

## MINUTES OF THE EXECUTIVE BOARD MEETING OF 27 JANUARY 2016

### Present:

Executive Board: Øystein Olsen, Jon Nicolaisen, Egil Matsen, Kjetil Storesletten, Karen Helene Ulltveit-Moe, Kathryn M. Baker and Steinar Juel

### Alternates:

Employee representatives: Gøril B. Havro and Mona H. Sørensen (items 21-29)

Office of the Supervisory Council: Svenn-Erik Forsstrøm (items 1-10, 21-22 and 24-29)

Management: Yngve Slyngstad (items 1-20), Trond Grande (items 1-22 and 24-25), Dag Huse (items 1-19), Lise Lindbäck (item 6), Hege Gjerde (items 21-22), Age Bakker (items 24-25), Karsten Kallevig (items 16-20), Ivar Eriksen (items 16-19), Lars Dahl (items 1-2 and 17-18), Mie Holstad (item 18), Per Løken (item 19), John Tore Vatnar (items 12-15), Merethe Riddervold (items 1-17, 21-22 and 24-25), Ida Wolden Bache (items 30 and 32), Kristin Gulbrandsen (items 26-27 and 31), Olav Bø (item 31), Helge Mothes (items 26 and 27), Kjetil Heltne (items 26 and 27), Ørjan Agdesteen (items 18 and 23), Jannecke Ebbesen (item 23), Line Vogt (item 23), Kathrine Stang Ottesen (items 23 and 26-29), Ingunn Valvatne (items 1-11, 21-22 and 24-29), Birger Vikøren (items 1-29), Pål Haugerud (items 1-19, 21-22 and 24-25), Runar Malkenes (items 1-19 and 21-32), Bjarne Gulbrandsen (items 1-33), Sigrid Igland (items 1-19 and 21-33)

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

- Agenda – Seminar with the Executive Board of 26 January 2016  
Memo from NBIM of 22 January 2016
- Monthly performance and risk reports – November and December 2015  
Memos from NBIM of 17 December 2015 and 22 January 2016
- Supplementary information, GPFG performance and risk, Q4 2015  
Memo from NBIM of 19 January 2016
- Unlisted real estate investments – Job description for the CEO of NBREM  
Memo from NBIM of 21 January 2016
- Report from the Audit Committee meeting of 16 December 2015
- Minutes of the Executive Board's Risk and Investment Committee meeting of 17 November 2015
- Government Pension Fund Global (GPFG) – Exemptions from limit for share of investments with any one partner and limit for total fees  
Memo from NBIM of 26 January 2016

### 1/2016 Compliance and control – Quarterly report, fourth quarter 2015

Discussion documents:

- Memo from NBIM of 21 January 2016

Trond Grande and Lars Dahl presented the key points in the report. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the topics that particularly drew its attention, including the risk associated with changes to tax rules and the relationship between the risk levels stated in this report and those stated in the report "NBIM Real Estate – quarterly report for the fourth quarter of 2015". The Committee's review did not bring anything to light that would point to a different stance to that of management.

The Executive Board exchanged views and took note of the report on compliance and control at NBIM for the fourth quarter of 2015.

## **2/2016 Annual internal control report for 2015**

Discussion documents:

- Memo from NBIM of 21 January 2016

Trond Grande and Lars Dahl presented the key points in the report. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the topics that particularly drew its attention, including the reasons for the increase in the number of undesired events over the past three years and the need for elaboration of definitions relating to the different documents' role in the governance model. The Committee's review did not bring anything to light that would point to a different stance to that of management.

The Executive Board exchanged views and took note of NBIM's annual internal control report for 2015. The report is to be sent to the Supervisory Council for information.

## **3/2016 Performance and risk – Quarterly report for the fourth quarter of 2015**

Discussion documents:

- Memo from NBIM of 21 January 2016

Dag Huse presented the main elements of the report. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the topics that particularly drew its attention, including the need to include a description of the measurement methods for the usage of limits specified in the mandate. The Committee's review did not bring anything to light that would point to a different stance to that of management. Egil Matsen presented the discussions on the Risk and Investment Committee.

The Executive Board exchanged views and took note of the report on performance and risk in the Government Pension Fund Global for the fourth quarter of 2015. The Supervisory Council is to be informed of the main elements of the report in a separate letter.

## **4/2016 GPF – Public reporting**

Discussion documents:

- Memo from NBIM of 21 January 2016

Trond Grande presented the plan for the various public reports on the management of the Government Pension Fund Global to be published in 2016.

The Executive Board had a provisional exchange of views and asked for further work on the matter in line with its specific remarks. The item is to be considered anew at the meeting of 10 February.

**5/2016 GPFG – Follow-up of the expert group’s report on principles for risk adjustment of performance figures**

Discussion documents:  
- Memo from NBIM of 21 January 2016

Yngve Slyngstad and Dag Huse presented the topic. Egil Matsen outlined the discussions on the Risk and Investment Committee.

The Executive Board took note of the presentation of the follow-up of the expert group’s report on principles for risk adjustment of performance figures.

**6/2016 GPFG – Proposal from the Ministry of Finance for changes to the mandate**

Discussion documents:  
- Memo from NBIM of 25 January 2016

Trond Grande presented the topic and the changes to the draft response following its consideration at the Executive Board meeting of 16 December 2015.

The Executive Board exchanged views and approved the submission of a letter to the Ministry of Finance. The Governor was authorised to finalise the letter based on the discussion document and the Executive Board’s remarks.

**7/2016 Report on responsible investment for 2015**

Discussion documents:  
- Memo from NBIM of 21 January 2016

Yngve Slyngstad presented the report. Egil Matsen outlined the discussions on the Ownership Committee.

The Executive Board exchanged views and took note of the report on responsible investment for 2015. The report is to be published on 4 February 2016 and sent to the Supervisory Council for information.

**8/2016 Letter to the Ministry of Finance on the expectations document on human rights**

Discussion documents:  
- Memo from NBIM of 21 January 2016

Yngve Slyngstad presented the topic and the draft letter describing the preparation of the expectations document and the Bank's assessments. Egil Matsen outlined the discussions on the Ownership Committee.

The Executive Board exchanged views and approved the submission of a letter to the Ministry of Finance in line with the discussion document. The Governor was authorised to finalise the letter based on the Executive Board's remarks.

**9/2016    Updating of the Executive Board's principles for responsible investment at Norges Bank**

Discussion documents:  
- Memo from NBIM of 21 January 2016

Yngve Slyngstad introduced the topic.

The Executive Board decided that the principles for responsible investment should be updated in line with the discussion document. The document is to be submitted to the Ministry of Finance for information and published on NBIM's website.

**10/2016    GPFG – Evaluation of the organisation of responsible investment**

Discussion documents:  
- Memo from NBIM of 21 January 2016

Yngve Slyngstad presented the topic. Egil Matsen outlined the discussions on the Ownership Committee.

The Executive Board exchanged views and approved the submission of a letter to the Ministry of Finance in line with the presentation. The Governor was authorised to finalise the letter based on the Executive Board's remarks.

**11/2016    GPFG – Amended provisions on a new product-based coal criterion in the framework for responsible investment**

Discussion documents:  
- Memo from NBIM of 21 January 2016

Yngve Slyngstad and Dag Huse presented the topic and the draft response to the Ministry of Finance. Egil Matsen outlined the discussions on the Ownership Committee.

The Executive Board exchanged views and approved the submission of a letter to the Ministry of Finance in line with the discussion document. The Governor was authorised to finalise the letter based on the Executive Board's remarks.

**12/2016    Recommendation from the Council on Ethics to place Petrobras SA under observation**

Discussion documents:

- Memo from NBIM of 21 January 2016
- Memo from the Ownership Committee of 26 January 2016

Egil Matsen introduced the topic and presented the discussions on the Ownership Committee and the Committee's position on the recommendation from the Council on Ethics.

Section 6 of the guidelines for observation and exclusion from the Government Pension Fund Global requires the Bank to 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. NBIM has considered the exercise of ownership rights and concluded that this is probably not an appropriate measure in this case.

The Executive Board exchanged views and endorsed the Council on Ethics' recommendation to place Petrobras SA under observation. The Council on Ethics is to be informed of the decision. The Governor was authorised to set a date for publishing the decision.

#### **13/2016 Recommendation from the Council on Ethics to exclude a company**

Discussion documents:

- Memo from NBIM of 21 January 2016
- Memo from the Ownership Committee of 26 January 2016

Egil Matsen introduced the topic and presented the Ownership Committee's position on the recommendation from the Council on Ethics.

The Executive Board exchanged views and decided that San Leon Energy Plc should be excluded from the Government Pension Fund Global's portfolio. The Ministry of Finance is to be informed of the decision. The Governor was authorised to set a date for publishing the decision.

#### **14/2016 Recommendation from the Council on Ethics of 21 December 2015 to revoke the exclusion of a company**

Discussion documents:

- Memo from NBIM of 21 January 2016
- Memo from the Ownership Committee of 26 January 2016

Egil Matsen introduced the topic and presented the Ownership Committee's position on the recommendation from the Council on Ethics.

Section 5 of the management mandate for the Government Pension Fund Global requires the Council on Ethics to assess regularly whether the basis for observation or exclusion still exists. In light of new information, the Council may recommend that the Bank revoke an observation or exclusion decision.

The Executive Board exchange views and decided to revoke the exclusion of Singapore Technologies Engineering Ltd from the portfolio of the Government Pension Fund Global. The Ministry of Financed is to be informed of the

decision. The Governor was authorised to set the date for publishing the decision.

**15/2016 Letter from the Council on Ethics – Update on excluded companies**

Discussion documents:  
- Memo from NBIM of 21 January 2016

Egil Matsen presented the discussion document and the discussions on the Ownership Committee.

In accordance with the guidelines for observation and exclusion from the Government Pension Fund Global, the Council on Ethics has assessed whether the basis for exclusion still exists for the companies excluded from the Fund.

The Executive Board took note of the letter from the Council on Ethics.

**16/2016 Government Pension Fund Global – Appointment of members of the Real Estate Investment Board**

Discussion documents:  
- Memo from NBIM of 22 January 2016

Yngve Slyngstad introduced the topic.

The Executive Board exchanged views and appointed Christian Ringnes and Petter Fredrik Neslein as members of the Real Estate Investment Board until 1 January 2017.

**17/2016 Real estate management – Approval of investments by the Real Estate Investment Board and the Executive Board**

Discussion documents:  
- Memo from NBIM of 22 January 2016

Yngve Slyngstad introduced the topic. Egil Matsen presented the discussions on the Risk and Investment Committee and the Committee's position.

The Executive Board exchanged views and decided on the following changes to the mandate for the Real Estate Investment Board:

- The threshold for submitting investments to the REIB for approval is set at USD 750 million
- The threshold for submitting investments to the Executive Board for approval is set at USD 1.5 billion

The Executive Board's investment mandate for the CEO of NBIM and the Executive Board's mandate for the Risk and Investment Committee are to be amended accordingly.

The changes are to enter into force with immediate effect.

## **18/2016 NBREM – Reporting for the fourth quarter of 2015**

Discussion documents:

- Memo from NBREM of 20 January 2016

Lars Dahl and Mie Caroline Holstad presented the key points in the report. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the topics that particularly drew its attention, including the presentation of compliance with the mandate and management costs. The Committee's review did not bring anything to light that would point to a different stance to that of management.

The Executive Board exchanged views and took note of the report on real estate management for the fourth quarter of 2015. A summary of the report's information on the Fund's real estate investments is to be sent to the Supervisory Council.

## **19/2016 Real estate investments – Project Exchange**

Discussion documents:

- Memo from NBREM of 25 January 2016


- Memo from the Risk and Investment Committee of 26 January 2016

Karsten Kallevig presented the real estate investment, with particular emphasis on investment-related aspects of the project.

