

# MINUTES OF THE EXECUTIVE BOARD MEETING OF 16 AUGUST 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 representative: Mona H. Sørensen (items 142-146 and 155-158)

Apologies: Nina Larsson Midthjell

Supervisory Council: Jan Frode Jakobsen (items 142-153 and 156-158)

Deloitte: Henrik Woxholt (items 147-149 and 156)

Management: Yngve Slyngstad (items 142-154), Trond Grande (items 142-156), Stephen Hirsch (item 144), Hege Gjerde (items 142-143, 148-149, 155-156), Karsten Kallevig (items 145-152), Ivar Eriksen (items 145-147), Jan Thomsen (item 146), Lars Dahl (item 147), Dag Huse (items 148-153, 160), Ole Christian Bech-Moen (items 150-152), Lise Lindbäck (items 150-152), Merethe Riddervold (items 142-144, 148-153, 155-156), Ørjan Agdesteen (items 156-160), Jane Haugland (items 156-157), Olav Bø (items 157-160), Simen Berg Lutnæs (items 157-158), Torkel Fagerli (item 158), Morten Tveraaen Øfsti (item 158), Ida Wolden Bache (item 159), Per Espen Lilleås (item 159), Ingrid Solberg (item 159), Roger Rake (item 160), Torbjørn Hægeland (item 161), Peder Østbye (item 161), Mads Kristensen (items 142-153, 155-158, 160), Birger Vikøren (items 150-154), Runar Malkenes (items 142-157, 161-163), Bjarne Gulbrandsen (items 142-163), Sigrid Igland (items 142-153, 155-163)

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

- Programme for the Executive Board's seminar on 15 August 2017
- GPFG performance and risk, June 2017
- Report from NBIM of 20 July 2017
- Proposed amendments to the mandate for the Government Pension Fund Global Letter to the Ministry of Finance of 23 June 2017
- Changes to the mandate for the Government Pension Fund Global Letter from the Ministry of Finance of 29 June 2017
- Government Pension Fund Global – Investment mandate for the CEO of NBIM Letter from the Ministry of Finance of 30 June 2017
- Investment mandate for the CEO of Norges Bank Investment Management Letter to the Ministry of Finance of 27 July 2017
- Report from meetings of the Real Estate Investment Board (REIB) of 30 May and 29 June 2017
- Minutes of the Remuneration Committee meetings of 8 April and 13 June 2017
- Minutes of the Ownership Committee meeting of 3 April 2017
- Minutes of the Risk and Investment Committee meeting of 24 April 2017

**142/2017 Minutes of the Executive Board meeting of 21 June 2017**

The Executive Board approved the minutes of its meeting of 21 June 2017.

**143/2017 Norges Bank Investment Management (NBIM) Business Management Report Q2 2017**

Discussion Memo from NBIM of 10 August 2017  
document:

Trond Grande presented the main elements of the report.

The Executive Board exchanged views and took note of the business management report for NBIM for the second quarter of 2017.

**144/2017 NBIM Compliance and Control Q2 2017**

Discussion Memo from NBIM of 10 August 2017  
documents: Memo from the Audit Committee of 14 August 2017

Stephen Hirsch 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 events reported in the quarter and their follow-up. 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 report on compliance and control at NBIM for the second quarter of 2017.

**145/2017 NBREM Business Management Report Q2 2017**

Discussion Memo from NBREM of 10 August 2017  
document:

Ivar Eriksen presented the main elements of the report.

The Executive Board exchanged views and took note of the business management report for NBREM for the second quarter of 2017.

**146/2017 NBREM Compliance and Control Q2 2017**

Discussion Memo from NBREM of 10 August 2017  
documents: Memo from the Audit Committee of 14 August 2017

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 IT security and operational risk. 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 report on compliance and control at NBREM for the second quarter of 2017.

#### **147/2017 NBREM Performance and Risk Q2 2017**

Discussion Memo from NBREM of 10 August 2017  
documents: Memo from the Risk and Investment Committee of 15 August 2017

Lars Dahl presented the main elements of the report.

Egil Matsen presented the discussion on the Risk and Investment Committee and the topics that particularly drew its attention, including the implications that Brexit will have on the Fund's real estate investments. 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 report on performance and risk for NBREM for the second quarter of 2017.

#### **148/2017 NBIM Performance and Risk Q2 2017**

Discussion Memo from NBIM of 10 August 2017  
documents: Memo from the Risk and Investment Committee of 15 August 2017

Yngve Slyngstad and Dag Huse presented the main elements of the report.

Egil Matsen presented the discussion on the Risk and Investment Committee and the topics that particularly drew its attention, including the development of certain investment strategies over a somewhat longer period and the risk outlook ahead. 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 report on performance and risk for NBIM for the second quarter of 2017.

#### **149/2017 Government Pension Fund Global – Public report for Q2 2017**

Discussion Memo from NBIM of 10 August 2017  
documents: Memo from the Risk and Investment Committee of 15 August 2017  
Memo from the Audit Committee of 14 August 2017

Yngve Slyngstad 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, and the topics that particularly drew their 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 management's guidance.

Henrik Woxholt from 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.

The Executive Board approved the public report on the management of the Government Pension Fund Global (GPF), including the interim financial reporting for the investment portfolio, for the second quarter of 2017.

The quarterly meeting with the Ministry of Finance will be held on 17 August, prior to the publication of the report at a press conference on 22 August. The report is to be submitted to the Supervisory Council for information.

**150/2017 Government Pension Fund Global – Follow-up of the white paper on the management of the fund in 2016**

Discussion document: Memo from NBIM of 10 August 2017

Yngve Slyngstad presented the topic.

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.26 (2016-2017) and the schedule for the Executive Board’s consideration of the advice and assessments to be submitted to the Ministry.

**151/2017 Government Pension Fund Global – The phasing-in of new equity allocation in the benchmark index**

Discussion document: Memo from NBIM of 10 August 2017

In its letter of 9 June 2017, the Ministry of Finance requested that Norges Bank formulate a draft phasing-in plan for increasing the equity allocation in the strategic benchmark index, with appurtenant analyses and assessments.

Yngve Slyngstad presented the topic and the draft response.

The Executive Board exchanged views and approved the submission of a letter to the Ministry of Finance in line with the presentation by 1 September. The Governor was authorised to finalise the letter based on the Executive Board’s feedback at the meeting.

**152/2017 Bonds in the Government Pension Fund Global**

Discussion documents: Memo from NBIM of 10 August 2017  
Memo from the Risk and Investment Committee of 15 August 2017

In letters of 12 February 2016 and 9 June 2017, the Ministry of Finance requested that Norges Bank assess guidelines for the management of the fund’s bond investments.

Yngve Slyngstad presented the topic and the draft response.

Egil Matsen presented the discussions on the Risk and Investment Committee and the topics that particularly drew its attention, including the purpose of the GPF's bond investments, and the currency basket and interest rate sensitivity (duration) of the benchmark index.

The Executive Board exchanged views and approved the submission of a letter to the Ministry of Finance in line with the presentation and the Executive Board's discussion. The Governor was authorised to finalise the letter.

#### **153/2017 Government Pension Fund Global – Approval of government bond issuers**

Discussion Memo from NBIM of 10 August 2017  
document:

Yngve Slyngstad presented the topic.

The Executive Board exchanged views and approved the submission of a letter to the Ministry of Finance by 25 August. The Governor was authorised to finalise the letter based on the Executive Board's feedback at the meeting.

#### **154/2017 Briefing on current issues in investment management**

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

#### **155/2017 Status and update of the Executive Board's annual plan for Internal Audit for 2017**

Discussion Memo from Internal Audit of 30 June 2017  
documents: Memo from the Audit Committee of 14 August

Mads Kristensen presented the updated audit plan and proposals for the specification and expansion of a number of audit projects in the second half of 2017.

Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee, its input into the updating of the plan and Internal Audit's proposed changes. The committee recommended that the Executive Board follows Internal Audit's guidance.

The Executive Board approved Internal Audit's proposal and took note of the update on the status of audit projects.

#### **156/2017 Audit plan for 2017 from Deloitte**

Discussion Memo from Corporate and Shared Services of 10 August  
documents: 2017  
Memo from the Audit Committee of 14 August 2017

Henrik Woxholt presented the audit plans.

Karen Helene Ulltveit-Moe presented the discussions on the Audit Committee and the topics that particularly drew its attention, including the scope of the audit,

the development of automated audit procedures for NBIM, the foreign exchange reserves and the potential synergy effects of the working relationship between the Supervisory Council, Internal Audit and external auditors. 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 audit plan for Norges Bank for 2017 from Deloitte.

#### **157/2017 Operations report for Central Banking Operations H1 2017**

Discussion document: Memo from Corporate and Shared Services of 10 August 2017

Jane Haugland presented the main elements of the report.

The Executive Board exchanged views and took note of the operations report for Central Banking Operations for the first half of 2017.

#### **158/2017 Operational risk and compliance in Central Banking Operations H1 2017**

Discussion documents: Memo from Governance, Risk and Compliance of 10 August 2017  
Memo from the Audit Committee of 14 August 2017

Morten Tveraaen Østli 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 IT security and events in the first half of 2017. 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 report on operational risk and compliance in Central Banking Operations for the first half of 2017.

#### **159/2017 Briefing on the current monetary situation**

Discussion document: Memo from Monetary Policy of 11 August 2017

Jon Nicolaisen gave a briefing on economic developments since the interest rate-setting meeting on 21 June 2017.

#### **160/2017 Financial risk and management of the foreign exchange reserves Q2 2017**

Discussion documents: Memo from Markets and Banking Services of 10 August 2017  
Memo from the Risk and Investment Committee of 15 August 2017  
Memo from the Audit Committee of 14 August 2017

Olav Bø presented the main elements of the report.

Karen Helene Ulltveit-Moe and Egil Matsen presented the discussion on the Audit Committee and the Risk and Investment Committee respectively, and the topics that particularly drew their attention, including liquidity risk during crises, and development and reporting of management costs. The committees had received satisfactory answers to their questions and recommended that the Executive Board follows management's guidance.

The Executive Board took note of the report on financial risk and management of the foreign exchange reserves for the second quarter of 2017. A public version of the report is to be published on Norges Bank's website on 25 August. The report is to be sent to the Supervisory Council for information.

**161/2017 Consultation response on the implementation of the revised Payment Services Directive (PSD2)**

Discussion document: Memo from Financial Stability of 10 August 2017

Torbjørn Hægeland presented the main elements in Norges Bank's consultation response to the Ministry of Finance on the implementation of the revised Payment Services Directive (PSD2) in Norwegian law.

The Executive Board exchanged views and authorised the Governor to submit a consultation response to the Ministry of Finance in line with the presentation and the Executive Board's feedback at the meeting by 18 August.

**162/2017 Briefing on current issues in Central Banking Operations**

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

**163/2017 Any other business**

There was no other business.

Executive Board members:

Executive Board alternates:

Employee representatives in respect of items 142-146 and 155-158: