

# MINUTES OF THE EXECUTIVE BOARD MEETING OF 5 OCTOBER 2016

## Present:

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

Employee representatives: Mona H. Sørensen and Henrik Borchgrevink (items 184-186)

Apologies: Hilde Myrberg, Kristine Landmark

Office of the Supervisory Council: Jan Tore Bergh (items 179 and 184-185)

Management: Yngve Slyngstad (items 179-183), Trond Grande (items 179-185), Karsten Kallevig (item 179), Dag Huse (items 180-182), Merethe Riddervold (items 179 and 184-185), John Tore Vatnar (items 180-182), Kristin Gulbrandsen (item 186), Jannecke Ebbesen (item 186), Ida Wolden Bache (items 186-188), Torbjørn Hægeland (items 186 and 189), Kristine Høegh-Omdal (item 189), Hans Petter Wilse (item 188), Henrik Borchgrevink (item 189), Haakon Solheim (item 189), Katrine Godding Boye (item 189), Birger Vikøren (items 179-186), Runar Malkenes (items 179-180, 184-186 and 189), Pål Haugerud (items 179-182), Bjarne Gulbrandsen (items 179-191), Olav Mundal (items 179-182 and 184-188)

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

- Agenda for NBIM seminar of 5 October 2016
- Letter to the Ministry of Finance of 15 September 2016 – Creation of a Norwegian holding structure for investments in unlisted real estate
- Minutes of the Ownership Committee meetings of 20 June and 30 August 2016
- Minutes of the Risk and Investment Committee meetings of 20 June and 8 August 2016
- Draft programme for the Executive Board's study trip in March 2017
- Letters from the Ministry of Finance of 5 and 30 September 2016 – Revision of the Management Mandate for the Government Pension Fund Global

## 179/2016 Government Pension Fund Global – Changes to the regulation of real estate investments in the mandate

Discussion documents:

- Memo from NBIM of 30 September 2016

Yngve Slyngstad and Egil Matsen presented a draft letter and the changes made since the previous draft was considered by the Executive Board on 21 September (item 172/2016).

The Executive Board exchanged views and approved the submission of a letter to the Ministry of Finance on the basis of the draft presented and the remarks made during the meeting.

The Governor was authorised to finalise the letter.

#### **180/2016 Government Pension Fund Global – Recommendations on exclusions under product-based coal criterion**

Discussion documents:

- Memo from NBIM of 29 September 2016
- Memo from the Ownership Committee of 29 September 2016

A product-based coal criterion was introduced into the Guidelines for Observation and Exclusion from the Government Pension Fund Global from 1 February 2016. The first round of exclusions under the coal criterion was considered by the Executive Board on 10 February 2016 (item 41/2016), and it was announced on 14 April that 52 companies (including subsidiaries) had been excluded. At the same time, it was announced that Norges Bank would analyse additional companies during the year and publish further lists of companies excluded under this criterion.

Yngve Slyngstad and Dag Huse presented the discussion document. Egil Matsen outlined the discussions on the Ownership Committee.

The Executive Board decided to exclude the companies on the exclusion lists attached to the discussion document from the fund's investment universe. The Board also decided to place the companies on the observation list attached to the discussion document under observation. The Ministry of Finance is to be informed of the decision, and the exclusions are to take effect from 1 January 2017. The Governor was authorised to set a date for publishing the decision and the basis for the decision. The Governor was also authorised to grant exemptions from the deadline in situations with challenging liquidity or other special situations. The Executive Board is to be informed when the publication date has been set.

#### **181/2016 Government Pension Fund Global – Guidelines for Observation and Exclusion**

Discussion documents:

- Memo from NBIM of 29 September 2016
- Memo from the Ownership Committee of 29 September 2016

Yngve Slyngstad presented the discussion document. Egil Matsen presented the discussions on the Ownership Committee, its assessment of the matter, and its concrete input into the formulation of the attached draft letter to the Council on Ethics.

The Executive Board discussed the draft letter and decided that a letter should be sent to the Council on Ethics on the basis of the draft presented. The

Governor was authorised to finalise the letter based on the Executive Board's remarks.

The Executive Board's consideration of the Council on Ethics' recommendations of 17 March and 22 April was postponed to a future meeting.

**182/2016 Recommendation from the Council on Ethics to revoke the exclusion of a company**

Discussion documents:

- Memo from the Ownership Committee of 29 September 2016

Egil Matsen presented the recommendation from the Council on Ethics, the discussion document and the Ownership Committee's position.

The Executive Board decided to revoke the exclusion of Raytheon Co from the Government Pension Fund Global. The Ministry of Finance is to be informed of the decision. The Governor was authorised to set a date for publishing the decision.

**183/2016 Briefing on current issues in investment management**

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

**184/2016 Minutes of the Executive Board meeting of 21 September 2016**

The Executive Board approved the minutes of its meeting of 21 September 2016.

**185/2016 Supervisory review – Management and control of remuneration arrangements for the Government Pension Fund Global**

Discussion documents:

- Memo from the General Secretariat of 30 September 2016

Birger Vikøren presented the discussion document and the draft response to the Supervisory Council with proposed comments from the Executive Board on the report's remarks and conclusions.

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.

**186/2016 Strategy for Norges Bank 2017-2019**

Discussion documents:

- Memo from the General Secretariat of 30 September 2016

Jon Nicolaisen presented the status of the Bank's strategy work and the attached draft strategy for Central Banking Operations. The strategy for the Government Pension Fund Global, which needs to be approved by the Executive Board, and the strategy document for the Bank as a whole will be discussed at a future meeting.

The Executive Board exchanged views and took note of the draft strategy for Central Banking Operations.

#### **187/2016 Briefing on the current monetary situation**

Jon Nicolaisen gave a briefing on the current monetary situation.

#### **188/2016 Renewal of bilateral loan to IMF**

Discussion documents:

- Memo from Monetary Policy of 29 September 2016

Jon Nicolaisen presented the discussion document.

The Executive Board decided to recommend to the Ministry of Finance that Norges Bank enters into an agreement on a bilateral loan of SDR 6 billion to the IMF pursuant to section 26 of the Norges Bank Act. One condition is that there is again broad participation in this round of bilateral loans. The Governor was authorised to submit the agreement to the Ministry of Finance for approval.

#### **189/2016 Draft consultation response – Regulation on requirements for new residential mortgage loans**

Discussion documents:

- Memo from Financial Stability of 30 September 2016

Torbjørn Hægeland presented the discussion document.

The Executive Board discussed the draft consultation response.

A majority of the Executive Board agreed to the formulation of a consultation response based on the draft presented, including that Norges Bank supports the proposal to supplement the regulation with a maximum loan-to-value (LTV) ratio. The Governor was authorised to finalise the consultation response and submit it to the Ministry of Finance.

Kjetil Storesletten did not share the view that a maximum LTV ratio would be an appropriate supplement to the requirement for debt-servicing capacity.

#### **190/2016 Briefing on current issues in Central Banking Operations**

The Governor gave a briefing on current issues in Central Banking Operations.

#### **191/2016 Any other business**

There was no other business.

Executive Board members:

Executive Board alternates:

Employee representatives in respect of items 184-186: