

MINUTES OF THE EXECUTIVE BOARD MEETING OF 10 AUGUST 2016

Present:

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

Deputy members: Arne Hyttnes and Kristine Landmark

Employee representatives: Henrik Borchgrevink (items 140-144 and 157-160)

Deloitte: Aase Aa. Lundgaard (items 144-149) and Henrik Woxholt (items 144-149)

Office of the Supervisory Council: Svenn-Erik Forsstrøm (items 140-151, 154 and 157-159)

Management: Yngve Slyngstad (items 140-152), Trond Grande (items 140-152), Hege Gjerde (items 140-141,143-146,158), Merethe Riddervold (items 140-141,143-147,151), Karsten Kallevig (items 142, 148-150), Ivar Eriksen (items 142, 148-150), Dag Huse (items 145-146), Stephen Hirsch (item 147), Lars Dahl (items 148-149), Nina Hammerstad (item 150), Jan Thomsen (items 147-149), Ida Wolden Bache (items 153,155), Torbjørn Hægeland (item 155), Per Espen Lilleås (item 153), Kristine Høegh-Omdal (item 155), Olav Bø (items 153-154), Per Gunnar Bull Karlsen (item 154), Ingunn Valvatne (items 140-151,153-154,158-159), Ørjan Agdesteen (items 143-146, 154, 157-158), Kathrine Stang Ottesen (item 157), Birger Vikøren (items 140-144,149-152,157-160), Pål Haugerud (items 140-143,145-151,154), Runar Malkenes (items 145-151, 153-154), Bjarne Gulbrandsen (items 140-159), Olav Mundal (items 140-151,153-159)

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

- GPFG performance and risk report, May 2016
Memo from NBIM of 16 June 2016
- Supplementary information, GPFG performance and risk, Q2 2016
Memo from NBIM of 3 August 2016
- Government Pension Fund Global – Updating of policy documents
Letter to the Ministry of Finance of 6 July 2016
- Report from the Remuneration Committee meeting of 15 June 2016
- Minutes of the Ownership Committee's meetings in 2016
Minutes of the Risk and Investment Committee's meetings in 2016

140/2016 Draft minutes of the meeting of 22 June 2016

The Executive Board approved the minutes of its meeting of 22 June 2016.

141/2016 NBIM – Management report for the second quarter of 2016

Discussion documents:
- Memo from NBIM of 3 August 2016

Yngve Slyngstad and Trond Grande presented the main elements of the report.

The Executive Board took note of the management report for NBIM for the second quarter of 2016.

142/2016 NBREM – Management report for the second quarter of 2016

Discussion documents:
- Memo from NBREM of 3 August 2016

Ivar Eriksen presented the main elements of the report.

The Executive Board took note of the management report for NBREM for the second quarter of 2016.

143/2016 GPFG – Supervisory report on cost management

Discussion documents:
- Memo from the General Secretariat of 4 August 2016

Birger Vikøren presented the main elements of the report.

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 Executive Board's remarks.

The Executive Board asked NBIM to integrate cost/benefit analyses more systematically into the proposed strategy plan for 2017-2019 and future budget proposals.

The Executive Board asked management to assess further clarification of the requirements for cost-effectiveness in the Executive Board's policy documents.

144/2016 Audit plan and audit report for 2016 from Deloitte

Discussion documents:
- Memo from the General Secretariat of 4 August 2016
- Memo from the Audit Committee of 8 August 2016

Birger Vikøren presented the discussion document. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the aspects that particularly drew its attention, including the need to clarify the reporting format for the new audit report. Deloitte provided information on the schedule for work on the audit and the audit report.

The Executive Board exchanged views and took note of the audit plan for Norges Bank for 2016 from Deloitte. The Executive Board endorsed the Supervisory Council's assessment of the introduction of a new audit report with effect from the 2016 financial year. The Supervisory Council is to be informed appropriately.

145/2016 Government Pension Fund Global – Public report for the second quarter of 2016

Discussion documents:

- Memo from NBIM of 3 August 2016
- Memo from the Risk and Investment Committee of 8 August 2016
- Memo from the Audit Committee of 8 August 2016

Yngve Slyngstad and Dag Huse presented the main elements of the report. Deloitte confirmed that nothing had come to its attention during its review causing it to believe that the interim financial information had not in all material respects been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

Egil Matsen and Karen Helene Ulltveit-Moe presented the discussions on the Risk and Investment Committee and the Audit Committee respectively, and the aspects that particularly drew the Committees' attention. The Committees had received satisfactory answers to their questions, and their review had not brought anything to light that would point to a different stance to that of management.

The Executive Board exchanged views and approved the public report on the management of the Government Pension Fund Global (GPFG), including the interim financial reporting for the investment portfolio, for the second quarter of 2016.

The report, including the signed version of the financial reporting for the GPFG for the second quarter of 2016, is to be sent to the Ministry of Finance. The report is to be published at a press conference on 17 August. The report is to be submitted to the Supervisory Council for information.

146/2016 NBIM performance and risk – Report for the second quarter of 2016

Discussion documents:

- Memo from NBIM of 3 August 2016
- Memo from the Risk and Investment Committee of 8 August 2016

Dag Huse presented the main elements of the report. Egil Matsen presented the discussions on the Risk and Investment Committee and the aspects that particularly drew its attention. 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 performance and risk for NBIM for the second quarter of 2016. The Supervisory Council is to be informed of the main elements of the report.

147/2016 NBIM compliance and control – Report for the second quarter of 2016

Discussion documents:

- Memo from NBIM of 3 August 2016
- Memo from the Audit Committee of 8 August 2016

Stephen Hirsch presented the main elements of the report. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the aspects that particularly drew its attention, including the follow-up of unwanted events and the ongoing work to improve the framework for consistent follow-up of service providers. 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 second quarter of 2016. The report is to be submitted to the Supervisory Council.

148/2016 NBREM performance and risk – Report for the second quarter of 2016

Discussion documents:

- Memo from NBREM of 3 August 2016
- Memo from the Risk and Investment Committee of 8 August 2016

Karsten Kallevig and Lars Dahl presented the main elements of the report. Egil Matsen presented the discussions on the Risk and Investment Committee and the aspects that particularly drew its attention, including the valuation of real estate investments in the UK following the referendum on EU membership. 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 performance and risk for NBREM for the second quarter of 2016. The Supervisory Council is to be informed of the main elements of the report.

149/2016 NBREM compliance and control – Report for the second quarter of 2016

Discussion documents:

- Memo from NBREM of 3 August 2016
- Memo from the Audit Committee of 8 August 2016

Jan Thomsen presented the main elements of the report. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the aspects that particularly drew its attention, including the follow-up of unwanted events and the principles for following up services from service providers. 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 NBREM for the second quarter of 2016. The report is to be submitted to the Supervisory Council.

150/2016 Real estate management – Norwegian holding companies and letter to the Ministry of Finance

Discussion documents:

- Memo from NBREM of 3 August 2016
- Memo from the Risk and Investment Committee of 8 August 2016

Karsten Kallevig presented the discussion document. Egil Matsen presented the discussions on the Risk and Investment Committee and its recommendations for adjustments to the letter.

The Executive Board approved the submission of a letter to the Ministry of Finance based on the appended draft. Remarks from the discussions on the Risk and Investment Committee and the Executive Board are to be incorporated. The Governor was authorised to finalise the letter.

151/2016 Government Pension Fund Global – Follow-up of the white paper on the management of the fund in 2015

Discussion documents:

- Memo from NBIM of 4 August 2016

Yngve Slyngstad presented the discussion document.

The Executive Board took note of the information provided on the Ministry of Finance's letter following the Storting's final consideration of Report No. 23 (2015-2016), and the schedule for the Executive Board's consideration of the advice and assessments to be submitted to the Ministry.

152/2016 Briefing on current issues in investment management

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

153/2016 Briefing on the current monetary situation

Jon Nicolaisen outlined the main economic developments since the previous Executive Board meeting.

154/2016 Financial risk and management of the foreign exchange reserves – Report for the second quarter of 2016

Discussion documents:

- Memo from Markets and Banking Services of 4 August 2016
- Memo from the Audit Committee of 8 August 2016

Olav Bø presented the main contents of the report. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the aspects that particularly drew its attention, including the framework for the management of the foreign exchange reserves. The Committee's review did not bring anything to light that would point to a different stance to that of management.

The Executive Board 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 19 August.

The Executive Board asked management to return with a comprehensive review of the principles and guidelines for the management of the foreign exchange reserves.

155/2016 Regulation on requirements for residential mortgage loans

Discussion documents:

- Memo from Financial Stability of 5 August 2016

Torbjørn Hægeland presented the discussion document.

The Executive Board approved the submission of a letter to Finanstilsynet based on the appended draft and the Executive Board's remarks. The Governor was authorised to finalise the letter.

156/2016 Briefing on current issues in Central Banking Operations

The Governor presented current issues in Central Banking Operations.

157/2016 Management report for the first half of 2016 – Central Banking Operations

Discussion documents:

- Memo from Governance, Risk and Compliance of 4 August 2016

- Memo from the Audit Committee of 8 August 2016

Kathrine Stang Ottesen and Ørjan Agdesteen presented the discussion document. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the aspects that particularly drew its attention, including internal control and operational risk. The Committee's review did not bring anything to light that would point to a different stance to that of management.

The Executive Board took note of the management report for Central Banking Operations for the first half of 2016.

158/2016 Budget update for Norges Bank as at 30 June 2016

Discussion documents:

- Memo from the General Secretariat of 3 August 2016

Ørjan Agdesteen presented the discussion document.

The Executive Board took note of the budget update for Norges Bank as at 30 June 2016. The report is to be sent to the Supervisory Council.

159/2016 Half-term update of the Executive Board's annual plan for Internal Audit for 2016

Discussion documents:

- Memo from Internal Audit of 1 August 2016
- Memo from the Audit Committee of 8 August 2016

Ingunn Valvatne presented the updated audit plan. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and its input into the updating of the plan.

The Executive Board took note of the status of the implementation of the audit plan for 2016 and approved Internal Audit's proposed updates of the plan for the second half of 2016.

160/2016 Any other business

There was no other business.

Executive Board members:

Executive Board alternates:

Employee representatives in respect of items 140-144 and 157-160:

ANNEX TO THE MINUTES OF THE EXECUTIVE BOARD MEETING OF 10 AUGUST 2016

Appointment of members to the Audit Committee

Section 2 of the Audit Committee's mandate on its appointment and organisation reads:

“The Audit Committee comprises three members, one of whom is named chair. The members of the Committee are elected by and from the Executive Board's external members. Members are normally elected for a term of two years.”

On 10 August, the Executive Board's external members discussed the composition of the Audit Committee and decided to retain its current composition through to the end of 2017.

This gives the Audit Committee the following composition until 31 December 2017:

- Karen Helene Ulltveit-Moe, chair
- Kathryn Baker, member
- Steinar Juel, member

The Executive Board's external members: