

MINUTES OF THE EXECUTIVE BOARD MEETING OF 25 JANUARY 2017

Present:

- Executive Board: Øystein Olsen, Jon Nicolaisen, Egil Matsen, Hilde Myrberg, Kjetil Storesletten, Karen Helene Ulltveit-Moe, Kathryn M. Baker and Steinar Juel
- Alternates: Arne Hyttnes and Kristine Landmark
- Employee representatives: Mona H. Sørensen and Kristoffer Haugen (items 1-5 and 15-22)
- Office of the Supervisory Council: Randi Almås (items 1-7, 10-12 and 17-22)
- Management: Yngve Slyngstad (items 1-17), Trond Grande (items 1-18), Stephen Hirsch (items 1-3), Hege Gjerde (items 1-2 and 15-16), Jan Thomsen (item 5), Dag Huse (items 6-13), Karsten Kallevig (items 4-7, 12 and 19), Ivar Eriksen (items 4-7 and 19), Lars Dahl (item 7), John Tore Vatnar (items 8-11), Merethe Riddervold (items 1-3, 6, 8-13 and 15-18), Ingunn Valvatne (items 1-11 and 15-22), Runar Malkenes (items 1-13, 15-18, 23-24), Pål Haugerud (items 1-13 and 15-18), Birger Vikøren (items 8-18 and 20-26), Line Vogt (item 17), Ørjan Agdesteen (item 17), Mads Kristensen (items 18-22), Renate Haugen (items 18-22), Kristin Gulbrandsen (item 20), Jannecke Ebbesen (item 20), Kjetil Heltne (item 20), Helge Mothes (item 20), Roger Sundkjer (item 20), Ida Wolden Bache (items 23-24), Per Espen Lilleås (items 23-24), Øistein Røisland (items 23-24), Njål Stensland (items 23-24), Bjarne Gulbrandsen (items 1-26), Olav Mundal (items 1-13 and 15-22)

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

- Letter to the Ministry of Finance of 15 December 2016: GPFG – Method for calculating expected relative volatility
- Letter to the Ministry of Finance of 19 December 2016: GPFG – Guidelines for investments in government bonds
- Letter to the Ministry of Finance of 20 December 2016: GPFG – Investments in unlisted infrastructure
- Letter to the Ministry of Finance of 21 December 2016: GPFG – Investment mandate for the CEO of NBIM
- Letter to the Ministry of Finance of 2 January 2017: Consultation on report NOU 2016:20 on the GPFG's equity share
- Letter from the Ministry of Finance of 20 December 2016: New rules on real estate investments in the GPFG – amendments to the management mandate
- Letter from the Ministry of Finance of 20 December 2016: New rules on rebalancing the equity share in the actual benchmark index
- Letter from the Ministry of Finance of 22 December 2016: New rules on real estate – method for calculating expected relative volatility

- Letter from the Ministry of Finance of 9 January 2017: GPFG – Investment mandate for the CEO of NBIM
- Monthly Board Report – November 2016
- The Supervisory Council's supervision plan for 2017
- Letter from the Supervisory Council of 21 December 2016 – Norges Bank's budget for 2017
- Minutes of the Ownership Committee's meeting of 26 September 2016
- Letter to the Ministry of Finance of 5 January 2017: Consultation on the Banking Law Commission's report on deposit guarantees and crisis management in the bank sector
- Programme – GPFG seminar with the Executive Board on 24 January 2017

1/2017 Minutes of the Executive Board meetings of 7 and 14 December 2016

The Executive Board approved the minutes of its meetings of 7 and 14 December 2016.

2/2017 NBIM – Operations report Q4 2016

Discussion Memo from NBIM of 19 January 2017
documents:

Trond Grande presented the main elements of the report.

The Executive Board had an exchange of views and took note of the operations report for the fourth quarter of 2016.

3/2017 NBIM compliance and control Q4 2016

Discussion Memo from NBIM of 19 January 2017
documents: Memo from the Audit Committee of 23 January 2017

Stephen Hirsch presented the key points of the report. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the topics that particularly drew its attention, including the method for transitioning to the new benchmark index from the Ministry of Finance and the results of NBIM's project on management and control of suppliers. The Audit Committee recommended that the Executive Board follows management's guidance.

The Executive Board had an exchange of views and took note of the report on compliance and control at NBIM for the fourth quarter of 2016.

4/2017 NBREM operations report Q4 2016

Discussion Memo from NBREM of 19 January 2017
documents:

Ivar Eriksen presented the main elements of the report.

The Executive Board had an exchange of views and took note of the operations report for NBREM for the fourth quarter of 2016.

5/2017 NBREM compliance and control Q4 2016

Discussion Memo from NBREM of 19 January 2017
documents: Memo from the Audit Committee of 23 January 2017

Jan Thomsen presented the key points of the report. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the topics that particularly drew its attention, including experience with the Real Estate Investment Board, information security objectives and measures for 2017, and the management and follow-up of incidents. The Audit Committee recommended that the Executive Board follows management's guidance.

The Executive Board exchanged views and took note of the report on compliance and control at NBREM for the fourth quarter of 2016.

6/2017 NBIM performance and risk Q4 2016

Discussion Memo from NBIM of 19 January 2017
documents: Memo from the Risk and Investment Committee of 24 January 2017

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 management's guidance.

The Executive Board had an exchange of views and took note of the report on performance and risk at NBIM for the fourth quarter of 2016.

7/2017 NBREM performance and risk Q4 2016

Discussion Memo from NBREM of 19 January 2017
documents: Memo from the Risk and Investment Committee of 24 January 2017

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. The committee's review did not bring anything to light that would point to a different stance to management's guidance.

The Executive Board exchanged views and took note of the report on performance and risk at NBREM for the fourth quarter of 2016.

8/2017 Recommendation from the Council on Ethics of 5 December 2016 on exclusion of a company

Discussion Memo from the Ownership Committee of 19 January 2017
documents:

Egil Matsen introduced the recommendation from the Council on Ethics and presented the discussions on the Ownership Committee and its 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 to exclude Bharat Heavy Electricals Limited from the GPFG's portfolio.

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

The exclusion is to be effective from 1 April 2017. 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.

The Ownership Committee and management are to enter into dialogue with the Council on Ethics on how to deal in future with temporary activities at a company.

9/2017 Recommendation from the Council on Ethics of 23 November 2016 in light of a corporate merger

Discussion Memo from the Ownership Committee of 19 January 2017 documents:

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

Potash Corporation of Saskatchewan was excluded from the GPFG's investment universe in 2011. In 2016 the company announced a merger with Agrium Inc.

The Executive Board decided that the decision to exclude Potash Corporation of Saskatchewan will apply to the merged company from the time the merger is effected in the market.

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

The Governor was authorised to grant exemptions from the deadline for exclusion in situations with challenging liquidity or other special situations. The Governor was also authorised to set a date for publishing the decision.

10/2017 GPFG – Experience of new criteria in the guidelines for observation and exclusion

Discussion Memo from NBIM of 13 January 2017
documents:

The conduct-based climate criterion and product-based coal criterion were introduced into the Guidelines on Observation and Exclusion from the Government Pension Fund Global from 1 January and 1 February 2016 respectively. The ministry wishes to evaluate these two new criteria and asks for Norges Bank's input.

Yngve Slyngstad presented the topic. Egil Matsen presented the discussions on the Ownership Committee and the topics that drew its attention.

The Executive Board had an exchange of views and 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.

11/2017 GPFG – Expectations on international corporate tax transparency

Discussion Memo from NBIM of 13 January 2017
documents:

On 29 June 2016 the Ministry of Finance sent a letter to the Bank referring to the Storting's decision to ask the government to "ask Norges Bank to consider drawing up an expectations document on tax for the companies the fund is invested in". The ministry asks for Norges Bank's assessment.

Yngve Slyngstad presented the topic. Egil Matsen presented the discussions on the Ownership Committee and the topics that drew its attention.

The Executive Board had an exchange of views and 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.

12/2017 GPFG – Reappointment of members of the Real Estate Investment Board

Discussion Memo from NBIM of 19 January 2017
documents:

Yngve Slyngstad introduced the topic.

The Executive Board reappointed Christian Ringnes and Petter Fredrik Neslein as members of the Real Estate Investment Board until 2 January 2018.

13/2017 Executive Board's assessment of the results in the annual report on the GPFG for 2016

Discussion Memo from the General Secretariat of 19 January 2017
documents:

Section 6-2 of the management mandate for the GPFG states that the annual reporting must include the Executive Board's assessment of the results,

including the results of the different investment strategies used for equity and fixed-income investments. The Executive Board's assessment is to be included in the annual report on the management of the GPFG.

Pål Haugerud presented the topic. Egil Matsen presented the discussions on the Risk and Investment Committee and its feedback concerning the further development of the text.

The Executive Board had an exchange of views and asked management to continue working on the draft in line with the feedback and comments from the Risk and Investment Committee and the Executive Board. The matter will undergo final consideration at the meeting of 8 February.

14/2017 Briefing on current issues in investment management

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

15/2017 Letter to the Ministry of Finance – Evaluation of the 2014-2016 strategy period

Discussion Memo from NBIM of 19 January 2017
documents:

Section 1-7 of the management mandate for the GPFG states that the Executive Board is to have a strategic plan for the execution of its management assignment, and that the Executive Board must regularly evaluate the extent to which the goals in the strategic plan have been achieved.

Yngve Slyngstad presented the topic and work on the goals for investment management set out in the strategic plan for 2014-2016 and the extent to which they have been achieved. Reference was also made to the presentation and discussions at the seminar the previous day.

The Executive Board had an exchange of views. The Executive Board's evaluation of performance during the 2014-2016 strategy period will be submitted to the Ministry of Finance in line with the requirements in the mandate. The Governor was authorised to finalise the letter to the ministry based on the draft presented and the Executive Board's remarks.

16/2017 Strategic plan for NBIM

Discussion Memo from NBIM of 20 January 2017
documents:

Section 1-7 of the management mandate for the GPFG states that the Executive Board is to have a strategic plan and that this plan is to be updated regularly and in the event of significant changes in the management of the fund.

Yngve Slyngstad presented the draft strategic plan for 2017-2019. Reference was also made to the presentations and discussions concerning the strategy for NBIM that the Executive Board had at seminars and meetings in 2016, and the

strategic issues on which the Bank has advised the Ministry of Finance. The attached draft strategic plan builds on these discussions and also addresses the changes to the rules in the Ministry of Finance's mandate that enter into force on 1 January 2017.

The Executive Board had an exchange of views and asked management to continue working on the draft in line with the feedback and comments from the meeting. An updated strategic plan is to be presented to the Executive Board at its meeting on 8 February.

17/2017 Norges Bank – Annual report of the Executive Board for 2016

Discussion Memo from the General Secretariat of 20 January 2017
documents:

Runar Malkenes presented the matter. It is proposed that the annual report of the Executive Board and Norges Bank's financial statements for 2016 are published in a separate document to the 2016 annual report on Central Banking Operations.

The Executive Board discussed the format of the annual report of the Executive Board for 2016 and commented on the content and text.

The annual report is to be presented for final consideration at the Executive Board's meeting on 8 February 2017.

18/2017 Summary of audit reports – NBIM

Discussion Memo from Internal Audit of 17 January 2017
documents: Memo from the Audit Committee of 23 January 2017

Ingunn Valvatne presented the main elements of the two audit reports.

- NBIM ICT security
- NBIM securities lending

Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the topics that particularly drew its attention.

The Executive Board took note of Internal Audit's summary of the audit reports. The Executive Board asked to be updated on the status of work on following up the recommendations from the audit during the autumn of 2017.

19/2017 Summary of audit reports – NBREM

Discussion Memo from Internal Audit of 17 January 2017
documents: Memo from the Audit Committee of 23 January 2017

Ingunn Valvatne presented the main elements of three audit reports:

- NBREM Anti-corruption
- NBREM Investment process and portfolio management
- NBREM Governance model

Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the topics that particularly drew its attention.

The Executive Board took note of Internal Audit's summary of the audit reports. The Executive Board asked management to follow up points highlighted by the Audit Committee.

20/2017 Summary of audit reports – Central Banking Operations

Discussion Memo from Internal Audit of 17 January 2017
documents: Memo from the Audit Committee of 23 January 2017

Ingunn Valvatne presented the main elements of three audit reports:

- NBCBO Overall management and control of ICT security
- NB Physical security
- NBCBO Interbank settlement

Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the topics that particularly drew its attention.

The Executive Board took note of Internal Audit's summary of the audit reports. The Executive Board asked to be updated on the status of work on following up the recommendations from the audit before summer 2017.

21/2017 The Executive Board's long-term plan for Internal Audit for 2017-2020

Discussion Memo from Internal Audit of 9 December 2016
documents: Memo from the Audit Committee of 23 January 2017

Ingunn Valvatne presented the main elements of the long-term plan. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee, including specific feedback on updating the plan.

The Executive Board approved Internal Audit's proposed long-term plan for 2017-2020, including the Audit Committee's feedback.

22/2017 The Executive Board's annual plan for Internal Audit for 2016

Discussion Memo from Internal Audit of 19 January 2017
documents: Memo from the Audit Committee of 23 January 2017

Ingunn Valvatne presented the main elements of the annual plan for 2017. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee, including specific feedback on updating the annual plan.

The Executive Board approved Internal Audit's proposed audit plan for 2016. Internal Audit will look more closely at matters relating to the Audit Committee's feedback and will report back to the Executive Board shortly.

23/2017 Briefing on the current monetary situation

Jon Nicolaisen gave a briefing on the current monetary situation.

24/2017 Experience of monetary policy in Norway since 2001

Discussion Memo from Monetary Policy of 20 January 2017 documents:

In its letter of 31 August 2016, the Ministry of Finance asked Norges Bank to prepare a paper on experience of monetary policy in Norway since 2001.

Ida Wolden Bache presented the topic.

The Executive Board had an exchange of views and approved the submission of the attached paper to the Ministry of Finance. The Governor was authorised to finalise the paper based on the Executive Board's remarks.

The paper will be published on Norges Bank's website at the same time that it is sent to the Ministry of Finance.

25/2017 Briefing on current issues in Central Banking Operations

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

26/2017 Any other business

Karen Helene Ulltveit-Moe raised the issue of large-denomination banknotes, referring to media coverage. The Executive Board had an exchange of views.

The Governor provided information on the budget decision for 2017 and on the Supervisory Council's remarks on the proposed budget and request for additional information. Management will follow up the matter and return to the Executive Board in March with additional material to support the 2017 budget.

Executive Board members:

Executive Board alternates:

Employee representatives in respect of items 1-5 and 15-22: