

MINUTES OF THE EXECUTIVE BOARD MEETING OF 22 JUNE 2016

Present:

Executive Board: Øystein Olsen, Jon Nicolaisen, Egil Matsen, Hilde Myrberg (items 123-139), Kjetil Storesletten, Karen Helene Ulltveit-Moe, Kathryn M. Baker and Steinar Juel

Alternates: Arne Hyttnes (items 122-134) and Kristine Landmark

Employee representatives: Gøril Havro and Mona H. Sørensen (items 132-139)

Office of the Supervisory Council: Sverre-Erik Forsstrøm (items 126-129 and 134-136)

Management: Ida Wolden Bache (items 122-124), Torbjørn Hægeland (items 122-124), Sindre Weme (items 122-124), Kristine Høegh-Omdal (items 122-124), Per Espen Lilleås (items 122-124), Ingrid Solberg (items 122-124), Olav Bø (items 122-124), Therese Riiser Wålen (items 122-124), Yngve Slyngstad (items 126-135), Trond Grande (items 126-135), Dag Huse (items 126-130), Merethe Riddervold (items 126-130, 134-136), John Tore Vatnar (item 130), Sirine Fodstad (items 132-135), Jannecke Ebbesen (item 138), Jane Haugland (items 137-138), Birger Vikøren (items 126-131), Pål Haugerud (items 126-131), Runar Malkenes (items 122-124, 126-130, 134-136, 138), Ingunn Valvatne (items 126-129, 134-136), Renate Haugen (item 134), Bjarne Gulbrandsen (items 122-139), Olav Mundal (items 122-130, 134-136, 138-139)

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

- Market Focus 3-2016
Memo from Markets and Banking Services of 15 June 2016
- Report from the Remuneration Committee meeting of 9 February 2016
- Government Pension Fund Global – Presentation and report from the quarterly meeting with the Ministry of Finance
Memo from NBIM of 16 June 2016

122/2016 Recommendation to the Ministry of Finance on the countercyclical capital buffer

Discussion documents:

- HIGHLY CONFIDENTIAL memo from Financial Stability of 17 June 2016

Jon Nicolaisen provided an update on the basis for the recommendation.

In its discussions, the Executive Board emphasised that the persistent rise in household debt ratios and high property price inflation in recent years are signs that financial imbalances have built up. Growth in overall credit has

edged down recently, while house price inflation has accelerated. The overall assessment of financial imbalances is little changed since March. Weak growth in the Norwegian economy may curb debt growth ahead in both the household and the corporate sector. On the other hand, low interest rates may contribute to sustaining the high level of property price inflation and drive up household debt growth, increasing the risk of an abrupt decline in demand and future bank loan losses.

On the basis of an overall assessment, the Executive Board decided to advise the Ministry of Finance to keep the buffer rate unchanged at 1.5%.

123/2016 Draft monetary policy report with financial stability assessment 2/16

Discussion documents:

- HIGHLY CONFIDENTIAL memo from Monetary Policy/Financial Stability of 17 June 2016

Jon Nicolaisen presented a number of adjustments to the report following its consideration by the Executive Board on 8 June 2016.

The Executive Board discussed the economic outlook, the monetary policy stance and the basis for the countercyclical buffer at the banks. The Executive Board approved the proposed "Executive Board's Assessment". The assessment is to be published in Monetary Policy Report 2/16.

124/2016 The current monetary situation

Discussion documents:

- Norges Bank's policy rates – Meeting of 22 June 2016

HIGHLY CONFIDENTIAL memo of 21 June 2016

- Economic developments since 11 May 2016

Memo from Monetary Policy of 17 June 2016

- Report from the meeting between Norges Bank and the Ministry of Finance of 10 May 2016

- Background information – Charts



125/2016 Briefing on current issues in Central Banking Operations

The Governor presented current issues in Central Banking Operations.

126/2016 Government Pension Fund Global – Updating of the Executive Board’s investment mandate for the CEO of NBIM

Discussion documents:

- Memo from NBIM of 16 June 2016
- Memo from the Risk and Investment Committee of 21 June 2016

Yngve Slyngstad and Dag Huse introduced the topic. Egil Matsen presented the discussions on the Risk and Investment Committee and its recommendations for further adjustments to the investment mandate.

The Executive Board exchanged views and decided to amend the investment mandate for the CEO of NBIM in line with management’s proposals and the adjustments recommended by the Risk and Investment Committee. The Governor was authorised to finalise the document. The updated investment mandate is to be sent to the Ministry of Finance and published.

The Executive Board asked NBIM to report back to it on developments in the use of contracts for difference (CFDs) over the past year.

The Executive Board asked management for a more detailed review of the fee structure for investment partners and asset managers in the management of unlisted real estate in connection with the upcoming strategy plan.

127/2016 Government Pension Fund Global – Updating of the Executive Board’s principles for risk management

Discussion documents:

- Memo from NBIM of 16 June 2016
- Memo from the Risk and Investment Committee of 21 June 2016

Yngve Slyngstad and Dag Huse introduced the topic. Egil Matsen presented the discussions on the Risk and Investment Committee and its recommendations for further adjustments to the principles document.