Egil Matsen presented the discussions on the Risk and Investment Committee and the Committee's position. He then presented new information that had come to light after the Committee's discussions, including that the REIB had made a provisional recommendation on the matter. It was disclosed at the same time that, although the REIB was quorate when considering the project, not all members were in attendance. NBREM's discussion document incorporated this new information.

The Executive Board exchanged views and asked a number of clarifying questions about the project, including on pricing and risk. The Executive Board noted that the investment will fall under the Ministry of Finance's mandate for the GPFG and the Executive Board's investment mandate for the CEO of NBIM. The Executive Board also noted that, when establishing the holding structure, NBREM will ensure that the Supervisory Council's right to supervise and obtain information from companies in the holding structure is assured. The Executive Board pointed out that the process leading to consideration by the Executive Board was demanding, and asked NBREM to work further on establishing good processes and effective discussion documents for the Executive Board.

A majority of the Executive Board approved further work on the matter with a view to signing a contract.

  
Reference is made to item 16/2016 on the appointment of members of the REIB.

Executive Board member Karen Helene Ulltveit-Moe felt, on balance, unable to support the decision based on the information available at the time of the Executive Board meeting.

**20/2016 Briefing on current issues**

Yngve Slyngstad and Karsten Kallevig gave briefings on current issues at NBIM and NBREM.

**21/2016 Minutes of the Executive Board meeting of 16 December 2015**

The Executive Board approved the minutes of its meeting of 16 December 2015.

**22/2016 Governance at NBIM – Report for the fourth quarter of 2015**

Discussion documents:  
- Memo from NBIM of 21 January 2016

Trond Grande presented the main elements of the report.

The Executive Board exchanged views and took note of the governance report for the fourth quarter of 2015. The report is to be sent to the Supervisory Council for information.

**23/2016 Norges Bank's annual report for 2015**

Discussion documents:  
- Memo from Corporate and Shared Services of 21 January 2016

Jannecke Ebbesen presented the main elements of the Executive Board's annual report (part I of the Bank's annual report) and provided information on the schedule for the remaining work on the report.

The Executive Board provisionally considered part I. Remarks from the discussion are to be incorporated, and both part I and part II (the annual financial statements) are to be presented for approval at the meeting of 10 February 2016. Part III of the Bank's annual report is to be sent to the Executive Board for information.

**24/2016 Supervisory review – Risk management in the outsourcing of IT services by NBIM**

Discussion documents:  
- Memo from NBIM of 21 January 2016

Trond Grande introduced the topic.



The Executive Board took note of the assurance report on the management and control of operational risk in the outsourcing of IT-related services by Norges Bank Investment Management.

The Executive Board asked NBIM to assess the recommendations and keep it informed about work to follow up the report's recommendations through future management reporting.

#### **25/2016 Summary of audit reports – IT NBIM**

Discussion documents:

- Memo from Internal Audit of 25 January 2016

Ingunn Valvatne presented the main elements of the audit report. Karen Helene Ulltveit-Moe outlined the discussions on the Audit Committee.

The Executive Board took note of Internal Audit's summary of the audit report 1502 NBIM IT Security.

#### **26/2016 Summary of audit reports – IT CBO**

Discussion documents:

- CONFIDENTIAL memo from Internal Audit of 25 January 2016

Ingunn Valvatne presented the main elements of the audit report. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the topics that particularly drew its attention. Jon Nicolaisen provided information on the actions taken in light of the report's findings.

The Executive Board took note of Internal Audit's summary of the audit report 1502 ICT Security at Norges Bank/Central Banking Operations.

#### **27/2016 Supervisory review – Management and control of cybersecurity in Norges Bank's settlement system**

Discussion documents:

- CONFIDENTIAL memo from Markets and Banking Services of 21 January 2016

Kristin Gulbrandsen introduced the topic.

The Executive Board exchanged views and decided to send a letter to the Supervisory Council with comments on the supervisory report in line with the discussion document.

#### **28/2016 The Executive Board's long-term plan for Internal Audit for 2016-2019**

Discussion documents:

- Memo from Internal Audit of 20 January 2016



Employee representatives in respect of items 21-29: