



MINUTES OF THE EXECUTIVE BOARD MEETING OF 28-29 APRIL 2020

Present:

Executive Board: Øystein Olsen, Jon Nicolaisen, Ida Wolden Bache, Karen Helene Ulltveit-Moe, Kristine Ryssdal, Arne Hyttnes, Nina Udnes Tronstad (items 69-75), Hans Aasnæs, Benedicte Schilbred Fasmer (recused herself from item 85)

Employee representatives: Mona H. Sørensen (items 69 and 76-83) and Kjersti-Gro Lindquist (69 and 76-83)

Office of the Supervisory Council: Jan Frode Jakobsen (70-71, 73, 77-82, 84 and 87)

Deloitte: Henrik Woxholt (70 and 82)

Management: Ørjan Agdesteen (77-78 and 84), Ada Magnæs Aass (80-81), Olav Bø (80, 84 and 88), Mats Bay Fevolden (87), Hege Gjerde (77 and 82), Trond Grande (70-75 and 77-80), Anna Grinaker (85-87), Bjarne Gulbrandsen (69-88), Renate Haugen (80), Pål Haugerud (70-74, 77-79 and 84), Jane Haugland (69), Stephen Hirsch (77-78), Dag Huse (70-71), Torbjørn Hægeland (85-87), Sigrid Igland (86), Carine Smith Ihenacho (73-74), Runar Malkenes (69), Kyrre Nilsen (70-83), Marius Ryel (69), Yngve Slyngstad (70-75 and 77-80), Ragnhild Solberg (85), Ola Stavem (72), Kirsten Steinberg (69), Ingunn Valvatne (69-73 and 77-84), Birger Vikøren (69), Peder Østbye (85 and 87)

There were no comments on the meeting notice and agenda.

The Executive Board approved conducting the meeting via videoconference.

Item 69/2020 Questions from Norges Bank's Supervisory Council to the Executive Board - appointment of new CEO of NBIM

Discussion documents: Memo from General Secretariat of 28 April 2020
Letter from the Supervisory Council to the Executive Board of 23 April 2020

Birger Vikøren introduced the draft account and further details, including documentation on the issues about which the Supervisory Council had raised questions.

The Executive Board had a thorough discussion and provided feedback and comments. The Executive Board decided that the attached letter should be sent to the Supervisory Council. The Governor was authorised to finalise the letter based on the Executive Board's remarks.

Item 70/2020 Norges Bank Investment Management (NBIM) – return and risk 2020 Q1

Discussion Memo from NBIM of 23 April 2020
documents: Memo from the Risk and Investment Committee of 27 April 2020

Yngve Slyngstad and Dag Huse presented the report.

Jon Nicolaisen reported on the Risk and Investment Committee's discussions and the issues of particular concern to the Committee. The Committee recommended that the Executive Board follow management's guidance.

The Executive Board discussed the matter and took note of the report on return and risk for the first quarter of 2020.

Item 71/2020 GPF – Executive Board's investment mandate for the CEO of NBIM

Discussion Memo from NBIM of 23 April 2020
document:

At its meeting on 5 February 2020, the Executive Board considered the matter of investment limits in unlisted renewable energy infrastructure. The proposed limits were put forward to the Ministry of Finance in a letter of 17 February. The Ministry took note of the proposal.

Yngve Slyngstad presented the matter for discussion.

The Executive Board decided that:

- Direct investments in projects in a development phase may account for up to 2 percent of the maximum allocation to unlisted renewable energy infrastructure.
- A minimum of 70 percent of underlying investments in fund structures is to be in OECD countries.

The Executive Board's investment mandate for the CEO of NBIM is to be updated in line with the decisions. The updated investment mandate is to be sent to the Ministry of Finance and published.

Item 72/2020 Renewable energy infrastructure

Discussion Memo from NBIM of 23 April 2020
documents: Memo from the Risk and Investment Committee of 27 April 2020

Yngve Slyngstad presented the matter for discussion.

Jon Nicolaisen reported on the Risk and Investment Committee's discussions and the issues of particular concern to the Committee. The Committee recommended that the Executive Board follow management's guidance.

The Executive Board discussed the matter and took note of the presentation. The matter will be presented for final consideration by the Executive Board at a later meeting.

Item 73/2020 GPF – Principles for responsible investment

Discussion Memo from NBIM of 23 April 2020
documents: Memo from the Ownership Committee of 28 April 2020

Yngve Slyngstad presented the matter for discussion.

Jon Nicolaisen reported on the Ownership Committee's discussions and the issues of particular concern to the Committee. The Committee recommended that the Executive Board follow management's guidance, albeit with a concrete proposed amendment.

The Executive Board discussed the matter and endorsed amending the principles for responsible investment. The Governor was authorised to finalise the draft based on the Executive Board's discussions and the proposed amendment from the Ownership Committee. The draft is to be presented before the Ministry of Finance and adopted at a later meeting of the Executive Board.

Item 74/2020 Recommendations from the Council on Ethics

a. Recommendation of 19 February 2020 on the exclusion of a company

Discussion Memo from the Ownership Committee of 23 April 2020
document:

Norges Bank has received a recommendation from the Council on Ethics to exclude the company Page Industries Ltd. The recommendation is based on the risk that the company is responsible for systematic human rights violations (cf the conduct-based criterion in Section 3(a) of the *Guidelines for Observation and Exclusion from the Government Pension Fund Global*).

Jon Nicolaisen reported on the Ownership Committee's discussions and position.

The Executive Board endorsed the Ownership Committee's position:

- Page Industries Ltd. is to be excluded from the GPF's portfolio.
- The Ministry of Finance is to be informed of the decision.
- The exclusion enters into force on 1 July 2020. The Governor is authorised to grant exemptions from the deadline in situations with challenging liquidity or other special circumstances. The Governor was authorised to set a date for publishing the decision.

b. Recommendation of 19 February 2020 to revoke the exclusion of a company

Discussion Memo from the Ownership Committee of 23 April 2020
document:

Norges Bank has received a recommendation from the Council on Ethics to revoke the exclusion of the company Texwinca Holdings Ltd. from the GPFG. The company has been excluded since 2018 because of systematic breach of workers' rights at two garment factories owned by its subsidiary Megawell Industrial Ltd. Megawell Industrial was wound up in 2019 and the two factories have been closed down. Therefore, the basis no longer exists to exclude Texwinca Holdings Ltd.

Jon Nicolaisen reported on the Ownership Committee's discussions and the Committee's position.

The Executive Board endorsed the Ownership Committee's position:

- The exclusion of Texwinca Holdings Ltd is to be revoked.
- The Ministry of Finance is to be informed of the decision and asked to set a date for the re-introduction into the benchmark index to one year after the Executive Board's decision.
- The Governor is authorised to set a date for publishing the decision.

c. Recommendation of 18 March 2020 to revoke the exclusion of a company

Discussion Memo from the Ownership Committee of 23. April 2020
document:

Norges Bank has received a recommendation from the Council on Ethics to revoke the exclusion of the company AECOM from the GPFG. The company has been excluded since 2018 because of its activities at state-owned facilities that maintain, test, develop and store nuclear warheads. The Council on Ethics now reports that AECOM's Management Services business has been sold to another company, and that AECOM has confirmed that it no longer conducts any business related to the production of nuclear weapons.

Jon Nicolaisen reported on the Ownership Committee's discussions and the Committee's position.

The Executive Board endorsed the Ownership Committee's position:

- The exclusion of AECOM is to be revoked.
- The Ministry of Finance is to be informed of the decision and asked to set a date for the re-introduction into the benchmark index to one year after the Executive Board's decision.
- The Governor is authorised to set a date for publishing the decision.

Item 75/2020 Briefing on relevant matters for NBIM

Yngve Slyngstad gave a briefing on relevant matters for NBIM.

Item 76/2020 Approval of the minutes of the Executive Board meetings of 24 March and 23 April 2020

Discussion Draft minutes
document:

The Executive Board approved the minutes of its meetings of 24 March and 23 April 2020.

Item 77/2020 NBIM – Operations report 2020 Q1

Discussion Memo from NBIM of 23 April 2020
document:

Trond Grande presented the main elements of the report.

The Executive Board discussed the matter and took note of the operations report for 2020 Q1.

Item 78/2020 NBIM compliance and control 2020 Q1

Discussion Memo from NBIM of 23 April 2020
documents: Memo from the Audit Committee of 27 April 2020

Stephen Hirsch presented the main elements of the report.

Karen Helene Ulltveit-Moe reported on the Audit Committee's discussions and the issues of particular concern to the Committee, including the division of roles and responsibilities between NBIM and Norges Bank Administration (NBA). The Committee recommended that the Executive Board follow management's guidance.

The Executive Board took note of the report on compliance and control at NBIM for 2020 Q1.

Item 79/2020 Job description for the CEO of NBIM

Discussion Memo from the General Secretariat of 22 April 2020
document:

On 24 March, the Executive Board considered job descriptions for the day-to-day management of Norges Bank. In line with the management mandate issued by the Ministry of Finance, the job description of the CEO of NBIM was submitted to the Ministry for information. The Ministry of Finance has stated that it does not have input on the draft job description, which can therefore be formalised.

The Executive Board adopted the updated "Job description of the Chief Executive Officer of Norges Bank Investment Management (NBIM)". The updated job description enters into force on 1 May 2020. Section 2 of the job description on the organisation of the work of advising the Ministry enters into force on 1 June 2020.

Item 80/2020 Annual report on the review of the remuneration scheme at NBIM and the bonus scheme at Norges Bank Central Banking Operations (NBCBO) for 2019

Discussion Memo from NBA of 21 April 2020
Documents: Memo from the Remuneration Committee of 27 April 2020

a. Internal Audit's independent statement on NBIM's compliance with the general guidelines for the scheme

Discussion Memo from Internal Audit of 17 April 2020
document:

b. Internal Audit's independent statement on NBCBO's compliance with the principles for the scheme

Discussion Memo from Internal Audit of 17 April 2020
document:

Ada Magnæs Aass introduced the matter for discussion. Renate Haugen presented Internal Audit's control and statements on the application of the two schemes.

Arne Hyttnes reported on the Remuneration Committee's discussions and the issues of particular concern to the Committee, including;

- an encouragement for management to return with a broader review of whether the schemes are structured to promote meeting the objective,
- the preparation of a guidance document that supplements the annual review of the remuneration scheme at NBIM, which describes all the components included in the basis for variable remuneration,
- the anchoring of the bonus scheme at NBCBO in the same rules as the remuneration scheme at NBIM.

Regarding the report presented, the Committee recommended that the Executive Board follow management's guidance.

The Executive Board took note of the report on the review of the remuneration scheme at NBIM and the bonus scheme at NBCBO for 2019. The Board noted that the application of the schemes complied with provisions, guidelines and principles. The Executive Board further noted Internal Audit's statement that the report provides a true and fair view of its application.

The Executive Board requested that management follow up the Remuneration Committee's orders.

Item 81/2020 Establishing a salary cap for NBA employees who report to the Governor

Discussion Memo from the Governor of 21 April 2020
documents: Memo from the Remuneration Committee of 24 April 2020

The Governor presented the matter for discussion.

Arne Hyttnes reported on the Remuneration Committee's discussions. The Committee recommended that the Executive Board follow the Governor's guidance.

The Executive Board endorsed the establishment of a common salary cap of NOK 2 100 000 for NBCBO and NBA employees.

Item 82/2020 Audit report for 2019 – Deloitte AS

Discussion Memo from NBA of 23 April 2020
documents: Memo from the Audit Committee of 27 April 2020

Henrik Woxholt presented the contents of the report.

Karen Helene Ulltveit-Moe reported on the Audit Committee's discussions. The Committee recommended that the Executive Board follow management's guidance.

The Executive Board took note of the audit report for Norges Bank for 2019 from Deloitte AS.

Item 83/2020 Briefing on relevant administrative matters

The Governor gave a briefing on relevant administrative matters.

Item 84/2020 Financial risk and management of the foreign exchange reserves in 2020 Q1

Discussion Memo from Markets and ICT of 23 April 2020
documents: Memo from the Risk and Investment Committee of 27 April 2020

Olav Bø presented the main elements of the report.

Jon Nicolaisen reported on the Risk and Investment Committee's discussions and the issues of particular concern to the Committee. The Committee recommended that the Executive Board follow management's guidance.

The Executive Board took note of the report on financial risk and management of the foreign exchange reserves for 2020 Q1. A public version of the report is to be published on Norges Bank's website on 8 May 2020.

Item 85/2020 MasterCard's planned acquisition of parts of Nets – Change notification and dependency on third-party providers

Discussion Memo from Financial Stability of 22 April 2020
document:

Benedicte Schilbred Fasmer raised the question of her own impartiality and decided to recuse herself while this item was considered.

Torbjørn Hægeland presented the matter for discussion.

The Executive Board endorsed management's assessments and adopted the recommendations in the memo, including the approval of the change notification on certain conditions so that the operation of NICS can continue as expected throughout the entire separation process. With due regard for transparent processing and clarity regarding the conditions, an advance notice will be sent to Bits before the decision is made.

The Governor was authorised to formulate the advance notice and decision for Bits in line with the presentation and the Executive Board's discussions at the meeting.

Item 86/2020 Framework for testing and enhancing cyber resilience

Discussion Memo from Financial Stability of 22 April 2020
document:

Torbjørn Hægeland presented the matter for discussion.

The Executive Board exchanged views and approved that Norges Bank, together with Finanstilsynet, the financial industry and other relevant authorities, draw up a proposal for a framework for testing the cyber resilience of the banking and payment system in Norway (TIBER-NO). This work will be adjusted to the coronavirus situation. Norges Bank is prepared to assume ownership of a Norwegian TIBER framework.

The Executive Board will consider the proposed TIBER framework, including resource- and budget-related consequences, when the framework is completed.

Item 87/2020 Draft report – Financial Infrastructure 2020

Discussion Memo from Financial Stability of 23 April 2020
document:

Torbjørn Hægeland presented the main elements in the report.

The Executive Board discussed the matter and approved the draft Executive Board's Assessment. The Central Bank Governor was authorised to finalise the report on the basis of the Executive Board's discussions. The report is to be published on 19 May 2020.

Item 88/2020 Any other business

Olav Bø presented various aspects related to cyber resilience.

The following were distributed for information together with the discussion documents:

- Report and presentation from meeting with the Ministry of Finance
Memo from NBIM of 23 April 2020
- Minutes of the Ownership Committee's meeting of 28 January 2020
- Minutes of the Remuneration Committee's meeting of 4 February 2020
- The Supervisory Council's report for 2019 to the Storting (Document 9 (2019-2020))
Letter from the Office of the Supervisory Council of 16 April 2020