The Executive Board exchanged views and decided to amend its principles for risk management in line with management’s proposals, some of the adjustments recommended by the Risk and Investment Committee, and the Executive Board’s discussions. The Governor was authorised to finalise the document. The updated principles document is to be sent to the Ministry of Finance and published.

The Executive Board asked for a broader review of its principles for risk management to be performed when the new mandate for real estate management is ready, including an assessment of the recommendations in the Supervisory Council’s supervisory reviews.

128/2016 Government Pension Fund Global – Updating of the Executive Board’s principles for responsible investment

Discussion documents:

- Memo from NBIM of 16 June 2016
- Memo from the Ownership Committee of 21 June 2016

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

The Executive Board exchanged views and decided to amend its principles for responsible investment in line with management’s proposals and the Executive Board’s discussions. The Governor was authorised to finalise the document. The updated principles for responsible investment are to be sent to the Ministry of Finance for information and published.

129/2016 Government Pension Fund Global – Securities lending

Discussion documents:

- Memo from NBIM of 16 June 2016
- Memo from the Risk and Investment Committee of 21 June 2016

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

The Executive Board exchanged views and took note of the information provided on securities lending, including that current securities lending practices comply with the Executive Board’s principles for risk management.

The Executive Board asked NBIM to assess the need for changes to the principles for tax management when the principles for risk management are next updated.

130/2016 Recommendation from the Council on Ethics of 5 April on the exclusion of companies

Discussion documents:

- Memo from the Ownership Committee of 21 June 2016

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

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 decided that

- Duke Energy Corp.
- Duke Energy Carolinas LLC

- Duke Energy Progress LLC
 - Progress Energy Inc
- should be excluded from the Government Pension Fund Global's portfolio.

The Ministry of Finance is to be informed of the decision.

The exclusions are to be effective from 1 September 2016. The Governor was authorised to grant exemptions from the deadline in situations with challenging liquidity or other special situations. The Governor was authorised to set a date for publishing the decision.

The Executive Board is to be informed when the publication date has been set.

131/2016 Briefing on current issues in investment management

Yngve Slyngstad and Egil Matsen gave a briefing on current issues in investment management.

132/2016 Minutes of the Executive Board meeting of 8 June 2016

The Executive Board approved the minutes of its meeting of 8 June 2016.

133/2016 Pay bands for NBIM's leader groups

Discussion documents:

- Memo from NBIM of 13 June 2016
- Memo from the Remuneration Committee of 21 June 2016

Trond Grande introduced the topic. Hilde Myrberg presented the discussions on the Remuneration Committee and the aspects that particularly drew its attention.

The Executive Board exchanged views and set the standard pay bands for leader group members at NBIM in line with management's proposals. In special cases, the CEO of NBIM may set salaries outside the standard bands based on individual assessments.

134/2016 Annual report on the application of the remuneration system at NBIM

Discussion documents:

- Memo from NBIM of 9 June 2016
- Memo from Internal Audit of 10 June 2016

Trond Grande introduced the topic. Hilde Myrberg presented the discussions on the Remuneration Committee.

The Executive Board took note of the report on the application of the remuneration system at NBIM in 2015. The Executive Board noted Internal Audit's statement that the report provides a true and fair view of its application. The Executive Board also noted that the application of the system complies

with the remuneration provisions in the mandate, the remuneration regulations and the general guidelines set by the Executive Board.

135/2016 The Executive Board's principles for the remuneration of employees in investment management

Discussion documents:

- Memo from NBIM of 9 June 2016
- Memo from the Remuneration Committee of 21 June 2016

Trond Grande introduced the topic. Hilde Myrberg presented the discussions on the Remuneration Committee.

The Executive Board exchanged views and approved the proposed changes to the principles for the remuneration of employees in investment management. The changes are to enter into force with immediate effect.

The updated principles are to be sent to the Ministry of Finance and published.

The Supervisory Council is to be informed of the updating of the remuneration principles.

136/2016 Revised mandate for the Remuneration Committee

Discussion documents:

- Memo from the General Secretariat of 13 June 2016

Bjarne Gulbrandsen introduced the topic. Hilde Myrberg presented the aspects that particularly drew the attention of the Remuneration Committee.

The Executive Board exchanged views and approved the revised mandate for the Remuneration Committee, including its expansion from two to three members, all elected from among the Executive Board's external and alternate members.

137/2016 Revision of the pay ceiling for employees in Central Banking Operations who report to the Governor

Discussion documents:

- Memo from the Governor of 13 June 2016
- Memo from the Remuneration Committee of 21 June 2016

The Governor introduced the topic. Hilde Myrberg presented the discussions on the Remuneration Committee.

The Executive Board exchanged views and approved the revision of the pay ceiling for managers and other employees in Central Banking Operations who report to the Governor in line with management's proposals.

138/2016 Human resources policy report for 2016

Discussion documents:

- Memo from Corporate and Shared Services of 16 June 2016

Jannecke Ebbesen introduced the topic.

The Executive Board exchanged views and took note of the human resources policy report for Central Banking Operations.

139/2016 Any other business

The Executive Board's meeting schedule for 2016 was modified:

- The seminar on Tuesday 9 August was cancelled
- A new seminar was added on Tuesday 13 September

Executive Board members:

Executive Board alternates:

Employee representatives in respect of items 132-139: