



MINUTES OF THE EXECUTIVE BOARD MEETING OF 28 OCTOBER 2020

Present:

Executive Board: Øystein Olsen, Jon Nicolaisen, Ida Wolden Bache, Karen Helene Ulltveit-Moe, Kristine Ryssdal (items 170-186), Arne Hyttnes (174-186), Nina Udnes Tronstad (167-173) and Hans Aasnæs.

Employee representatives: Mona H. Sørensen (items 174-183) and Kjersti-Gro Lindquist (items 174-183)
Office of the Supervisory Council: Jan Frode Jakobsen (items 168-170, 172, 176-178, 181-182 and 184-185)

Management: Nicolai Tangen (items 167-173, 176-178), Trond Grande (168-173, 176-178, 181-182), Ørjan Agdesteen (178), Alexander Behringer (175, 184), Olav Bø (184-185), Hege Gjerde (176, 178), Bjarne Gulbrandsen (167-186), Pål Haugerud (167-172, 175, 179-180, 185), Jane Haugland (178, 181-182), Mie Holstad (167), Dag Huse (168-172), Carine Smith Ihenacho (170-171, 177), Per Gunnar Bull Karlsen (185) Runar Malkenes (178, 181), Bård Ove Molberg (181), Kyrre Nilsen (168-186), Arne Osnes (185), Roger Rake (185), Merethe Riddervold (177-178), Ingrid Rogne (184), Marius Ryel (174-175, 184), Thomas Sevang (167-173, 181), Børge Sivertsen (167), Stian Solheim (178), Olav Stavem (167), Kirsten Steinberg (174-177), Anders Svor (184), John Tore Vatnar (171), Birger Vikøren (167-183), Ingunn Valvatne (168-170, 172, 176-178, 181-182, 184-185), Ada Magnæs Aass (182)

There were no comments on the meeting notice and agenda.

Item 167/2020 **GPFG - Investment in unlisted renewable energy infrastructure**

Discussion documents: C4 CONFIDENTIAL memo from NBIM of 15 October 2020

C4 CONFIDENTIAL memo from the Risk and Investment Committee of 22 October 2020

Nicolai Tangen and Ola Stavem presented the main elements of the investment proposal. Jon Nicolaisen reported on the Risk and Investment Committee's discussions and the issues of particular concern to the Committee. He further presented the Committee's proposed position.

The Executive Board exchanged views and approved the Committee's recommendation:

- The Executive Board agrees that NBIM may submit bids for purchases of up to EUR [redacted text] as long as the terms of the transaction do not change substantially. This depends on final approval by NBIM's Investment Risk Committee and satisfactory due diligence.
- The matter is to be presented again if the terms of the transaction are changed substantially.
- The Executive Board agreed that guarantees are to be provided for [redacted text] (estimated at EUR [redacted text]), [redacted text] (estimated at EUR [redacted text]) and purchasing prices (up to EUR [redacted text]). Collateral for these obligations are provided by setting aside securities from the GPF's fixed income portfolio into separate accounts.

Item 168/2020 GPF - Approval of financial instruments and markets

Discussion documents: Memo from NBIM of 15 October 2020

Memo from the Risk and Investment Committee of 22 October 2020

On 29 November 2019, the Ministry of Finance adopted changes to the mandate for the Government Pension Fund Global (GPF), including a requirement that the Executive Board approves financial instruments and markets.

Nicolai Tangen presented the discussion document.

Jon Nicolaisen reported on the Risk and Investment Committee's discussions and the issues that had been of particular concern to the Committee. He presented the Committee's proposal.

The Executive Board exchanged views and endorsed management's proposed framework for the approval of financial instruments, markets and issuers of government bonds. The Executive Board asked NBIM to assess the differentiating between country risk for different instruments related to the same country.

The Executive Board further endorsed the proposed change to section 3.3 n of the NBIM CEO investment mandate.

The Executive Board asked NBIM to report back to it with a plan for regular reviews of renewals and new approvals for instruments, markets and issuing countries.

The Executive Board endorsed the proposal on the publication of lists of approved markets, financial instruments and issuers of government bonds.

Item 169/2020 GPF - Limit for exposures to individual companies

Discussion documents: Memo from NBIM of 15 October 2020

Memo from the Risk and Investment Committee of 22 October 2020

The limit for exposures to individual companies was included into the NBIM CEO investment mandate in 2010. Today, the limit is set at 1.5 percent of the value of the fund, cf section 3.3.1 m of the NBIM CEO mandate.

Trond Grande presented the matter for discussion. Jon Nicolaisen reported on the Risk and Investment Committee's discussions and the issues that had been of particular concern to the Committee. The Committee recommended that the Executive Board follows management's guidance.

The Executive Board exchanged views and agreed that it would not be useful to set risk limits that make it impossible for the Bank to track the benchmark. The limit for exposure to individual companies currently has such an effect.

The Executive Board endorsed the proposal to remove the limit for exposures to individual companies from the NBIM CEO investment mandate.

The changes will be put before the Ministry of Finance, cf Section 2-5 (10) of the Ministry of Finance's mandate. The Executive Board will make a final decision at a later meeting.

Item 170/2020 GPF - A strategy for addressing climate risk

Discussion documents: Memo from NBIM of 23 October 2020

Memo from the Ownership Committee of 23 October 2020

Nicolai Tangen and Carine Smith Ihenacho presented the matter for discussion, which follows up key themes from the Ministry of Finance's review in Report No. 32 (2019-2020) Government Pension Fund Global 2020.

Jon Nicolaisen reported on the Ownership Committee's discussions and the issues that were of particular concern to the Committee. The Committee recommended that the Executive Board follows management's guidance.

The Executive Board exchanged views and decided that NBIM should continue working according to the description in the discussion document, with the aim of presenting a strategy for addressing climate risk for consideration by the Executive Board during 2021 H1.

Item 171/2020 Recommendations from the Council on Ethics of 23, June 2020 on the observation of a company.

Discussion document: Memo from the Ownership Committee of 23 October 2020

On 23 June 2020, Norges Bank received a recommendation from the Council on Ethics to place the company Kirin Holdings Co Ltd under observation. The recommendation was based on the unacceptable risk that the company contributes to or is responsible for gross violations of individual rights in war or conflict situations, cf. the conduct-based criterion in section 3(1)(b) of the Guidelines for Observation and Exclusion from the Government Pension Fund Global.

Jon Nicolaisen reported on the Ownership Committee's discussions and the Committee's position. The Committee's advice to the Executive Board is that Norges Bank submits a letter to the Council on Ethics requesting clarification of certain aspects of the recommendation.

The Executive Board endorsed the Ownership Committee's position:

- Norges Bank submits a letter to the Council on Ethics in line with the attached draft. The Governor is authorised to finalise the letter.

Item 172/2020 NBIM - Return and Risk 2020 Q3

Discussion Memo from NBIM of 22 October 2020
documents:

Memo from the Risk and Investment Committee of 27 October 2020

Dag Huse presented the matter for discussion.

Jon Nicolaisen reported on the Risk and Investment Committee's discussions and the issues that had been of particular concern to the Committee. The Committee recommended that the Executive Board follows management's guidance.

The Executive Board exchanged views and took note of the report on return and risk for the third quarter of 2020.

Item 173/2020 Briefing on current issues in investment management

Nicolai Tangen gave a briefing on current issues in investment management.

Item 174/2020 Approval of the minutes of the Executive Board meeting of 30 September 2020.

The Executive Board approved the minutes from the meeting of 30 September 2020 following the incorporation of a few specific remarks.

Item 175/2020 Revised contract of employment with the CEO of NBIM.

Discussion Memo from the Deputy Governor of 23 October 2020
document:

Jon Nicolaisen and Marius Ryel presented the matter for discussion.

The Executive Board exchanged views and took note of the report on the follow-up of the contract of employment with the CEO of NBIM.

Item 176/2020 NBIM - Operations report for 2020 Q3

Discussion Memo from NBIM of 22 October 2020
document:

Trond Grande presented the matter for discussion.

The Executive Board exchanged views and took note of the operations report for the third quarter of 2020.

Item 177/2020 NBIM - compliance and control - Q3 2020

Discussion Memo from NBIM of 22 October 2020
documents:

Memo from the Audit Committee of 27 October 2020

Carine Smith Ihenacho presented the matter for discussion.

Karen Helene Ulltveit-Moe reported on the Audit Committee's discussions and the issues that had been of particular concern to the Committee. The Committee recommended that the Executive Board follows management's guidance.

The Executive Board exchanged views and took note of the report on compliance and control for the third quarter of 2020.

Item 178/2020 Status of Norges Bank's proposed budget

a) Status of Norges Bank's proposed budget

Discussion Memo from Norges Bank Administration (NBA) of 23 October
document: 2020

Ørjan Agdesteen presented the budget proposal.

The Executive Board took note of Norges Bank's proposed 2021 budget and discussed the need for further prioritisations. The final budget proposal for 2021 is to be presented to the Executive Board for approval at the meeting of 25 November 2020.

b) NBIM - proposed 2021 budget including letter to the Ministry of Finance with a management fee limit for the GPFG

Discussion Memo from NBIM of 22 October 2020
document:

c) Proposed budget for personnel expenses including limit for the accrual of performance-based pay in NBIM

Discussion Memo from NBIM of 22 October 2020
documents:

Memo from the Remuneration Committee of 27 October 2020

Trond Grande presented the matters for discussion. Arne Hyttnes presented the discussions and position of the Remuneration Committee on overall personnel expenses and limits for the accrual of performance-based pay in NBIM.

The Executive Board discussed the matter and endorsed the submission of a letter to the Ministry of Finance with a proposed limit for management costs for the GPFG in 2021 in line with the attached drafts. The Governor was authorised to finalise the letter based on the Executive Board's feedback at the meeting.

The Executive Board approved the proposed budget for total personnel expenses including performance-based pay in line with the proposal. The budget for performance-based pay is based on a continuation of the scheme whereby up to 100 investment area employees at offices outside of Norway may be granted contracts that include performance-based pay limited to 200 percent of fixed salary.

The final proposed 2021 budget for NBIM is to be presented to the Executive Board for approval at the meeting of 25 November 2020.

Item 179/2020 The Executive Board's annual self-evaluation of performance and expertise.

Discussion Memo from the General Secretariat of 22 October 2020 document:

Birger Vikøren presented the matter for discussion.

The Executive Board exchanged views and endorsed conducting a self-evaluation in line with the outlined plan.

Item 180/2020 Report and self-evaluation of the Risk and Investment Committee

Discussion Memo from the Risk and Investment Committee of 22 October document:

Jon Nicolaisen presented the report and self-evaluation of the Risk and Investment Committee.

The Executive Board had an exchange of views and took note of the self-evaluation. The Executive Board's view was that it could be appropriate for NBIM, when relevant, to present planned matters that are intended for later submission to the Executive Board, for preliminary discussion in the Risk and Investment Committee.

Item 181/2020 Reputation surveys 2020

Discussion Memo from Norges Bank Administration (NBA) of 26 October. document:

Runar Malkenes presented the results of the reputation surveys in 2020.

The Executive Board had an exchange of views and took note of the presentation.

Item 182/2020 Staff survey 2020

Discussion Memo from NBA of 26 October document:

Ada Magnæs Aass presented the results from the staff survey.

The Executive Board had an exchange of views and took note of the presentation.

Item 183/2020 Briefing on relevant matters

The Governor gave a briefing on relevant matters.

Item 184/2020 Government debt management

Discussion Memo from Markets and ICT of 21 October 2020
document:

Olav Bø presented the matter for discussion.

The Executive Board exchanged views and endorsed that it would consider of the annual strategy and borrowing programme for government debt. The Executive Board delegated to the Governor operational management of government debt in a manner that avoids conflicts of interest with the Bank's other activities.

Item 185/2020 Financial risk and management of the foreign exchange reserves Q3 2020

Discussion Memo from Markets and ICT of 22 October 2020
documents:

Memo from the Risk and Investment Committee of 27 October 2020

Olav Bø presented the matter for discussion.

Jon Nicolaisen reported on the Risk and Investment Committee's discussions and the issues that had been of particular concern to the Committee. The Committee recommended that the Executive Board follows management's guidance.

The Executive Board discussed the matter and took note of the fact that, effective from 31 August 2020, the Governor repealed the authorisation to deviate from the Executive Board's principles for the management of Norges Bank's foreign exchange reserves.

The Executive Board took note of the quarterly report. The report is to be submitted to the Supervisory Council for information. An edited version of the report covering only the foreign exchange reserves is to be published on 6 November 2020.

Item 186/2020 Any other business

There was no other business.

Items for information:

- Consultation response, NOU 2020:7 Values and Responsibility
Letter from Norges Bank to the Ministry of Finance of 16 October 2020
- Minutes of the Risk and Investment Committee meeting of 16 September 2020
- NBIM Report: Performance and Risk – September 2020

Members of the Executive Board:

Øystein Olsen

Jon Nicolaisen

Ida Wolden Bache

Karen Helene Ulltveit-Moe

Kristine Ryssdal

Arne Hyttnes

Nina Udnes Tronstad

Hans Aasnæs

Employee-elected board members:

Mona Helen Sørensen

Kjersti-Gro Lindquist