, operating expenses and capital expenditure, and information on significant variations. There is also brief information on the status of action plans and performance against targets, with the main focus being on measures with significant budgetary consequences. The requirements of the budget rules have been complied with. Norges Bank's operating profit and investments were within the budget approved.

Operating expenses, excluding the cost of the Office of the Supervisory Council and Supervisory Council, totalled NOK 5.8bn, NOK 4.6bn of which related to the management of the GPFG. Total operating expenses were NOK 952m lower than budgeted. Lower expenditure than expected mainly related to the management of the GPFG. Fees paid to external managers were lower than budgeted, mainly due to a lower positive relative return on the external mandates, as well as because assets under external management were lower than anticipated in the budget.

Expenses associated with performance-based pay were significantly lower than budgeted. These expenses were reduced by NOK 272m due to a one-time accounting gain resulting from a change to the accrual accounting method used for performance-based pay.¹⁶

After completing its review, the Supervisory Council passed the following resolution:

“The Supervisory Council took note of the budget status report for 2021 and considers the reporting to be in line with the budget rules. The Council asks the Executive Board to continue to give high priority to cost efficiency and economies of scale.

“The Council also requests that the Board keep it informed about the upgrade project for Bankplassen in conjunction with future budget status reports etc.”

This final request relates to the budget resolution for 2022 on investment projects, as discussed below.

REMUNERATION ARRANGEMENTS FOR EMPLOYEES

The remuneration arrangements for employees at NBIM adhere to the rules in the Securities Funds Regulations with the necessary adaptations, in line with the mandate from the Ministry of Finance. Employees at NBCBO who work directly with investment decisions relating to the foreign exchange reserves may receive performance-based pay. The performance-based pay is calculated on the basis of the results achieved in relation to agreed performance targets. The Executive Board has established principles for remuneration arrangements that apply to both NBIM and NBCBO.¹⁷

NBIM had 216 employees receiving performance-based pay at the end of 2021, 12 of whom were employed by its subsidiaries. The maximum limit on their combined performance-based pay was NOK 425m, based on results

achieved over a number of years. Ten employees at NBCBO had performance-based pay agreements in 2021. Please also refer to the discussion in Norges Bank's Annual Report 2021.

The Council attaches great importance to cost efficiency and has previously requested and received more detailed reports from the Board on the Bank's remuneration arrangements. The Council considers that for a variable pay system to work properly, it is vital for it to have criteria that are transparent, comprehensible and objective.

Internal Audit issues an annual statement on the remuneration arrangements in each of the operational areas. Historically, the annual report on the remuneration arrangements at NBCBO has focused on the bonus scheme, whereas the report on NBIM has also included information about fixed salaries and how they compare with the external market. The Board would like to harmonise the reports, and it has requested that equivalent information also be represented in future reports on NBCBO. The Board's Remuneration Committee recommended that future reports should put an emphasis on highlighting the impacts of the bonus scheme. NBA HR will harmonise the reports to make the topics they cover and their structures more similar.

The Board's response and reports have provided the Council with sufficient understanding of Internal Audit's statements and the Board's oversight. The Council noted the Board's report on the remuneration arrangements at NBCBO and NBIM.

In the annual financial statements for 2021, personnel expenses were reduced by NOK 273m as a result of an adjustment in accordance with IFRS. This is mainly related to a one-time gain resulting from a change to the accrual accounting method used for performance-based pay. The change has no impact on the benefits accrued by, or paid out to, employees. The Council was informed about this matter in the conjunction with its deliberations on the annual financial statements and audit reports.

CONSIDERATION AND ADOPTION OF NORGES BANK'S BUDGET FOR 2022

The Supervisory Council deems it important for the Executive Board's budget proposal to include forecasts for the budget year plus two more years for personnel expenses, other operating expenses and investments. The Council is to be notified without undue delay of any major strategic changes. This gives the Council greater insight into, and opportunities to ask questions about, the Bank's financial management.

The Board states that there is a particularly high degree of uncertainty surrounding forecasts at the transition to a new strategy period (2023–2025), with ambition levels yet to be defined. No increase in staff numbers is planned from the number included in the budget for 2022. Lower recruitment costs, together with the end of project costs associated with the consolidation and optimisation of IT systems, may reduce overall expenses. When the Council considered the budget for 2022, the Bank's management gave an introduction before answering questions from the Council. Areas highlighted included cost levels in relation to the benefits realisation plan behind the establishment of Norges Bank Administration, measuring cost efficiency in the management of the GPFG, forecasts for bonus payments, and NBIM's ability to recruit successfully within budget.

The Council is particularly interested in the Bank's work on improving cost efficiency. The budget rules require cost levels to be discussed in the context of available external comparisons. To do this, the Bank uses

- An international comparison of full-time equivalents per role facilitated by the Bank for International Settlements (BIS)
- A comparison of FTEs at central banks in the Nordic region
- A comparison of the management costs of the GPFG, which CEM Benchmarking Inc. produces each year for the Ministry of Finance.
- Costs relating to unlisted real estate are also analysed. This is done by a European platform for sharing data within this investment class (INREV).

Norges Bank has budgeted NOK 7,048m of operating expenses for 2022, which is NOK 279m (4%) higher than in the budget for 2021. The increase is particularly driven by NBIM, whose operating budget totals NOK 5,972m.

NBIM's internal operating expenses, excluding NOK 2,301m of fees paid to external managers, are budgeted at NOK 3,671m. Excluding wages and other personnel expenses, NBCBO's budgeted operating expenses total NOK 885m, which is slightly lower than the previous year.

The total budget for wages and other personnel expenses is NOK 2,287 in 2022, an increase of NOK 202m (10%) over the exchange-rate adjusted budget for 2021. This is mainly due to an increase in staff numbers and the associated wages and other personnel expenses. The budget assumes that the Bank will have 1,004 permanent employees at the end of 2022 (NBCBO 271, NBA 158 and NBIM 575). That is 70 more employees than the number reported in the annual financial statements as of the end of 2021. Wage growth of 3.1% is budgeted for employees in Oslo, while for NBIM as a whole the figure is 3.97%, taking into account staff at international offices.

Norges Bank presents a draft budget for the management of the GPFG in a letter to the Ministry of Finance and asks it to set a maximum limit for its management costs. On 1 December 2021, the Council received a copy of a letter from the Ministry of Finance on the budget allocation for investment management. The letter plays an important role in informing the Council's consideration of the budget. The Council deems it important that the management costs do not exceed the budget allocated by the Ministry. Any such overshoot must be covered by the Bank.

Excerpts from the Ministry's letter: *"The Ministry of Finance would like to point out that the goal of the management of the GPFG is to achieve the highest possible return after costs. The Ministry has a clear expectation that Norges Bank will manage the GPFG in a cost-efficient manner that exploits any potential economies of scale."*

It has set the following cost limit: *"Based on an overall assessment, for 2022 the Ministry of Finance has set a maximum limit of NOK 5.6bn for management costs, excluding performance-based fees paid to external investment managers, but including costs at the subsidiaries covered by the budget. This limit takes into account the uncertainties surrounding exchange rates and returns on investment."* Performance-based fees (budgeted at NOK 1,239m) are covered in addition to this limit.

NBCBO has budgeted that it will receive NOK 140m of other operating revenue from interbank settlements and rental income from the Financial Supervisory Authority of Norway.

Budget resolution for 2022:

In accordance with the Norges Bank Act and the budget regulations for Norges Bank, the Supervisory Council has considered the Executive Board's proposed budget for Norges Bank for 2022.

	BUDGET 2022
Management fee, GPFG	5 905
Other operating revenue	140
Total operating revenue, Norges Bank	6 045
Personnel expenses, NBCBO	-444
Other operating expenses, NBCBO	-417
Depreciation, amortisation and impairment losses, NBCBO	-23
Personnel expenses, NBIM	-1 547
Other operating expenses, NBIM	-2 090
Depreciation, amortisation and impairment losses, NBIM	-35
Fees to external managers, NBIM	-2 301
Personnel expenses, NBA	-333
Other operating expenses, NBA	-194
Av- og nedskrivninger NBA	-94
Elimination of shared costs*	424
Elimination of shared costs passed on by NBCBO to OSC/SC	8
Total operating expenses, Norges Bank	-7 048
Operating loss, Norges Bank	-1 003

* Elimination consists of allocated costs to NBIM, including NOK 33 million from NBCBO, NOK 354 million from the NBA and NOK 36 million from the Supervisory Council (SC).

New investment proposals total NOK 133 million. Of this, NOK 111 million relates to maintenance and upgrades of the head office at Bankplassen 2. Previously approved investments amount to NOK 81 million.

The Supervisory Council approves NOK 150 million as a budget framework for 2022 for operating costs in operational operating companies within real estate management in the Government Pension Fund Global. Management costs in subsidiaries are included in the basis measured against the upper limit for coverage of management costs set by the Ministry of Finance.

The Supervisory Council has laid down the budget for supervisory and audit costs in its own resolution at a meeting on 9 December 2021.

Norges Bank's total budget is notified to the Ministry of Finance in accordance with Section 4-2 of the Norges Bank Act.

INVESTMENT PROJECTS

The budget includes NOK 214m of investments over the coming period, of which NOK 81m has been previously approved and NOK 133m is new in the investment proposal for 2022. This represents a significant increase over 2021, which is due to NOK 94m of upgrades to the office spaces in the Bank's head office building in Oslo planned for 2022. International Financial Reporting Standards (IFRS) define what can be classified as an investment project.

The 2022 investment budget for upgrades to office spaces was approved on the basis of information provided to the Council at the meeting on 11 November 2021, including a tour of the premises. The Council was informed that framework agreements have been signed for areas such as electrical installations, ventilation, structural work, etc. and that call-offs can be made based on each of them. In response to questions from the Council, it was also explained that the upgrades can be postponed or stopped at any point in time.

The Council has not approved a total budget for the upgrades, having so far only set a limit for 2022, but it has been informed of the estimated total cost. The upgrades have been organised as a programme, with a planning and execution period of six years (including the years 2021 and 2022). Annual plans will be presented for individual sub-projects in conjunction with the budget process each year. The Council expects to be provided with updates on costs, progress and future activities in conjunction with its annual budget resolutions.

NORWEGIAN FINANCE INITIATIVE (NFI)

The Norwegian Finance Initiative (NFI) was set up by Norges Bank's Executive Board in 2010. Since then, it has provided financial support to Norwegian academic institutions and academics in Norway who are studying questions relating to financial economics. Over that same period, financial support has been provided to Norwegian academic institutions and students working in the field of macroeconomics through similar support schemes managed directly by the central bank.

In 2021, the Board decided to launch a new, joint academic programme that will support the academic disciplines that are most relevant to Norges Bank. The purpose of the new academic programme is to strengthen higher education on macroeconomics and financial economics in Norway, and several of the support schemes that were the responsibility of NFI and the central bank will be continued under this new programme.

The Council has taken note of the Board's letter on the changes to the structure of the Norwegian Finance Initiative. In conjunction with the Council reviewing the letter from the Board and the NFI's annual report for 2020, NBIM answered its questions on issues such as fixed costs and the low proportion of women receiving grants from the NFI.

The Bank's new academic programme will have three main support schemes in Norway for macroeconomics and financial economics:

1. support for students who have been accepted by leading, international PhD programmes
2. support for topics and lecture series at PhD level at academic institutions in Norway; and
3. co-financing of academic positions at institutions in Norway.

In the ordinary operating budget for 2022, NOK 6.2m is budgeted for NFI, NOK 3.8m lower than the amount budgeted in 2021. The budget allocation for NFI is to cover its residual obligations. In addition, NOK 0.85m has been budgeted for the Bank's new joint programme.

OPERATING BUDGETS FOR WHOLLY OWNED SUBSIDIARIES INVOLVED IN THE MANAGEMENT OF THE GPFG

According to the budget rules, the Supervisory Council shall be presented with the budgets for management costs at subsidiaries involved in managing the Bank's investments in unlisted real estate assets and unlisted renewable energy infrastructure in the GPFG. Total operating expenses at wholly owned operating subsidiaries are budgeted at NOK 105m for 2022. The cost limit from the Ministry of Finance also includes these management costs.

Other operating expenses at wholly owned and part-owned subsidiaries related to ordinary maintenance and the operation of buildings and leases are not covered. Plans and budgets for the Bank's wholly owned subsidiaries are adopted by the boards of the individual companies in question.

BUDGET RESOLUTION FOR THE COUNCIL'S OWN ACTIVITIES

At its meeting on 9 December, the Council also approved the budget for the Supervisory Council, the Office of the Supervisory Council and the external auditor, which came to NOK 44.3m in total for 2022. The budget resolution for 2022 and expenditure in 2021 is discussed in Chapter 4 of this report.



¹³ Section 3 (2) of the Government Pension Fund Act: “The Government Pension Fund Global is deposited in an account with Norges Bank. The countervalue is managed under provisions laid down by the Ministry, cf. Section 10.”

¹⁴ NOU 2017 No. 13, Section 22.5: Norges Bank’s balance sheet management (p. 339).

¹⁵ This was issued in accordance with ISAE 3000 (revised) “Assurance engagements other than audits or reviews of historical financial information”, published by the International Auditing and Assurance Standards Board.

¹⁶ See Note 12 Personnel expenses, table 12.1 in Norges Bank’s annual report.

¹⁷ These are based on the Regulations relating to the Act on Securities Funds, Chapter XI, “Remuneration arrangements”

CHAPTER 3

PRIORITIES FOR FUTURE WORK

The Council's role in society and duties under the Central Bank Act have remained unchanged since 2010.¹⁸ It is important to have a long-term, holistic perspective, while maintaining sufficient flexibility to respond to the various questions that come up during the Council's discussions. In addition to its regular and ongoing duties, the Council gives priority to further development of its control and supervision work and increasing its expertise on the Bank's duties. Other areas of importance include the Bank's profile, communication and transparency, as well as helping to ensure that the Bank maintains a good reputation.

PLANNING DOCUMENT AND ACTION PLAN

The Supervisory Council has drawn up a strategic planning document for its own work. This describes priorities for the coming three years in order to enable the Council to fulfil the tasks allotted to it by the Central Bank Act in the best possible manner.

Annual evaluations of its work are used to discuss any areas for improvement, which are then taken into account in the annual action plan. The action plan describes specific tasks, activities, responsibilities and deadlines for the coming year. It is vital to ensure clear communication, both internally and externally, and transparency about the Council's work. It is important to maintain a constructive dialogue with stakeholders such as the Storting, Ministry of Finance and Office of the Auditor General of Norway.

To help ensure that the Council performs its supervision in the best possible way, a plan for the Council's own professional development activities has also been adopted for the period 2022–2025. In 2022, new members of the Council will be given a proper introduction to the Council's role and duties, which also involves them gaining a good understanding of the Bank's activities. Another priority is developing a good partnership with the new auditor chosen for Norges Bank.

SUPERVISION PLAN

The Supervisory Council approves an annual supervision plan, which covers ongoing supervision, supervisory reviews and active investigations of topical issues. The supervision plan for 2022 places particular emphasis on four areas that will form part of the ongoing supervision. These are:

- operational risk management,
- following up agreements with suppliers,
- regulatory compliance, and
- budgeting and performance against targets.

A decision has also been taken to carry out projects, with their respective final reports, in the following areas:

Operational risk management. One of the main tasks of the Council is supervising the Bank's operations and overseeing its regulatory compliance. One key area for it to monitor is the Executive Board's governance and management of operational risk. In 2021, the Council has considered a report on this topic, which is discussed above. Topics that may require further follow-up include IT security, internal control processes relating to transaction execution and any other matters arising from the Board's response to the findings and recommendations of the report.

Cost Efficiency. The cost of managing the GPFG has received a lot of attention. The Council wants to know to what extent the Bank has assessed different ways of measuring cost efficiency. It plans to review whether the requirements relating to cost efficiency in the Management Mandate for the GPFG have been fulfilled.¹⁹ It may be relevant to look at how equivalent/other entities measure the efficiency of their management.

Responsibility for supplying cash. One of the core roles of central banking operations is supplying society with cash. Cash is part of the contingency plan for payment continuity, ensures privacy, and gives consumers freedom of choice with respect to payment methods. A supervisory review will look at Norges Bank's processes and at how it ensures availability, usability and security. According to the Central Bank Act, the Bank may outsource the production of banknotes and coins, and the supervisory review will include visits to external suppliers, to check both their security arrangements and the management of agreements with third parties. It will also be of interest to compare the Bank's processes with those of other central banks.

External managers. It follows from the Management Mandate for the GPFG that the Bank may use external managers and service providers.²⁰ Investments in emerging markets are mainly done through external managers. In several markets, Norges Bank and the GPFG are exposed to international political instability. In addition to the supervisory visits to external managers that have been carried out as part of the ongoing supervision process for a number of years, the Council believes it would be useful to gain a better understanding of how their activities are managed and developed in order to generate positive relative returns. The supervisory review will focus on compliance with the Management Mandate for the GPFG, including NBIM's processes for choosing, signing contracts with and overseeing external managers.

PROFESSIONAL DEVELOPMENT PLAN

The Supervisory Council has approved a professional development plan for the period 2022–2025. Thanks to their prior expertise, the Council's members have a general understanding of Norges Bank's core tasks and areas of risk before they are appointed. To ensure that the Council is competent to perform its supervisory role, it aims to build up good collective expertise on security, corporate governance and financial management, as well as an adequate understanding of the Bank's technical areas in order to detect relevant risks in the Bank's processes.

The Supervisory Council's professional development activities are joint events that it is important to attend. It may be necessary to adjust the plan if new members are appointed in 2024 and in order to adapt to any relevant events or changes in the framework for the Bank's activities. The plan covers various kinds of activities:

- *Consideration of items and reports at meetings* – a good source of knowledge about the Bank's operations and technical areas

The Council's meetings are the best and most straightforward source of knowledge about the Bank's activities, relevant areas of risk, current challenges and management of its duties. Reports and technical updates provide fundamental information about the operation and governance of the Bank's activities. At meetings, topics are introduced by the Office of the Supervisory Council, external specialists, or managers and other key personnel at Norges Bank. The Council's members share knowledge and discuss items before taking any decisions.

- *Seminars*

There is an introductory seminar about Norges Bank and the Council's duties and work in conjunction with inaugural meetings, which normally take place every two years in January. Topics covered include Norges Bank's manage-

ment model, organisation, approach to problem-solving, regulatory framework and mandates. An introductory talk on security is also given.

Over the course of the year, technical seminars are held involving lectures followed by discussions. The topics chosen for seminars are based on criteria such as risk, importance and relevance. The purpose of these seminars is to inform the Council members about important areas, and to provide them with a broad platform for challenging the Bank's management in conjunction with supervisory activities. The lecturers/speakers shall be a mix of external specialists and internal experts at Norges Bank.

Topics that may be covered in 2022 include IT security, climate and environmental risk, investment strategies, including geopolitical risk assessments, and NBIM's expectation documents.

- *Study visits/seminar trips*

One extended technical seminar is normally planned each year. Due to the Covid-19 pandemic, no such seminar has been held for the past two years. Visits to entities such as supervisory authorities, organisations, fund and asset managers, financial institutions, central banks and academic institutions will help to improve members' understanding of Norges Bank's operations from an international perspective.

Since around half of the Supervisory Council's members are new since 2021/2022, a visit to a central bank would be useful in 2022. Relevant topics include central banking tasks and international standards and frameworks for asset management. For new members, it is also important to gain an insight into the Bank's international activities. The plan is to visit one of the Bank's international offices to learn about its organisation and the reasons for the choice of location, as well as about the management of the GPF, markets, responsible management, expectation documents, etc.

18 Proposition no. 58 to the Odelsting (2008-2009) Changes to the previous Central Bank Act with respect to new accounting and auditing rules etc. and Bill 101 L (2009-2010) Changes to the previous Central Bank Act with respect to the Supervisory Council's direct reporting to the Storting. Both of these changes were maintained in the new Central Bank Act of 2020.

19 Section 1-3 (5) of the Management Mandate for the GPF: "The investment management of the Fund shall be cost-effective".

20 Section 1-8 (1) of the Management Mandate for the GPF(1) "The Bank may use external managers ..."



1. Hovedsædet i Kristiania

a. **Direktøren**

ektionens fast beskikkede Formand, to
en-chef)

CHAPTER 4

NORGES BANK'S
SUPERVISORY COUNCIL'S
ORGANISATION OF ITS WORK

4.1 SUPERVISORY COUNCIL MEMBERS 2022–2023

The Supervisory Council has 15 members appointed by the Storting for a term of four years.²¹ The Chair and Deputy Chair appointed by the Storting for the period 2022–2023 are Julie Brodtkorb and Marianne Aasen.

Members can be reappointed for a total period of eight years. In 2021, the members Truls Wickholm, Ingrid Fiskaa and Kari Anne Sand had to resign based on the Central Bank Act's rules on eligibility.²² The Storting appointed replacement members for the remainder of their terms.²³

These three new members are Alf Einar Jakobsen, Per Botolf Maurseth and Eli Hovd Prestegården. Four new members, Mathias Hunskaar Furevik, Tord Hustveit, Martin Kolberg and Tom Henning Slethei, have been appointed for the period 2022–2025.

This report is issued by the Supervisory Council in 2022. The members are presented below. Geographically, they reside in six different counties.²⁴ Four of the members, or 33 percent, are women.

	First appointed	Appointment period
Julie Brodtkorb, Chair 2022–2023	2018	2022–2025
Marianne Aasen, Deputy Chair 2022–2023	2020	2020–2023
Harald Espedal	2020	2020–2023
Mathias Hunskaar Furevik	2022	2022–2025
Gjermund Hagesæter	2018	2022–2025
Line Henriette Holten	2020	2020–2023
Tord Hustveit	2022	2022–2025
Alf Einar Jakobsen	2021	2021–2023
Martin Kolberg	2022	2022–2025
Per Botolf Maurseth	2021	2021–2023
Eli Hovd Prestegården	2021	2021–2023
Tom Henning Slethei	2022	2022–2025
Eirin Kristin Sund	2020	2020–2023
Morten Sjøberg	2018	2022–2025
Lars Bjarne Tvete	2020	2020–2023

THE PERMANENT COMMITTEE

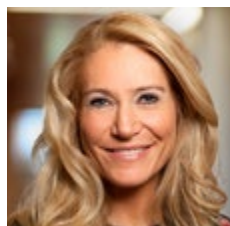
Full members

Julie Brodtkorb, Chair
Marianne Aasen, Deputy Chair
Gjermund Hagesæter
Martin Kolberg
Morten Sjøberg

Personal alternates

Harald Espedal
Eirin Kristin Sund
Line Henriette Holten
Mathias Hunskaar Furevik
Per Botolf Maurseth

PROFILES OF COUNCIL MEMBERS



Julie Brodtkorb, Chair

- CEO of the Norwegian Association of Heavy Equipment Contractors
- Past experience includes state secretary and chief of staff at the Office of the Prime Minister, member of Oslo City Council, adviser on business and finance policy, chair of the Norwegian Broadcasting Council, communications director at Utfors AS, CEO of JKL Group and consultant at Geelmuyden.Kiese
- MBA from the Norwegian School of Economics



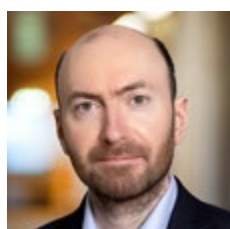
Marianne Aasen, Deputy Chair

- Director of Simula Learning
- Chair of parliamentary commission, chair of Nedre Romerike brann og redningsvesen IKS, board member of Simula UiB AS and NHO Viken Oslo, and municipal councillor in Asker
- Past experience includes member of the Storting and its standing committees on Finance and Economic Affairs and on Education, Research and Church Affairs, political adviser at the Ministry of Local Government, head of information at the European Movement and journalist
- MA from the University of Oslo



Harald Espedal

- Owner of investment firm Espedal & Co and CEO of Salt Capital AS
- Chair of Retails Office AS, Lyse Energi AS, Sandnes Sparebank and Solstad Offshore ASA, deputy chair of Stavanger Concert Hall, and board member of Aspelin Ramm and the Norwegian School of Economics
- Past experience includes CEO of SKAGEN, deputy chair and board member at Oslo Børs VPS and Oslo Børs, board member at the Norwegian Opera and Ballet, head of financial planning and analysis at Sparebank 1 SR-Bank, and head of the Stavanger office of the consultancy and auditing firm Arthur Andersen.
- MBA from the Norwegian School of Economics, State-Authorised Public Accountant



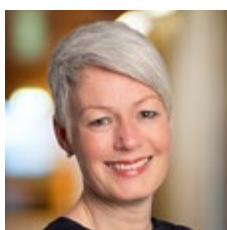
Mathias Hunskaar Furevik

- Analyst at Sparebanken Vest
- Employee representative on the General Assembly (Supervisory Board) of Sparebanken Vest
- Past experience includes leader of the Red Party group in Bergen City Council and member of Bergen Municipality's supervisory committee



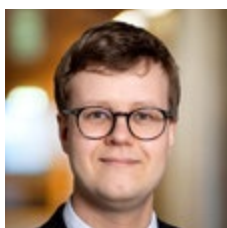
Gjermund Hagesæter

- Chief Municipal Executive, Fitjar municipality
- Past experience includes member of the Storting, fiscal policy spokesperson, member of the standing committees on Finance and Economic Affairs, Local Government and Public Administration, and Scrutiny and Constitutional Affairs, state secretary at the Ministry of Justice, county and municipal councillor, officer in the Armed Forces, municipal chief executive, deputy chair of Haukeland Hospital, and member of the board of Nordhordland Kraftlag, the transport committee in Hordaland, and the board of the European Movement
- Law degree from the University of Bergen and economics degree from the Norwegian School of Economics



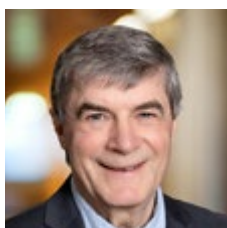
Line Henriette Holten

- Secretary-general of the Norwegian Society of Graduate Technical and Scientific Professionals
- Chair of Det Norske Skogselskap, and board member of Dignio AS
- Past experience includes member of the Storting, member of the standing committees on Energy and the Environment, Health and Social Affairs, and Business and Industry, fifth vice president of the Storting, political adviser at the Ministry of Health and Ministry of Labour and Social Affairs, chair of parliamentary commission, deputy chair of the Norwegian Institute of Bioeconomy Research, member of Askim Town Council, and director of social policy at the Norwegian Society of Graduate Technical and Scientific Professionals
- MA in theology from the Norwegian Faculty of Theology



Tord Hustveit

- Economist at Statkraft
- Past experience includes Chair of Young Liberals of Norway and member of Akershus county council. MA in Economics from the University of Oslo



Alf Einar Jakobsen

- Deputy chair of the Norwegian Air Ambulance Foundation and Digforsk AS
- Past experience includes attending alternate member of the Storting, member of the standing committees on Social Affairs and Finance and Economic Affairs, political secretary and state secretary at the Ministry of Social Affairs, mayor, and local politician. Head of health and social services in Hammerfest, office manager for the nursing degree course at Finnmark University College. Member of the boards of Norwegian sports organisations at a local and regional level, as well as of the Norwegian Olympic and Paralympic Committee and Confederation of Sports. Board and management roles in the petroleum industry.
- BA in administration and management, Finnmark Regional College and civil service training at the service for alcoholics



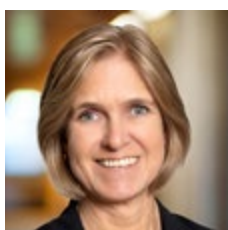
Martin Arvid Kolberg

- Lecturer on politics
- Chair of Buskerud Labour Party
- Past experience includes member of the Storting, member of the Standing Committee on Foreign Affairs and Defence, Chair of the Standing Committee on Scrutiny and Constitutional Affairs, state secretary at the Office of the Prime Minister and the Ministry of Defence, party secretary, head of secretariat, member of Lier municipal council



Per Botolf Maurseth

- Associate Professor at BI Norwegian Business School
- Past experience includes state secretary at the Ministry of Education and Research, researcher at the Norwegian Institute of International Affairs (NUPI) and Chair of the Government Pension Fund Norway
- Doctorate in Economics from the University of Oslo



Eli Hovd Prestegården

- County councillor and committee chair in Viken, teaching assistant/substitute teacher at Ulvdal school, manager of Mårbu seter og fjellstue
- County politician, acting chair of Nore og Uvdal Næringssselskap
- Past experience includes deputy mayor and mayor of Nore og Uvdal Municipality, alternate member of the Storting, member of the Association of Outlying Municipalities and Association of Hydropower-producing Municipalities, general manager at a building supplies shop, bank worker
- Tourism at Wang school; Organisation, management and support teaching at NKI Distance Education



Tom Henning Slethei

- Mayor of Sola Municipality Self-employed
- Chair of Jåsund Utviklingsselskap AS, Hummeren Hotell AS, Tananger Leilighetshotell AS, Risavika Handelseiendom AS, Myklebust Butikkeiendom AS, Stadionparken Næringsseiendom AS, Hestholmen AS and Solakrossen 13 AS
- Past experience includes deputy mayor, chair of the planning and building committee, chair of Sola Bredbånd, and board member at Forus Næringspark AS, Polarcus AS and IVAR IKS
- BA in Business Management, BI Norwegian Business School



Eirin Sund

- Regional Director at LO Norway
- Board member at the Rogaland Research Foundation and Maritime Forum Stavanger
- Past experience includes member of the Storting, member of the standing committees on Finance and Economic Affairs, Energy and the Environment, Local Government and Public Administration and Transport and Communications, state secretary at the Ministry of Transport and Communications, political adviser at the Ministry of the Environment, deputy mayor, deputy county mayor, Vice President of the Norwegian Football Federation, general manager of a volunteer centre
- FHS Armed Forces College management programme



Morten Sjøberg

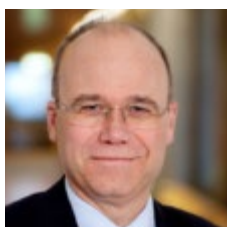
- Head of public relations at SpareBank 1 Gruppen
- Board member at Oslo Nye Sparebanks Fond
- Past experience includes secretary of state at the Ministry of Finance and researcher in Statistics Norway's research division
- Doctorate in economics from the University of Oslo and BSc in philosophy and economics from the London School of Economics



Lars Tvete

- Director
- Past experience includes CEO of pension fund Helseforetakenes Pensjonskasse, director of Oslo City Council's secretariat, economic adviser, head of secretariat, secretary of the Standing Committee on Finance and Economic Affairs, adviser at the Ministry of Finance and inspector at the Financial Supervisory Authority of Norway (Finanstilsynet)
- MBA from the Norwegian School of Economics and MSc from the London School of Economics

OFFICE OF THE SUPERVISORY COUNCIL



Jan Frode Jakobsen

- Director
- Past experience includes CEO of pension fund Helseforetakenes Pensjonskasse, director of Oslo City Council's secretariat, economic adviser, head of secretariat, secretary of the Standing Committee on Finance and Economic Affairs, adviser at the Ministry of Finance and inspector at the Financial Supervisory Authority of Norway (Finanstilsynet)
- MBA from the Norwegian School of Economics and MSc from the London School of Economics

Randi Ingun Almås	Deputy director
Peter Hideo Grutle	Senior adviser
Kristian Magnus Langseth	Special adviser
Anne Gullhagen Larsen	Special adviser
Mats Leonhard Pedersen	Special adviser
Lise Taylor	Administrative co-ordinator

4.2 ORGANISATION OF THE SUPERVISION

THE SUPERVISORY COUNCIL

The Supervisory Council's duties are regulated by Section 2-17 of the Central Bank Act. *"The Supervisory Council shall supervise in accordance with Section 4-1, approve budgets pursuant to Section 4-2, adopt financial statements pursuant to Section 4-3, appoint the auditor pursuant to Section 4-4 and determine the method of appointment, if applicable, of employee representatives on the Executive Board pursuant to Section 2-3 (2), third sentence."*²⁵

Within its area of responsibility, the Council has issued the following rules for Norges Bank's activities:

- Budget rules for Norges Bank
- Rules on loans to employees of Norges Bank
- Guidelines for the Supervisory Council's supervision of companies owned by Norges Bank in connection with investments by the Government Pension Fund Global

These can be found in Appendix 2 to Document 9 (2020–2021).

The Council has drawn up three guidelines relating to the organisation of its own work. These were updated in 2019 to adapt them to the new Central Bank Act that came into force on 1 January 2020.

- Rules of procedure for the Supervisory Council
- Mandate for the Permanent Committee
- Instructions for the Office of the Supervisory Council

The Council's members are covered by the duty of confidentiality set out in Section 5-2 of the Central Bank Act. Under the rules of procedure, it is the chair – or a person nominated by the chair – who generally makes public statements on behalf of the Council.

THE PERMANENT COMMITTEE

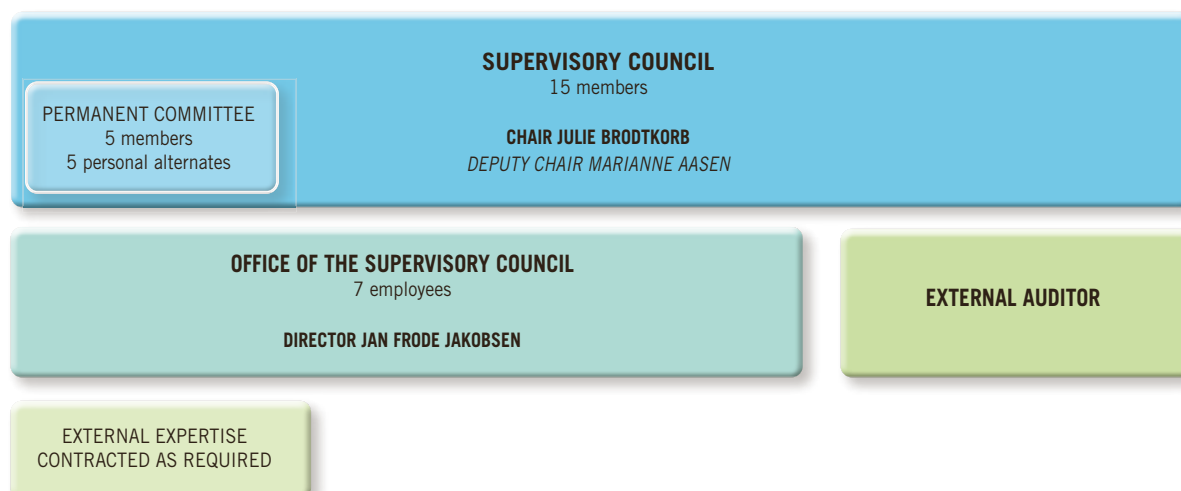
With respect to the organisation of the Supervisory Council's work, the Central Bank Act stipulates that the Council may from its members appoint committees to prepare matters for deliberation by the Supervisory Council.

The Permanent Committee is a working committee established in accordance with the rules of procedure, which works within the mandate given to it by the Council. The Permanent Committee has no authority to make decisions on behalf of the Council, but as a committee of the Council it is entitled to have access to all of Norges Bank's affairs.

The committee is headed by the chair and deputy chair of the Council. The other three members and five personal alternates were elected for a term of two years at the Council's inaugural meeting on 20 January 2022. The composition of the committee is presented above.

The chair calls meetings as often as is required, or when at least two members so request. The purpose of the meetings is to set the agenda, review submitted documentation, request introductions to items by Norges Bank, and propose resolutions for deliberation by the Supervisory Council. The minutes of the Permanent Committee's

FIGURE 7 THE SUPERVISORY COUNCIL'S ORGANISATION STRUCTURE AND RESOURCES



meetings are circulated with the discussion documents and present significant discussions and statements.

The Governor may be asked to attend meetings of the Permanent Committee. The Executive Board or Governor may also ask to provide information and present their assessments for consideration by the Council before the Permanent Committee makes its recommendation on a resolution.

REPRESENTANTSKAPETS SEKRETARIAT THE SUPERVISORY COUNCIL'S SECRETARIAT: OFFICE OF THE SUPERVISORY COUNCIL

In accordance with the Central Bank Act, the Supervisory Council has established a secretariat. *“In matters pertaining to the employees of the secretariat, the Supervisory Council shall represent Norges Bank as employer.”*²⁶

The work of the Office of the Supervisory Council is regulated by the Council's rules of procedure and its own instructions. During 2021, the Office had seven permanent employees led by a Director. One student was employed during the period October 2020–April 2021. The Council considers it important for the Office to have the expertise and resources needed for its duties. This applies both to its own staff and having the ability to contract/buy external specialist expertise as required.

The Office reports directly to the Council, and is completely independent of both the Executive Board and the Bank's management. The Director is to keep the Council informed of any important matters relating to the working environment. The Office's employees have a right to attend meetings of the Supervisory Council when it is considering administrative matters concerning the Office.

The Director is to keep the Council informed of work on major supervisory and control activities, and he or she attends the meetings of the Council and Permanent Committee. In addition, the Director is to help the Permanent Committee prepare matters to be considered by the Council and ensure that the Council receives the necessary advice. The established practice is that staff at the Office attend meetings of the Permanent Committee and Council in order to advise on technical matters. The Director may also bring with them external specialists such as the external auditor or others.

The Director is mandated to recruit and dismiss staff, as well as set salaries and terms of employment within the constraints laid down by the Council. The Council decides

on the Director's employment contract, remuneration and other terms of employment.

The Office manages and organises the meetings, seminars and professional activities of the Permanent Committee and Council. Its other duties are to:

- carry out supervisory tasks on behalf of the Supervisory Council
- contribute to the Council's consideration of Norges Bank's budget and annual financial statements
- serve as an advisory and investigational body for the Council
- prepare and provide assistance with items for the Supervisory Council
- assist with signing an engagement agreement with an external auditor, and manage the agreement
- facilitate professional development activities for the Supervisory Council
- coordinate contact with the Storting and Office of the Auditor General of Norway
- draft the annual report to the Storting, and publish the adopted version

The Office of the Supervisory Council holds meetings with the Ministry of Finance in order to exchange information relevant to the supervision of the management of the GPFG. At these meetings, updates are given on planned and implemented supervisory and auditing activities.

The framework for supervision work follows from the plans and budgets approved by the Supervisory Council. The Office is to have an appropriate organisation structure, with priority given to developing a good technical team with relevant multidisciplinary expertise. Its staff have a strong insight into areas such as economics, accountancy, law, finance, investment management, corporate governance, risk management and internal control. Important foundations for its work include understanding the Office's role, integrity, objectivity and due care in the conduct of its duties.

High levels of expertise are required to understand and assess the most important trends in Norges Bank's activities and their potential impact on supervisory activities. Development opportunities are provided by strong professional networks, access to specialist resources and regular contact with the Bank's management and operational areas. Besides participating in relevant courses and conferences, the Office arranges meetings and technical seminars. Speakers are sourced from various centres of

expertise, via international contacts and from the Bank's operational areas.

Opportunities for in-person attendance at external seminars and courses were limited in 2021, but the Office's staff undertook professional development provided online, including on the new audit legislation, operational risk management, compliance, corporate culture, money laundering, IT security, physical security, and sustainable financial analysis. Regulatory changes and other information from bodies such as the Ministry of Finance, IMF, BIS, ECB, Financial Supervisory Authority of Norway, Norwegian Data Protection Authority and Norwegian National Security Authority are also monitored. One member of staff attended the 2021 Washington Seminar with the aim of learning from some of the United States' leading experts on policy, media and communication.

Building up relevant expertise is also of great importance to supervisory reviews and as part of the preparations of the Supervisory Council's work. The Director may hire external experts to supplement the Office's internal resources within the plans and budgets approved by the Council.

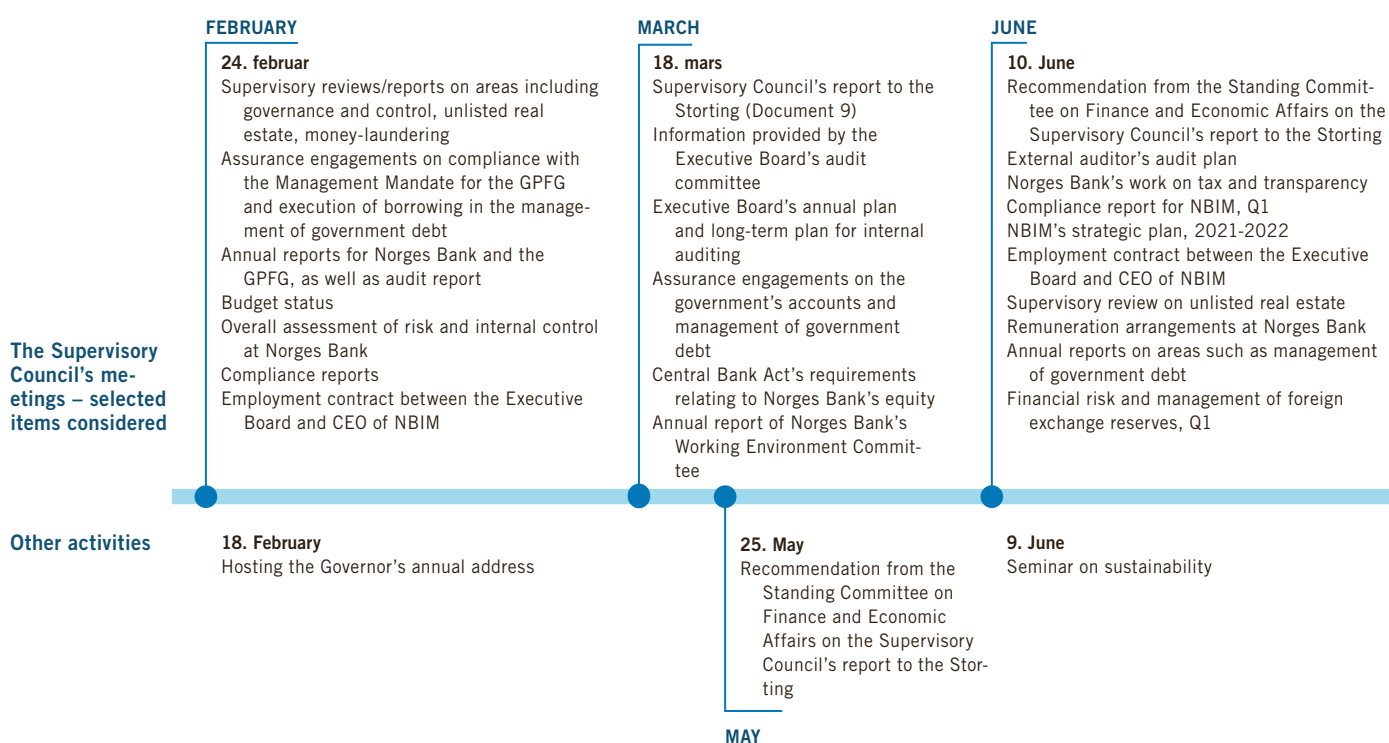
NORGES BANK'S EXTERNAL AUDITOR

The Office of the Supervisory Council handles day-to-day contact with the external auditor and manages the engagement agreement.

Deloitte AS has been Norges Bank's external auditor for two six-year engagement agreements covering the period 2010–2021. For the period 2022–2027, the Supervisory Council has signed a new engagement agreement with Ernst & Young AS (EY). A transparent process to choose the new auditor was carried out in accordance with rules on public procurement. The stipulations of the Central Bank Act and Auditors Act were also followed. The EU rules for statutory audit of public-interest entities were followed in so far as they were relevant in the context of the Central Bank Act and Norges Bank's management structure. The Office of the Supervisory Council carried out the process on behalf of the Supervisory Council with assistance from the Bank's procurement team.

A letter from the Office including a draft engagement agreement and the proposed auditor's offer was considered at a Council meeting in September 2021. The Council's view was that the offers received had been assessed thoroughly, and it highlighted that the chosen audit firm had strong expertise. The following resolution was passed:

FIGURE 8 TIMELINE FOR MEETINGS AND ACTIVITIES IN 2021



The Supervisory Council appoints the audit firm Ernst & Young AS as Norges Bank's external auditor for the period 2022–2027. Norges Bank and Ernst & Young AS must terminate any services provided by the company that are incompatible with its engagement as auditor.

Past services provided by EY to Norges Bank that could cast doubt on its independence as an auditor have been terminated, and the new engagement agreement was signed by the Chair of the Supervisory Council and a partner at Ernst & Young AS within the deadline for acceptance of the offer, which was 31 January 2022.

CONTACT WITH OFFICE OF THE AUDITOR GENERAL OF NORWAY

In 2010, the former Auditor General and the chair of the Supervisory Council signed "Guidelines for the exchange of information and co-ordination of auditing and supervision between the Office of the Auditor General and Norges Bank's Supervisory Council with regard to the GPFG".²⁷ The guidelines set out the roles of the two supervisory bodies in their professional cooperation. The Office of the Supervisory Council facilitates the exchange of information between the Supervisory Council, external auditor and Office of the Auditor General on the auditing and supervision of the GPFG.

The external auditor provides the Office of the Auditor General with a thorough review of the results of the financial audit performed on the GPFG, which the Auditor General can build on when auditing the central government accounts. The Auditor General also receives information about supervisory reviews and assurance projects.

4.3 THE SUPERVISORY COUNCIL'S WORK IN 2021

MEETINGS AND ITEMS CONSIDERED IN 2021

A meeting schedule is decided in advance of each calendar year. The timing and content are based on deadlines for reporting at Norges Bank within the Supervisory Council's areas of responsibility. See the timeline for a brief overview of meetings, selected items considered and other activities in 2021.

The Supervisory Council held six meetings in 2021, which is in accordance with the meeting schedule. The Permanent Committee held six ordinary meetings and one extra meeting in conjunction with completing Document 9 (2020–2021). Meetings have been held as online or hybrid meetings (with some in-person attendees) since mid-March 2020.

SEPTEMBER

9. September

- Appointment of external auditor
- Board members' liability for damages
- Whistleblower cases – Executive Board's role
- Budget status and accounts for H1
- Financial risk and management of foreign exchange reserves, Q2
- Compliance reports for H1
- Norges Bank Administration's benefits realisation plan

NOVEMBER

11. November

- Supervisory report – crisis management, Covid-19
- Information and inspection – upgrades to office spaces at Bankplassen
- Update to instructions for Internal Audit
- Compliance report for NBIM, Q3
- Financial risk and management of foreign exchange reserves, Q3

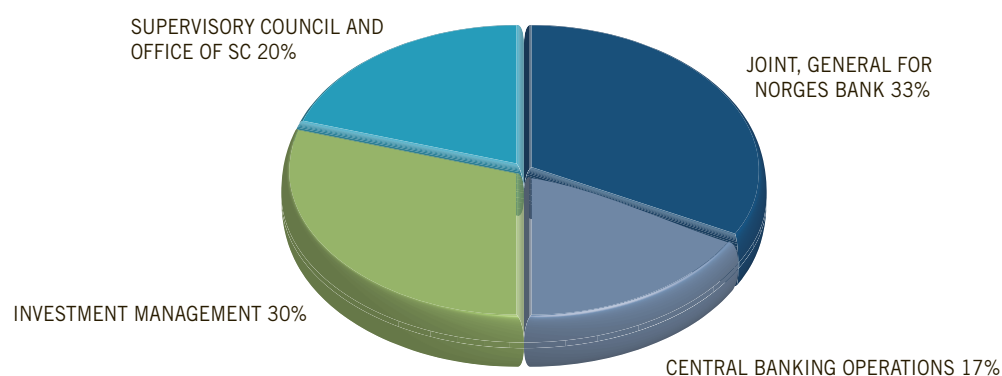
DECEMBER

9. December

- Norges Bank's budget for 2022
- Supervision plan for 2022
- Assurance engagements on thorough investigations prior to investments in unlisted assets
- Election procedure – employee representatives on the Executive Board
- Report on financial stability

9. September

- Presentation on Norges Bank's work on climate risk in the GPFG

FIGURE 9 ITEMS CONSIDERED BY THE SUPERVISORY COUNCIL IN 2021

A total of 132 items were minuted during the year, including 27 concerning the Council's own administration and approval of its minutes. 44 items concerned the Executive Board's minutes, as well as general matters affecting Norges Bank as a whole. Information and reports provided by the Board on governance, risk and compliance at NBCBO accounted for 21 items, while 40 related to reporting and letters on the management of the GPFG. Also see Figure 9, which shows the distribution of items considered.

PROFESSIONAL DEVELOPMENT

The members of the Council come to their roles with collectively broad expertise and experience from the Storting, government work, as well as key areas of Norwegian society, public administration and industry. The Supervisory Council has a goal of maintaining and developing its understanding of Norges Bank's overall activities and the relevant risks. The adopted professional development plan will be implemented over a four-year period. The plan describes potential sources of knowledge and activities such as talks at meetings, seminars and study visits.

The professional development plan includes a list of topics that it is relevant for the Council to have a good understanding of, and suggestions on how to build up expertise on them. Also see the description in Chapter 3 above. The plan is flexible and will be changed as needed.

Due to the Covid-19 pandemic, there were no visits to organisations outside Norges Bank in 2021, but the plan was followed up through a number of specific actions:

- At the meetings in 2021, the Governor explained the economic outlook and monetary policy tools over the course of the year. In response to questions from the Council, the Governor also provided information about the extent to which interest rate paths are used in other countries, and how the international interest rate outlook compares with Norway. The Bank's management answered questions from the Council on inflation, energy prices, labour markets and international public debt, as well as on the uncertainties associated with the pandemic.
- The Bank's management informed the Council about the Bank's development of a central bank digital currency and cryptocurrencies. In addition, a report by an expert group on climate risk in the GPFG²⁸ was presented together with Norges Bank's views. The Council also received answers to its questions about expenditure in conjunction with ownership responsibilities, expertise at NBIM, selection criteria in active management, etc.
- An evening seminar was held on the topic "sustainable finance – current developments" covering general issues and ones specific to the management of the GPFG. Introductory talks on the topic were given by Associate Professor Aksel Mjøs of the Norwegian School of Economics, and Chief Governance & Compliance Officer Carine Smith Ihenacho of NBIM. That was followed by a presentation of NOU 2020:7 "Values and Responsibility — The Ethical Framework for the Norwegian Government Pension Fund Global". Ole Mestad, who chairs the Ethics Committee, introduced the topic.

For the second year in a row, students at the Norwegian School of Economics wrote a Master's thesis for the Supervisory Council. This year's subject was "Norges Bank Investment Management viewed in the context of ESG and financial performance – an empirical analysis of the ESG performance of companies owned by the Government Pension Fund Global in comparison to the overall market, as well as of the relationship between ESG and financial performance, both at the company level and for the fund as a whole". The Office of the Supervisory Council provided technical support and the students were in contact with relevant professionals at NBIM. The thesis has been presented to the Supervisory Council. These kinds of investigations offer a perspective that is useful to the Council's discussions. This arrangement of inviting Master's students to contribute in this way will be continued.

TRANSPARENCY ABOUT THE SUPERVISORY COUNCIL'S WORK

The Supervisory Council has noted considerable public interest in Norges Bank's operations and supervision. Transparency about the Council's work is achieved within the limits laid down in the Central Bank Act, the Freedom of Information Act and other relevant rules governing the Bank's activities. This also applies to access requests, which are assessed individually. The Council aims to provide more access to information than the minimum legal requirement. Some limitations are created by the fact that the underlying documentation for items considered by the Council often consists of internal communications. In order to maintain trust between the various parts of Norges Bank, it is important that the Bank's departments can write confidential assessments and reports for the Executive Board, and that the Board can pass on any documents that are important to the Council's supervision. In view of this, a thorough assessment is made before any such documents are made public in response to an access request.

The approved minutes of the Council's meetings are published on its website www.norges-bank.no/representant-skapet. The minutes show resolutions, questions and assessments relating to areas of risk raised during deliberations and the Governor's responses and explanations. Remarks during the year, the Executive Board's follow-up of comments from supervision, and any unresolved matters subject to further follow-up are also presented in the minutes. The Council's discussions and questions put to the Bank's management also contribute to transparency about Norges Bank.

Other information published on the website includes:

- The rules of procedure of the Supervisory Council, other frameworks and planning documents for its work
- Assurance statements. These are also forwarded to the Ministry of Finance.

The Executive Board provides a high degree of transparency about the Bank's duties at www.norges-bank.no.

External communication between the Council and the Ministry of Finance, for instance, can be found in Norges Bank's register of public documents.

The annual Report to the Storting – Document No. 9 – paints a complete picture of the Council's duties, assessments of Norges Bank's control structure, and supervision conducted. The Council has taken note of the Standing Committee on Finance and Economic Affairs' comments on the report as set out in Recommendation 590 S to Document 9 (2020–2021).

The Governor's annual address receives considerable media coverage and is a useful contribution to transparency about the Bank's role in providing advice to, and informing, society. Traditionally, the Supervisory Council

TABLE 1 FIXED FEES IN 2021

FIXED FEES IN NOK	SUPERVISORY COUNCIL	PERMANENT COMMITTEE	TOTAL PER MEMBER	TOTAL FIXED FEES
Chair	66,100	99,100	165,200	165,200
Deputy chair	44,100	66,100	110,200	110,200
Three other members of the Permanent Committee	33,100	66,100	99,200	297,600
Ten other members of the Supervisory Council	33,100		33,100	331,000
Total fixed fees paid				904,000

TABLE 2 SUPERVISORY COUNCIL'S OVERALL EXPENDITURE

THOUSANDS OF NOK	BUDGET	ACTUAL	BUDGET	ACTUAL	ACTUAL
	2022	2021	2021	2020	2019
The Supervisory Council	4,120	1,788	4,434	2,459	3,201
Office of the Supervisory Council	24,860	22,907	24,901	23,602	21,507
Assurance engagements	3,000	1,842	3,000	2,179	2,585
Statutory audit	12,313	14,807	15,200	14,638	15,455
Total	44,293	41,344	47,535	42,878	42,748

attends the address. The address on 17 February 2022 marked the 100th anniversary of then Governor Nikolai Rygg holding the first annual address to the Supervisory Council. This set the precedent for subsequent annual events.

The chair of the Supervisory Council welcomes the audience on behalf of Norges Bank and introduces the Governor. Since 1986, the address has been entitled "Economic perspectives". The Governor aims to cover a broad range of topics that are important for the Norwegian economy and Norges Bank's choices.

Due to the circumstances of the Covid-19 pandemic, the annual address in 2021 was held as an online event. In February 2022, a limited number of people were able to attend the address, including some members of the Supervisory Council. Once again, the address was also made available online.

EVALUATION OF THE COUNCIL'S WORK

Members of the Supervisory Council perform an annual self-evaluation of their work. The aim is to identify areas with room for improvement in order to strengthen the Council's supervision and other work. The results of the evaluation, which is anonymous, are discussed at a meeting, and proposed measures are followed up by the Chair of the Council and the Office of the Supervisory Council. The Bank's management attends the presentation of the summary findings.

The self-evaluation covers the Council's working procedures, the discussions at its meetings, and relations with the Office, external auditor and advisers. The results of the evaluation in 2021 were positive. It was reported that the

preparation of items from the Executive Board and the preparation for oral and written responses from the Bank's management still have room for improvement. It also emerged that in-person meetings were strongly preferred over online meetings.

4.4 THE SUPERVISORY COUNCIL'S EXPENDITURE IN 2021

REMUNERATION OF MEMBERS

The Storting sets the Supervisory Council's remuneration as an annual fee for the role.²⁹ This fee is adjusted every two years. The rates payable in 2020 and 2021 are shown in Table 1.³⁰ Fixed fees amounted to a total of NOK 904,000.

The Storting has decided that alternates to the Permanent Committee should be paid NOK 3,800 per meeting they attend. In 2021, no alternates attended any of the committee's meetings.

The members of the Supervisory Council may also be reimbursed for loss of income due to attending meetings of the Council, on top of the fee set by the Storting. Employers may be reimbursed at actual hourly rates according to the central government tariff for enterprises where employees' time is billed out. The Council has issued criteria for this.³¹ This reimbursement totalled NOK 147,430 in 2021, compared with NOK 213,331 the previous year.

Total fees paid in 2021 therefore amounted to NOK 1,051,430, compared with NOK 1,117,331 in 2020.

OTHER COSTS

Annual expenditure is reconciled against the budget adopted by the Supervisory Council. The total cost of the Council's activities in 2021 was NOK 40.2m. These costs, which are broken down in Table 2, include the Office of the Supervisory Council, the external auditor and the use of external advisers. This expenditure is included in Norges Bank's annual financial statements.

Total running costs for the Council's organisation came in NOK 7.3m below budget in 2021. This was due partly to much lower costs for travelling to meetings, including lower reimbursements for loss of income, the absence of a study trip, and the absence of in-person courses and professional development. A total of NOK 1.6m was paid to external consultants, including in conjunction with a supervisory review on operational risk management.

The Council and the Office receive administrative services as required from Norges Bank under a service agreement. Rent and shared costs are charged to the Office at fixed prices. The agreement covers the use of offices and other premises such as canteens and meeting rooms, archiving, use of IT hardware, support from the Bank with procurement, security and contingency planning, and payroll and personnel services. It also covers meeting arrangements, travel security, agreements with travel agents, etc. During the Covid-19 pandemic, hardware and services have been provided in connection with working from home. Provision has been made for secure online meetings. The independent position of the Office and the Council in relation to Norges Bank is assured through this service agreement.

The Director of the Office of the Supervisory Council was paid a salary of NOK 2,136,201 in 2021, compared with NOK 2,118,270 in 2020. In addition, pension costs came to NOK 350,617, and other benefits (electronic communication, insurance and other payments in kind) came to NOK 7,764.

The external auditor's fees are based on the fixed price in the engagement agreement, adjusted in line with the agreed price index, and are paid once approved by the Council. The cost of financial auditing by Deloitte AS in 2021 came to NOK 14.8m, compared with the budgeted amount of NOK 15.2m. The cost of Deloitte's final auditing of the Bank's annual reports for 2021, including the associated audit reports, is estimated at NOK 2.4m. This will be charged to the accounts in 2022.

Under separate agreements, Deloitte AS also received a fee of NOK 1.8m for assurance statements concerning the Treasury single account system, management of government debt, and the Bank's sustainability reporting, as well as for an assurance engagement relating to supervision. Overall, it is estimated that supervisory and auditing services relating to investment management account for around 80 percent of the auditor's time consumption.

Fees for auditing subsidiaries formed by Norges Bank for use exclusively in the management of the GPFG are not included in the Council's costs, but are instead charged to the companies directly and paid to the respective audit firms. These fees amounted to NOK 7.6m in total in 2021.

SUPERVISORY COUNCIL'S BUDGET FOR 2022

The Council considered its own budget for 2022 at its meeting of 9 December 2021. The total budget approved for the Supervisory Council, Office of the Supervisory Council and external auditor is NOK 44.3m. See Table 2 Supervisory Council's overall expenditure. The budget for the Council's own activities is NOK 4.1m. This budget covers all fees, meeting costs, seminars and study trips, including travel expenditure, based on the meeting schedule set for 2022. The Storting has decided to increase the fees paid to the Council's members in 2022 and 2023. Total fees for the year are budgeted at NOK 960,600.³² On account of the Covid-19 pandemic, there is still some uncertainty surrounding whether it will be possible to travel to in-person meetings and seminars in 2022.³³

The Office of the Supervisory Council's budget of NOK 24.9m is based on it having seven FTEs. Once again there is some uncertainty surrounding wage settlements, travel and external training. Rent and shared costs under the service agreement with Norges Bank remain unchanged at NOK 7.9m. Based on the supervision plan for 2022, NOK 2.0m has been budgeted for purchases of specialist services from various external experts.

For 2022, an audit fee of NOK 12.3m has been budgeted for the statutory financial audits of Norges Bank's financial statements and the financial reporting of the GPFG. This is in line with the engagement agreement signed. A total of NOK 3.0m has been budgeted for regular annual assurance engagements and any supervisory reviews which the Supervisory Council chooses to conduct as part of its supervision in 2022.

GUIDELINES FOR NORGES BANK ISSUED BY THE SUPERVISORY COUNCIL

The Supervisory Council has issued guidelines for Norges Bank's activities in three areas:

- Budget rules for Norges Bank.
- Rules on loans to employees of Norges Bank.
- Guidelines for the Supervisory Council's supervision of companies owned by Norges Bank in connection with investments by the Government Pension Fund Global.

These relate directly to the Council's duties under the Central Bank Act. The Council supervises compliance in these areas. The full text of guidelines can be found in Appendix 2 to Document 9 (2020–2021), Annual Report for 2020.

²¹ Central Bank Act, Section 2-16 (1).

²² Central Bank Act, Section 2-16 (3), cf. Section 2-3 (4)

²³ See Recommendation 358 S (2020-2021) and Recommendation 40 S (2021-2022)

²⁴ Based on Norway's counties as of 31 December 2021

²⁵ Cf. Central Bank Act, Section 2-3 (2): "In addition, two board members shall be appointed by and from the employees to participate in the deliberation of administrative matters. The method of appointment of these representatives shall be agreed between the Executive Board and the employees. The Supervisory Council shall determine the method of appointment in the absence of agreement."

²⁶ Central Bank Act, Section 2-16 (5).

²⁷ The guidelines have been published at www.norges-bank.no/representantskaet

²⁸ Led by Martin Skancke and commissioned by the Ministry of Finance; report submitted on 20 August 2021

²⁹ Central Bank Act, Section 2-16 (4).

³⁰ The rates for the Supervisory Council's fees in 2020 and 2021 were laid down by the Storting on 28 November 2019 in line with Recommendation 54 S (2019-2020).

³¹ "REIMBURSEMENT OF SUPERVISORY COUNCIL MEMBERS FOR LOSS OF INCOME", adopted on 12 November 2020

³² Recommendation 40 S (2021-2022).

³³ At the time of the budget being considered on 9 December 2021

CONTENTS OF THIS REPORT IN RELATION TO THE CENTRAL BANK ACT

Central Bank Act, Section 4-1 (4)

“The Supervisory Council shall at least once a year submit to the Storting its statement on the supervision of Norges Bank. A copy of said statement shall be sent to the Ministry. The statement on the supervision of the Bank shall include, at a minimum, the following:

Topics mentioned by the Act are covered in the following chapters of the 2021 report:

a) an account of how the supervision of the Bank has been organised;	Chapter 1 Supervision in 2021 1.1 Supervisory role, mandate and implementation Chapter 4 Norges Bank's Supervisory Council's organisation of its work
b) an account of completed supervisory activities and the Supervisory Council's priorities for its upcoming supervisory activities;	Chapter 1 Supervision of Norges Bank in 2021 Chapter 3 Priorities for future work
c) an account of the Council's supervision of the Bank's investment management activities The Management Mandate for the GPFG shall be complied with	Chapter 1 Supervision of Norges Bank in 2021 1.4 Supervision of the management of the Government Pension Fund Global
d) the Supervisory Council's assessment of the Executive Board's governance and control of the Bank's management and activities; The Regulation on risk management and internal control at Norges Bank shall be complied with	Summary and main conclusions Chapter 1 Supervision of Norges Bank in 2021
e) an account of the Supervisory Council's work in relation to approval of the Bank's budget and adoption of its financial statements;	Chapter 2 Norges Bank's financial statements and budget
f) any particular comments merited by its supervision.”	Main conclusions

Document 9 (2021–2022)
Report to Stortinget for 2021

Issued by:
Norges Bank's Supervisory Council
Bankplassen 2
Postoffice box 1179 Sentrum
N-0107 Oslo
Tel. 22 31 60 00
e-mail: representantskapet@norges-bank.no

Published:
4 April 2022
<http://www.norges-bank.no/en/about/Organisation/The-Supervisory-Council>

English translation:
Språkverkstaden

Layout:
07 Media AS

Photo:
Monika Kvaale (Cover, p. 47)
Espen Schive (Cover, p. 43)
Esten Borgos (p. 31)
Sturlason (pp. 50–54)
Stortinget (p. 51)

