
NORGES BANK'S SUPERVISORY COUNCIL REPORT FOR 2012

Document No. 9 (2012–2013)



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TO THE STORTING

Norges Bank's Supervisory Council is elected by the Norwegian parliament – the Storting – and charged with supervising the Bank's activities and ensuring that the rules governing the Bank's operations are observed, including the management of the Government Pension Fund Global.

The financial turmoil in the wake of the sovereign debt crisis in Europe was clearly in evidence in 2012. The Council attached importance to keeping abreast of developments, implications for the Bank's operations and actions taken, in both central banking operations and investment management.

In keeping with guidance from the Storting, the Council attached great importance to monitoring investment management. Recovery in global capital markets contributed to a good return on both the Government Pension Fund Global and the foreign exchange reserves. Norges Bank had a total of NOK 4,073bn under management at the end of 2012, of which the Government Pension Fund Global accounted for NOK 3,814bn. The Council also kept a particular eye on the expansion of the real estate portfolio and the organisation of these activities through foreign subsidiaries.

In terms of the running of the Bank, the Council was especially interested in financial management, IT, security and contingency planning.

The Council has considered Norges Bank's annual report and adopted its financial statements for 2012. The Bank's 2012 report on the management of the Government Pension Fund Global has also been considered. Reference is made to these reports for a more detailed presentation of the operations of the central bank.

The Council adopted this report on the supervision of Norges Bank in 2012 at its meeting of 7 March 2013, and it is hereby presented to the Storting.

Oslo, 20 March 2013

Reidar Sandal
Chairman of Norges Bank's Supervisory Council

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SECTION 1

SUMMARY

Pursuant to section 5 of the Norges Bank Act, the Supervisory Council supervised the running of the Bank and ensured that the rules governing the Bank's operations were observed in 2012.

The Act requires the Council to issue a statement on the minutes of the meetings of the Executive Board, the supervision of the Bank and matters submitted to it by the Executive Board.

Under the Act, executive and advisory authority at the Bank is vested in the Executive Board, which is in charge of the Bank's operations and manages its resources. The Supervisory Council supervises the Executive Board to ensure that the Board's management and control of the Bank's operations and compliance with legislation, agreements, decisions and other applicable rules are satisfactory. The Council also approves the Bank's budget and adopts its annual financial statements.

The Council's report to the Storting for 2011 (Document No. 9 (2011–2012)) set out a number of priorities for future supervisory work. Aspects of its supervision that were singled out in the Standing Committee on Finance and Economic Affairs' recommendation¹ to the Storting were addressed by the Council in 2012 and are discussed in this year's report.

The Council performed its supervisory duties on the basis of consideration of minutes, issues and statements from the Executive Board. Reports and statements from the Office of the Supervisory Council, external auditor and legal advisers were also considered.

This report on supervision in 2012 provides an overview of the Council's activities, expenditure and methodological approach. It also presents the Council's supervision of the Executive Board's minutes and its management and control systems, and the Council's supervision of the Bank's operations. The Council paid particular attention to the Bank's compliance with applicable rules, in particular the

regulation on risk management and internal control at Norges Bank. The Bank is subdivided operationally into central banking operations and Norges Bank Investment Management (NBIM), and the presentation of the supervision of the Bank is organised accordingly.

The Council has issued new budget rules for Norges Bank taking effect from the 2013 budget year. The Council's consideration of the Bank's budget and financial reporting is described in this report.

The supervision of investment management had high priority. The Executive Board and Supervisory Council have further developed a management system for real estate investments in the Government Pension Fund Global (GPF), including rules on the formation and supervision of subsidiaries. The Council monitored the Bank's expansion of the Fund's real estate portfolio throughout the year, and considered an independent assurance statement on the management and control system for real estate investments.

In addition, the Council considered an assurance statement on the management system for IT security at NBIM. In light of growing public interest in organisations' social and environmental responsibility, the Council looked particularly at how NBIM has integrated these considerations into its investment management.

Developments in the global economy led the Council to increase its focus on the Bank's role and responsibilities when it comes to monetary policy and financial stability, including the Executive Board's adjustments to the guidelines for the foreign exchange reserves.

¹ Recommendation of the Standing Committee on Finance and Economic Affairs on the Report from Norges Bank's Supervisory Council for 2010 (Recommendation No. 435 S (2010–2011), cf. Document No. 17 S (2010–2011)).

THE SUPERVISORY COUNCIL'S OVERALL CONCLUSION

The Council received all of the information it requested in connection with its supervisory work in 2012.

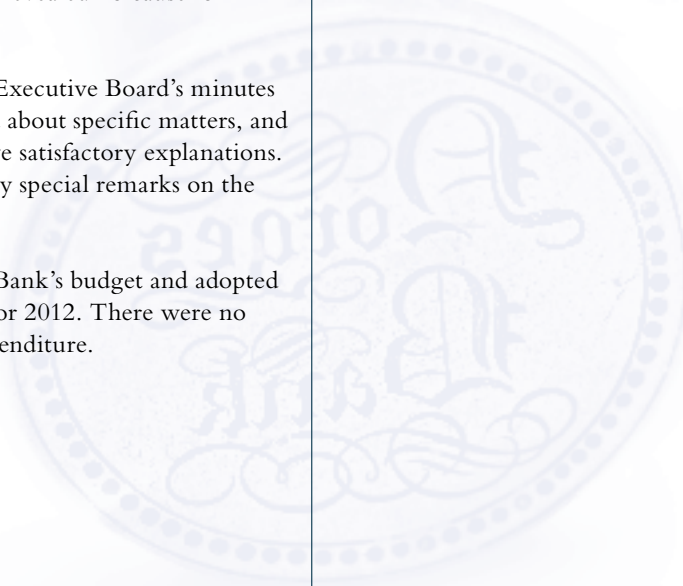
The Council is of the opinion that the Executive Board exercised satisfactory management and control of Norges Bank. Its operations were carried out in accordance with the Norges Bank Act, the mandate and guidelines for the management of the Government Pension Fund Global, and the regulation on risk management and internal control at Norges Bank.

When considering a number of matters (including subsidiaries, IT security and contingency planning), the Council stressed the importance of the Executive Board following up actions taken. The Council will be involved in this follow-up.

The supervision of the Bank's activities and compliance with the rules for its operations revealed no cause for special remarks under the Act.

The Council has reviewed the Executive Board's minutes for 2012. Questions were raised about specific matters, and the Central Bank Governor gave satisfactory explanations. The Council did not minute any special remarks on the Board's minutes.

The Council has approved the Bank's budget and adopted its annual financial statements for 2012. There were no special remarks concerning expenditure.





SECTION 2

THE SUPERVISORY COUNCIL'S WORK

THE SUPERVISORY COUNCIL'S ROLE AND RESPONSIBILITIES

Section 75c of the Norwegian Constitution requires the Storting to “supervise the economic affairs of the Realm”. This role is performed partly by Norges Bank’s Supervisory Council, which is appointed by the Storting.

The Council’s authority and main duties are set out in the Norges Bank Act² as follows: *“The Supervisory Council shall supervise the Bank’s activities and ensure that the rules governing the Bank’s operations are observed. The Supervisory Council shall in this respect supervise the Executive Board to ensure that the Board’s management and control of the Bank’s administration and operations are satisfactory and that appropriate procedures have been established so that the Bank’s activities are conducted in accordance with legislation, agreements, decisions and other regulatory frameworks.”*

The Act states that the Council’s supervision does not extend to *“the Executive Board’s exercise of discretionary authority under the Act”*.

“The Supervisory Council adopts the annual accounts of the Bank and, on the proposal of the Executive Board, approves the budget.”

The Council appoints the external auditor and is required by law to have a secretariat.

Section 30 of the Act requires the Council to submit a statement to the Storting at least once a year, which: *“... shall, at the minimum, comprise the following:*

1. *an account of how the supervision of the Bank has been organised,*
2. *an account of supervisory activities conducted and the Supervisory Council’s priorities for its activities ahead,*
3. *an account of the Council’s supervision of the Bank’s investment management activities,*

4. *the Council’s assessment of the Executive Board’s management and control of the Bank’s administration and operations, cf. section 5, third paragraph, second sentence,*
5. *an account of the Council’s work in connection with its approval of the Bank’s budget and adoption of the accounts, cf. section 5, fourth paragraph, second sentence,*
6. *any particular remarks arising from supervisory activities.”*

This information is provided in the present report.

Under its rules of procedure, the Council may lay down detailed guidelines for the Bank within its specific areas of authority. The Bank’s governance and control structure is shown in Figure 1. Norges Bank manages considerable assets and performs important functions in society under the Norges Bank Act and the mandate for the management of the GPFG issued under the Government Pension Fund Act. Confidence in Norges Bank depends on an effective and all-encompassing regime of governance, control and supervision. As the Bank’s most senior supervisory and control body, the Supervisory Council has a special responsibility for following this up.

The division of roles and responsibilities between the Supervisory Council, Norges Bank’s external auditor and the Office of the Auditor General was described and clarified during the Storting’s consideration of the government’s report to the Storting on the management of the Government Pension Fund in 2010³. Against this background, appropriate dialogue with the Office of the Auditor General has been established on the basis of set guidelines⁴.

² Act No. 28 of 24 May 1985 relating to Norges Bank and the Monetary System etc. (the Norges Bank Act), last amended on 17 December 2010. The Council’s tasks are set out in sections 5, 7, 8a, 30 and 30a of the Act.

³ Report No. 15 (2010–2011) to the Storting on the Management of the Government Pension Fund Global in 2010.

⁴ Guidelines for the exchange of information and coordination of auditing and supervision between the Office of the Auditor General and the Supervisory Council concerning the Government Pension Fund Global, signed on 1 December 2010.

FIGURE 1 NORGES BANK'S GOVERNANCE AND CONTROL STRUCTURE

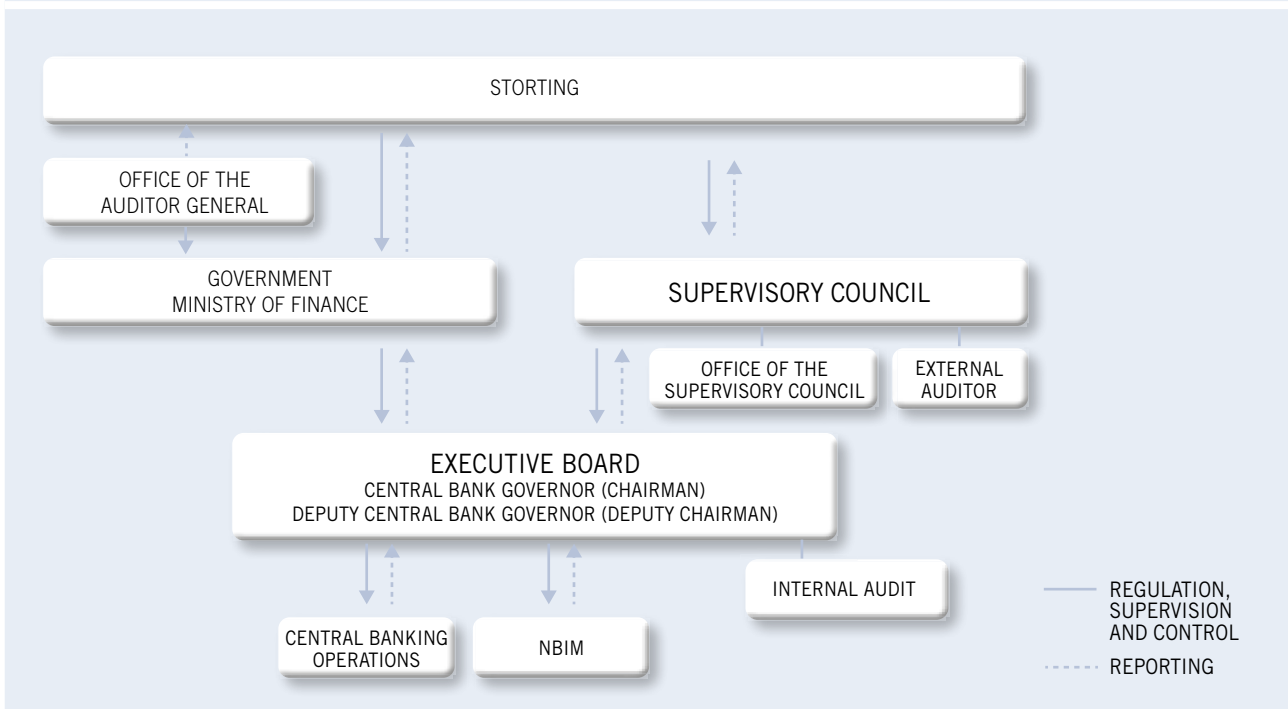
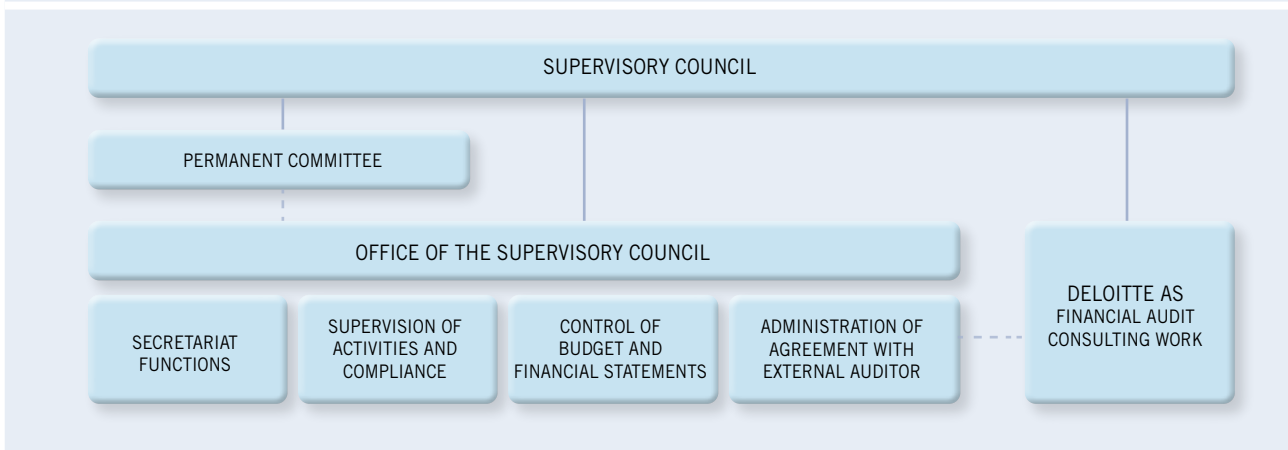


FIGURE 2 THE SUPERVISORY COUNCIL'S ORGANISATION STRUCTURE



THE SUPERVISORY COUNCIL'S COMPOSITION AND ORGANISATION

The Supervisory Council has 15 members elected by the Storting for a four-year term. From among the members, the Storting appoints a chairman and deputy chairman for a term of two years. A named alternate is also elected for each full member. The members of the Council have a broad professional background and experience from key areas of Norwegian society, public administration and industry.

The appendix to this report provides a full list of members and alternates for 2012–2013 and their terms of office, together with a brief profile of each member's relevant experience.

Pursuant to the Norges Bank Act, the Council has established a Permanent Committee consisting of its chairman, deputy chairman and three other members elected by the Council for a term of two years. The Committee has no decision-making powers, but prepares and makes recommendations on issues to be considered by the Council. In 2012–2013 the Committee comprises Reidar Sandal (chairman), Frank Sve (deputy chairman), Runbjørg Bremset Hansen, Monica Salthella and Reidar Åsgård.

OFFICE OF THE SUPERVISORY COUNCIL

The principal duties of the Office of the Supervisory Council are to prepare matters for the Council, provide support for its meetings and assist with advice and analyses. It conducts supervisory and control work on behalf of the Council in accordance with standing instructions and approved supervision plans. The Office is professionally and administratively independent of Norges Bank. The Council appoints the director of the Office and approves the director's job description and terms of employment.

The Council approves the Office's annual budget and expenditure. In 2012 the Office had eight employees (7.5 full-time equivalents) with extensive experience from auditing and supervising Norges Bank and professional backgrounds in fields such as economics, accountancy, finance, corporate governance and law. For some supervisory and analytical activities, additional resources are

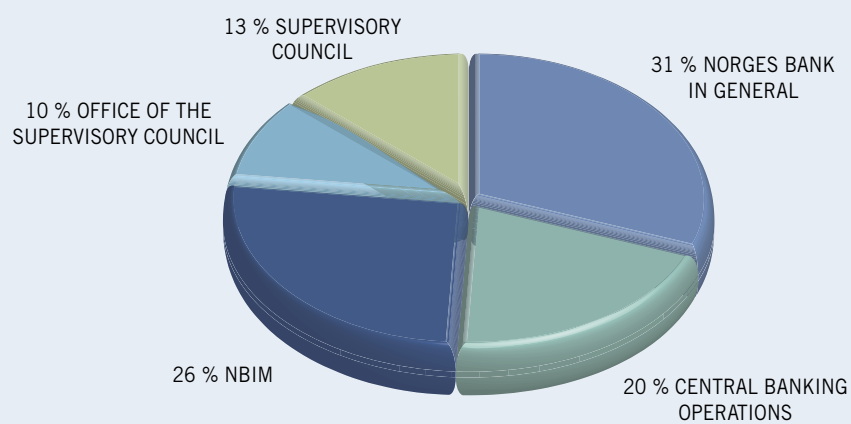
brought in from the Bank's external auditor Deloitte AS, both in Norway and abroad, or from other sources. With effect from 2012, an agreement has been established with a large law firm to ensure access to specialised legal expertise.

The Office of the Supervisory Council administers the agreement with the external auditor and provides secretariat functions for the Council. The Office also serves as a coordinator between Norges Bank, the external auditor and the Office of the Auditor General.

EXTERNAL AUDITOR

The Supervisory Council has appointed Deloitte AS external auditor for Norges Bank and signed an engagement agreement running for six years from 2010. The agreement covers the audit of Norges Bank's annual financial statements, the quarterly financial reporting for the GPFG, and the annual financial statements for Norges Bank's pension fund and other Bank activities. These audits also extend to subsidiaries of the Bank. In addition, Deloitte AS is hired for various assurance engagements and some supervisory reviews in collaboration with the Office of the Supervisory Council.

The Council's organisation structure is shown in Figure 2.

FIGURE 3 BREAKDOWN OF MATTERS CONSIDERED BY THE SUPERVISORY COUNCIL IN 2012**TABLE 1** THE SUPERVISORY COUNCIL'S EXPENDITURE

THOUSANDS OF NOK	2012	2011
Supervisory Council	2,821	2,378
Office of the Supervisory Council	10,320	10,763
Deloitte AS – financial audit of Norges Bank incl. Government Pension Fund Global	12,792	12,392
Deloitte AS – assurance engagements	3,635	2,480
Deloitte AS – other consulting support	845	1,646
Total	30,413	29,659

THE SUPERVISORY COUNCIL'S ACTIVITIES AND EXPENDITURE IN 2012

The Supervisory Council held seven ordinary meetings and one initial meeting in 2012. The Permanent Committee had a total of 12 meetings.

Figure 3 provides a breakdown of the matters considered by the Council. A total of 93 issues were considered, and a further 13 were presented for information only. 77 per cent of the issues concerned the supervision of Norges Bank in general, central banking operations and investment management. These included both matters put forward by the Executive Board and technical matters from the Office of the Supervisory Council and the external auditor. The remaining issues were of an administrative nature and concerned the Office of the Supervisory Council and the Council's own activities.

The Council keeps up-to-date through briefings on the Bank's areas of activity and discussions between members at its meetings. In 2012 there was particular interest in the outlook for the Norwegian and global economy, especially the economic situation in Europe and Norges Bank's preparedness in this respect. There were also presentations of the analyses underlying the Executive Board's interest rate decisions and developments in financial markets.

The Council made a study trip to Singapore in autumn 2012 to learn more about international investment management and, in particular, capital markets in Asia. It was especially useful in this context to have meetings with the central bank, the local stock exchange and the two sovereign wealth funds in Singapore. It was also important for the Council to gain insight into investment management operations at NBIM's offices in Singapore and Shanghai, and into the control structure established for dealing with operational risks in financial markets. Meetings with other financial institutions and representatives of Norwegian industry in Singapore provided a valuable picture of emerging markets in Asia and the challenges faced when doing business in the region.

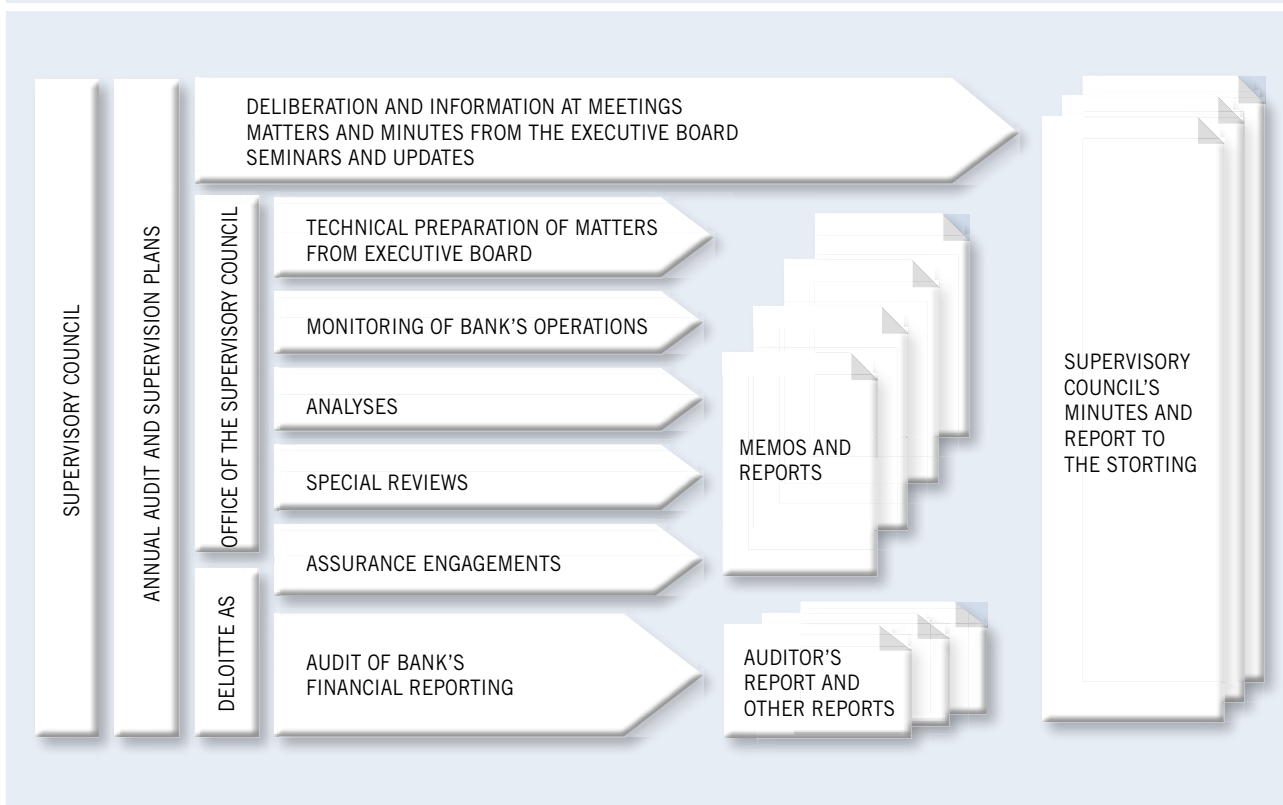
The Supervisory Council's expenditure in 2012 totalled NOK 30.4m. Table 1 breaks down this expenditure between the Council's own activities, the Office of the

Supervisory Council and Deloitte AS. Approximately 80 per cent of the fees payable to Deloitte AS concerned investment management.

The Storting sets the fees payable to members of the Supervisory Council. Based on the rates applying with effect from 2012, a total of NOK 699,500 was paid out in such fees. The chairman and deputy chairman received a total of NOK 96,800 and NOK 78,800 respectively for their work on the Supervisory Council and the Permanent Committee. Fees to the other members of the Committee totalled NOK 72,000, and those to the other members of the Council amounted to NOK 23,600. Alternates receive an annual fixed fee of NOK 3,900 plus an additional NOK 2,250 per meeting attended.

The director of the Office of the Supervisory Council was paid a salary of NOK 1,669,800 in 2012, an increase of 3.8 per cent on the previous year. His pension earnings and other benefits came to NOK 500,488 and NOK 25,536 respectively. The director recruits and sets the salaries of employees at the Office within limits laid down by the Council. Employees at the Office are members of Norges Bank's pension fund and are covered by the Bank's personnel schemes.

FIGURE 4 THE SUPERVISORY COUNCIL'S SUPERVISORY PROCESS



METHODOLOGICAL APPROACH TO SUPERVISORY WORK

The starting point for supervisory work is the Supervisory Council's supervision of the Executive Board's management and control of the Bank's operations. The Council's supervision is based on an assessment of risk and materiality.

The main basis for this supervision is consideration of the Executive Board's minutes and specific matters at meetings of the Council during the year. The Council can request the provision of further documentation and written statements from the Board. It also considers reports and analyses from the Office of the Supervisory Council and the external auditor in line with the approved supervision plan or as required. Reviews and analyses may be performed by the Office using its own resources, or by Deloitte AS or other external experts. Specific topics may also be explored further through seminars, study trips or presentations at the Council's meetings.

Deloitte AS submits a plan for its audit work to the Council each year. A review report is issued on the Bank's quarterly reporting for the GPFG. An auditor's report on the Bank's annual financial statements is submitted to the Council in connection with its consideration of the Bank's annual financial statements. Once the audit is complete, an annual audit report is sent to the Executive Board and the Supervisory Council.

The external auditor's work is important for the Council's supervisory activities, and there is regular contact between the Office of the Supervisory Council and Deloitte AS. Coordination and good communication on important matters for work on the Bank's operations are given high priority.

The Council's supervisory process is illustrated in Figure 4.

The Council's chairman calls meetings in line with the agreed schedule or where requested by five or more of its members or by the Executive Board (cf. section 7, fifth paragraph, of the Norges Bank Act). The Council passes a decision on all matters considered. Its supervision is documented in minutes of meetings and summarised in reports to the Storting. The minutes of its meetings are

sent to the Ministry of Finance and the Office of the Auditor General.

The Central Bank Governor and Deputy Central Bank Governor attend these meetings unless the Council decides otherwise or there is another valid reason. Other members of the Executive Board may also attend and speak unless the Council decides otherwise. The Governor may elaborate on matters. He answers questions during meetings, and he may bring along experts from the Bank's operational units in this context. Where necessary additional information and presentations on specific matters and fields may be given at the meetings. The employee representatives on the Executive Board generally attend. At each meeting of the Council, the Governor gives a briefing on topical issues concerning the Bank's core operations and other matters of particular relevance to the Bank's operations.

The Executive Board's assessments, management and follow-up of risk, including the work of Internal Audit, are an important starting point for the Supervisory Council's supervision. However, the Council has an independent responsibility to undertake assessments of risk and materiality and to prioritise supervisory work on the basis of its mandate and the expectations of the Storting and the outside world. This guides the operational supervision plan and the agendas for the Council's meetings.

The Council gives particular priority to monitoring aspects of the Bank's operations that may pose a considerable risk to the Bank's reputation. In the management of the GPFG, there is a special overarching focus on return, risk management and control. Security and contingency planning will always be very important areas for Norges Bank. When it comes to central banking operations, there are significant risks associated with quality and security in the supply of cash, the management of the foreign exchange reserves, and the settlement procedures for balances with Norwegian banks and the government.

There may also be a particular focus on the Council's supervision of the Executive Board's management and control in light of events that result in harm to people or property, unauthorised expenditure or significant breaches of rules. The materiality threshold and tolerance will be

low for events that can be attributed to irregularities, unethical behaviour and poor control structures, and any shortcomings in follow-up by the Executive Board.

Many of the Bank's greatest risks are associated with the exercise of discretionary authority when it comes to monetary policy, financial stability and the management of the GPFG. The Council is not required to supervise the Executive Board's exercise of its discretionary authority. This means that the Council does not comment on the Board's monetary policy decisions, or on the advice and consultation responses it submits. However, the supervision of the running of the Bank will include the organisation and processes underlying the exercise of this discretionary authority.

The Council has broad insight into the Executive Board's minutes and all of the Bank's affairs. In principle, it is up to the Council to assess the relevance of the information it requests in connection with its supervisory responsibilities. It has become an established practice to provide information and statements at the meetings of the Council even on matters that, in principle, may be of a nature making them fall outside the Council's supervisory responsibilities. Examples of this include monetary policy reports, quarterly financial stability reports and the annual payment systems report. This practice provides the Council with good insight into the Bank's core operations and a sound basis for conducting its supervision of the Bank's operations and expenditure.

A dialogue has been established between the Ministry of Finance and the Supervisory Council on input on concrete issues concerning the management of the GPFG that the Ministry believes it may be appropriate for the Council's supervision to cover. This system was mentioned in the preparatory work on the amendments to the Norges Bank Act in 2009⁵. Reviews have so far been performed by Deloitte AS as assurance engagements in accordance with internationally recognised standards, and the reports on these reviews have been sent to the Ministry of Finance

for information and published on the Bank's website. The implementation of these assurance engagements is discussed in more detail in section 6.

The Office of the Supervisory Council keeps constantly abreast of Norges Bank's activities, partly by reviewing policy documents, reports and other case documents from meetings of the Executive Board. Additional meetings are also held with the Bank's operational units. When relevant matters are considered, the director of the Office of the Supervisory Council may attend meetings of the Executive Board and the Audit Committee. The director attends meetings of the Permanent Committee and the Supervisory Council, and may make supplementary comments on matters being considered.

Special supervisory and control procedures on selected themes are performed in line with an annual supervision plan approved by the Council. The plan is prioritised on the basis of risk and materiality considerations. Supervision and control procedures are performed as general document-based supervision or more extensive audit and assurance reviews. Supervision is normally based on the laws and rules for the Bank's activities and the Executive Board's management and control processes. The work of the Office is summarised in an annual report to the Council. Major reviews and assurance engagements are reported on separately.

There has been increased public interest in the role and duties of the Supervisory Council in recent years. Openness about the Council's work is achieved within the constraints and limits laid down in, among others, the Norges Bank Act and other relevant rules on the Bank's operations. Its members are subject to the Norges Bank Act's provisions on confidentiality. Any exemptions from the duty of confidentiality or increases in openness are decided on a case-by-case basis by the chairman of the Supervisory Council.

The Council's report to the Storting is designed to present a broad and complete picture of the Council's work and assessments. In principle, the minutes of the Supervisory Council's meetings are publicly available, while the case documentation is exempt from publication.

⁵ Proposition No. 58 (2008–2009) to the Odelsting on Amendments to Act No. 28 of 24 May 1985 relating to Norges Bank and the Monetary System etc. (new accounting and auditing system etc.), section 5.1 "Current supervision and control system".



TABLE 2 CONDENSED BALANCE SHEET FOR NORGES BANK AT YEAR-END

MILLIONS OF NOK	2012	2011
Financial assets	321,202	340,887
Investments, Government Pension Fund Global	3,813,576	3,309,033
Other non-financial assets	1,941	1,855
Total assets	4,136,719	3,651,775
Deposits from banks etc.	35,336	92,134
Deposits from the Treasury	130,783	81,673
Notes and coins in circulation	53,755	54,766
Other liabilities	29,931	41,604
Deposits in krone account, Government Pension Fund Global	3,813,576	3,309,033
Equity	73 338,	72,565
Total liabilities and equity	4,136,719	3,651,775

TABLE 3 DRIFTSINNETEKTER OG DRIFTSKOSTNADER

MILLIONS OF NOK	2012	2011
Management fees, Government Pension Fund Global	2,193	2,539
Other operating income	113	129
Personnel expenses	-1,050	-898
Other operating expenses	-1,924	-2,361
Depreciation, amortisation and impairment losses	-88	-93
Total other operating expenses	-3,062	-3,352
Net operating expenses*	-756	684

* Net operating expenses are not presented on the face of Norges Bank's income statement.

SECTION 3

NORGES BANK'S ORGANISATION AND OPERATIONS IN 2012

Norges Bank's operations are organised into two parts: central banking operations and investment management (NBIM). The Bank's operations are managed from Oslo, but the Bank also has offices in London, New York, Singapore and Shanghai, and a subsidiary in Luxembourg.

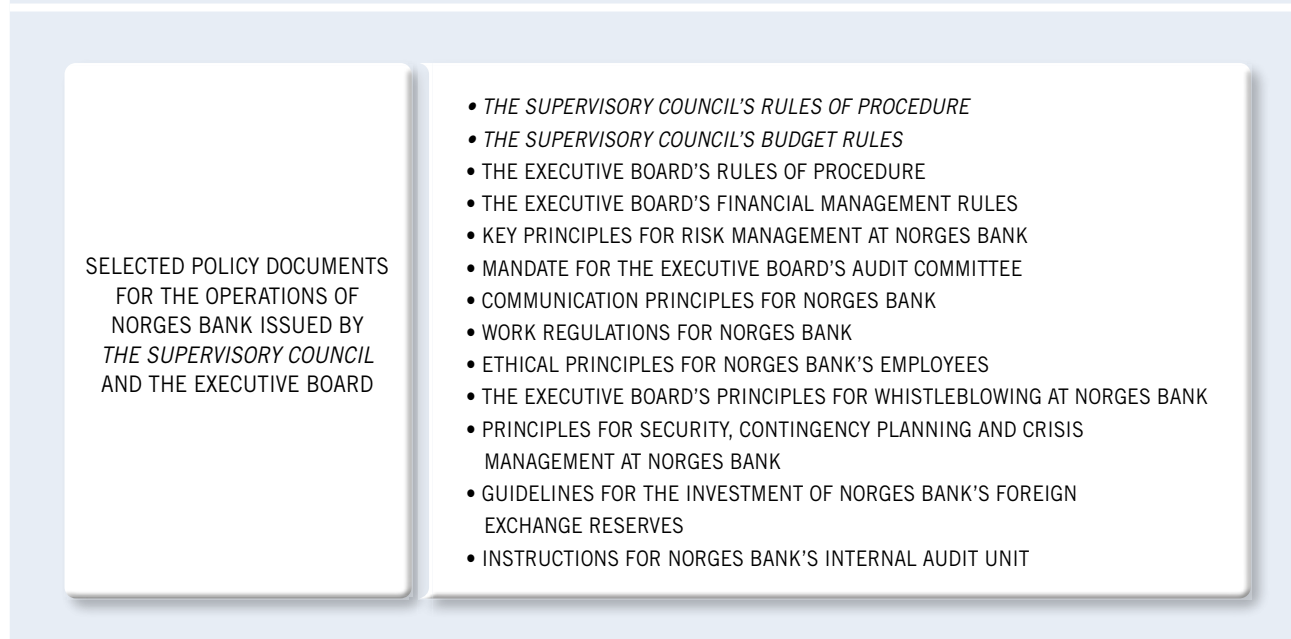
The Bank had 660 employees at the end of the year (2011: 629), divided into 324 (314) in central banking operations and 336 (315) at NBIM. Employees at the overseas offices accounted for 23 (22) per cent of NBIM's workforce. Many operational support activities have been outsourced to external suppliers in Norway and abroad.

Tables 2 and 3 present selected data from the Bank's financial reporting for 2012 together with comparative data for 2011.

Besides operating income and operating expenses, Norges Bank generates income from financial instruments, which amounted to NOK 306m net (2011: NOK 10,188m). Changes in actuarial gains and losses produced net income of NOK 1,223m. The Bank's income statement then shows total comprehensive income for the year of NOK 773m.

Deposits in the krone account for the GPFG show the total value of the Fund, which was NOK 3,814bn at the end of the year. The increase of NOK 505bn on a year earlier breaks down into transfers of capital from the government during the year of NOK 279bn and a positive investment return of NOK 226bn. The return on the Fund before foreign exchange losses was NOK 447bn. The return on the Fund does not impact on the Bank's profit or equity but is recognised directly in the krone account for the GPFG. Costs for the management of the Fund were covered by the Ministry of Finance's budget for 2012 and amounted to NOK 2,193m.

Reference should also be made to the information on the Bank's operations, management and results in its annual report and annual financial statements and in the report on the management of the GPFG for 2012. The Council's consideration of the annual financial statements is presented in more detail in section 7 below.

FIGURE 5 OVERALL REGULATORY FRAMEWORK FOR NORGES BANK'S OPERATIONS**FIGURE 6** SELECTED POLICY DOCUMENTS FOR NORGES BANK

SECTION 4

SUPERVISION OF OVERALL MANAGEMENT AND CONTROL

OVERALL REGULATORY FRAMEWORK FOR NORGES BANK

Norges Bank is an independent legal entity owned by the state. Its duties and governance structure are governed primarily by the Norges Bank Act and the mandate for the management of the Government Pension Fund Global. The overall regulatory framework for the Bank's operations is outlined in Figure 5.

The Bank's operations are also covered by legislation applying to other state-owned bodies, such as the Freedom of Information Act, the Archives Act, the Public Procurement Act, the Security Act and underlying regulations, the Public Administration Act and the Working Environment Act.

The Bank's operations are structured according to its core activities and its goals of price stability, financial stability, and efficient and confidence-inspiring investment management.

The Supervisory Council's supervision requires a broad knowledge of Norges Bank's operations and organisation and its management and control systems. The following provides a general description of the Bank's organisation and operations in 2012. More detailed information can be found in Norges Bank's official annual reports for 2012.

ESTABLISHED MANAGEMENT AND CONTROL STRUCTURE AT NORGES BANK

Under the Norges Bank Act, executive and advisory authority at the Bank is vested in the Executive Board, which is in charge of the Bank's operations and manages its resources.

The Board has seven members appointed by the King in Council. The Central Bank Governor and Deputy Central Bank Governor are its chairman and deputy chairman respectively. The Bank's employees also appoint two members from their ranks who join the Executive Board for the consideration of administrative matters.

The Norges Bank Act states that the Executive Board “shall be responsible for the organisation of, and for establishing satisfactory frameworks, objectives and principles for, the sound

operations of the Bank. The Executive Board is to ensure that the Bank's operations, including accounting and asset management, are under satisfactory governance and control. The Executive Board shall supervise the Bank's administration and other activities.”

The Executive Board has an Audit Committee as required by the regulation on risk management and internal control at Norges Bank. The Committee consists of three of the Board's external members and is a preparatory and advisory body which is to help increase the quality and efficiency of the Executive Board's work on the management and oversight of financial reporting, risk management, internal control and internal auditing. Key parts of the Committee's duties are to prepare matters relating to financial reporting and associated control activities, and overseeing Internal Audit's independence, resources, plans and reporting.

The Bank has an Internal Audit unit which has been set up as required by the Norges Bank Act. Internal Audit is charged with assessing the Bank's internal control, procedures and other matters that are important for the Bank's operations. Internal Audit reports to the Executive Board via the Audit Committee.

The Executive Board also has a Remuneration Committee consisting of two of the Board's external members. This is an advisory committee which is to contribute to thorough and independent consideration of matters concerning the Bank's pay and remuneration arrangements.

Compliance functions have been established with the role of ensuring that laws, regulations and internal rules are adhered to.

The Norges Bank Act gives the Executive Board powers to delegate authority to the Central Bank Governor or specific committees. The Board has done so in a number of areas in the form of general or specific delegations. Delegated authority is followed up through regular reporting to the Board.

The Bank's top-level joint employer/employee body is the Working Environment and Works Council, which is to promote a good working environment at Norges Bank, cf. the Working Environment Act.

The Executive Board issues general policy documents setting premises and limits for the Bank's operations. The most important of these documents are listed in Figure 6. They may take the form of principles for the whole of Norges Bank or apply specifically to one of the two sides of its operations. New ethical principles for the Bank's employees were adopted in 2011, and in 2012 the Central Bank Governor and the Executive Director of NBIM issued more detailed rules in this area for central banking operations and NBIM respectively. There are also three-year general strategic plans for central banking operations and investment management, which are operationalised through annual action plans.

The Central Bank Governor is the Bank's chief executive and, pursuant to the last sentence of section 5 of the Norges Bank Act, "*is in charge of the Bank's administration and the implementation of the decisions.*" The Executive Board has delegated authority for the day-to-day leadership of investment management to the Executive Director of NBIM through his job description. The management systems for central banking operations and investment management are discussed in more detail in sections 5 and 6 respectively.

The Central Bank Governor and the Executive Director of NBIM are responsible for establishing governance systems, implementing planning and follow-up processes and issuing internal policy documents. Risk management is an integral part of operational management. Importance is attached to striking a balance between goals, risk and control measures for the Bank's most important processes. Management has prioritised measures to reduce risk levels and has introduced a standardised procedure for reporting periodic updates on the risk picture. Significant risks are also followed up through Internal Audit's work and reporting. The Executive Board considers all semi-annual and annual operational reports on the status of action plans, risk management and internal control.

THE SUPERVISORY COUNCIL'S GENERAL OVERSIGHT

The Supervisory Council's consideration of annual reports and annual financial statements for the Bank and related entities gives it a good overview of their operations. The Executive Board kept the Council informed about changes

in the overall management system during the year. These included new ethical principles for employees, guidelines for the investment of the foreign exchange reserves, communication principles and financial management rules.

Other matters included plans and budgets with assessments of operational risk and action plans. The Council also considered operational reports for central banking operations and NBIM, reports on risk management, internal control and compliance, and selected project reports and the annual report from Internal Audit. The Executive Board submitted statements on its oversight of security and contingency planning at Norges Bank.

Having effective procedures in place for reporting and following up unwanted events is very important for the Council's supervision of the running of the Bank. The Council is informed about the Board's follow-up of such events through its consideration of these matters and welcomes the broadening of reporting in this area in 2012. In general, there was a slight decrease in the number of unwanted events in 2012. There were no reports of events with material financial or reputational consequences for the Bank. There were, however, some technical problems in the Bank's IT infrastructure. The Council follows up this reporting and receives any necessary additional information from the Central Bank Governor at its meetings.

The Council was kept abreast of Internal Audit's plans and reports. It has become an established practice for the Council to receive an annual statement from the Audit Committee's chairman on the Committee's activities. The director of the Office of the Supervisory Council attended meetings of the Executive Board and the Audit Committee during the consideration of matters relevant to the Council.

The Council's supervision provided documentation that the Executive Board has implemented processes to update the overall management and control system. In addition, by receiving material from the Board and statements from the Central Bank Governor, the Council is assured that the Board regularly follows up targets, action plans, internal control and the risk situation.

SPECIFIC MATTERS IN 2012

COMPLIANCE WITH THE INTERNAL CONTROL REGULATION

The Ministry of Finance has issued a regulation on risk management and internal control at Norges Bank (the Internal Control Regulation)⁶, which supplements the Norges Bank Act's rules on the responsibility of the Executive Board and the Central Bank Governor for the management and control of the Bank's operations. In accordance with the Regulation, the Board has drawn up general principles for risk management at Norges Bank.

The Executive Board is to present a general assessment of internal control and the risk situation to the Supervisory Council at least once a year. The Bank has continued to work on strengthening its management structure and control environment, including its systematic approach to operational risk management and compliance with the Internal Control Regulation. The Board considers the risk situation for central banking operations to be acceptable, and operational risk at NBIM to be within the set tolerance limit⁷.

The Council has taken note of the Board's overall assessment of the risk situation. It welcomes the development of comprehensive operational reporting into which risk assessments are well integrated. The discussion of risk areas and assessments has become more detailed, and there is an emphasis on highlighting risk reduction measures. This helps increase understanding of the complexity of the Bank's operations and the basis for management and control.

In the opinion of the Supervisory Council, compliance with the requirements of the Internal Control Regulation was achieved and documented in 2012. In its future work, the Council will keep abreast of the Executive Board's follow-up of risk reduction measures.

THE ORGANISATION AND WORK OF INTERNAL AUDIT

The Office of the Supervisory Council has reviewed Internal Audit's organisation and work in light of international standards⁸.

Internal Audit is tasked with supporting the Executive Board in overseeing the Bank's operations by providing independent analysis and advice on the Bank's internal control, risk management and operational management. The Central Bank Governor is both chairman of the Executive Board and chief executive of Norges Bank. In this structure, the Audit Committee plays a particularly important role in following up Internal Audit's work and independence. The Audit Committee and the Executive Board carefully assess Internal Audit's plans, work and reports.

The review by the Office of the Supervisory Council confirmed that Internal Audit is organised and works in accordance with applicable rules and regulations, its mandate from the Board and recognised internal auditing standards.

The report from the review includes recommendations for areas where Internal Audit's organisation and work can be clarified and developed further. These include the criteria for establishing audit plans and Internal Audit's independence in relation to the Bank's operational units. The Supervisory Council believes that Internal Audit is well anchored in the Executive Board and concurs with the recommendations in the report.

PROCEDURES FOR WHISTLEBLOWING AT NORGES BANK

As part of the supervisory review of the work of Internal Audit, there was a focus on the Bank's whistleblowing procedures. Norges Bank's Executive Board has issued principles for whistleblowing so that its governing bodies can be notified of any wrongdoing in cases where the usual reporting lines cannot be used. Different whistleblowing channels have been established for central

⁶ The regulation entered into force on 1 January 2010.

⁷ The Executive Board set a tolerance limit for operational risk at NBIM in 2010, namely there must be less than a 20 per cent probability of unwanted operational events resulting in gains and losses totalling NOK 500m or more in any 12-month period.

⁸ Institute of Internal Auditors (IIA): *Code of Ethics and International Standards for the Professional Practice of Internal Auditing*.
Basel Committee on Banking Supervision: *The Internal Audit Function in Banks and Principles for Enhancing Corporate Governance*.
European Banking Authority: *EBA Guidelines on Internal Governance*.

banking operations and NBIM. For central banking operations, Internal Audit is the recipient of any reports of irregularities, whereas the normal whistleblowing channel at NBIM is the compliance unit under the Chief Risk Officer, with Internal Audit serving as an appeals body. Best practice dictates that whistleblowing should take place outside the normal reporting lines to ensure the greatest possible independence, neutrality and anonymity.

The Council supports the recommendations from the review, and recommends that the Executive Board should issue principles for a single whistleblowing setup in order to ensure the greatest possible independence from the operational units.

No cases of wrongdoing were reported in 2012.

SECURITY AND CONTINGENCY PLANNING AT NORGES BANK

Security and contingency planning are always a priority area at Norges Bank. The Bank's operations are covered by the Security Act, and the National Security Authority oversees the Bank in line with other public bodies covered by the Security Act. The Executive Board has issued principles for security, contingency planning and crisis management at Norges Bank, and the Central Bank Governor has issued general guidelines on the basis of these principles. The principles take account of the requirements of the Security Act, the Document Security Instructions, the Personal Data Act, the Working Environment Act and new public guidelines and standards for security. The Bank has introduced a new general contingency plan describing the crisis organisation at Norges Bank.

Overall responsibility for security and contingency planning has been brought together in a dedicated contingency group. With the exception of physical security, central banking operations and NBIM have operational responsibility for security and contingency planning in their respective areas.

The Office of the Supervisory Council has conducted a review with the aim of giving the Council an overview of the Executive Board's oversight work and the processes implemented in the area of security and contingency planning.

The Council maintains a special focus on the threat picture and has noted that detailed risk and vulnerability analyses have been performed. The Council welcomes the Executive Board's unwavering focus on security and contingency planning, and on the Bank's systematic work on the basis of the principles established by the Board.

During the course of the year, the Council considered annual security reporting, operational reports and the Executive Board's plans and budget proposals. It also noted that action has been taken and plans have been made to further improve security and preparedness. In addition to resources made available through ordinary budget approvals, the Executive Board may, in extraordinary situations, meet the cost of safeguarding lives, health and major assets without approval. A report must then be submitted to the Supervisory Council.

THE SUPERVISORY COUNCIL'S SUPERVISION OF OUTSOURCED OPERATIONS

Norges Bank has outsourced many operational functions, especially in the IT field, in both central banking operations and NBIM.

The Internal Control Regulation establishes responsibilities for outsourcing:

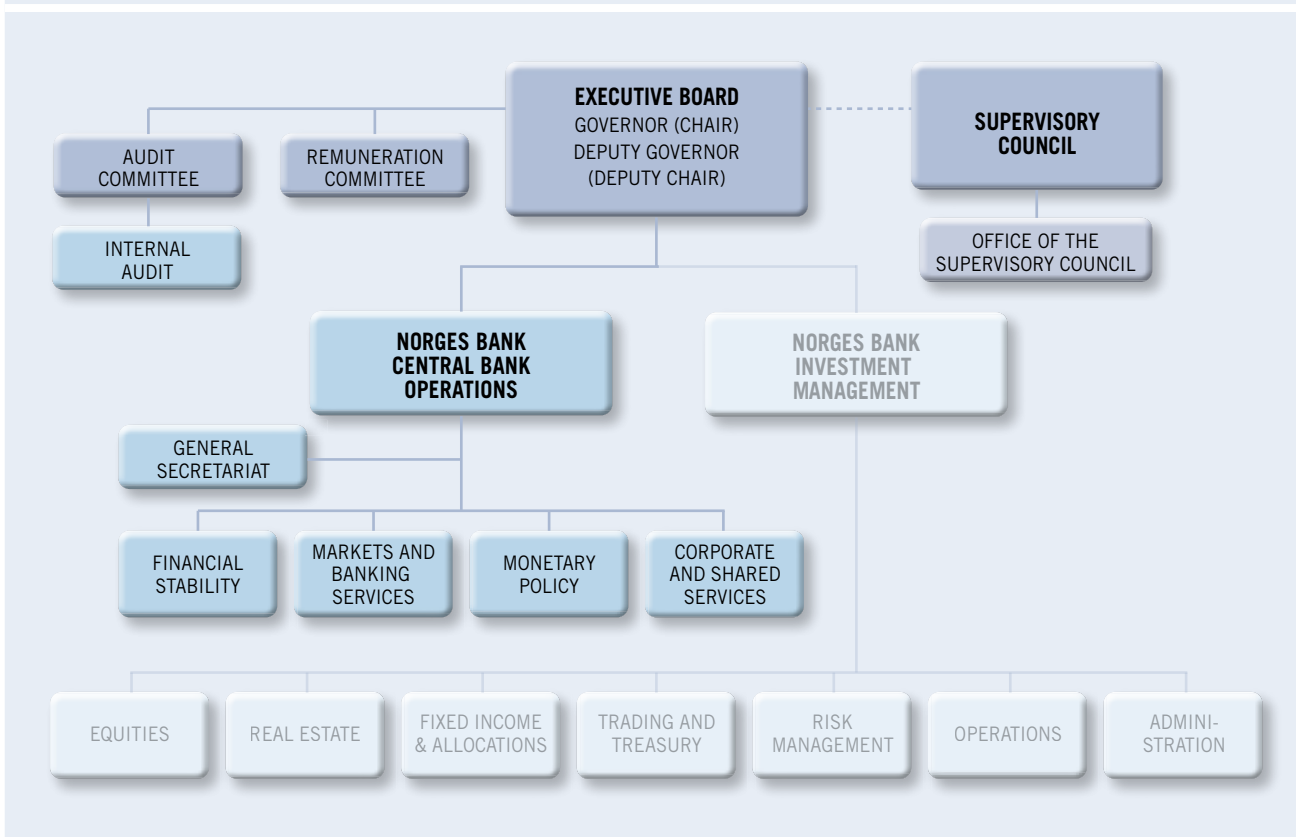
“Norges Bank also bears the responsibility for risk management and internal control in relation to outsourced operations. This responsibility shall be established in a written agreement. The agreement shall ensure that the Bank's bodies are entitled to inspect and monitor outsourced operations. Norges Bank shall ensure that there is adequate competence within the Bank's organisation to manage the outsourcing agreement.”

The Office of the Supervisory Council has reviewed internal guidelines and processes for contractual regulation of the Bank's right to inspect and audit suppliers. Inspections and audits of the Bank's suppliers in Norway and abroad have been performed for a number of years, which goes to show that contractual regulation works in practice.

The Council is pleased that the review concludes that the legal agreements safeguard the Council's rights regarding the supervision and control of outsourced operations.



FIGURE 7 ORGANISATION CHART – CENTRAL BANKING OPERATIONS



SECTION 5

SUPERVISION OF CENTRAL BANKING OPERATIONS

ESTABLISHED MANAGEMENT AND CONTROL STRUCTURE

Central banking operations comprise the Markets and Banking Services Department, Monetary Policy Department and Financial Stability Department working on the central bank's core activities. There was a major reorganisation in 2012 to improve the coordination of the Bank's work on monetary policy analyses and financial stability.

In addition, a new Corporate and Shared Services Department and a General Secretariat were created with responsibility for administrative support, finance, reporting, security, etc. The General Secretariat provides secretariat services for the Executive Board and is charged with coordinating governance processes, risk assessments, compliance and operational reporting. An organisation chart for central banking operations is presented in Figure 7.

THE SUPERVISORY COUNCIL'S GENERAL OVERSIGHT

In its supervision, the Supervisory Council has attached importance to ensuring that the Executive Board sets the premises for central banking operations and systematically follows up results, risks, compliance, events and action plans.

During the course of the year, the Council received documentation that the Executive Board and central banking operations regularly assess the management system, systematically follow up risk management and results, and take action to reduce risk.

The Council notes that a development process is under way when it comes to management and control processes in central banking operations, and that a central compliance function has been set up.

SPECIFIC MATTERS IN 2012

NORGES BANK'S ROLE AND RESPONSIBILITIES IN WORK ON MONETARY POLICY AND FINANCIAL STABILITY

The review of the Executive Board's minutes gives the Supervisory Council a general insight into the Board's assessments in the areas of monetary policy and financial stability. The Central Bank Governor has given regular briefings at meetings of the Council on the economic situation and the challenges for financial stability. Information was provided on, among other things, the Bank's analyses, instruments and contingency plans for dealing with financial turmoil.

The Council receives the Bank's monetary policy reports and financial stability reports for information. In principle, the purpose and content of these reports fall outside the Council's immediate supervisory responsibilities, but they provide important background information on the Bank's tasks and core processes.

All in all, these reports and briefings provide a good overview of complex issues and challenges faced by the Bank, and provide a sound basis for the Council's supervision of the running of the Bank in these areas.

NORGES BANK'S FOREIGN EXCHANGE RESERVES AND BORROWING AGREEMENT WITH THE INTERNATIONAL MONETARY FUND (IMF)

Norges Bank's foreign exchange reserves are to be available for transactions in the currency markets in connection with the implementation of monetary policy or to promote financial stability. The reserves are divided into a money market portfolio and a long-term portfolio. There is also a buffer portfolio for the Bank's regular purchases of foreign currency for subsequent transfer to the GPFG. The Executive Board has issued mandates and guidelines for the management of these portfolios.

The money market portfolio and buffer portfolio are managed by the Markets and Banking Services Department, while the long-term portfolio is managed by NBIM. Net foreign exchange reserves totalled NOK 264.5bn at the end of 2012: NOK 34.2bn in the money market portfolio, NOK 5bn in the buffer portfolio and NOK 225.3bn in the long-term portfolio. In light of the financial crisis, the

Executive Board has been careful to ensure the liquidity of these reserves.

The Supervisory Council has considered the annual report and quarterly reports on the management of Norges Bank's foreign exchange reserves, supplemented with statements from the Bank. The Council finds that the Executive Board regularly follows up the foreign exchange reserves' risk and return.

With the approval of the Storting, a bilateral borrowing agreement between the IMF⁹ and Norges Bank was signed in October 2012. The agreement gives the IMF a borrowing facility in the form of a drawing arrangement of up to SDR 6bn¹⁰, equivalent to NOK 51.4bn on 31 December 2012. The loan is part of a broader international effort to ensure that the IMF has sufficient resources to meet the borrowing needs of its member countries in times of crisis. No drawings on the agreement had been made at the end of 2012. Further information can be found in the Bank's annual financial statements for 2012.

NORGES BANK'S SETTLEMENT SYSTEM

Norges Bank's settlement system (NBO) provides settlement services for banks. Transactions between banks and transfers between banks and Norges Bank are settled with final effect when they are posted to banks' accounts in NBO. These transfers include liquidity policy measures, government payments, deposits in and withdrawals from Norwegian banks, and Norges Bank's own operations. Average daily turnover in 2012 was in the region of NOK 216bn.

The operation of NBO has been outsourced to a large supplier of IT services in Norway. No interruptions in the operation of the settlement system or the availability of core systems have been reported. The supplier's control procedures are documented in annual audit reports sent to all customers.

In 2012 Internal Audit reviewed the system for loan collateral used to calculate how much banks may borrow from Norges Bank. The review confirmed that the rules on the provision of collateral have been implemented. Management and internal control of the processes that lead to the approval of securities have been appropriately designed and implemented. The Council was informed about Internal Audit's report and about the Executive Board's amendments to the regulation on the access of banks to borrowing and deposit facilities in Norges Bank etc. in 2012.

The Council also considered the Bank's annual report on the settlement system and was informed about significant operational events during the year.

The Council is of the opinion that the Bank has established adequate oversight and works appropriately on measures to reduce risk in this area.

GOVERNMENT DEPOSITS AT NORGES BANK

Central government deposits at Norges Bank totalled NOK 131bn at the end of 2012, and interest of NOK 642m was paid.

An agreement has been reached between the Ministry of Finance and the Bank on the operation and management of the government's accounts. Under the agreement, the Bank's work is to be performed in accordance with the rules governing financial management in the central government sector and the guidelines for settlement accounts in the group account system.

In 2012 Internal Audit reviewed the management of central government's group account to assess whether appropriate processes and controls have been established for the Bank's tasks. Internal Audit's conclusion was that robust procedures and controls have been established for the day-to-day services provided.

The agreement requires an annual assurance statement to be submitted on the Bank's compliance with specific requirements in the agreement. This statement includes assessments of control procedures and requirements for security and contingency planning. Deloitte AS will submit an assurance statement for 2012 to the Supervisory

⁹ *The IMF aims to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.*

¹⁰ *The Special Drawing Right (SDR) is an international reserve asset created by the IMF in 1969. Its value is based on a basket of currencies. As at 31 December 2012, SDR 1 was equivalent to NOK 8.57.*

Council which will be forwarded to the Ministry of Finance.

The Council is of the opinion that the Bank exercises adequate management and control of central government deposits.

SUPERVISION OF NORGES BANK'S RESPONSIBILITIES AS ISSUER OF NOTES AND COINS, INCLUDING THE BANK'S STOCKS

Norges Bank is responsible for issuing notes and coins. This includes deciding on their face value and design. The Bank is also responsible for ensuring that the general public has access to and the necessary confidence in cash as a means of payment, and for promoting an efficient overall payment system. The Bank's duties and responsibilities in the notes and coins area have traditionally been given high priority by the Supervisory Council given the considerable inherent risk of irregularities and the low tolerance for errors.

NOKAS AS operates four of the five central bank depots under contract, while Norges Bank took over the running of the depot in Oslo in 2012. Det Norske Myntverket AS handles all production of Norwegian circulation and commemorative coins under an agreement running from 2009 to 2013. Norwegian banknotes were produced and delivered by two suppliers, one in France and one in the UK, under agreements running from 2007 to 2012. The Supervisory Council has been informed that the agreement with the French producer has been extended, and a new agreement has been signed with a producer in Germany running until 2019. It has also been informed of the start-up of a pilot project looking into a new bank-note series.

The Office of the Supervisory Council performs set annual supervisory tasks in this area, partly by monitoring the Bank's management of contractual relationships. It also assesses reports from the Bank's checks of stocks at suppliers, deliveries of new notes and coins, and stock management and holdings at the central bank depots.

The Council considers the Bank's semi-annual reports on notes and coins and other reporting in this area, and is

pleased that no shortcomings or incidents in established procedures were reported in 2012.

The Council is of the opinion that the Bank exercises adequate management and control of the issue of notes and coins.

FIGURE 8 ORGANISATION CHART – NBIM

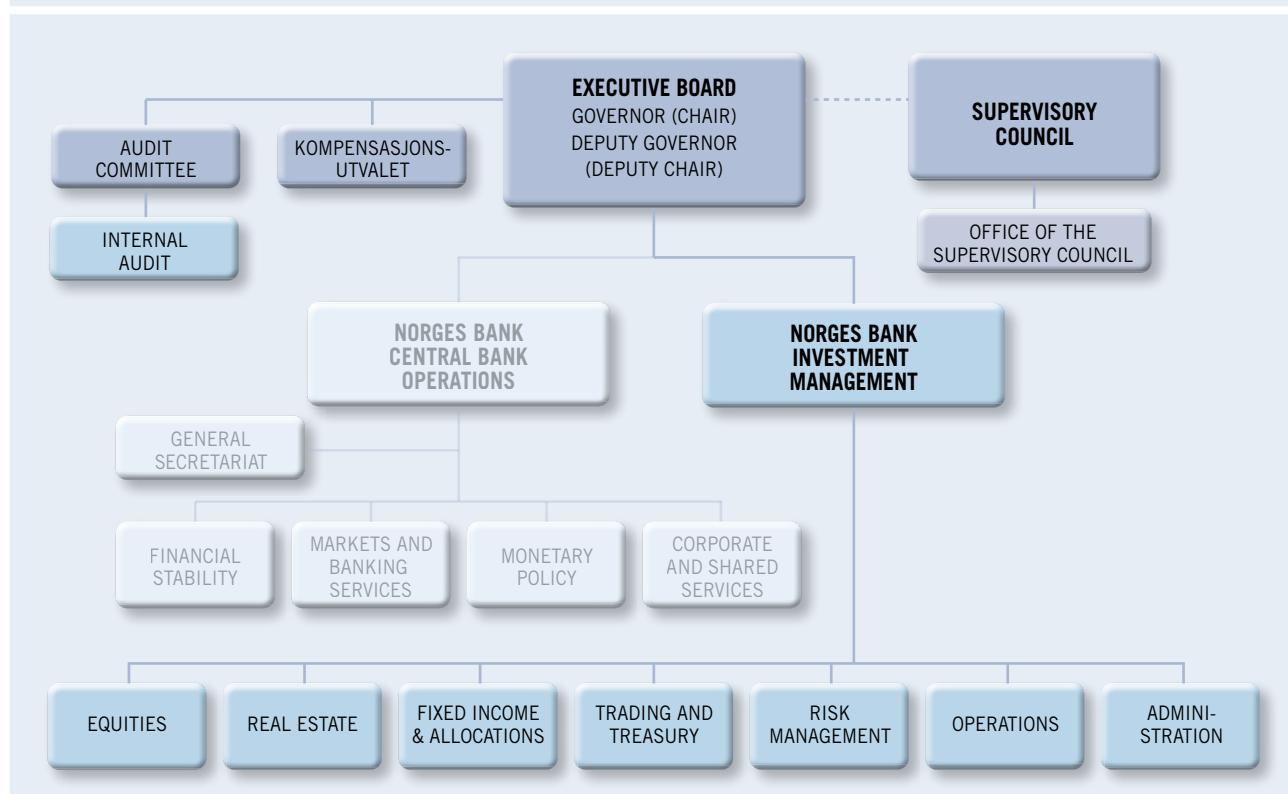


FIGURE 9 SELECTED POLICY DOCUMENTS FOR NBIM'S OPERATIONS

SELECTED POLICY DOCUMENTS FOR NBIM'S OPERATIONS ISSUED BY THE EXECUTIVE BOARD

- INVESTMENT MANDATE FOR THE FOREIGN EXCHANGE RESERVES
- INVESTMENT MANDATE FOR THE GOVERNMENT PENSION FUND GLOBAL
- PRINCIPLES FOR RISK MANAGEMENT AT NBIM
- PRINCIPLES FOR ORGANISATION AND MANAGEMENT OF NBIM
- JOB DESCRIPTION FOR THE EXECUTIVE DIRECTOR OF NBIM
- PRINCIPLES FOR ACTIVE OWNERSHIP AT NBIM
- PRINCIPLES FOR THE APPLICATION OF SECTION 8A OF THE NORGES BANK ACT IN THE EXERCISE OF THE MANDATE FOR THE GOVERNMENT PENSION FUND GLOBAL
- PRINCIPLES FOR COMPENSATION OF NBIM EMPLOYEES
- STRATEGIC PLAN FOR NBIM 2011–2013

SECTION 6

SUPERVISION OF INVESTMENT MANAGEMENT

ESTABLISHED MANAGEMENT AND CONTROL STRUCTURE

NBIM is organised into three investment departments plus departments for trading, risk management, operations and administration.

The bulk of NBIM's operations are run from Oslo, but it also has operations at four offices outside Norway to support investment activity in different time zones and ensure proximity to the markets invested in. Real estate investments in continental Europe are managed through the Bank's subsidiary in Luxembourg, NBIM S.à r.l.

An organisation chart for NBIM is presented in Figure 8.

A few organisational changes within the established structure were made during the year. For example, the tasks of the former department for active ownership were reorganised, and a new structure for active ownership in the investment process is being introduced. Adjustments were made to the mandate for the GPFG in respect of benchmark indices, environmental mandates and the investment universe, and NBIM has worked on adjusting its operations to these changes.

The Executive Board introduced a revised policy document structure at NBIM in 2011. As part of this, principles for the organisation and management of NBIM were drawn up, and the job description and investment mandate for the Chief Executive Officer (CEO) of NBIM were updated. This structure was updated and developed further in 2012. An overview of the main policy documents for NBIM's operations can be found in Figure 9.

The CEO of NBIM sets rules for its operations, including the risk management and internal control structure. A global and complex investment management operation brings an inherent risk of operational errors and events. The consequences of such errors may have a financial or reputational impact. Internal control and compliance functions have been created to monitor and follow up operational risks and compliance with laws, regulations and internal rules.

The Executive Board considers quarterly reports on developments in risks and returns. There are also quarterly reports on operational risk management, operational events and compliance with mandates and other rules. Significant breaches of the mandate for the management of the GPFG and other relevant operational events are reported to the Ministry of Finance. Any breaches of the Ministry's mandate and guidelines are also mentioned in the public quarterly and annual reports for the Fund.

The Executive Board considers the public reports on the management of the Fund each quarter. The financial reporting complies with International Financial Reporting Standards and contains a considerable amount of information on risk. The Bank's methodology for the measurement of returns is based on Global Investment Performance Standards (GIPS) and is verified annually by an external consulting firm.

REAL ESTATE INVESTMENTS

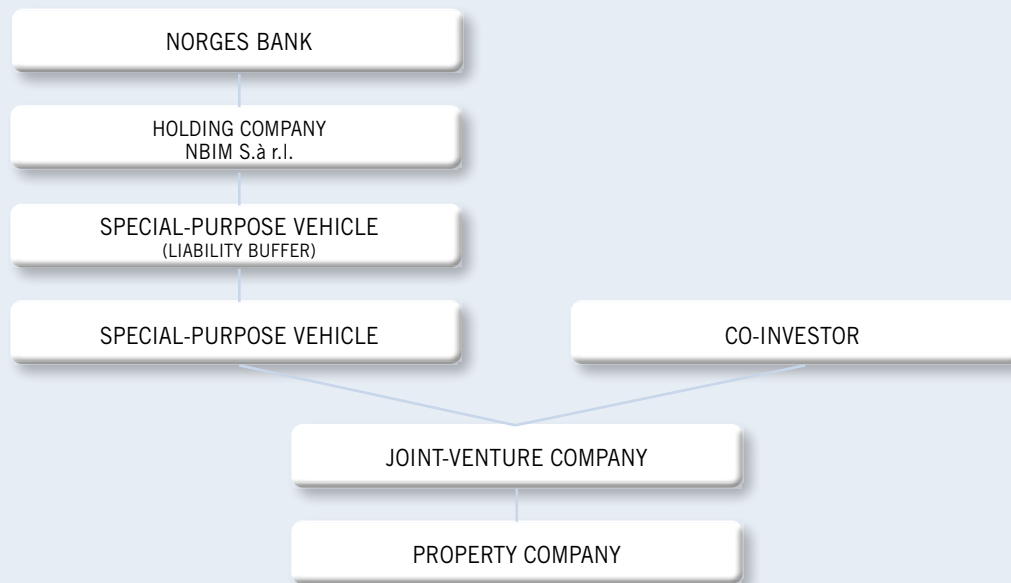
In March 2010 Norges Bank was awarded a mandate to invest up to 5 per cent of the GPFG's portfolio in real estate outside Norway through a corresponding reduction in its allocation to bonds, then 40 per cent. The market value of real estate investments at the end of 2012 amounted to 0.7 per cent of the Fund's assets.

Investments were made in properties in the UK, Germany and Switzerland in 2012. By the end of the year, investments had been made in a total of seven real estate structures in Europe, and agreements had been signed on the purchase of 50 per cent of a company that owns logistics properties in 11 European countries.

Real estate investments are held through subsidiaries of Norges Bank for commercial and tax reasons. These corporate structures help protect the central bank's assets against any claims that may arise as a result of these investments. This organisational setup is regulated by the management mandate¹¹ and was discussed in the government's reports to the Storting on the Government Pension Fund for 2010 and 2011.

¹¹ Section 4-3 (3): "The Bank may make investments in the real estate portfolio through Norwegian or other legal entities."

FIGURE 10 CORPORATE STRUCTURE FOR REAL ESTATE INVESTMENTS



The strategy for the GPFG is to be a financial investor, and investments in real estate have generally been made together with partners which handle the operational management of the properties. The holding company NBIM S.à r.l in Luxembourg has been set up for investments in continental Europe. This holding company forms various special-purpose vehicles which, together with a co-investor, create a joint-venture company to invest in property companies. The ownership structure will vary depending on the investment and market. A typical ownership structure is presented in Figure 10.

Reporting on the operations of NBIM S.à r.l forms part of the quarterly and annual reporting on the management of the Fund. Further information on real estate investments can be found in Norges Bank's annual reports.

THE SUPERVISORY COUNCIL'S GENERAL OVERSIGHT

The Supervisory Council considered a number of matters in 2012 as part of its supervision of the Executive Board's management and control of NBIM. The Council ensures that the Board sets the premises for investment management and systematically follows up results, risks, compliance, events and action plans. The Council was informed about the Board's consideration of the investment mandate for the GPFG and the job description for the CEO of NBIM. It also considered the Bank's periodic reports on the management of the Fund and the foreign exchange reserves. Other matters included operational reports, quarterly reports on risks and returns and operational risk management, and selected project reports from Internal Audit.

The Council notes that the level of operational risk exposure was within the Executive Board's tolerance limit throughout 2012. The Council received documentation that the Board and NBIM regularly assess the management framework and systematically follow up NBIM's results, risks and unwanted events. Financial losses as a result of such events were reported as being at the same levels as in 2011. However, the Council notes that there are still operational challenges relating to the operation of IT systems at NBIM. The Council is pleased that the Board

is focusing on these challenges and on the introduction of a new IT platform.

It is positive that NBIM's reporting to the Board on compliance and operational events also includes subsidiaries, as this helps ensure consistent and transparent reporting of all significant events in its operations.

SPECIFIC MATTERS IN 2012

ASSURANCE PROJECTS ON RISK MANAGEMENT IN THE MANAGEMENT OF THE GPFG

In 2009, on the recommendation of the Ministry of Finance, the Supervisory Council decided on a programme of assurance engagements focusing on operational risk management in the management of the GPFG. The projects are being carried out by Deloitte AS in conjunction with the Office of the Supervisory Council. For each project, an independent assurance statement is submitted to the Council in line with international auditing standards¹². The reviews comprise assessments of the internal control system and risk management etc. in the management of the Fund¹³ and are important for the implementation of oversight and control of the Bank's operations.

Five projects have previously been completed and discussed in the Council's reports to the Storting. The areas covered to date are as follows:

- Organisation structure and management controls (2009)
- Operational risk and internal control (2009)
- Monitoring external managers (2010)
- Capital inflows and exposure to the chosen benchmark portfolio (2010)
- Framework for assessment of counterparty risk (2011)
- Control system for real estate investments (2012)
- Management and control of IT security at NBIM (2012)

¹² 12 *International Auditing and Assurance Standards Board (IAASB) International Standard on Assurance Engagements (ISAE) 3000: Assurance engagements other than audits or reviews of historical financial information.*

¹³ Cf. Proposition No. 58 (2008–2009) to the Odelsting on Amendments to Act No. 28 of 24 May 1985 relating to Norges Bank and the Monetary System etc.

The supervision plan for 2013 includes a review of the system for risk management in the active management of the Fund.

Control system for real estate investments at NBIM

Two external legal opinions were obtained in connection with the Supervisory Council's discussions concerning the founding of the subsidiary NBIM S.à r.l. These opinions clarified the role of the Council in the formation and supervision of subsidiaries. The Council has the power to authorise the establishment of companies covered by section 8a of the Norges Bank Act¹⁴. The Council also supervises the operations of these subsidiaries.

The Council has issued guidelines which require the Bank's external auditor to be appointed auditor of the Bank's subsidiaries.

The Executive Board issued principles during the year for the application of section 8a of the Norges Bank Act. These also establish how to proceed in case of doubt. The Council is of the opinion that these principles help ensure compliance with the Act in this area. Given that these interpretations are largely a matter of judgement, the Council has stressed the importance of the governing bodies being consulted in case of doubt.

Deloitte AS conducted an assurance engagement in 2012 concerning the design and implementation of the control system for real estate investments. The review covers the Executive Board's management and control system and NBIM's risk management and control structure. There was a particular focus on processes for investment deci-

sions, including the evaluation of properties and business partners (due diligence reviews). The analyses were carried out on the basis of the mandate for the Fund, international standards and experience of practice in the real estate sector. The organisation's resources in Oslo and London were also assessed as part of the review.

In its report, Deloitte AS notes the importance of NBIM further developing and strengthening the risk management and control system for real estate investments as its investment profile evolves. The report concludes that, at current investment levels, the system for risk management and control of real estate investments has essentially been designed in line with the measurement criteria. The system has also been implemented in line with the current design. The assurance statement has been considered by the Council and was made public in connection with its submission to the Ministry of Finance.

The Council finds that the report did not reveal shortcomings in NBIM's organisation and control system for the management of real estate investments. However, it wishes to stress the importance of the organisation and control system being developed further as the real estate portfolio grows.

MANAGEMENT AND CONTROL OF IT SECURITY

Deloitte AS has carried out an assurance engagement looking at the design and implementation of the management and control of IT security by the Executive Board and NBIM.

The Executive Board and Central Bank Governor have issued general principles and guidelines for security, contingency planning and crisis management across Norges Bank, which include the management of IT security. These guidelines stipulate that the management system for IT security at Norges Bank must be based on international standards in this area¹⁵.

¹⁴ Section 8a. *Enterprises owned by Norges Bank*

"The Supervisory Council may, on the proposal of the Executive Board, decide that the production of banknotes and coin or other commercial activities that fall within the scope of this Act shall be performed by companies that are partly or wholly owned by the Bank. The Executive Board represents the Bank as owner on the bodies of such companies.

The Supervisory Council is responsible for supervising the companies referred to in the first paragraph, and has the right to request the information necessary to perform its supervisory tasks from the company's manager, board of directors and the elected auditor. To the extent necessary, the Supervisory Council itself may undertake inspections of the company. The Supervisory Council shall be notified in advance of the date of company general meetings and has the right to be present at the general meetings."

¹⁵ *ISO/IEC 27001 Information technology – Security techniques – Information security management systems – Requirements is a nationally and internationally recognised standard establishing best practices for the management and control of IT security published jointly by the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC).*

The report states that NBIM made changes to its organisation and processes in this area in 2012, with the result that the management model for IT security is clearer and better anchored at management level. Following these organisational changes, Deloitte AS is of the opinion that the management and control of IT security at NBIM is essentially designed in accordance with formal rules and recognised standards in this area. Deloitte AS has not had enough information to assess the implementation of some of the latest changes, but otherwise confirms that the management and control of IT security have been implemented in the organisation as designed.

The assurance statement from the review has been considered by the Council and was made public in connection with its submission to the Ministry of Finance.

The Council will monitor the Executive Board's follow-up of the implementation of the management model for IT security at NBIM.

CHANGES TO THE MANDATE FOR THE MANAGEMENT OF THE GPFG

The mandate from the Ministry of Finance was amended with effect from 29 June 2012. The weights for Europe, the US and Canada, other developed markets and emerging markets in the benchmark index for the equity portfolio were changed (see section 3-3 of the mandate). The Executive Board has followed up these changes and adjusted the investment mandate for the CEO of NBIM.

The compliance function at NBIM has systems for detecting and following up any breaches of guidelines. In addition to compliance with the Ministry's mandate and guidelines, this follow-up includes guidelines issued by the Executive Board and external market rules. Any breaches are mentioned in the quarterly reports to the Board, which are forwarded to the Supervisory Council. Significant breaches of the guidelines for the management of the GPFG are reported to the Ministry in line with an established procedure. Assessments of compliance are also an important element in Internal Audit's reviews.

The Council received adequate documentation and confirmation during the year that the Executive Board has followed up compliance with the mandate for the

management of the Fund. There were no reports of significant breaches of the management mandate. The Council also monitored the Bank's adjustments to changes in the regulatory framework.

TRANSPARENCY IN PUBLIC REPORTING AND DISCLOSURE ON THE FUND

There is considerable public interest in the management of the GPFG, together with a requirement and expectation that Norges Bank will be as open as responsible management of the Fund allows. This has been emphasised in the Storting's consideration of matters concerning the Fund, and is regulated in the Ministry of Finance's management mandate.

The Executive Board issued a set of communication principles for Norges Bank in May 2012. The aim of the principles is to ensure that all parts of the Bank communicate consistently and as one. The principles are to form the basis for operational strategies, plans and actions. NBIM has operationalised the principles in the form of a communication strategy which also takes account of relevant and fundamental principles in the government's communication policy.

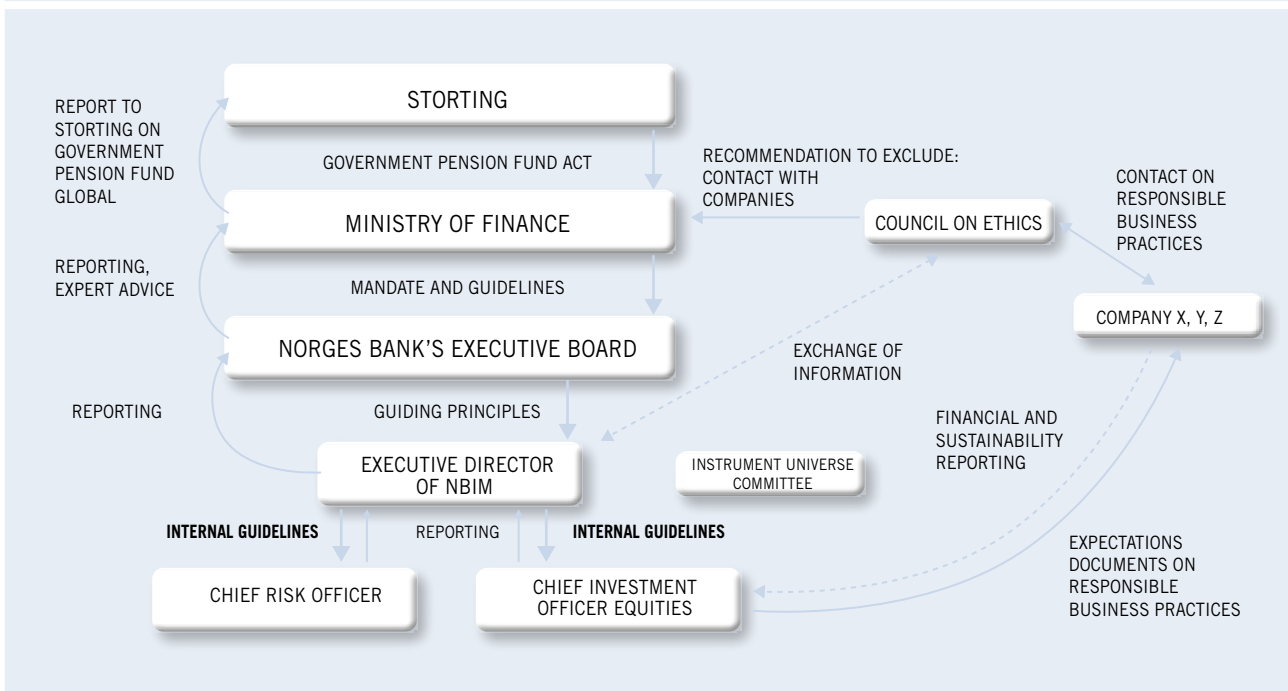
The Office of the Supervisory Council has reviewed the requirements and standards that apply to Norges Bank's public reporting and openness about the management of the Fund, and assessed the Bank's implementation thereof. It has also drawn comparisons with the Fund's peers. The report from the review confirms that the information disclosed meets the requirements of relevant legislation and the mandate from the Ministry of Finance.

The Council finds that Norges Bank practises a high level of openness about the management of the Fund and performs well in both national and international comparisons. The Bank has further developed a high level of openness in its external reporting of events and operational risk management, and the Council welcomes this.

RESPONSIBLE INVESTMENT

There is growing interest both in Norway and abroad in corporate social responsibility and the role that shareholders can play in this. Responsible investment has been mentioned in several reports to the Storting on the GPFG.

FIGURE 11 OVERSIGHT OF RESPONSIBLE INVESTMENT IN THE GOVERNMENT PENSION FUND GLOBAL



In 2010 the Ministry of Finance wrote the following on responsible investment in practice¹⁶:

Environmental, social and governance issues can be integrated into investment activities at both strategic and operational level. Norges Bank has been charged with addressing these issues in the operational management of the Fund:

“The Bank shall integrate considerations of good corporate governance and environmental and social issues in investment activities, in line with internationally recognised principles for responsible investment. The integration of these considerations shall occur with regard to the investment strategy and the Bank’s role as financial manager. In executing its management assignment, the Bank shall give priority to the Fund’s long-term horizon for investments and to investments being invested widely in the markets included in the investment universe.”

Sustainable economic development will be crucial for the long-term return on the Fund. The mandate and guidelines for the management of the Fund require it to aim for the highest possible return while engaging in responsible investment practices. Reference is made to the UN Global Compact and OECD guidelines, which set out principles based on international conventions on human rights, labour, the environment and anticorruption.

Responsibilities and duties in this area have been divided between the Ministry of Finance, the Council on Ethics and Norges Bank. The Ministry has also issued rules in its mandate and guidelines for the exclusion of companies or sectors, and the Board has provided guidance in its investment mandate for the CEO of NBIM. Norges Bank’s exercise of responsible investment is an important factor when it comes to how the management of the Fund is perceived.

When it comes to responsible investment, the Bank has concentrated on the areas of water management, climate change, children’s rights, well-functioning financial markets, equal treatment of shareholders, and the roles and responsibilities of company boards. With support from the Executive Board, NBIM has published documents in these

areas expressing expectations for how companies are to manage environmental and social risks in their operations. Internal guidelines have also been prepared for investment analysis, voting and company monitoring as part of active ownership. The organisation of the management of the Fund and the reporting structure for following up responsible investment are presented in Figure 11.

The Office of the Supervisory Council conducted a general review of responsible investment activities and the Executive Board’s oversight during the year. It concluded that the Bank has established internal guidelines in this area in line with the requirements from the Ministry of Finance. NBIM carried out a reorganisation in 2012 to improve the professional basis and integration of work on responsible investment in its management of the Fund. Internal Audit also noted a number of areas for improvement in terms of operational implementation, and NBIM has taken action to comply with these recommendations.

The Council has also followed developments in responsible investment practices at NBIM through its consideration of the Bank’s internal and external reporting.

The Council welcomes the changes that have been made to improve the integration of requirements for responsible investment into the management of the Fund. The Bank’s work on responsible investment will continue to be monitored. As part of this work, a supervisory review of the Executive Board’s management and control of responsible investment activities and the Bank’s reporting will be carried out in 2013.

¹⁶ Brochure/Guidelines, Ministry of Finance, 2 March 2010.



SECTION 7

NORGES BANK'S BUDGET AND FINANCIAL STATEMENTS

ESTABLISHED BUDGETING AND ACCOUNTING PROCESSES

In accordance with the Norges Bank Act and the budget rules issued by the Supervisory Council, each year the Executive Board prepares a proposed budget for Norges Bank for approval by the Supervisory Council. The Council's responsibility relates to control and approval of the Bank's overall expenditure. The consideration of the budget ensures that responsible financial limits have been set for the Bank's duties and operations. The Executive Board reports to the Council on the status of the Bank's expenditure at least twice a year.

The Ministry of Finance sets a limit each year for the fee covering Norges Bank's direct and indirect costs for the management of the GPFG. Norges Bank's accounts are prepared in accordance with the regulation on the annual financial statements etc. of Norges Bank (the Annual Financial Statements Regulation), which is based on the Annual Accounts Act and International Financial Reporting Standards (IFRS) and also regulates the financial reporting for the GPFG.

The Executive Board prepares its annual report and the Bank's annual financial statements and submits them to the Supervisory Council. The auditor's report from Deloitte AS is considered at the same time. The Council adopts the annual financial statements and takes note of the Board's annual report. The approved budget and the adopted annual financial statements are sent to the Ministry of Finance.

Norges Bank publishes quarterly reports on the management of the GPFG. The Executive Board is responsible for this reporting. The external auditor submits a report to the Supervisory Council in accordance with the international standard on reviews of interim financial information. The Council considers the quarterly reports and the associated auditor's reports.

OVERSIGHT OF EXPENDITURE AND DECISION ON NORGES BANK'S BUDGET

The Supervisory Council followed up the Bank's expenditure in 2012 by considering semi-annual operational reports and internal accounts. The Council notes that the reporting for central banking operations shows that expenditure came in 7 per cent below the approved budget. This was due primarily to lower costs for personnel, IT, consultants, and notes and coins. In addition, NBIM's reporting shows expenditure 13 per cent inside the approved budget, due primarily to lower fees to external managers.

The Ministry of Finance set an upper limit for reimbursement for the management of the GPFG in 2012 of 9 basis points (0.09 per cent) of average assets under management. From 2013 this limit will include costs at subsidiaries involved in the Bank's management of real estate investments. The Council is pleased to note a downward trend in management costs relative to the size of the Fund. Costs before performance-based fees came to 5.3 basis points in 2012, down from 6.4 basis points in 2011.

Norges Bank's budget for 2013 was approved by the Council in December 2012.

SPECIFIC MATTERS IN 2012

THE BANK'S FINANCIAL MANAGEMENT – NEW BUDGET RULES FOR NORGES BANK

The Council issued new budget rules for Norges Bank in 2012 applying from the 2013 budget year.

On the basis of a supervisory review of the Bank's financial management model in 2011, the Council decided to begin working towards new general budget rules for the Bank. In the development of the rules, financial management practices at other public and private bodies were considered in the light of the unique circumstances of a central bank. Importance was attached to the Bank's budget being a top-level management instrument for the Bank's expenditure and operation.

The aim of the budget rules is to provide general guidelines and fundamental premises for the Bank's budgets. The Council's budget approvals cover the Bank's net operating results and total investments. The main items for the running of central banking operations and NBIM are specified. Budgeted funds may not be reallocated between central banking operations and NBIM unless this relates to a reorganisation of duties between the two.

The principles in the Bank's accounting rules are to be applied in the preparation of the budget. Returns, interest and the like resulting from the Bank's central banking and investment management operations are not budgeted. Budget approvals for investments and activities stretching over a number of years will apply to the whole of the planned period. This ensures predictability and a good overview for both budgeting and the Council's supervision. Overshoots are permitted on budget items that are associated with uncertainty and are outside Norges Bank's control.

Operating budgets for subsidiaries covered by section 8a of the Norges Bank Act are to be appended to the budget.

On the basis of these new budget rules, the Executive Board issued new financial management rules to apply from 2013, together with supplementary guidelines on budgeting and financial management in the Bank.

The Council is of the opinion that the new budget rules and the Board's financial management rules help clarify expectations for the Board's budget proposals and the bodies' roles and responsibilities in terms of the Bank's expenditure. The rules help strengthen the supervision of the Bank's operations, while taking account of the Board's need for flexibility in the running of the Bank.

NORGES BANK'S FINANCIAL STATEMENTS FOR 2012

Norges Bank's annual report and financial statements for 2012 were considered at the Council's meeting of 7 March 2013. Deloitte AS issued an unqualified auditor's report on the Bank's annual financial statements. The financial reporting on the management of the GPFG forms part of the Bank's annual financial statements.

Deloitte AS submitted a separate unqualified auditor's report on this reporting.

The following decision was passed:

- The Supervisory Council takes note of the Annual Report of the Executive Board for 2012. The Supervisory Council takes note of the auditor's report for Norges Bank for 2012. The Supervisory Council adopts Norges Bank's financial statements for 2012 with the following transfers and allocations:
 - › In accordance with the guidelines, the profit after other allocations of NOK 773m is to be transferred to the Adjustment Fund.
- There is no capital in the Transfer Fund and no transfers will therefore be made to the Treasury.

The Council has also received information from Deloitte AS on significant matters relating to the year's audit. The Executive Board and Deloitte AS have confirmed that the Bank has initiated processes to follow up the comments in the audit report for 2011. The report from the auditor on the audit of the annual financial statements for 2012 will be considered by the Supervisory Council in spring 2013.

This is the second time that the Bank's financial reporting has been prepared in accordance with the Annual Financial Statements Regulation. The Council considers the changes to the Bank's financial reporting in recent years to be positive for the Bank's reputation. The use of IFRS also gives external readers easier access to information and aids comparison between Norges Bank and its peers in other countries.



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SECTION 8

ASSESSMENT OF THE EXECUTIVE BOARD'S MANAGEMENT AND CONTROL

REVIEW OF THE EXECUTIVE BOARD'S MINUTES

The Supervisory Council's review of the Executive Board's minutes is a duty explicitly conferred upon it by the Norges Bank Act: *"The Supervisory Council issues a statement on the minutes of the meetings of the Executive Board, the supervision of the Bank and matters submitted to it by the Executive Board."*

The minutes of the Executive Board's meetings are a particularly important element of the Council's supervision of the Bank, providing an overview of the matters considered by the Executive Board and the decisions reached on specific matters. A total of 35 per cent of the matters considered by the Board in 2012 were passed to the Council for consideration or information. In addition, a number of matters were covered by the Office of the Supervisory Council's reviews and discussed in supervision reports to the Council. For other matters considered by the Board, the minutes provide a basis for asking the Central Bank Governor for additional information or statements.

The Council has reviewed all of the Board's minutes for 2012. Some matters were discussed in greater depth at the Council's meetings. The Central Bank Governor attended these meetings and responded to questions on specific matters. No special remarks on the Executive Board's minutes were minuted in 2012.

THE SUPERVISORY COUNCIL'S OVERALL CONCLUSION

The Council has received all of the information it has asked for.

The Council is of the opinion that the Executive Board exercised satisfactory management and control of Norges Bank's operations in 2012 in accordance with the Norges Bank Act, the mandate and guidelines for the management of the GPFG and the regulation on risk management and internal control at Norges Bank.

The supervision of the Bank's activities and compliance with the rules for its operations revealed no cause for special remarks under the Act.

Issues and a need for a stronger control system and risk reduction measures were reported in a number of areas during the year. The Council has positive experience of this being followed up systematically by the Bank. The Council has commented on a number of matters and emphasised the importance of the Executive Board's oversight and of the Council being kept updated and being involved to a sufficient extent. This included the formation and supervision of subsidiaries for real estate management and matters reported following audit and supervisory reviews (such as IT security and contingency planning).

FIGURE 12 EXCERPT FROM THE SUPERVISORY COUNCIL'S STRATEGY FOR 2013–2015**Vision and goals**

The Supervisory Council ensures democratic insight and independent control and contributes to high levels of public confidence in Norges Bank and the Government Pension Fund Global.

The main goals contributing to this vision are:

- There is to be a broad consensus in the Storting that the Council exercises effective supervision of Norges Bank in line with its mandate and expectations
- The Council is to enjoy high levels of public confidence
- There is to be a consensus at Norges Bank that the Council performs its duties in a way that contributes to the Bank's performance and reputation
- Members of the Council are to consider their work useful and rewarding

Fundamental requirements

External reporting and communication from the Council must be open and clear.

Members must have a good knowledge of the operations of Norges Bank and the role of the Council, with particular attention to how the Government Pension Fund Global is managed.

The Council must have good access to information and an open dialogue with the Executive Board and the Bank's management.

The Council must have access to high standards of expertise at the Office of the Supervisory Council and the external auditor.

Meetings and documents must be expedient and well organised.

SECTION 9

PRIORITIES FOR FUTURE SUPERVISORY WORK

Norges Bank has been entrusted with important tasks, and its operations are wide-ranging. The Council's supervision is prioritised on the basis of the needs of society, guidance from the Storting, the formal regulatory framework, previous experience and assessments of risk and materiality in the Bank's operations. The Council has adopted a strategy for its operations for the period 2013–2015 (see excerpt in Figure 12). This strategy will impact on the further development of the Council's work and its annual supervision plans.

The Council has approved a supervision plan for 2013 and will closely monitor developments in the Bank's regulatory framework, organisation, activities and events. It will focus regularly on the Executive Board's updating and oversight of the governance system, with particular emphasis on risk management, internal control, risk reduction measures and compliance with laws and regulations.

In line with the new budget rules, the Council will oversee the implementation of action plans and the management of expenditure. Monitoring the Bank's work on security and contingency planning will remain a priority. The Bank's considerable dependence on stable and secure IT solutions, working with external suppliers, warrants a particular focus on the part of the Council.

Special themes for supervisory reviews in 2013 include the organisation and management of Bank-wide functions, processes for evaluating outsourcing, and following up the ethical principles for the Bank's employees.

In the light of the financial turmoil, the Council will continue to monitor the Bank's plans and actions to ensure financial stability and preparedness for possible crises. It will also monitor the Board's management of the foreign exchange reserves.

The supervision of investment management will continue to have high priority. The dialogue with the Ministry of Finance on input for assurance projects has continued in the preparation of the supervision plan. An assurance project looking at the system for risk management in the active management of the GPFG is planned. Other priority topics for supervisory review are responsible investment, tax issues and real estate investments through subsidiaries.



BACK ROW: Reidar Åsgård, Ingebrigt S. Sorfonn, Marianne Lie, Tormod Andreassen, Eva Karin Gråberg and Vidar Bjørnstad

3RD ROW: Randi Overland and Morten Lund

2ND ROW: Synnøve Sondergaard, Rumbjörg Bremset Hansen, Tine Sundtoft and Erland Vestli

FRONT ROW: Frank Sve (deputy chairman), Reidar Sandal (chairman) and Monica Salthella

APPENDIX

NORGES BANK'S SUPERVISORY COUNCIL 2012–2013

Full members	First appointed	Current term	Alternates
Reidar Sandal, <i>chairman</i>	2010	(2010–2013)	Ola Røtvei
Frank Sve, <i>deputy chairman</i>	2006	(2010–2013)	Tone T. Johansen
Tormod Andreassen	2008	(2012–2015)	Beate Bø Nilsen
Vidar Bjørnstad	2012	(2012–2015)	Hans Kolstad
Eva Karin Gråberg	2004	(2012–2015)	Rita Lekang
Runbjørg Bremset Hansen	2004	(2012–2015)	Camilla Bakken Øvald
Marianne Lie	2010	(2010–2013)	Lars Gjedebo
Morten Lund	2010	(2012–2015)	Torunn Hovde Kaasa
Monica Salthella	2010	(2010–2013)	Lars Haakon Søråas
Tine Sundtoft	2012	(2012–2015)	André Støylen
Synnøve Søndergaard	2010	(2010–2013)	Britt Hildeng
Ingebrigt S. Sørfohn	2012	(2012–2015)	Solveig Ege Tengedal
Erland Vestli	2006	(2010–2013)	Jan Blomseth
Randi Øverland	2012	(2012–2015)	Anne Grethe Kvernød
Reidar Åsgård	2006	(2010–2013)	Kari-Anne Opsal

Permanent Committee

Reidar Sandal, <i>chairman</i>	Eva Karin Gråberg
Frank Sve, <i>deputy chairman</i>	Erland Vestli
Runbjørg Bremset Hansen	Morten Lund
Monica Salthella	Tormod Andreassen
Reidar Åsgård	Synnøve Søndergaard

Director of the Office of the Supervisory Council

Svenn Erik Forsstrøm

PROFILES OF THE MEMBERS OF THE SUPERVISORY COUNCIL

- | | |
|--------------------------------|---|
| Reidar Sandal | CEO of Sunnfjord Chamber of Commerce. Chairman of Innovation Norway, Fjord1 AS, Nynorsk kultursentrum and Sunnfjord Næringsutvikling AS, among others. Previous experience includes minister at the Ministry of Church Affairs, Education and Research, member of the Storting and chairman of its Standing Committee on Finance and Economic Affairs, county councillor, chief executive of Sogn og Fjordane county municipality, and teacher. MA from the University of Bergen. |
| Frank Sve | Local politician. County executive board member, county council group leader, member of the Regional Council for Western Norway. Municipal executive committee member. Chairman of Åknes/Tafjord Beredskap IKS and director of the Norwegian Maritime Competence Centre. Previous experience includes county council chairman, production director at Møremøbler/Stokke, and board member at St. Olavs Hospital HF and Innovation Norway Møre og Romsdal. Vocational background. |
| Runbjørg Bremset Hansen | Teacher at Kolvereid School. Member of municipal administrative committee. Previous experience includes county councillor, deputy county council chairman, member of the Regional Committee for Northern Norway, and board member at Helse Midt-Norge. Author of a history of Nærøy. MA from the Norwegian University of Science and Technology. |
| Monica Salthella | CEO of Formuesforvaltning Vest AS. Chairwoman of Ha Mot AS and board member at Eiendomsspar AS and Victoria Eigedom AS. Previous experience includes deputy CEO of Sparebanken Vest, CEO of Skandia Fondsforvaltning AS, member of the supervisory board of Eksportfinans and board member at the Norwegian Banks' Guarantee Fund and the Norwegian Savings Banks' Guarantee Fund. BBA from the University of London. |
| Reidar Åsgård | Smallholder. County councillor. Deputy chairman of Eidsiva Energi. Previous experience includes county council cabinet chairman, county council chairman, leader of Hedmark Labour Party and leader of the Outlying Municipalities Alliance. MA from the Norwegian School of Sport Sciences and LLB from the University of Oslo. |
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Tormod Andreassen	CEO of Atecon Finans AS. Board member at Lærdal Finans AS and Sparebank1 Nord-Norge Pension Fund, among others. Previous experience includes deputy CEO and chief economist at Christiania Bank, chief investment officer and chief economist at SpareBank 1 Gruppen AS, CEO of Alfred Berg and SR-Fonds, department director at Statistics Norway, board member at the Norwegian Commercial Banks' Guarantee Fund and member of Finance Norway's life and pensions committee. BSc (Econ) from the University of Oslo.
Vidar Bjørnstad	Head of the international department at the Norwegian Confederation of Trade Unions (LO). Deputy head of the Military Ombudsman's Committee. Previous experience includes member of the Storting, political adviser at the Ministry of Development Cooperation, county campaign manager for Amnesty International, member of the board of the European Movement and personal assistant to the president of LO. BA from the University of Oslo.
Eva Karin Gråberg	Headmistress of Måndalen School. Board member at Rauma Energi AS and Troll-tinn AS and chairwoman of the supervisory council at Tøndergård School. Previous experience includes deputy county council chairwoman and board member at Helse Nordmøre og Romsdal HF, the Norwegian Association of Local and Regional Authorities and Nordveggen AS Utvikling. Trained at Hamar Teaching College and ODH Lillehammer. BA from the University of Oslo.
Marianne Lie	Secretariat manager at the Forum for Environmental Technology. Board member at Wilh. Wilhelmsen ASA and RS Platou ASA, among others, and member of the executive committee of the Trilateral Commission. Previous experience includes CEO of the Norwegian Shipowners' Association and Vattenfall Norway and general manager at Helsevakten Telemed AS. Social studies at the University of Oslo.
Morten Lund	Retired. Previous experience includes sole proprietor and farmer, researcher at the Agricultural University of Norway and the Norwegian Labour Inspection Authority, member of the Storting and chairman of its Standing Committee on Business and Industry, political adviser to the Centre Party's parliamentary group, attending alternate member of the Board of Auditors General, county council chairman and chairman of Fosen Regional Council and the committee of Sør-Trøndelag Kraftselskap. BSc (Agric) from the Agricultural University of Norway and PhD from the Agricultural University of Norway/Norwegian University of Science and Technology.

Tine Sundtoft	County chief executive in Vest-Agder. Previous experience includes regional director of Finance Norway Agder, county councillor, municipal councillor and political adviser to the Conservative Party's parliamentary group. BSc (Econ) from the Norwegian Business School.
Synnøve Søndergaard	District secretary at the Norwegian Confederation of Trade Unions (LO) district office in Troms, deputy chairwoman of Inko Industri- og Kompetansesenter AS and Troms Fylkestrafikk, and board member at the Norwegian Aviation Museum and Norsk Luftfartssenter Bodø AS. Previous experience includes senior adviser at Forsvarsbygg, assistant controller at Det Norske Veritas Rotterdam and county council cabinet member in Troms. Studied at Østfold University College.
Ingebrigt S. Sørfohn	CFO at the Norwegian Lutheran Mission (ImF). Chairwoman of Sambåndet Forlag AS, the Egill Danielsen Foundation and eight Danielsen schools. Previous experience includes member of the Storting, second deputy chairman of its Standing Committee on Finance and Economic Affairs, county council chairwoman, managerial positions at Sunnhordland Kraftlag AS and chairwoman of the ImF. MSc from the Norwegian Business School.
Erland Vestli	CFO of the Progress Party. Control committee member. Board member at Romerike Krisesenter IKS. Previous experience includes financial markets trader at Chase, ICAP and RP Martin in London and Oslo, municipal councillor, county councillor, and administrative director and secretary general of the Progress Party. BSc from the Norwegian Banking Academy.
Randi Øverland	Senior adviser at the University of Agder. Chairwoman of Sørlandet Museum of Art. Previous experience includes head of Tangen Upper Secondary School, undersecretary of state at the Ministry of Culture and Church Affairs, undersecretary of state at the Ministry of Church Affairs, Education and Research, and municipal executive committee member. Degree from Notodden Teaching College and further studies at the Universities of Oslo and Agder, among others.

DIRECTOR OF THE OFFICE OF THE SUPERVISORY COUNCIL

Svenn Erik Forsstrøm

Director of the Office of the Supervisory Council. Previous experience includes central bank auditor at Norges Bank and partner at accountants Coopers & Lybrand (now PwC). BSc (Econ) from the Norwegian Business School, state-
authorised public accountant.

Norges Bank's Supervisory Council
Report for 2012

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