



MINUTES OF THE EXECUTIVE BOARD MEETING OF 27 JANUARY 2021

Present:

Executive Board: Øystein Olsen, Ida Wolden Bache, Karen Helene Ulltveit-Moe, Kristine Ryssdal, Arne Hyttnes, Nina Udnes Tronstad, Hans Aasnæs and Egil Herman Sjursen

Employee representatives: Mona H. Sørensen (items 11-20) and Truls Oppedal (items 11-20)

Office of the Supervisory Council: Jan Frode Jakobsen (items 1, 3-7 and 12-19)

Management: Nicolai Tangen (items 3-14), Trond Grande (items 3-14), Olav Bø (item 1), Arne Osnes (item 1), Roger Rake (item 1), Henrik Johansen (item 1), Dag Huse (items 1 and 3-9), Carine Smith Ihenacho (items 7-9 and 13-14), John Tore Vatnar (items 8-9), Ørjan Agdesteen (items 1 and 15-17), Ingunn Valvatne (items 1, 3-7, 12-19), Renate Haugen (items 18-19), Lise Lindbäck (items 3-7 and 12-14), Wilhelm Mohn (items 7-8), Fredrik Willumsen (item 3), Hege Gjerde (items 12-13), Benedicte Wessel (item 12), Jane Haugland (items 12-13 and 15-17), Elin Berg (item 14), Kirsten Steinberg (items 14-16), Stian Solheim (item 15), Morten T. Øfsti (item 16), Magnus Eriksen (item 17), Line Vogt (item 17), Pål Haugerud (items 1, 3-9, 12-14), Runar Malkenes (items 6-9, 12 and 17-19), Birger Vikøren (items 1-20), Bjarne Gulbrandsen (items 1-20), Kyrre Nilsen (items 1-20)

There were no comments on the meeting notice and agenda.

The Executive Board approved conducting the meeting via video conference.

Item 1/2021 **Financial risk and management of the foreign exchange reserves in 2020 Q4**

Discussion document: Memo from Markets and ICT of 22 January 2021
Memo from the Risk and Investment Committee of 26 January 2021

Olav Bø presented the main elements of the quarterly report.

Øystein Olsen 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 had an exchange of views and took note of the report. The report is to be submitted to the Supervisory Council for information. An edited

version of the report covering only the foreign exchange reserves is to be published on 25 February 2020.

Item 2/2021 Briefing on current issues in Norges Bank Central Banking Operations (NBCBO)

The Governor and Deputy Governors gave a briefing on relevant matters within the Governor's area of responsibility.

Item 3/2021 Government Pension Fund Global (GPFG), – Benchmark index for equities

Discussion Memo from NBIM of 21 January 2021
documents: Memo from the Risk and Investment Committee of 22 January 2021

In a letter of 3 November 2020, the Ministry of Finance requested that Norges Bank provide an assessment of a number of questions related to the composition of the benchmark index for equities in the GPFG.

Trond Grande presented the matter for discussion.

Øystein Olsen 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 approved the submission of a letter to the Ministry of Finance in line with the attached proposal. The Governor was authorised to finalise the letter based on the comments made at the Executive Board's meeting.

Item 4/2021 GPFG – markets in the benchmark index for equities

Discussion Memo from NBIM of 21 January 2021
documents: Memo from the Risk and Investment Committee of 26 January 2021

In the letter of 19 January 2021, the Ministry of Finance requested that Norges Bank provide an assessment of the rule for which markets are to be included in the benchmark index for equities.

Trond Grande presented the matter for discussion.

Øystein Olsen 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 agreed that a letter be sent to the Ministry of Finance in line with the attached draft. The Governor was authorised to finalise the letter based on the comments made at the Executive Board's meeting.

Item 5/2021 NBIM – Return and risk - Report for 2020 Q4

Discussion Memo from NBIM of 21 January 2021
documents: Memo from the Risk and Investment Committee of 26 January 2021

Dag Huse presented the main elements of the report.

Øystein Olsen 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 exchanged views and took note of the report on return and risk for the GPFG for 2020 Q4.

Item 6/2021 The Executive Board's assessment of the GPFG's performance in 2020

Discussion Memo from the General Secretariat of 13 January 2021,
documents: Memo from the Risk and Investment Committee of 22 January
2021

Pål Haugerud presented the draft of the Executive Board's assessment of the GPFG's performance in 2020.

Øystein Olsen reported on the Risk and Investment Committee's discussions and the issues of particular concern to the Committee.

The Executive Board discussed the draft and asked management to continue to work on the text based on the Executive Board's feedback and remarks, and the proposals from the Risk and Investment Committee. In line with previous practice, the draft will be presented for final consideration at the next Executive Board meeting.

Item 7/2021 Tax and transparency – Follow-up of the Storting's (Norwegian parliament) deliberations on the white paper on the GPFG in 2020

Discussion Memo from NBIM of 20 January 2021
documents: Memo from the Ownership Committee of 22 January 2021

In a letter of 21 December, the Ministry of Finance requested that Norges Bank present an account of how the Bank is following up the expectations document on tax and transparency.

Carine Smith Ihenacho presented the topic.

Øystein Olsen 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.

The Executive Board approved the submission of a letter to the Ministry of Finance in line with the attached draft. The Governor was authorised to finalise the letter based on the Executive Board's remarks at the Executive Board's meeting.

Item 8/2021 Recommendations from the Council on Ethics

a) Recommendation from the Council on Ethics of 23 June 2020 on observation of a company

Discussion
document:

Memo from the Ownership Committee of 22 January 2021

On 23 June 2020, Norges Bank received a recommendation from the Council on Ethics on observation of the company Kirin Holdings Co. Ltd. The recommendation is based on the unacceptable risk that the company contributes to serious violations of the rights of individuals in situations of war or conflict, cf. the conduct-based criterion in Section 3 (1) (b) of the Guidelines for the Observation and Exclusion of Companies from the Government Pension Fund Global.

Norges Bank's Executive Board considered the matter at the meeting on 28 October 2020. It was decided to send a letter to the Council on Ethics to clarify a number of aspects related to the recommendation. The Council on Ethics replied to the Bank in the letter of 27 November 2020.

Øystein Olsen reported on the Ownership Committee's discussions and the Committee's position.

The Executive Board endorsed the Ownership Committee's position:

- Kirin Holdings Co Ltd is to be placed under observation for a period of four years.
- The Council on Ethics is to be informed of the decision. The Council on Ethics is asked to observe not only whether the company ends its business cooperation with MEHL, but also how the company carries out due diligence processes and measures in a broader perspective.
- The Governor is authorised to set a date for publishing the decision.

b) Letter from the Council on Ethics of 18 December 2020 on continuation of observation

Discussion
document:

Memo from the Ownership Committee of 22 January 2021

Norges Bank announced on 13 October 2015 that PT Astra International Tbk was to be placed under observation because of the risk of severe environmental damage through its plantation activities in Indonesia. Norges Bank placed no time limits on the period of observation, but in its recommendation, the Council on Ethics suggested an observation period of four years.

On 18 December 2020, Norges Bank received the annual observation letter from the Council on Ethics for this company. The Council is of the opinion that environmental damage has been reduced, but that observation should nonetheless be extended by one year to be able to monitor the company's further work.

Øystein Olsen reported on the Ownership Committee's discussions and the Committee's position.

The Executive Board approved the Committee's position and took note of the letter of 18 December 2020 from the Council on Ethics.

c) Recommendations from the Council on Ethics of 25 November and 17 December on the exclusion of companies

Discussion document: Three memos from the Ownership Committee of 22 January 2021

1) Norges Bank has received a recommendation, dated 2 November 2020, from the Council on Ethics to exclude the company Shapir Engineering and Industry Ltd. The recommendation is based on the risk that the company contributes to systematic violations of the rights of individuals in situations of war or conflict, cf. the conduct-based criterion in Section 3 (1) (b) of the Guidelines for the Observation and Exclusion of Companies from the Government Pension Fund Global.

Øystein Olsen reported on the Ownership Committee's discussions and the Committee's position.

The Executive Board endorsed the Ownership Committee's position

- Shapir Engineering and Industry Ltd. should be excluded from the GPFG's portfolio.
- The Ministry of Finance is to be informed of the decision.
- The exclusion enters into force on 1 April 2021. The Governor is authorised to grant exemptions from the deadline in situations with challenging liquidity or other special situations. The Governor is authorised to set a date for publishing the decision.

2) Norges Bank has received a recommendation, dated 25 November 2020, from the Council on Ethics to exclude the company Honeys Holding Co Ltd. The recommendation is based on the risk that the company contributes to systematic human rights violations, cf. the conduct-based criterion in Section 3 (1) (a) of the Guidelines for the Observation and Exclusion of Companies from the Government Pension Fund Global.

Øystein Olsen reported on the Ownership Committee's discussions and the Committee's position.

The Executive Board approved the Committee's position:

- Honeys Holding Co Ltd should be excluded from the GPFG's portfolio.
- The Ministry of Finance is to be informed of the decision.
- The exclusion enters into force on 1 April 2021. The Governor is authorised to grant exemptions from the deadline in situations with challenging liquidity or other special situations. The Governor is authorised to set a date for publishing the decision.

3) Norges Bank has received a recommendation, dated 17 December 2020, from the Council on Ethics to exclude the company Mivne Real Estate KD Ltd. The recommendation is based on the risk that the company contributes to systematic violations of the rights of individuals in situations of war or conflict, cf. the conduct-based criterion in Section 3 (1) (b) of the Guidelines for the Observation and Exclusion of Companies from the Government Pension Fund Global.

Øystein Olsen reported on the Ownership Committee's discussions and the Committee's position.

The Executive Board approved the Committee's position:

- Minve Real Estate KD Ltd should 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 April 2021. The Governor is authorised to grant exemptions from the deadline in situations with challenging liquidity or other special situations. The Governor is authorised to set a date for publishing the decision.

d) Recommendation from the Council on Ethics of 25 November 2020 to revoke the exclusion of a company

Discussion Memo from the Ownership Committee of 22 January 2021
document:

Norges Bank has received a recommendation, dated 25 November 2020, from the Council on Ethics to revoke the exclusion of the company Atal SA/Poland from the GPF's portfolio. The company has been excluded since 2017 because of the unacceptable risk that the company contributed to serious violations of human rights through the use of North Korean workers at construction sites in Poland. As a result of a resolution in the UN's Security Council, all North Korean workers have now been sent out of Poland. Therefore, there are no longer grounds for excluding the company.

Øystein Olsen reported on the Ownership Committee's discussions and the Committee's position.

The Executive Board approved the Committee's position:

- The exclusion of Atal SA/Poland 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.

e) Recommendation from the Council on Ethics of 14 December 2020 on the observation of a company

Discussion Memo from the Ownership Committee of 22 January 2021
document:

Norges Bank has received a recommendation, dated 14 December 2020, from the Council on Ethics to place the company ThyssenKrupp AG under observation. The recommendation is based on the unacceptable risk that the company contributes to or is responsible for gross corruption, cf. the conduct-based criteria in Section 3 (1) (e) of the Guidelines for the Observation and Exclusion of Companies from the Government Pension Fund Global.

The Ownership Committee discussed the matter at the meeting of 22 January 2021. Øystein Olsen reported on the Ownership Committee's discussions and the Committee's position.

The Executive Board exchanged views and emphasised:

- Section 6 (3) of the guidelines, which states: "Before making a decision on observation and exclusion in accordance with Section 6(1), the Bank shall consider whether other measures, including the exercise of ownership rights, may be more suited to reduce the risk of continued norm violations, or whether such alternative measures may be more appropriate for other reasons."
- The Executive Board has received NBIM's surveys and assessments that conclude that the exercise of ownership rights is probably better suited to reducing the risk of future norm violations in this case. Norges Bank has had a good dialogue with ThyssenKrupp AG over the past ten years, and has gained insight in the company's experiences and challenges. Furthermore, anti-corruption is an ownership issue of priority for NBIM.
- The Executive Board is of the view that the exercise of ownership rights will be able to focus on the specific challenges raised by the Council on Ethics and the company's wider work to develop and measure effective anti-corruption systems.
- The Executive Board is of the view that an appropriate time horizon for a dialogue with the company can be three years, given the facts of the case and the topic of the dialogue.

The Executive Board endorsed the Ownership Committee's position:

- NBIM was asked to include corruption risk in its exercise of ownership rights with respect to ThyssenKrupp AG over a period of three years. The company is not to be placed under observation.
- NBIM was asked to keep the Executive Board updated on the exercise of ownership rights with respect to ThyssenKrupp AG.
- The Council on Ethics is to be informed of the decision.
- The Governor was authorised to set a date for publishing the decision.

Item 9/2021 GPF – Follow-up of the recommendations from the Council on Ethics

Discussion Memo from NBIM of 15 January 2021

documents: Memo from the Ownership Committee of 25 January 2021

To follow up the Storting's deliberation of the Report to the Storting *The Government Pension Fund 2020*, the Ministry of Finance asked in the letter of 18 December 2020 that Norges Bank provide an account of its processes and work to follow-up recommendations of observation and exclusion of companies from the GPF.

Øystein Olsen presented the matter and the Ownership Committee's discussions and position. The Committee recommended that the Executive Board follow management's guidance.

The Executive Board approved the submission of a letter to the Ministry of Finance in line with the attached proposal. The Governor was authorised to finalise the letter in line with the remarks made during the Executive Board's meeting.

Item 10/2021 Briefing on relevant matters in NBIM

Nicolai Tangen gave a briefing on current issues in NBIM.

Item 11/2021 Approval of the minutes of the Executive Board meeting of 18 December 2020

Discussion Draft minutes
document:

The Executive Board approved the minutes of its meeting of 18 December 2020.

Item 12/2021 Strategic plan for NBIM for 2021-2022

Discussion Memo from NBIM of 22 January 2021
document:

Nicolai Tangen and Trond Grande presented the proposed new strategic plan for NBIM for 2021-2022.

The Executive Board exchanged views and provided feedback and comments. The Executive Board approved the strategic direction of the proposed strategic plan. An updated version of the strategic plan that takes into account the Executive Board's comments is to be presented to the Executive Board during March 2021.

Item 13/2021 NBIM – Operations report for 2020 Q4

Discussion Memo from NBIM of 21 January 2021
document:

Trond Grande presented the main elements in the report.

The Executive Board took note of the operations report for NBIM for 2020 Q4.

Item 14/2021 NBIM compliance and control – Report for 2020 Q4

Discussion Memo from NBIM of 21 January 2021
documents: Memo from the Audit Committee of 25 January 2021

Carine Smith Ihenacho 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. The Committee recommended that the Executive Board follow management's guidance.

The Executive Board took note of the report on compliance and control for 2020 Q4.

Item 15/2021 Operations report for NBCBO and Norges Bank Administration (NBA) for 2020

Discussion Memo from NBA of 21 January 2021
document:

Ida Wolden Bache and Ørjan Agdesteen presented the main elements of the report.

The Executive Board took note of the operations report for Central Banking Operations for 2020 H2.

Item 16/2021 Operational risk and compliance in NBCBO/NBA – Report for 2020 H2

Discussion documents: Memo from Governance, Risk and Compliance of 22 January 2021
Memo from the Audit Committee of 25 January 2021

Kirsten Steinberg 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. The Committee recommended that the Executive Board follow management's guidance.

The Executive Board took note of the report on operational risk and compliance in NBCBO and NBA for 2020 H2.

Item 17/2021 Norges Bank's annual report for 2020

Discussion document: **Memo from NBA of 18 January 2021**

Runar Malkenes presented the matter for discussion, comprising the draft:

- Annual Report of the Executive Board for 2020
- Chapter on corporate social responsibility and sustainability

The Committee's annual report for 2020 was also included for information

The Executive Board exchanged views and made remarks on the Executive Board's report and statements on corporate social responsibility and sustainability for 2020. The text will be updated and included in Norges Bank's annual report for 2020, which will be considered at the Executive Board meeting of 4 February 2021.

Item 18/2021 The Executive Board's long-term plan for Internal Audit for the period 2021-2024

Discussion documents: Memo from Internal Audit of 18 January 2021
Memo from the Audit Committee of 25 January 2021

Ingunn Valvatne presented the main elements of the long-term plan.

Karen Helene Ulltveit-Moe reported on the Audit Committee's discussions. The Committee stated that the proposed long-term plan for Internal Audit is relevant and addresses the current balance of risks. The Committee recommended that the Executive Board follow Internal Audit's guidance, but that it takes into account the feedback from the Audit Committee.

The Executive Board approved Internal Audit's proposed long-term plan for 2021-2024, taking into account the feedback from the Audit Committee.

Item 19/2021 The Executive Board's annual plan for Internal Audit for 2021

Discussion documents: Memo from Internal Audit of 19 January 2021
Memo from the Audit Committee of 25 January 2021

Ingunn Valvatne presented the annual plan for Internal Audit for 2021.

Karen Helene Ulltveit-Moe reported on the Audit Committee's discussions. The Committee stated that the proposed long-term plan for Internal Audit is relevant and addresses the current balance of risks. The Committee recommended that the Executive Board follow Internal Audit's guidance, but that it takes into account the feedback from the Audit Committee.

The Executive Board approved Internal Audit's proposed audit plan for 2021, taking into account the feedback from the Audit Committee.

Item 20/2021 Any other business

The Executive Board summarised the day's meeting and discussed certain topics related to the forthcoming Executive Board meeting.

Items for information:

- Agenda for the Executive Board seminar on 26 January 2021
- NBIM Report - GPFG Performance and Risk - December 2020
- Minutes of the Risk and Investment Committee meeting of 11 December 2020
- Minutes of the Risk and Investment Committee meeting of 20 January 2021
- Minutes of the Ownership Committee's meeting of 19 November 2020
- Supervisory review - Norges Bank's conversion of foreign currency into NOK in the foreign exchange market.
- Letter from the Office of the Supervisory Council of 16 December 2020.