

MINUTES OF THE EXECUTIVE BOARD MEETING OF 8 FEBRUARY 2017

Present:

- Executive Board: Øystein Olsen, Jon Nicolaisen, Egil Matsen, Hilde Myrberg, Kjetil Storesletten, Karen Helene Ulltveit-Moe, Kathryn M. Baker (items 29-50) and Steinar Juel
- Alternates: Arne Hyttnes (items 27-42) and Kristine Landmark
- Employee representatives: Mona H. Sørensen and Nina Larsson Midthjell (items 27-33 and 40-47)
- Office of the Supervisory Council: Jan Frode Jakobsen (items 27-38 and 41-48)
- Deloitte: Henrik Woxholt (items 31 and 35)
- Management: Yngve Slyngstad (items 33-40), Trond Grande (items 30-47), Hege Gjerde (items 30-32, 35 and 40), Merethe Riddervold (items 30-36, 38 and 40-47), Dag Huse (items 34-36), Ivar Eriksen (items 37), Lars Dahl (item 37), Stephen Hirsch (items 41-45), Jan Thomsen (items 41-45), Ørjan Agdesteen (items 27-32 and 34), Kathrine Stang Ottesen (items 27-31 and 41-47), Ingunn Valvatne (items 27-38 and 40-48), Runar Malkenes (items 27-38 and 40-48), Pål Haugerud (items 33-38, 40 and 48), Magnus Eriksen (item 31), Line Vogt (items 31-32), Jannecke Ebbesen (items 41-44), Jan Tore Onerød (items 41-44), Renate Haugen (item 45), Marius Ryel (items 46-47), Kristin Gulbrandsen (item 48), Olav Bø (item 48), Roger Rake (item 48), Birger Vikøren (items 27-50), Bjarne Gulbrandsen (items 27-50)

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

- Letter to the Ministry of Finance of 30 January 2017: GPFG – Expectations on international corporate tax transparency
- Letter to the Ministry of Finance of 31 January 2017: Experience of the new climate and coal criteria in the Guidelines for Observation and Exclusion from the Government Pension Fund Global
- Consultation response – Proposed new Central Securities Depositories Act and rules on access to information on bondholders
Memo from Financial Stability of 30 January 2017
- The Executive Board's principles for bonus arrangements in Central Banking Operations and the Governor's supplementary guidelines – Various factual updates
Memo from the General Secretariat of 3 February 2017
- Programme for the Executive Board's study trip on 27-29 March 2017
Memo from the General Secretariat of 7 February 2017
- Minutes of the Risk and Investment Committee meeting of 5 December 2016

- Minutes of the Ownership Committee meeting of 13 December 2016
- Report from the Audit Committee meeting of 23 January 2017
- Report from the tripartite meeting of 12 December 2016 on responsible investment of the GPFG
- Report from the Real Estate Investment Board meeting of 26 January 2017

27/2017 Minutes of the Executive Board meeting of 25 January 2017

The Executive Board approved the minutes of its meeting of 25 January 2017.

28/2017 Operations report for Central Banking Operations H2 2016

Discussion documents: Memo from the Deputy Governor/Corporate and Shared Services' Finance Unit of 2 February 2017

Ørjan Agdesteen presented the main elements of the report.

The Executive Board took note of the operations report for Central Banking Operations for the second half of 2016.

29/2017 Operational risk and compliance in Central Banking Operations H2 2016

Discussion documents: Memo from the General Secretariat/GRC of 2 February 2017
Memo from the Audit Committee of 7 February 2017

Kathrine Stang Ottesen 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 IT security and the risk of cyber attacks, the follow-up of incidents, and the status of work on following up the recommendations in audit reports. The committee recommended that the Executive Board follows management's guidance.

The Executive Board took note of the report on operational risk and compliance in Central Banking Operations for the second half of 2016.

30/2017 Budget report for Norges Bank for 2016

Discussion documents: Memo from Corporate and Shared Services' Finance Unit/General Secretariat of 2 February 2017

Under the Supervisory Council's budget rules for Norges Bank, the Executive Board is to report on the status of overall expenditure for the whole of the Bank as at 30 June and 31 December each year as a minimum. This reporting is to include a status report on performance against the approved budget for the Bank's operating revenue, operating expenses and investments, and any significant reallocations and variations.

Ørjan Agdesteen presented the topic.

The Executive Board took note of the budget report for Norges Bank for 2016.

The report is to be submitted to the Supervisory Council.

31/2017 Norges Bank's annual report and financial statements for 2016

Discussion documents: Memo from Corporate and Shared Services' Finance Unit/General Secretariat of 2 February 2017
Memo from the Audit Committee of 7 February 2017

Runar Malkenes and Ørjan Agdesteen 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 valuation uncertainty in the foreign exchange reserves and the GPFG, and the guidelines for the allocation of profits. The Audit Committee noted that:

- there is agreement between management and auditor on valuations
- there are no uncorrected errors in the financial statements
- there are no material shortcomings in internal control of financial reporting
- the audit has been conducted according to plan
- no material issues have been identified by the external auditor

On the basis of this and the auditor's report on the audit of the annual financial statements, the Audit Committee recommended that the Executive Board follows management's advice.

Henrik Woxholt summed up Deloitte's audit of Norges Bank for 2016. He confirmed that Deloitte will be issuing an unqualified auditor's report and that, in Deloitte's opinion, the annual financial statements have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of Norges Bank as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with the regulation on Norges Bank's annual accounts.

The Executive Board adopted the annual report for 2016.

The Executive Board approved Norges Bank's annual financial statements for 2016 and will submit them to the Supervisory Council for adoption. The Governor was authorised to make editorial changes up until submission to the Supervisory Council.

The annual report will be published on 28 February 2017.

32/2017 Central Banking Operations annual report for 2016

Discussion documents: Memo from the General Secretariat of 6 February 2017

Runar Malkenes presented the main elements of the report.

The Executive Board took note of the draft annual report for Central Banking Operations. The report will be published on 28 February 2017.

33/2017 NBIM – Accrual and payment of performance-based pay for 2016

Discussion documents: Memo from NBIM of 3 February 2017

Trond Grande presented the topic.

Hilde Myrberg presented the discussions on the Remuneration Committee and the aspects that particularly drew its attention. The 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 the accrual and payment of performance-based pay.

34/2017 “The Executive Board’s assessment of the results” in the annual report on the GPFG for 2016

Discussion documents: Memo from the General Secretariat of 3 February 2017
Memo from the Audit Committee and the Risk and Investment Committee of 7 February 2017

Pål Haugerud presented the topic.

Karen Helene Ulltveit-Moe presented the discussions at the joint meeting of the Audit Committee and the Risk and Investment Committee. The committees had concrete feedback on the emphasis and coverage of, among others, the Bank's advisory role, work on responsible investment, the investment strategies' contributions to diversification, and use of risk limits. The committees recommended that the Executive Board follows the guidance in the discussion document, taking account of the committees' feedback.

The Executive Board had an exchange of views and approved the statement “The Executive Board's assessment of the results”. The Governor was authorised to finalise the statement based on the Executive Board's remarks and the committees' feedback. The assessment is to be included in the annual report on the management of the Government Pension Fund Global.

35/2017 Annual report on the management of the GPFG for 2016

Discussion documents: Memo from NBIM of 2 February 2017
Memo on the financial reporting for the GPFG for 2016 of 6 February 2017
Memo from the Audit Committee and the Risk and Investment Committee of 7 February 2017

Yngve Slyngstad presented the main elements of the annual report.

Karen Helene Ulltveit-Moe presented the discussions at the joint meeting of the Audit Committee and the Risk and Investment Committee, and the topics that particularly drew their attention, including some concrete feedback on the text. The committees recommended that the Executive Board follows the guidance and asked management to consider the committees' feedback.

The Executive Board had an exchange of views and approved the annual report on the management of the Government Pension Fund Global for 2016. The Governor was authorised to finalise the report based on the draft presented, the Executive Board's remarks and the committees' feedback. The report will be published on 28 February 2017.

36/2017 GPFG – Report on responsible investment for 2016

Discussion Memo from NBIM of 3 February 2017
documents:

Yngve Slyngstad presented the main elements of the report.

The Executive Board took note of the report on responsible investment for 2016. The report will be published on 7 March 2017.

37/2017 NBREM – Draft report on real estate investments for 2016

Discussion Memo from NBREM of 2 February 2017
documents:

Yngve Slyngstad and Lars Dahl presented the main elements of the report.

The Executive Board took note of the report on real estate investments for 2016. The report will be published on 14 March 2017.

38/2017 Briefing on activities under the Norwegian Finance Initiative (NFI)

Discussion Memo from NBIM of 2 February 2017
documents:

Yngve Slyngstad presented the main elements of the annual report.

The Executive Board had an exchange of views and took note of the annual report for the NFI for 2016. NBIM will conduct an evaluation of the programmes under the NFI in 2017 and return to the Executive Board with an assessment of possible changes.

39/2017 Briefing on current issues in investment management

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

40/2017 Strategic plan for NBIM for 2017-2019

Discussion Memo from NBIM of 6 February 2017
documents:

Section 1-7 (1) 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 revised draft strategic plan for 2017-2019. Reference was made to adjustments to the document based on the Executive Board's feedback and comments on the draft that was discussed on 25 January.

The Executive Board had an exchange of views and approved the strategic plan for NBIM for 2017-2019. The Governor was authorised to finalise the plan based on the Executive Board's feedback and comments.

The strategic plan to the sent to the Ministry of Finance and published.

41/2017 Strategic threat assessment for 2016

Discussion documents: Memo from Corporate and Shared Services of 1 February 2017

Jannecke Ebbesen and Jan Tore Onerød presented the topic.

The Executive Board asked a number of clarifying questions and took note of the threat assessment. The assessment is to be sent to the Supervisory Council for information.

42/2017 General assessment of the risk situation and internal control at Norges Bank in 2016

Discussion documents: Memo from the General Secretariat of 2 February 2017
Memo from the Audit Committee of 7 February 2017

The regulation on risk management and internal control at Norges Bank requires the Executive Board to ensure that risk management and internal control are carried out and monitored, partly by considering reports from the operational areas and Internal Audit. The Executive Board is to send a risk assessment report for Norges Bank's operations to the Supervisory Council at least once a year.

Kathrine Stang Ottesen presented the topic. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the topics that particularly drew its attention, including developments in cyber risks and other security threats, and the relationship between the reported risk situation and assessments of risk in audit reports. The committee recommended that the Executive Board follows management's guidance and asked for the committee's feedback to be taken into consideration.

Against this background, the Executive Board had an exchange of views on risk management and the quality of internal control in Central Banking Operations and in investment management.

The Executive Board's assessment is that:

- Internal control at Norges Bank was performed satisfactorily in 2016
- The level of operational risk exposure in investment management was within the Executive Board's defined tolerance limit throughout the year
- Operational risk exposure in Central Banking Operations is acceptable

The Executive Board's assessment is to be sent to the Supervisory Council. Internal control reports for 2016 for NBIM, NBREM and NBCBO, along with Internal Audit's annual report to the Executive Board for 2016, are to be submitted to the Supervisory Council appended to the Executive Board's assessment.

43/2017 Annual assessment of internal control in investment management

Discussion Memo from NBIM of 2 February 2017
documents: Memo from the Audit Committee of 7 February 2017

Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the topics that particularly drew its attention. The committee had received satisfactory answers to its questions and recommended that the Executive Board follows management's guidance.

The Executive Board took note of the reports on operational risk management and internal control in investment management (NBIM and NBREM) for 2016. The reports are to be submitted to the Supervisory Council as attachments to the general assessment of the risk situation and internal control at Norges Bank for 2016.

44/2017 Annual report on operational risk and internal control in Central Banking Operations for 2016

Discussion Memo from the General Secretariat/GRC of 2 February 2017
documents: Memo from the Audit Committee of 7 February 2017

Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the topics that particularly drew its attention. The committee recommended that the Executive Board follows management's guidance.

The Executive Board took note of the report on operational risk and internal control in Central Banking Operations for 2016. The report is to be submitted to the Supervisory Council as an attachment to the general assessment of the risk situation and internal control at Norges Bank for 2016.

45/2017 Internal Audit's annual report to the Executive Board for 2016

Discussion Memo from Internal Audit of 2 February 2017
documents: Memo from the Audit Committee of 2 February 2017

Ingunn Valvatne presented the report. Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the topics that particularly drew its attention, including developments in risk management and internal control at Norges Bank over time, and the governance structure and reporting lines, especially for second-line-of-defence functions. The committee recommended that the Executive Board follows Internal Audit's guidance.

The Executive Board took note of Internal Audit's annual report for 2016. The report is to be submitted to the Supervisory Council as an attachment to the

general assessment of the risk situation and internal control at Norges Bank for 2016.

46/2017 Ethical principles: Personal trading, anticorruption etc.

Discussion Memo from the General Counsel of 1 February 2017
documents:

Marius Ryel presented the topic.

The Executive Board had an exchange of views and approved the amendments to the ethical principles for employees of Norges Bank in line with the proposal and concrete comments from the Executive Board's discussions. The amendments are to have immediate effect.

47/2017 The Executive Board's principles for whistleblowing at Norges Bank

Discussion Memo from the General Counsel of 2 February 2017
documents:

Marius Ryel presented the topic.

The Executive Board took note of the assessment of external whistleblowing and follow-up of the audit report, including plans also to allow employees of Norges Bank's suppliers to report wrongdoing directly to Norges Bank.

The Executive Board resolved to amend its principles for whistleblowing at Norges Bank in line with the proposal.

48/2017 Financial risk and management of the foreign exchange reserves Q4 2016

Discussion Memo from Markets and Banking Services of 2 February
documents: 2017
Memo from the Audit Committee of 7 February 2017
Memo from the Risk and Investment Committee of 7 February
2017

Kristin Gulbrandsen presented the main elements of the report. Karen Helene Ulltveit-Moe and Egil Matsen presented the discussions on the Audit Committee and the Risk and Investment Committee respectively. The committees had received satisfactory answers to their questions and recommended that the Executive Board follows management's guidance.

The Executive Board had an exchange of views and 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 following the Executive Board's meeting.

49/2017 Briefing on current issues in Central Banking Operations

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

50/2017 Any other business

In the light of media coverage, the Executive Board discussed issues relating to banknote denominations and the new banknote series.

The Remuneration Committee asked for consideration to be given to bringing the principles for bonus arrangements in Central Banking Operations more in line with the framework for performance-based pay at NBIM. The Executive Board had an exchange of views and backed the committee's request.

The Governor provided information on a new financial institutions regulation, which includes requirements for employee representation on remuneration committees. Management is working on following this up.

Executive Board members:

Executive Board alternates:

Employee representatives in respect of items 27-33 and 40-47: