
NORGES BANK'S SUPERVISORY COUNCIL

Report for 2023

Document No. 9 (2023–2024)



TO THE STORTING

Norges Bank's Supervisory Council has a statutory duty to submit a statement to the Storting at least once a year on its supervision of the Bank.

This report presents the Council's resolutions and supervision of Norges Bank's activities for 2023.

The Council's responsibilities are set out in the Central Bank Act. The Council is to supervise the operation of Norges Bank and monitor its compliance with the provisions governing its activities. The Bank is divided into two operational areas, Norges Bank Central Banking Operations (NBCBO) and Norges Bank Investment Management (NBIM), each with its own general manager.

The Governor also chairs the Executive Board and the Monetary Policy and Financial Stability Committee. The Council is to ensure that the Executive Board's governance and control of the whole of the Bank are adequate, and that appropriate procedures have been established to ensure that the Bank's activities in all areas are conducted in accordance with statutes, agreements, decisions and other regulatory provisions.

The Council has adopted Norges Bank's annual financial statements for 2023 prepared by the Executive Board, and approved Norges Bank's budget for 2024 proposed by the Executive Board.

This Report to the Storting was approved at the meeting of 22 March 2024.

Oslo, 22 March 2024

Julie Brodtkorb
Chair of Norges Bank's Supervisory Council

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Main Conclusion

The Supervisory Council's assessment is that the Executive Board's governance and control of the Bank's management and activities in 2023 were good. Its supervision did not uncover anything meriting particular comments.

The Council received all of the information that it requested.

The Executive Board's governance and control

The Executive Board's overall assessment of risk management and internal control in 2023 is that:

- *Risk management and internal control at Norges Bank were carried out in a satisfactory manner.*
- *Estimated operational risk exposure at NBIM remained within the Executive Board's risk tolerance limit during the year.*
- *Operational risk exposure at NBCBO was acceptable during the year.*
- *The Board's composition and expertise enabled it to successfully fulfil the requirements of the Internal Control Instructions.*

The Supervisory Council has taken note of the overall assessment of risk and internal control at Norges Bank for 2023 and is of the opinion that the processes and reporting in place satisfy the requirements of the Central Bank Act and the Internal Control Instructions.

The Council was notified of a material breach of the Management Mandate for the Government Pension Fund Global during the year. This concerned an error in the calculation of the currency distribution of the Ministry of Finance's benchmark index for the bond portfolio and was reported to the Ministry of Finance

during the first quarter. The Council was informed about steps taken to avoid future errors of this kind.

The minutes of all meetings of the Executive Board and the Monetary Policy and Financial Stability Committee were submitted to the Supervisory Council in accordance with the Central Bank Act.

Changes to the governance framework

The Executive Board made several adjustments to the overarching governance framework for Norges Bank in 2023. Two important governance documents that were updated were the *Executive Board's Principles for Contingency Planning and Crisis Management at Norges Bank* and the *Investment Mandate for the Chief Executive Officer of Norges Bank Investment Management*.

In its consideration of the principles, the Supervisory Council was particularly interested in the reasoning for having two crisis management teams and the challenges that this might present. The Bank's executive management explained the chosen solution.

As presented to the Council, the amendments to the investment mandate regarding unlisted investments entail a shift in the Executive Board's work on unlisted real estate and renewable energy infrastructure, with less emphasis on individual investments and greater emphasis on setting limits for NBIM's work and following up investments after the event.

Preparedness

In light of the unstable geopolitical situation in the world, the Supervisory Council made preparedness the overarching theme of its supervisory work in

2023, while also carrying out its other statutory and established duties.

Based on the investigations made, the Supervisory Council is of the opinion that Norges Bank has a high level of risk awareness. The Council believes that the Bank is an organisation that has the necessary capabilities to handle situations that might arise and understands the importance of crisis management exercises.

Preparedness was wide-ranging as a supervisory theme and included non-conformance, resilience and business continuity. The Council's review of the Bank's reporting, minutes, action plans and activities had a particular focus on security and preparedness, in addition to the usual oversight. Partly through technical seminars, the Council was informed about international events, tensions and crises, and how these are affecting the global economy, central banking and investment. Preparedness was on the agenda when preparing for meetings, at seminars and in the conduct of supervisory work. Several supervisory reviews were relevant in this context.

To provide a general starting point for the supervisory work in 2023, an investigation was conducted into the degree to which operational risk management at Norges Bank complies with COSO ERM, an internationally recognised risk management framework. This included both an assessment of the Bank's compliance with the framework and a benchmarking of the Bank's compliance against other central banks and asset managers.

As a follow-up to this work, an evaluation of Norges Bank's crisis management was performed by external consultants. This was a scenario-based exercise which tested how the operational framework functions in practice. The aim was to identify any areas for improvement.

External suppliers can present a risk for all organisations, and the Supervisory Council hired BDO to investigate Norges Bank's monitoring and control of outsourced operations. The investigation was initiated following input from the Ministry of Finance. The Council has taken note of the report and forwarded it to the Executive Board.

The report will be forwarded to the Ministry of Finance and made public once the Board's response is received.

In 2022, Mercer Sentinel performed an assessment of the operational risk related to IT systems and controls at Norges Bank. This was mentioned briefly in last year's report ahead of the Executive Board's response. The main conclusion was that no material shortcomings had been identified at either NBCBO or NBIM. A recommendation was made concerning employees' access to private email, and input was given on the encryption and storage of information. The Board responded that the Bank would consider the comments in Mercer's report as part of the continuous development of the business.

Responsible investment

The Supervisory Council attaches importance to responsible investment. Questions were asked during the year about the status of investments in Russia, the monitoring of investments in Israel, and the degree to which NBIM has engaged with Tesla on its employees' right to unionise. Compliance with sanctions and the follow-up of possible breaches of human rights were raised as a topic. There was also a focus on what responsibility Norges Bank, the Ministry of Finance and the Council on Ethics have in this context.

Follow-up of the employment contract with the CEO of NBIM

In February 2024, the Council considered the annual follow-up of the employment contract between the Executive Board and the CEO of NBIM in line with [the comments of the Standing Committee on Finance and Economic Affairs](#). According to the reporting, Norges Bank followed up the established third-party undertakings, and confirmations of compliance with the contract were obtained.

Working environment and gender balance

Norges Bank is working systematically to achieve gender balance and has set an objective of at least 40% representation of each gender in the Bank as a whole. At the end of 2023, 36% of the Bank's

employees were women. The Executive Board writes in its annual report that work on diversity and inclusion is to be strengthened, partly through further measures to improve gender balance. The Council considers it important for Norges Bank to set targets for better gender balance and will follow the Executive Board's work on this.

Budget and financial statements

The Supervisory Council approved Norges Bank's budget for 2024 proposed by the Executive Board and adopted Norges Bank's annual financial statements for 2023 prepared by the Executive Board. The Council took note of the external auditor's report. Norges Bank had an equity of NOK 322bn as of 31 December 2023, compared with NOK 270bn as of 31 December 2022. In accordance with the guidelines on provisions and allocations of Norges Bank's profit, NOK 17.6bn will be transferred to the Treasury.

The Supervisory Council has taken note of Norges Bank's annual report on the management of the Government Pension Fund Global for 2023, the Executive Board's assessment of the results and the auditor's report.

Supervision in 2024

The Supervisory Council's work is based on an annual supervision plan. This plan covers ongoing supervision, supervisory reviews and including investigations of topical issues. The supervision plan for 2024 states that the Council will look particularly at:

- The Executive Board's responsibilities when assessing the exclusion of companies and approval of markets and countries.
 - › The investigation will centre on the division of duties between the Ministry of Finance, the Council on Ethics and Norges Bank functions, and what considerations the Executive Board makes when re-approving markets and countries.
- Management of human capital.
 - › An investigation of the degree to which strategic decisions align with the focus areas and priorities in the strategy area of "An attractive and future-fit workplace".
- New rules and regulations.
 - › An analysis of the degree to which Norges Bank complies with the provisions of the Instructions relating to Risk Management and Internal Control at Norges Bank.



Norges Bank's Supervisory Council 2024. Standing, from left: Gjermund Hagesæter, Mathias Hunsikar Furevik, Tom Henning Slethei, Julie Brodtkorb, Martin Arvid Kolberg, Anne Berit Lein and Terje Bartholsen. Seated, from left: Eirin Kristin Sund, Tord Hustveit, Marianne Aasen, Morten S berg, Per Botolf Maurseth and Eli Hovd Presteg rden. Harald Espedal and Terje Rogde were not present.

CHAPTER 1

Supervision of Norges Bank in 2023

The Supervisory Council is appointed by the Storting to supervise Norges Bank. The Central Bank Act requires the Council to submit to the Storting an assessment of the Executive Board's governance and control of the Bank's management and activities, and an account of completed supervisory activities both in general and specifically in respect of investment management. This chapter presents the Council's supervisory role and the implementation of its supervision of Norges Bank.

1.1 Supervisory role, mandate and implementation

Mandate and framework for supervision

The Supervisory Council is one of three governing bodies at Norges Bank under the [Act relating to Norges Bank and the Monetary System etc](#) (Central Bank Act).

Besides the Central Bank Act, the overarching regulatory framework for Norges Bank comprises the [Instructions relating to Risk Management and Internal Control at Norges Bank](#) (Internal Control Instructions) and the [Management Mandate for the Government Pension Fund Global](#) (mandate for the GPFG) laid down by the Ministry of Finance.

The Council's supervision covers the operation of the Bank and compliance with the provisions governing the Bank's activities and focuses particularly on the Executive Board having adequate governance and control of the Bank's management and activities. The Council is also to supervise whether appropriate procedures have been established to ensure that the Bank's activities are conducted in accordance with statutes, agreements, decisions, and other regulatory provisions.

The minutes of all Executive Board meetings are to be sent to the Council. These minutes constitute the top

tier of documents covered by the Council's supervision. As part of its consideration of items at its meetings, the Council may request further information on the content of the minutes.

The Council receives the minutes of the Monetary Policy and Financial Stability Committee's meetings for information but does not comment on the Committee's proceedings and decisions.

Nor does the Council's supervision extend to the exercise of discretionary powers by the Executive Board or the Committee. The supervision of the operation of the Bank may nevertheless cover processes and documents at the Bank that form the basis for advice and the exercise of discretionary powers. The Council is kept informed about the Bank's work in these areas.

Requirement for real and independent supervision

Norges Bank plays an important and complex role in society. This means that the Supervisory Council must collectively have expertise in a wide range of areas. The Council attaches importance to an understanding of the Bank's activities, obtains assessments that are independent of the Bank's own governing and controlling bodies, and reports directly to the Storting.

For the Council to have the most accurate possible risk picture, it is crucial that information on governance, compliance and internal control is complete, clear and up to date. The information received must provide a sufficiently complete and correct picture. In addition, members must receive information in good time for them to be able to prepare for meetings to ensure the most efficient possible consideration of items.

The Council’s role and responsibilities at Norges Bank mean that the Bank’s reporting, governance and risk frameworks, processes and compliance are assessed independently of the Executive Board, management, and the Bank’s own control units.

Implementation of supervision

The provision in the Central Bank Act stating that the Supervisory Council “shall be entitled to access all information relating to the affairs of Norges Bank and may conduct such enquiries as it deems necessary for the performance of its duties under the Act” is a key prerequisite for credible supervision.

The Council’s supervision of Norges Bank’s activities is based primarily on a review of the minutes of the Executive Board’s meetings, reports, memos and other documents at its meetings. Decisions on specific matters and any follow-up are covered by further supervisory work.

The Council’s supervision of the Bank’s activities also builds on the Council’s own assessments of risk and materiality. In its assessments, the Council attaches importance to the Bank complying with applicable laws and provisions, the management of resources being targeted and efficient, and external reporting on the Bank’s activities being accurate and reliable. It also focuses on the reputational and financial risk

should the Bank’s activities not be carried out in accordance with applicable laws and rules.

The Council is reliant on good information about the governance and control mechanisms that Norges Bank has established, including the scope and quality of governance documents, and about the work of the internal control and compliance functions and Internal Audit.

The approved annual supervision plan provides the basis for ongoing supervision, investigations, and supervisory reviews in specific areas. The Council may also decide on additional assurance engagements. These are conducted in accordance with recognised standards. The Council receives reports from supervisory reviews and assurance engagements. Figure 1 shows the various supervision types and processes.

1.2 Supervision of the Executive Board’s governance and control

The Supervisory Council oversees the Executive Board’s work on compliance with limits, performance against plans and targets, and governance and control of processes and functions. The Council also monitors whether Norges Bank addresses general risks that apply to society as a whole and could impact on the central bank’s performance of its duties and achievement of its objectives.

Figure 1 Supervisory processes and reporting



The Executive Board is responsible for the management and operation of the Bank and must ensure sound, effective and efficient organisation of the Bank. It is also to adopt plans and guidelines for the Bank's activities. In each operational area, the general managers are to establish, operate and monitor adequate risk management and internal control in accordance with guidelines from the Executive Board. The Governor chairs the Executive Board.

The Bank is organised into two operational areas – Norges Bank Central Banking Operations (NBCBO) and Norges Bank Investment Management (NBIM).

The Central Bank Act states that the Governor is the general manager of Norges Bank. The Governor's duties as general manager **do not include** matters that are of an unusual nature or major importance in the context of the activities of the central bank, or matters relating exclusively to the day-to-day management of the Government Pension Fund Global (GPFG).

The Executive Board is responsible for the Bank's management of the GPFG and appoints a separate general manager (CEO) of NBIM.

The Executive Board's subcommittees

The Executive Board has established four preparatory and advisory subcommittees with their own mandates set by the Executive Board:

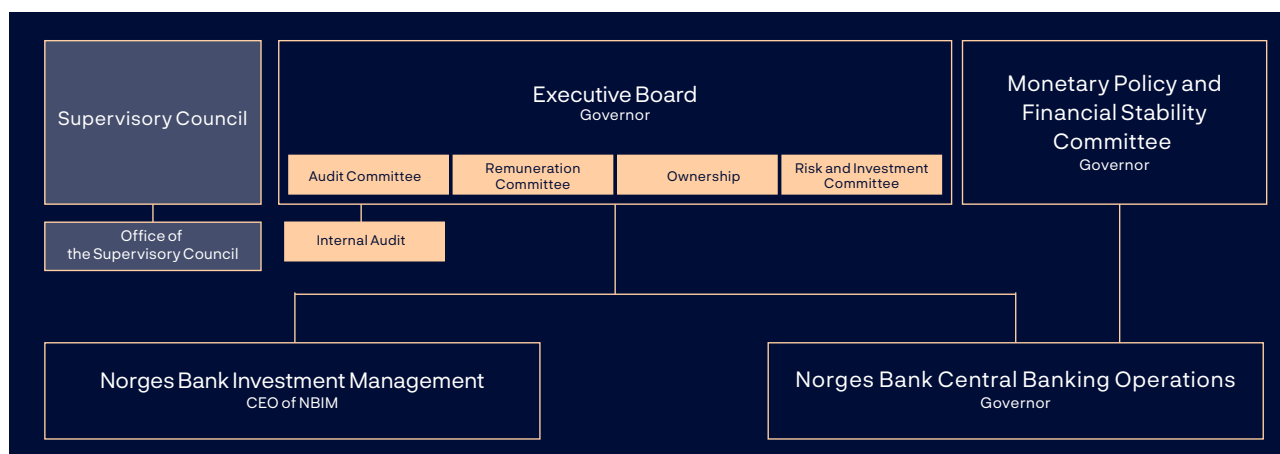
- A Risk and Investment Committee, which is chaired by the Deputy Governor with special responsibility for the GPFG. The other two

members are chosen from the external members of the Executive Board.

- An Ownership Committee, which is chaired by the Deputy Governor with special responsibility for the GPFG. The other two members are chosen from the external members of the Executive Board.
- A Remuneration Committee with four members. Three are chosen from the external members of the Executive Board, and one from its employee-elected members.
- An Audit Committee with three members, all chosen from the external members of the Executive Board. It is a requirement in the Central Bank Act that the Executive Board has an audit committee. The committee is to help strengthen and increase the efficiency of the Executive Board's work on monitoring, oversight and control of financial reporting, operational risk, compliance and systems for risk management and internal control. Its duties include preparing items concerning Internal Audit's plans and reporting.

The chair of the Audit Committee takes part in a meeting with the Supervisory Council annually. Information is provided on the committee's work and its view of risk management and internal control at Norges Bank, and on the Executive Board's audit plan for Internal Audit. These meetings give the Council an insight into the Board's overall work on risk management and internal control.

Figure 2 Organisation chart for Norges Bank



The Supervisory Council received the mandates for the committees and noted them for information and was informed of appointments of members of the committees.

The Supervisory Council noted for information the statement from the chair of the Audit Committee, the Executive Board's annual plan for Internal Audit for 2024, and the Executive Board's long-term plan for Internal Audit for 2024-2027.

The Executive Board's overarching governance framework

The Central Bank Act states that the Executive Board is responsible for the management and operation of Norges Bank with the exception of matters that are assigned to the Monetary Policy and Financial Stability Committee (the Committee). The Internal Control Instructions stipulate that the Executive Board is to "ensure sound, effective and efficient organisation of Norges Bank and that its risk management and internal control are appropriate".

The Executive Board adopts general rules for the whole of Norges Bank's activities, Internal Audit and the individual operational areas, but may also delegate the issuance of general rules to the Governor. The Governor issues guidelines for NBCBO, while the CEO of NBIM issues guidelines for NBIM.

There were several changes to the Executive Board's governance framework in 2023:

Amendment of investment mandate for NBIM's CEO

In June, the Council considered changes to the investment mandate for the CEO of NBIM.

These entail a shift in the Executive Board's work on unlisted real estate and renewable energy infrastructure, with less emphasis on individual investments and greater emphasis on setting limits for NBIM's work and following up investments after the event.

The Executive Board's view is that the changes are a natural evolution in the light of the Bank's experience with unlisted investments, and that the Board's needs to oversee and follow up investments in unlisted real

estate and renewable energy infrastructure will still be amply met. The mandate for the GPFG requires the Executive Board to approve individual investments in unlisted real estate and renewable energy infrastructure above limits set by the Board. These limits have been raised from USD 500m (approx. NOK 5bn) to USD 2,500m (approx. NOK 25bn). The Central Bank Act requires the Executive Board to consider matters which are of an unusual nature or major importance in the context of the activities of the central bank. This assessment is made at NBIM's investment meeting.

The limit for net investment (purchases less sales) in listed real estate in any one calendar year has been raised from 0.2% to 0.5% of the value of the GPFG, equivalent to around NOK 82bn per year.

The limit for the debt ratio for the unlisted real estate portfolio is now 25%, down from 35%. A clarification has also been added that the limit for debt financing of individual investments of 70% is to apply both at acquisition and when refinanced.

In keeping with the mandate, Norges Bank submitted these amendments to the Ministry of Finance before they were adopted. The Ministry noted the Bank's letter for information.

In its consideration, the Supervisory Council was interested in whether dealing with such cases had been a major burden on the Executive Board given that the limits have now been raised. Attention was also paid to the assessment of investments of an unusual nature or major importance, which are still to be approved by the Executive Board. The Bank's senior management answered questions on these topics.

The Supervisory Council noted for information the Executive Board's investment mandate for the CEO of NBIM.

Updated principles/rules – impartiality rules, ethical principles for external members of the Board and the Committee, personal trading

At its meeting in June, the Council considered the item *Updated principles/rules – impartiality rules, ethical principles for external members of the Board and the Committee, personal trading*.

Norges Bank's ethical rules have been updated with clarifications on impartiality, conflicts of interest and related parties.

The Council received a report on the background to the clarification of various provisions in the internal rules on impartiality and conflicts of interest. The amendments clarify the duty for employees and external members of the Board and the Committee to obtain actual information about their own and related parties' circumstances that is necessary to assess their own impartiality. This applies particularly to any ownership interests or other financial circumstances of a spouse or equivalent.

In autumn 2023, the Council was given a separate presentation on impartiality and the rules on personal trading for both NBCBO and NBIM.

In its consideration of the principles, the Council obtained answers from the Bank's top management to questions about whether the background to the changes was grey areas in the existing rules, and how employees can report a potential conflict of interests.

The Supervisory Council noted for information both the report and updated principles.

Update of the framework for operational risk

At its meeting in September, the Council considered the Executive Board's updated Principles for Risk Management and Internal Control in Norges Bank Central Banking Operations and Principles for Risk Management in Norges Bank Investment Management with the associated risk matrices and scales for assessing risks.

There has been a harmonisation across the two operational areas of both the risk matrices and the scales for probability and consequence. For NBCBO, the update did not entail any change to the Executive Board's risk tolerance. For NBIM, there was a change in the overall tolerance limit for operational risk and an adjustment to the reporting of certain types of operational incident.

During the Council's consideration, the Bank's top management responded to questions on the background to the changes to the operational risk toler-

ance limit and incident reporting in the principles for NBIM.

The Supervisory Council noted for information the updates to the operational risk frameworks for NBCBO and NBIM.

Adjustments to job descriptions for executive managers at Norges Bank

At its meeting in June 2023, the Council considered adjustments to the job descriptions for executive managers at Norges Bank.

The adjustments are a consequence of the Executive Board's decision to reorganise HR and communications at Norges Bank and include clarifications that will contribute to the exchange of information, sharing of knowledge and continued realisation of synergies between the operational areas.

The Supervisory Council noted for information the changes to the job descriptions for the executive managers at Norges Bank.

Updated principles for contingency planning and crisis management at Norges Bank

At its meeting in November 2023, the Council considered the *Principles for Contingency Planning and Crisis Management at Norges Bank*.

If a crisis affects both the Governor's area of responsibility and that of the CEO of NBIM, the principles require the two to ensure co-ordination and the exchange of relevant information. As chair of the Executive Board, the Governor may, where necessary, decide how the crisis response is to be led. A distinction is drawn between joint crises, co-ordinated crises, and area-specific crises. In the case of co-ordinated crises, the Governor and the CEO are the crisis managers for their respective operational areas and form separate crisis teams where necessary.

In its consideration of the principles, the Council was particularly interested in the reasoning for having two crisis teams and the challenges this could present. Norges Bank's top management explained the choices made in how different crises should be managed.

The Supervisory Council noted for information the changes to the job descriptions for the executive managers at Norges Bank.

Updated principles for contingency planning and crisis management at Norges Bank

At its meeting in November 2023, the Council considered the Principles for Contingency Planning and Crisis Management at Norges Bank.

If a crisis affects both the Governor's area of responsibility and that of the CEO of NBIM, the principles require the two to ensure co-ordination and the exchange of relevant information. As chair of the Executive Board, the Governor may, where necessary, decide how the crisis response is to be led. A distinction is drawn between joint crises, co-ordinated crises, and area-specific crises. In the case of co-ordinated crises, the Governor and the CEO are the crisis managers for their respective operational areas and form separate crisis teams where necessary.

In its consideration of the principles, the Council was particularly interested in the reasoning for having two crisis teams and the challenges this could present. Norges Bank's top management explained the choices made in how different crises should be managed.

The Supervisory Council noted for information the principles for contingency planning and crisis management at Norges Bank.

Adjustments to the Executive Board's principles for variable remuneration at NBCBO

At its meeting in December, the Council considered the Executive Board's *Principles for Variable Remuneration in Central Banking Operations*.

The mandate for the GPFG requires the Board to establish guidelines and limits for a remuneration scheme at NBIM and specifies that the Securities Funds Regulation applies "subject to necessary modifications". For reasons of harmonisation, the Board has decided to apply the same regulation to the design of relevant parts of the remuneration scheme at NBCBO.

Section 2-35 (6) of the Securities Funds Regulation states that variable remuneration "may only be accrued or paid if this is reasonable based on the management company's financial position and the performance of the relevant business unit, fund and individual. As a rule, the total variable remuneration is to be reduced significantly or terminated if the financial results for the management company or the fund are weak or negative."

On this basis, the principles have been amended to clarify the limits for the accrual and payment of variable remuneration at NBCBO to ensure the necessary alignment with the regulation. The principles now specify that variable remuneration must normally be reduced or terminated in years where the relative return on the foreign exchange reserves' fixed-income portfolio is severely negative. An equivalent change to the remuneration principles at NBIM was approved by the Executive Board in autumn 2022 and was discussed in last year's Report to the Storting. There is also now clarification that the final decision on the accrual and payment of variable remuneration is to be taken by the Executive Board.

Responding to questions from the Council about when the principles for reduction and termination of variable remuneration might come into play, the Governor replied that they are intended to capture extraordinary situations and serve as a safety valve.

The Supervisory Council noted for information the revised principles for variable remuneration at NBCBO.

The Supervisory Council's review of the minutes of meetings of the Board and the Committee

As required by the Central Bank Act, all **minutes of Executive Board meetings** are submitted to the Supervisory Council. The Council made comments on two items in the minutes in 2023.

In September, the Council considered the minutes of the Board's meeting of 14 June and had a comment on item 105/2023 *GPFG – process for independent calculation of the benchmark index* – see discussion in the section below on the [supervision of the management of the GPFG](#).

At its meeting in November, the Council had a question about item 141/2023 *GPFG – Advice on unlisted equities (draft letter)*, discussed at the Board's meeting on 6 September. The item refers to "NBIM's draft letter". The Council asked whether the Board considers that the work on the response to the Ministry of Finance was organised in such a way as to ensure the independence of the advice given to the Ministry. The Council's resolution on the item states that "it could appear that it is NBIM's letter that is to be sent to the Ministry of Finance after being considered by the Executive Board. The Supervisory Council therefore asks the Board to explain in writing how independence is ensured in the advice given to the Ministry of Finance."

The Governor explained verbally how independence is ensured at the Council's meeting in December 2023. A written explanation was considered at the Council's meeting in February 2024. The Executive Board wrote in its letter that work on advice at NBIM is assigned to a separate department that is not organised as part of an investment area, and none of the employees in this department receives performance-based pay. The Board also replied that there was a thorough process in response to the enquiry from the Ministry of Finance and that the matter was considered at multiple Board meetings.

As required by the Central Bank Act, all **minutes of meetings of the Monetary Policy and Financial Stability Committee** were submitted to the Supervisory Council and noted for information. The Council was interested in whether there were any challenges

in having three internal and two external members. The Governor replied that, since the Committee was formed in 2020, work has been done to ensure that all members receive the same information at the same time and to encourage open discussions between the members.

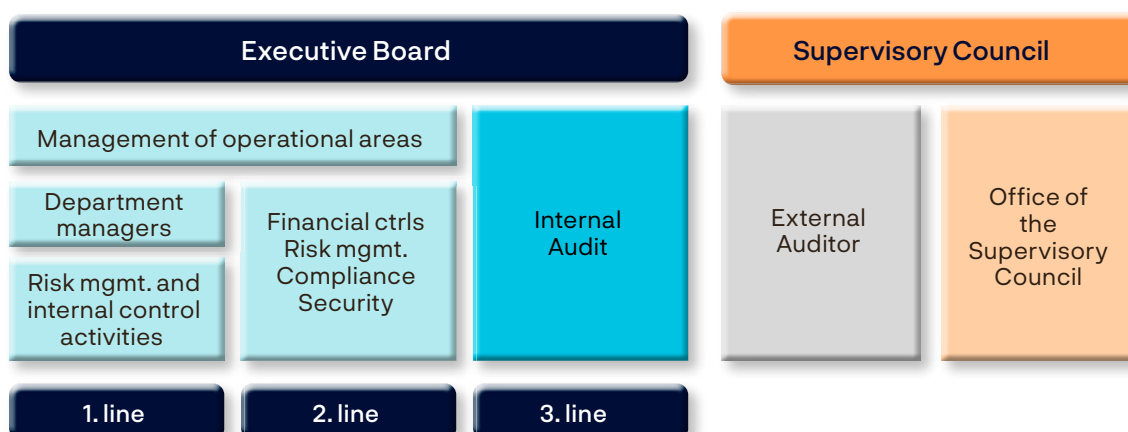
Internal control structure

Norges Bank has established an internal control structure based on a model that is recognised practice at financial institutions. The model shows how governance and internal control interact. The aim is to identify key functions and management positions in order to ensure effective co-operation and to clarify and allocate responsibilities. The Council's supervision and the external auditor's work are independent of the internal control structure at the Bank, and the Supervisory Council's work is based on this control model.

The Executive Board's self-evaluation under the mandate for the GPFG

The [mandate for the GPFG](#) requires the Executive Board to "annually evaluate its execution of the management assignment and its associated expertise". This self-evaluation is submitted to the Ministry of Finance. The Board concludes that it functions well as a college, that the members work well together, and that the skills of the external and internal members are complementary. The Board considers dialogue both within the Board and with the management of NBIM to be good. It is noted that the Board's

Figure 3 Norges Bank's control model



work has shifted in a more strategic direction and that greater emphasis is being given to setting limits for NBIM's work and following up investments after the event rather than individual investments in real estate and infrastructure.

The Executive Board's overall assessment is that "the Board's composition and expertise provide a good basis for carrying out its assignment of managing the GPFG."

The Supervisory Council received a copy of the letter to the Ministry of Finance and noted for information the Executive Board's self-evaluation of its work and its expertise in relation to the management of the GPFG.

Assessment of risk and internal control at Norges Bank for 2023

The Executive Board considered eight periodic reports on operational risk management, internal control and compliance from the operational areas for 2023. These reports were sent to the Supervisory Council, which took note of them. This reporting is important for the Council's work on the supervision of the Bank.

The Internal Control Instructions require annual reporting. The Executive Board is to "conduct an integrated systematic assessment of the risk situation at Norges Bank and of whether risk management and internal control have been implemented in a sound manner." These assessments are to be submitted to the Supervisory Council. The assessment regarding NBIM is also to be submitted to the Ministry of Finance.

The Executive Board's assessment of risk and internal control at Norges Bank for 2023 was considered by the Council. The following documents were appended:

- Annual assessment of internal control at NBIM for 2023
- Report on risk management and internal control at NBCBO for 2023
- Internal Audit's annual report to the Executive Board for 2023

The Executive Board reported that it conducted a self-evaluation of its work and expertise in the fourth quarter of 2023. The focus was on systems and principles underpinning risk management, as well as the procedures for reporting on risk management and internal control.

The Board reported that it carried out an annual self-assessment of key controls in the operational areas, and that the results were considered satisfactory. Both operational areas produce threat assessments to map and collate the threats faced by Norges Bank. Threat actors are adopting new methods, and crime is increasingly digital. The terrorist threat to Norges Bank is considered low overall, but the threat from activists is considered slightly elevated given increased attention around some of the GPFG's investments.

A total of 124 unwanted incidents were reported at NBCBO in 2023, against 144 in 2022. There has been a decline in the number of incidents in recent years.

Six significant events were reported in 2023. One of these was the accidental publication of market-sensitive information in connection with a speech.

At NBIM, 173 unwanted incidents were registered in 2023, compared with 295 in 2022. Taken together, these unwanted incidents had an estimated financial impact of NOK 1.2bn, compared with NOK 126.5m for the incidents in 2022, of which an error in the calculation of the currency distribution in the Ministry of Finance's benchmark index for the bond portfolio accounted for around NOK 1bn. Nine breaches of the mandate for the GPFG were registered in 2023, including the aforementioned error in the calculation of the benchmark index for the bond portfolio. This was considered a significant breach and was reported to the Ministry of Finance in the first quarter of 2023 – see the discussion of the Council's consideration of the matter below in Section 1.4 [Supervision of the management of the GPFG](#).

The Executive Board's summary assessment is that:

- *Risk management and internal control at Norges Bank were carried out in a satisfactory manner.*
- *Estimated operational risk exposure at NBIM remained within the Executive Board's risk tolerance limit during the year.*

- Operational risk exposure at NBCBO was acceptable during the year.
- The Board's composition and expertise enabled it to successfully fulfil the requirements of the Internal Control Instructions.

The Council attaches considerable importance to the Board's follow-up and assessment of risk management and internal control. The following resolution was passed on its consideration of the report:

The Supervisory Council took note of the Executive Board's assessment of risk and internal control at Norges Bank for 2023.

Internal Audit's reporting

Internal Audit carries out audits in accordance with an audit plan adopted by the Executive Board. Reports on its audit projects are reviewed by the Audit Committee and the Executive Board, and actions resulting from the recommendations in the reports are followed up as part of the regular reporting by the operational areas. Internal Audit reported to the Board on 14 audit projects in 2023. In addition, Internal Audit conducted five periodic control procedures, including independent confirmation of the Ministry of Finance's benchmark index for the first time in December 2023. This control procedure was introduced following the incident involving the use of incorrect country weights in the calculation of the Ministry of Finance's benchmark index for the bond portfolio.

The Council was informed about these periodic control procedures – see the discussion below in Section 1.4 [Supervision of the management of the GPFG](#).

The Supervisory Council does not consider reports from Internal Audit, but the Office of the Supervisory Council holds meetings with Internal Audit and reviews relevant reports as part of its supervisory work.

Reporting on whistleblowing cases

Norges Bank's whistleblowing scheme is to meet the requirements of [Section 2 A-6 of the Working Environment Act](#) and enable the reporting of issues of concern. The Council has been informed through

reporting from the Bank that the internal whistleblowing scheme complies with the rules on whistleblowing in the Working Environment Act, and that information on the scheme has been made available on the Bank's intranet. New recruits are given information on the scheme, and employees receive an annual reminder via the working environment survey.

Three whistleblowing reports were received in 2023. It was reported that these cases were investigated and processed by the whistleblowing service and passed to line management for follow-up. The reporting also states that no significant issues of concern were identified in these investigations.

2023 saw legal proceedings relating to a previous whistleblowing case. The Council was informed about the case and the final ruling.

Organisational changes

Some organisational changes were made at Norges Bank in 2023.

In the preparatory work on the new Central Bank Act, [Bill 97 L \(2018-2019\)](#), the Ministry of Finance wrote that it is the role of the Executive Board to determine the organisation of Norges Bank's operations, including which functions are to be shared between central banking operations and

the management of the GPFG. In the section discussing the Bank's day-to-day management, the Ministry wrote that the Executive Board is responsible for organising the Bank's overall operations in a way that meets the need for efficient and cost-effective shared solutions across the operational areas where appropriate and rational. The Board is to prioritise sound, effective and efficient organisation of different functions.

Prior to the One Bank strategy that applied in the period following the introduction of the new Central Bank Act, NBCBO and NBIM each had their own communications unit and HR unit. As part of the One Bank strategy, these were merged into a single communications unit and a single HR unit, located within the department Norges Bank Administration (NBA). From April 2023, these units were split up again, with the result that NBCBO and NBIM once again have their own units for communications and

HR. This is a continuation of a process that began in 2022, when work on physical security and contingency planning, which had been brought together, was split up again. The changes are rooted in the new strategy for the organisation and the need for these functions to be close to the business. The Supervisory Council has been informed that the split will not affect the overall budget.

One further change is that NBA has been tied more closely to NBCBO. NBA was formed in 2019 in the wake of the new Central Bank Act to help underline that Norges Bank is a single organisation, bringing together support functions such as HR, communications, finance, procurement, property management, legal services, archiving and security. Administratively, NBA was placed under the Governor and was to supply services to the whole of Norges Bank. Following the transfer of HR and communications functions to NBIM, NBA now provides fewer services to NBIM than before. NBA is now a department within NBCBO on a par with IT, Financial Stability and Monetary Policy. NBA mainly performs administrative duties for NBCBO but is also home to some Bank-wide functions such as public procurement, co-ordination of budgeting and accounting, and running salaries and travel expenses. The Council has been informed that the new organisation will help clarify responsibilities and simplify the organisation.

The Council asked the Bank's top management whether there is adequate co-operation between the two operational areas. The Bank confirmed that there is healthy collaboration and that a forum has been created where matters of mutual interest are discussed.

1.3 Supervision of NBCBO

Management of the foreign exchange reserves

The [foreign exchange reserves](#) are the Bank's contingency funds in international currency. They are to be used solely for transactions in the foreign exchange market as part of the conduct of monetary policy or in the interest of promoting financial stability and for meeting Norges Bank's international commitments.

The reserves consist of a fixed-income portfolio and an equity portfolio. The buffer portfolio used for transfers to/from the GPF is also part of the foreign exchange reserves. The buffer portfolio ensures appropriate management of the government's need

to exchange between foreign currency and Norwegian kroner. The fixed-income portfolio and the buffer portfolio are managed by NBCBO, while NBIM manages the equity portfolio.

The Supervisory Council was kept abreast of developments in the foreign exchange reserves through the ordinary quarterly reporting. The central bank considered the size and liquidity of the foreign exchange reserves to be sufficient to meet Norges Bank's obligations throughout the year. The Council gains insights into operational risk in the management of the reserves through its consideration of this reporting and was informed about the management of incidents and errors. The Council is not aware of any errors or shortcomings that have not been rectified.

Quarterly [reports on the management of the foreign exchange reserves](#) are published on the Bank's website.

The Supervisory Council took note of the reports on financial risk and the management of the foreign exchange reserves.

Norges Bank's settlement system (NBO)

The Supervisory Council receives an [annual report on Norges Bank's settlement system](#). NBO plays a central role in the Norwegian payment system where the aim is for payments between banks and undertakings with accounts at Norges Bank to be settled securely and efficiently.

The report for 2022 was considered by the Council in June 2023. The report covers topical issues and development measures, and operational activities during the year with key figures, operational stability, risk assessment and contingency exercises.

During its consideration of the report, the Council was given answers to questions about the monitoring of suppliers, the status of a new solution for payments in real time, and co-operation with the European Central Bank.

The Supervisory Council noted for information the annual report on Norges Bank's settlement system.

Notes and coins – Norges Bank's supply obligation, role as issuer and inventory management

The Council receives an [annual report on notes and coins](#), which is noted for information. The report for 2022 presents the main structure of the system for the supply of cash and an overview of trends in the use of cash. It also contains information on the volume of transactions with banks, services for the public, the destruction of notes and coins, and the operation of central bank depots.

During the consideration of this item, the Governor provided information on a committee that has been appointed to look at the role of cash in society. Responding to the Council's question about whether there are geographical variations in the use of cash, the Bank replied that there are relatively small variations in terms of geography, but larger variations when it comes to demographic factors such as age.

The Office of the Supervisory Council receives reports from the Bank's inspection visits to the central bank depots. No material non-conformances with procedures were reported.

Based on its experience from 2022, the external auditor revised its risk assessment relating to notes and coins, and the area was not defined as a key audit matter in the audit for 2023. The control procedures carried out did not identify any material weaknesses in procedures or internal controls.

Tasks performed for the government – the government's accounts at Norges Bank and the management of government debt

Independent auditor's assurance report on the government's accounts at Norges Bank

Norges Bank has various account management duties in relation to central government payments, cash management and debt. These follow from the Central Bank Act and are regulated in more detail in an agreement with and mandate from the Ministry of Finance.

Through the Treasury single account system, all central government money is gathered in an account at Norges Bank each day. At the end of 2023, deposits from the Treasury amounted to NOK 282bn. This makes up the largest liability item in the Bank's balance sheet other than the deposit account for the

GPFG. Government deposits will, however, vary considerably during the year due to large payments to and from the government's operating accounts.

Norges Bank is responsible for implementing and following up the stipulations in the agreement. This work is to be performed in accordance with the regulation on financial management in central government and the guidelines for settlement accounts in the Treasury single account system.

The external auditor Ernst & Young AS (EY) is to provide an independent report to the Council on Norges Bank's compliance with the documentation requirements in the agreement. This work is carried out in accordance with International Standard on Assurance Engagements (ISAE) 3000 *Assurance engagements other than audits or reviews of historical financial information*.

EY's assurance report for 2023 has a positive conclusion. This means that no non-conformances were identified that present risks or a need for follow-up action.

The Supervisory Council took note of the assurance report on the government's accounts at Norges Bank for 2023. The report was forwarded to the Ministry of Finance.

Management of government debt in 2023

The Central Bank Act requires Norges Bank to provide services to the government relating to central government borrowing and the management of central government debt.

1. Independent auditor's assurance report on Norges Bank's management of government debt

The Ministry of Finance has issued a [mandate for Norges Bank's management of government debt](#). The Bank has operational responsibility for the management of the debt, and the costs are covered by the Bank.

Norges Bank issues government debt and enters into financial contracts in the name of the Ministry of Finance. Transactions relating to the management of government debt are presented in the central government accounts and not on the Bank's balance sheet. The rules on financial management in central government are to be followed in the management of the loan portfolio.

The Bank is to publish [quarterly and annual reports](#) on its management of government debt. There needs to be the greatest possible transparency within reasonable limits regarding the performance of this task.

At the request of the Ministry of Finance, Norges Bank's external auditor EY submits an independent assurance report on the mandate's provisions on payments and accounting in the management of this debt.

EY's report for 2023 has a positive conclusion. This means that no non-conformances were identified that present risks or a need for follow-up action.

The Office of the Auditor General also received a report for 2023 from EY on agreed-upon procedures relating to items in the central government accounts relating to government debt management.

2. Strategy and borrowing programme for 2024

The Bank is to draw up a borrowing strategy setting out how the Bank intends to achieve the objective of meeting the government's borrowing requirements at the lowest possible cost within the constraints set out in the mandate. Before the start of the budget year, the Bank is also to present a borrowing programme to the Ministry of Finance. The programme is to describe planned borrowing and include a calendar for debt issuance. The Council has received the Executive Board's strategy and borrowing programme for 2024. The [strategy](#) was forwarded to the Ministry of Finance and published in mid-December 2023.

The Supervisory Council took note of the annual assurance report on government debt management for 2023. The report was forwarded to the Ministry of Finance.

1.4 Supervision of the management of the GPFG

Error in the calculation of the benchmark index for bonds – significant breach of the mandate

The mandate for the GPFG defines a benchmark index of equities and bonds against which the fund's return is measured. Data from the index provider Bloomberg is used for the bond index. NBIM calcu-

lates the benchmark index on the basis of weights for the various securities. The mandate states that the country weights (GDP weights) to be used are those one month before Bloomberg updates its index on 1 December. The correct date for the country weights in the Ministry of Finance's index is thus 1 November.

In its calculation of the government portion of the bond index, NBIM made an error from December 2021 onwards by using the country weights on 1 December rather than 1 November. The error was discovered on 9 February 2023. The Executive Board was informed, and a letter about the error and how it was being handled was sent to the Ministry of Finance on 28 February 2023. The error reduced the return on the benchmark index for the bond portfolio by 0.024 percentage points during the period, or 0.007 percentage points for the fund as a whole. The value of the resulting loss is estimated at NOK 984m.

The Supervisory Council was first informed of the error in connection with its consideration of Norges Bank's annual report and financial statements for 2022 at its meeting in February 2023. The Council then received a detailed report on the matter from the Executive Board which was considered at the Council's meeting in March 2023, and the following resolution was passed:

The Supervisory Council take note of the Executive Board's report on the error in the benchmark index for the bond portfolio in the Government Pension Fund Global. The Council finds that this error brought to the attention of the Bank's top management on 9 February should have been covered in more detail at the Council's meeting on 22-23 February 2023 when Norges Bank's annual financial statements, compliance reports and annual risk assessment were considered. The Council's supervisory role means that it must make its own assessments of risk and materiality at Norges Bank. The Council took note of the external auditor's verbal briefing on its assessment of the error's materiality for the annual financial statements for 2022 at the Council's meeting on 22-23 February. The Council finds that this assessment should have been submitted in writing ahead of the meeting. The Council asks the Bank's top management and the external auditor to take note of this.

At its meeting in September, the Council considered the minutes of the Executive Board's meeting of 14 June, which stated that Internal Audit was being tasked with carrying out an independent control calculation of the GPF's benchmark index. The Council asked whether this new control mechanism would be able to prevent similar errors/losses in future. The Council was also interested in Internal Audit's independent role and the Executive Board's thinking when assigning a regular task of this kind to the third line of defence. Questions were asked about the nature of the control calculation and whether the original error should be viewed as a mathematical error or simply a misreading of the wording of the mandate (regulation). The Council requested a written account of the Executive Board's choices when it came to independent calculation of the benchmark index.

The response from the Executive Board was considered at the Council's meeting in December. The Bank's top management and the head of Internal Audit explained what other options the Board had considered, Internal Audit's assessment of the control setup, and the estimated resources required for the control calculation. They found that Internal Audit was most suitable for this task on the grounds of materiality and risk. The Supervisory Council took note of the Executive Board's response.

Investments in unlisted equities

In a letter from the Ministry of Finance, which was copied to the Council, Norges Bank was asked to provide advice on whether the GPF should be invested more generally in unlisted equities. In its response, the Bank was to consider the pros and cons of such investments, and what would be an appropriate strategy for such investments if they are permitted.

Norges Bank replied to the Ministry of Finance in two letters in November 2023. The recommendation from the Bank is that investments in unlisted equities should be permitted, with an overall upper limit for unlisted investments in the interval between 10% and 12% of the value of the fund, with unlisted equities other than real estate and renewable infrastructure making up 3-5% of the fund. The current limits are 7% for unlisted real estate and 2% for renewable energy infrastructure. In its letters, the Bank set out the finan-

cial options available, but also the challenges that might arise around transparency about the management of the portfolio and the risk to Norges Bank's reputation. The Council received a report on the content of the letters at its meeting in December 2023.

At this meeting, the Council asked about insider risks in relation to transparency and sharing information. NBIM's CEO replied that there would be no new insider risks from the expansion of the mandate to include investments in unlisted equities. The Council also had questions about the organisation of ownership activities and whether tax havens would be used to register companies, partnerships and funds. NBIM's CEO replied that tax havens would not be used for these investments.

The Supervisory Council noted for information the Executive Board's letter to the Ministry of Finance with advice on unlisted equities.

Closure of external office

In September, the Supervisory Council was informed of the closure of the office in Shanghai. The closure is due to the Singapore office having been built up gradually to handle all functions in the Asia region, including China. NBIM stated that the decision to close the office in Shanghai was an adjustment to the business model.

At this briefing, the Council asked whether any political considerations had contributed to this change. It was stated that it was a decision by the Executive Board. The Council was kept informed of the process through ordinary reporting. The report for the fourth quarter stated that there were no longer any employees at the Shanghai office and that the office would be closed during the first quarter of 2024.

Responsible investment

Israel

In November, the Supervisory Council received a briefing on NBIM's investments in Israel. It was also given a general briefing on NBIM's assessments of country risk. The Council had questions answered on whether there were any examples of misjudgements being made in these assessments and whether NBIM

has the necessary tools to operate in an ever more complex geopolitical landscape.

In December, the Council was given a further briefing on the GPF's investments in Israel. The Council showed an interest in the division of responsibilities between the Council on Ethics, the Ministry of Finance and Norges Bank, and in NBIM's active ownership work.

In connection with the presentation of the Responsible Investment Report for 2023 in February 2024, the Council had questions about the GPF's investments in Israel in the light of the ongoing conflict in Gaza, and whether the fund's holdings in companies that produce weapons used in this conflict are not in breach of the ethical guidelines.

The Executive Board pointed out that preventing NBIM from investing in a particular market would be a political decision. The Council on Ethics can issue a recommendation to exclude companies on the basis of the guidelines for observation and exclusion. The Council on Ethics assesses companies in the fund against criteria in these guidelines and makes recommendations to the Executive Board. In the presentation, it was stated that NBIM divested from 86 companies in 2023. Asked whether NBIM divested from these companies on the recommendation of the Council on Ethics, NBIM replied that these were risk-based divestments based on NBIM's own assessments of ESG risks in the portfolio. In selected cases, companies identified as having high exposure to ESG risks may be considered for risk-based divestment. NBIM's assessment includes whether this would be appropriate given the fund's risk limits and the size of the investment. The Council noted that the GPF does not hold any Israeli government bonds, which NBIM confirmed, explaining that emerging markets such as Israel are not included in the bond index. Israeli government bonds are nevertheless part of the investment universe, which means that the fund can hold such bonds within a 5% limit. It was NBIM's own decision to divest from these securities in the fourth quarter of 2023.

Russia

Shortly after Russia's invasion of Ukraine on 24 February 2022, the Ministry of Finance sent a letter ordering Russian investments to be frozen and the Russian equity market to be removed from the invest-

ment universe. The Council remained interested in the situation in 2023 and asked how long it will take to divest from equities in the country. The Council was informed that such divestments are complex due to sanctions against prospective buyers. At the Council's meeting in February 2024, it was asked whether NBIM still has external managers in Russia, and it was confirmed that an administrative arrangement is established with two external managers.

Tesla

The Supervisory Council showed an interest in the GPF's investments in Tesla and asked about NBIM's follow up of active ownership towards the company. At its meeting in February 2024, the Council raised the fund's holding in Tesla in the light of the debate about unionisation and Tesla. The Council asked whether preventing employees from unionising is not a breach of human rights, and whether Tesla should therefore be assessed for observation and exclusion by the Council on Ethics. NBIM stated that it was in touch with Tesla and would return with more information on this dialogue at a later date. The aim is to enter into dialogue rather than divest, and patience is required as it can take time to exert influence through active ownership. The Council asked whether NBIM had considered divesting from Tesla, NBIM replied that this would have too great an effect on expected relative volatility, and that divestments of this kind are more suited to small companies.

Follow-up of the employment contract between the Executive Board and the CEO of NBIM

In June 2023, the Supervisory Council considered changes to the management mandate issued to Gabler Investments AS (Gabler) for Nicolai Tangen's assets. Changes were made to the limits for the investment of assets (investment limits) and the management agreement with Gabler. The rating requirements for the government securities in which investments can be made were also adjusted. The limits and investment mandate can be found on [Norges Bank's website](#).

The Supervisory Council noted for information the changes to Gabler's management mandate for Nicolai Tangen's assets.

In February 2024, the Council considered the annual follow-up of the employment contract between the Executive Board and the CEO of NBIM in the light of [comments from the Standing Committee on Finance and Economic Affairs](#). According to the reporting, Norges Bank has followed up the established third-party undertakings, and confirmations of compliance with the contract have been obtained.

The reporting shows that there were no breaches of the employment contract or control measures in 2023.

The Supervisory Council took note of the Executive Board's follow-up of the employment contract for the CEO of NBIM.

Correspondence between the Ministry of Finance and Norges Bank

The practice is for the Council to be copied into correspondence between the Ministry of Finance and Norges Bank regarding the mandate for the GPF. The most notable letters from the Ministry of Finance copied to the Council in 2023 were:

- Letter on the benchmark index for bonds in the Government Pension Fund Global, dated 27 February 2023
 - › Against the background of the Ministry of Finance's decision in 2021 that no new markets may be included in the benchmark index for equities until further notice, the Ministry would be taking the equivalent action in the government portion of the bond index with effect from 31 January 2023 by assigning new government securities a weight of zero.
- Letter on investments in unlisted equities, dated 27 March 2023
 - › The Ministry of Finance asked Norges Bank to consider the pros and cons of such investments, and what would be an appropriate strategy for such investments if they are permitted.
- Letter on the white paper The Government Pension Fund 2023, dated 13 June 2023
 - › In this letter, the Ministry of Finance summarised the Standing Committee on Finance and

Economic Affairs' consideration of Report to the Storting No. 17 (2022-2023):

- › A majority of the Standing Committee pointed out, for example, that the GPF's recipe for success has been staying close to the benchmark index, diversifying, exploiting economies of scale and having a long-term investment horizon.
- › The report stated that the Ministry has decided that no new markets may be included in the government portion of the GPF's benchmark index for bonds for the time being. The Standing Committee noted this for information.
- › When it comes to investments in Russia, it is still the case that the market has not normalised, and so divestments cannot be made for the time being. The Standing Committee noted this for information.
- › When it comes to the follow-up of the Sverdrup Commission's report NOU 2012:12 "The Fund in a changing world", the Standing Committee noted that the commission did not take a position on the matter of whether Norges Bank should be given a general mandate to invest the GPF in unlisted equities.
- › The Standing Committee also noted that the commission points out that the GPF differs from other investors in having a smaller share of unlisted assets, but that a larger allocation to unlisted investments would present challenges for key aspects of the management model. The Standing Committee asked the Ministry of Finance to prioritise challenges around transparency and non-financial risk in its assessment of whether to permit investments in unlisted equities.

The Council considered these letters and noted them for information.

Supervision of NBIM's use of external managers

NBIM awards external mandates to equity managers with specialist expertise in specific investment areas. These mandates typically cover emerging markets or small and medium-sized companies in developed markets. At the end of 2023, around NOK 740bn, or 4.7%, of the GPF's assets were under external management. A total of 111 mandates had been placed with 103 external asset managers around the

world. NBIM has established procedures for selection, monitoring and termination of agreements, and there is a dedicated unit with responsibility for monitoring managers during the year.

As part of its ongoing supervision, the Office of the Supervisory Council visits two to three external managers each year, normally in the same country. NBIM's monitoring of these managers and responsible investment are among the topics covered. The Office's choice of country is based primarily on an assessment of risks relating to responsible investment in the countries where these managers operate. Publicly available information on corruption, environmental matters, level of democracy and so on is reviewed in this context. Two external managers in Indonesia were selected for 2023. There is a practice of holding meetings with the Ministry of Foreign Affairs ahead of the visit, and with the local embassy. These meetings provide more knowledge about challenges the country faces, such as corruption.

No significant issues were identified in the meetings with these managers. Follow-up questions were put to NBIM afterwards about employees in control functions at external managers receiving performance-based pay, and not just investment personnel. NBIM stated that although it has moved away from performance-based pay for non-investment personnel, arrangements of this kind are still the market practice in many places. NBIM considers it important that these arrangements are not designed in a way that leads to conflicts of interest, and that qualitative targets rather than return targets form the basis for performance-based pay for non-investment personnel at external managers.

In its consideration of the matter, the Council paid particular attention to the further development of the approach and methodology for supervision in this area. The Council passed the following resolution:

The Supervisory Council took note of the report on the supervisory visit to NBIM's external managers in Indonesia. The Supervisory Council requested a fresh assessment of the approach/methodology for supervision in this area and asked the Office of the Supervisory Council to return with this assessment at a future meeting.

Supervisory review – Cost-efficient investment management

This supervisory review was mentioned briefly in last year's Report to the Storting. The Executive Board's response to the three recommendations in the report was considered at the Council's meeting in June 2023 and is therefore discussed below.

1. It was recommended that the Council's budget rules are amended so that the budget documents must be received three weeks ahead of the Council's December meeting rather than the current two weeks (14 days). It was proposed that this change applies from 2024 onwards.

The Executive Board responded positively that it would submit the budget proposal to the Council three weeks before the Council's consideration of the budget, starting with the budget for 2025.

2. The Council asked the Executive Board to present the status and further follow-up of the Bank's work on cost efficiencies and economies of scale, including how expectations from the Supervisory Council and the Ministry of Finance in terms of decisions on the merger of shared functions have been addressed.

The Executive Board replied that it decided in March 2023 to split up HR and communications at Norges Bank Administration (NBA) with the result that these functions provided for NBIM are mainly organised under the CEO of NBIM. The Board also wrote that statutory tasks "that are a result of Norges Bank being a single legal entity will remain within the Governor's area of responsibility". It was explained that the aim of the reorganisation was to establish clearer lines of responsibility, a simpler organisation, and priorities and services tailored more closely to each operational area. The Board also replied that the efficiencies from the creation of NBA would be preserved where possible. The Board provided a status report on the plan for realising efficiencies through NBA, on which the Council was last briefed in September 2022. At that point, the plan was on schedule, with the exception of reduced expenditure on HR. With the new strategy and NBIM's increased focus on HR and communications, the previous ambition was no longer realistic. The development of joint HR systems was delayed as a result of other priorities.

3. The Council asked the Executive Board to present the action plan for realising the ambitions in Strategy 25 once it had been decided and provide regular updates on status and progress to the Supervisory Council.

The Executive Board replied that it would report on the status of the strategy and that the Council would be updated periodically on the status and progress of its implementation.

The Board wrote that it would be natural for these briefings to be given in connection with the semi-annual budget reporting to the Council. It also stated that, as before, it will "inform the Supervisory Council of significant efficiency measures in connection with the coming budget proposal to the Council."

The Supervisory Council took note of the Executive Board's response to the recommendations of the supervisory review Costeffective investment management.

1.5 Supervision of areas common to the operational areas

Working environment and gender balance

Periodic reporting

In its periodic reporting, the Executive Board stated that parts of the organisation have had a heavy workload over time, and that there is a risk in the current labour market that it will not be possible to recruit and retain the necessary expertise. The Council asked questions about the challenges relating to the resourcing situation and the recruitment and retention of expertise. Salary levels and other benefits were also a theme in the Council's discussions.

Working Environment and Works Council

The Working Environment and Works Council is to help create a good working environment and ensure compliance with the requirements of the Working Environment Act.

The council's composition is determined by the Working Environment Act. The chair and deputy chair of the council are elected in alternate years from management and employee representatives. The

council considers the results of the annual employee survey.

Norges Bank's annual employee survey measures employees' engagement, well-being and health, and maps incidents involving discrimination and undesirable behaviour. The results and actions are presented and followed up by the leader groups and the Working Environment and Works Council, which consists of representatives of both management and employees.

The Working Environment and Works Council is to report on its activities each year to the Executive Board, which forwards this annual report to the Supervisory Council for information. The council's report for 2022 was submitted to the Supervisory Council in June 2023, and its report for 2023 in March 2024. The Council considers it important for the working environment at Norges Bank to be good, and the Working Environment and Works Council considers this to have been the case in both 2022 and 2023.

The Supervisory Council noted for information Norges Bank's Working Environment and Works Council's annual reports for 2022 and 2023.

The Executive Board's annual report on the working environment

The Executive Board also reports on the working environment in its annual report for 2023.

The Executive Board's annual report discusses the gender balance at Norges Bank. The Bank is working systematically to achieve gender balance and has set an objective of at least 40% representation of each gender in the Bank as a whole. At the end of 2023, 36% of the Bank's employees were women, an increase from 35% in 2022. The share of women at NBIM increased from 29% in 2022 to 33% in 2023. At management level, the share of women at NBIM was 28% in 2023, an increase from 23% in 2022. The percentage of women in the workforce at the Bank's international offices is lower than in Oslo, except in London. The share of women at NBCBO fell from 43% in 2022 to 42% in 2023.

The Executive Board writes in its annual report that work on diversity and inclusion will be intensified,

partly through further measures to improve gender balance.

The annual report also discusses salary and remuneration schemes. The Executive Board sets ceilings for these schemes and follows up their implementation. Pay levels are to be competitive but not market leading. Across the whole of Norges Bank, fixed salaries for women average 78% of those for men. The reasons cited for pay gaps between women and men include men being over-represented in positions working on investment decisions and in senior positions.

The Council considers it important for Norges Bank to improve gender balance and is following the Executive Board's work on achieving the targets set.

Development of IT and IT security

The Council is informed about work on the development of IT and IT security at Norges Bank via reporting. Artificial intelligence (AI) was an important topic in 2023. Guidelines have been issued on the use of AI services at Norges Bank. NBIM has also published documents setting out its expectations of companies on consumer interests and its views on the responsible use of AI. In January 2024, the Supervisory Council was briefed on the use of AI at Norges Bank, at both NBCBO and NBIM. The Council was particularly interested in the risks associated with the development and use of AI.

Norges Bank's risk assessments in areas such as cyber threats, critical IT systems and infrastructure are key. For example, the Council asked about the risks from changes to, and the complexity of, IT systems. The Council was also informed about developments in the maturity of IT security. The Bank uses the international framework NIST CSF in its assessments. Maturity increased in 2023 in both operational areas.

Supervisory review – IT systems and controls

In autumn 2022, Mercer Sentinel was engaged to perform a specific assessment of operational risk relating to Norges Bank's IT systems and controls. This was mentioned briefly in last year's Report to the Storting. The Executive Board's feedback on the report was considered at the Council's meeting in June 20.

Mercer's main conclusion was that no significant shortcomings were identified at either NBCBO or NBIM. The areas of IT systems and controls that were reviewed were considered to conform to responsible practice. One exception was employees' access to private email services from the Bank's network. In the case of NBCBO, the recommendation also covered employees' access to file-sharing services. Mercer recommends that access to such services from the Bank's network is restricted or removed. This was also recommended in the general review of operational risk in 2021/2022. In addition, Mercer had comments on a number of the areas reviewed (excerpts):

- Complexity and interconnection of applications
 - › The operational areas' internally developed and external applications (software) are considered fit for purpose. Most communication between applications is encrypted at NBIM, while everything is encrypted at NBCBO. It would be a further improvement for all communication to be encrypted at NBIM as well. At the same time, all communication takes place behind firewalls in both operational areas, which helps reduce risk. At NBIM, there is a requirement that third parties store data on their own servers, which means that third parties do not need access to NBIM's network. NBCBO has its own security measures for third parties but might consider introducing a similar requirement to that at NBIM for storage on own servers.
- Guidelines for cybersecurity, testing and surveillance
 - › Both NBCBO and NBIM appear to have appropriate measures in place to reduce cyber risks. The operational areas might consider reviewing what is an acceptable percentage of employees to open links in phishing exercises, and how the desired level can be achieved.
- Guidelines for change management and associated procedures
 - › The operational areas appear to have good control of processes for change management and have separate environments for development, testing and production. NBCBO has established an approval hierarchy where changes that are complex or entail increased risk require special approval. NBCBO should continue to

review its approval hierarchy regularly to ensure that it remains in line with its risk appetite.

- Security protocols for buildings, offices, and data centres
 - › Norges Bank appears to have secured its office building appropriately but should consider increasing the frequency of physical penetration tests where a person attempts to gain unauthorised access to the building.

In its feedback, the Executive Board reported on security considerations and established security controls relating to employees' access to private email services and file-sharing services. Based on these considerations and controls, the Executive Board stood by its previous position that access to private email at NBCBO and file-sharing services at NBCBO should not be removed. It stated that the risks associated with this practice will be reviewed regularly, and controls and measures will be tailored to current risks. The Executive Board also states that the Bank will consider the other comments made by Mercer in its report as part of the continuous development of the business.

The Council passed the following resolution:

The Supervisory Council took note of the Executive Board's response to the recommendations in the report from Mercer on operational risk relating to IT systems and controls at Norges Bank.

Data protection

A steadily increasing number of data protection issues are being reported. The processing of personal data at NBCBO relates primarily to research and analysis, security, control and monitoring, and HR. There are compliance risks both in ongoing processes and in the bank's prioritised projects. For NBIM, the risk relates mainly to new processes and initiatives in the business. There was a particular focus on HR processes in 2023.

Money laundering

Norges Bank states in its annual reporting that the risk of money laundering at NBCBO relates primarily

to the exchange of banknotes, while the risk at NBIM relates mainly to unlisted investments and third parties in the form of reputational risk.

The Council picked out two issues affecting Norges Bank in this area in the periodic reporting in 2023.

There have been some challenges in having Norwegian banknotes returned from abroad. The reason is that commercial actors have become more restrictive in accepting Norwegian banknotes from abroad, as they may be unable to perform checks in line with the anti-money laundering rules. Norges Bank does not have a role in these transactions.

The second issue follows from Norges Bank's responsibilities under the [Depository Act](#). Under these rules, a debtor may transfer money or securities to Norges Bank. Where they are unable to carry out customer due diligence under the Anti-Money Laundering Act, financing companies may have a duty to discontinue the customer relationship. In some cases, banks have not been able to return funds to customers. As a result, several banks have used the option of making deposits at Norges Bank. This has led to an increase in the number of cases for Norges Bank to deal with.

Employee remuneration schemes

Annual reporting

In September, the Council considered the annual reports on the remuneration schemes at Norges Bank. A report is drawn up for each of the two operational areas, NBCBO and NBIM. The mandate for the GPF requires NBIM to comply with the [Securities Funds Regulation](#), subject to necessary modifications. The Executive Board has decided also to apply the rules on remuneration in this regulation to the remuneration scheme at NBCBO. The reports detail how the remuneration schemes are implemented at Norges Bank and presents the results of benchmarking of remuneration levels against peers. Norges Bank uses external consultants to carry out this benchmarking. The results for 2022 indicate that fixed salaries at NBCBO are 7% above the median, while total remuneration is in line with the median. For NBIM, the results show that fixed salaries are 20% above the median on average, while total remuneration is 12% above the median.

Review by Internal Audit

In addition to these annual reports, Internal Audit assesses compliance with the Executive Board's principles and other rules on remuneration at the Bank. For both operational areas, Internal Audit found that the implementation of the remuneration scheme is in line with applicable guidelines. However, Internal Audit recommended a simpler and more consistent method for calculating performance-based pay at NBIM. The Council raised this issue during its consideration of this item, and was given confirmation that a group would be appointed to look at whether the scheme can be simplified.

Assurance engagements – Remuneration at Norges Bank

The Supervisory Council received assurance reports commissioned from the external auditor EY on the implementation of the remuneration schemes at Norges Bank. The reports were considered at the Council's meeting in February 2023 and are available on the Bank's website. The observations from EY's review were mentioned in last year's Report to the Storting. The Council subsequently received the Executive Board's response to the review, and this was considered at the Council's meeting in June.

The Executive Board noted EY's conclusion that the remuneration schemes and their implementation essentially comply with the Securities Funds Regulation and the mandate for the GPF. The Board had the following comments on EY's observations:

- Regarding clearer guidelines for the reduction or termination of variable remuneration in the event of severely negative returns.
 - › The Executive Board replies that the matter has been considered but that it has not been "found appropriate to further qualify what is meant by 'severely negative returns'". Such an assessment would be situational and depend partly on "market conditions, use of the risk limit, and how and why returns might be considered severely negative".
- Regarding rules for internal trading of portfolio managers' securities transactions in the fund. Observations from interviews indicate that these may not always be sufficiently clear and understood.

- › Here the Executive Board writes that NBIM's internal trading is regulated by specific guidelines. The Board states that the guidelines clearly describe and clarify the mechanism. They are updated regularly and are available to all employees.
- Around 40% of scorecards for employees with variable remuneration contain only quantitative targets. Consideration could be given to including qualitative targets on the scorecards for all employees.
 - › The Executive Board replies that the emphasis is on the scheme being "objective and verifiable", which is best achieved with quantitative targets linked to returns. The Board also writes that there are clauses in "all performance pay agreements (scorecards). These clauses allow changes to variable remuneration based on considerations other than purely quantitative performance." Periodic employee appraisals and the career framework also take account of qualitative factors. Beyond this, the Executive Board believes that "there is no need for further qualitative targets on the scorecards".
- The proportion of variable remuneration that is deferred is 50%, even though the Securities Fund Regulation only requires 40% to be held back.
 - › The Executive Board states that it will review the principles for remuneration. In this review, it will look at whether the share of variable remuneration held back should be adjusted and assess the group that is covered by this mechanism.

The Council passed the following resolution on the matter:

The Supervisory Council takes note of the Executive Board's response to comments in the assurance reports on remuneration schemes at Norges Bank. The Supervisory Council also takes note of the report on changes to the remuneration scheme at NBIM in October 2022.

1.6 Supervision of preparedness at Norges Bank

Preparedness was the main theme for the Supervisory Council's supervision in 2023. In this context, preparedness is about how the Bank, with operational risk management, is equipped to deal with challenges that may arise as within the Banks work on fulfilling the requirements of both the Central Bank Act and the mandate for the GPFG. The theme was wide-ranging and included non-conformance, resilience, and business continuity. The Council's review of the Bank's reporting, minutes, action plans and activities had a particular focus on security and preparedness, as well as the usual oversight. It was a relevant topic not only in terms of physical incidents but also, for example, extraordinary market events. Partly through seminars, the Council obtained information on international events, tensions and crises, and their effects on the global economy, central banking, and investment. Preparedness was on the agenda when preparing for meetings, at seminars and in the conduct of supervisory work.

In summary, the investigations performed by the Supervisory Council in the area of security and preparedness confirmed that Norges Bank has a high level of risk awareness. The organisation grasps the importance of preventing unwanted incidents. The Council considers it a priority for the organisation to have the necessary capabilities to deal with situations that might arise and underlined the importance of exercises in dealing with crises.

Annual strategic threat assessment

The Council was given a presentation on the annual strategic threat assessment prepared by Norges Bank. The Council showed particular interest in cyber-attacks by state actors and what damage they might cause. The Council also asked questions about whether activists are a threat or a matter of public order, and whether the Bank is prepared for a scenario where access to the Internet is cut off and the payment system goes down. The Bank's top management answered the questions of concern to the Council.

The Supervisory Council noted for information Norges Bank's annual strategic threat assessment.

Financial preparedness

In its annual Financial Infrastructure Report, Norges Bank discusses developments, vulnerabilities and risks in the financial infrastructure and concludes that the financial infrastructure in Norway is secure and efficient. The payment system could nevertheless be further enhanced, and contingency arrangements strengthened.

When considering the Financial Infrastructure Report for 2023, the Council had several questions about contingency arrangements.

The Bank replied that efficiencies could bring greater vulnerability to failures, and that any failures in the infrastructure could weaken the payment system. It was stressed that adequate governance and control are crucial. It was also mentioned that the Ukrainian payment system has continued to function ever since the invasion. Norges Bank is in dialogue with other authorities and sectors to assess further contingency solutions.

The Council was also interested in Norges Bank's view of the proposals from the Total Preparedness Commission. The Bank believes that the commission made sound assessments and that its view of the situation corresponds closely to that held by the Bank.

The Supervisory Council noted for information the Financial Infrastructure Report for 2023.

Investigation into operational risk management at Norges Bank

To provide an overarching starting point, an investigation was conducted into the degree to which operational risk management at Norges Bank complies with the components and principles in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) document *COSO Enterprise Risk Management – Integrating with Strategy and Performance 2017*. COSO ERM is an internationally recognised framework for risk management. The investigation also considered operational risk management at peer organisations, both central banks and asset management companies. The investigation was combined with the completion of a master's programme by two of the Office's employees.

The main finding was that operational risk management at Norges Bank essentially complies with the COSO ERM framework.

The investigation revealed that the Central Bank Act, the Internal Control Instructions and so on make organisational choices for the Bank that influence its operational management, including the management of operational risk. For example, the Internal Control Instructions require the Bank to have a risk control and compliance function for each of the general managers' areas of responsibility. In the opinion of the Office of the Supervisory Council, this could lead to risks of its own, such as differing interpretations of terms and concepts between the two operational areas.

The Office therefore proposed looking more closely at a common understanding of terms and concepts across the operational areas in the next phase of the assessment of the governance framework for security and preparedness. This was covered by the evaluation of Norges Bank's crisis management discussed below.

The Council passed the following resolution:

The Supervisory Council took note of the investigation of operational risk management at Norges Bank relative to COSO ERM and peer organisations.

Supervisory review – Evaluation of Norges Bank's crisis management

The aim of the supervisory review was to assess Norges Bank's planning, use of this planning, and to identify any areas for improvement. A practical approach was taken to the review in order to test how the operational framework functions in practice. A scenario was prepared, all planned, arranged, and evaluated by the accounting and consulting firm KPMG. The scope and implementation of the exercise were tailored to the availability of necessary resources at the Bank but were nevertheless sufficient to test the Bank's established framework for emergency preparedness and incident management.

Within the limits of what was covered by the scenario, KPMG is of the opinion that the contingency organi-

sation responded in a thorough and analytical way. KPMG made particular mention of the ability not to be wedded to a specific situational understanding, but instead continuously consider possible changes or secondary effects. Calm management of uncertainty and an ability to combine planning with proactive measures were also noted.

In its consideration of this matter, the Supervisory Council had questions answered about which employees were included in the exercise and what limitations there were as a result of not all functions being involved.

The Council took note of the assessment of Norges Bank's crisis management and asked the Executive Board for feedback on the findings and observations.

In its response, the Executive Board was pleased with KPMG's positive summary and provided the following feedback on the report's observations:

1. KPMG observed that there is not a standardised call-up when the alarm is sounded. The absence of a standardised call-up could lead to increased time consumption and delays in the alarm phase and could mean that more exercises and training are needed to maintain an understanding of roles and responsibilities in the first critical phase.

The Executive Board replied that NBCBO has a standard response (call-up) on mobilisation, whereas at NBIM the crisis manager and crisis co-ordinator at operational level are always called up on mobilisation. The differences are due to numerous specialised functions, and to NBIM therefore having chosen a flexible and situational approach to what other functions are called up to the operational crisis team. However, in the case of the alarm being sounded by the security centre due to an incident, there is a standardised call-up tailored to the location where the incident arose. The Executive Board stated that it considers this arrangement to be appropriate.

2. KPMG recommended that NBIM looks to NBCBO's contingency plan for a description of methodical management of crises. It also recommended that NBIM finalises its planning. KPMG had been informed that NBIM's framework was being updated based on revised principles adopted by

the Executive Board in September, and that this was due to be completed in October.

The Executive Board replied to this that both NBIM and NBCBO apply the same method for the management of crises and, as KPMG notes, this work was being carried out at the same time as KPMG's evaluation. NBIM completed the update of its policy documents and procedures for contingency planning and crisis management when the matter was considered by NBIM's leader group at the end of October 2023. NBIM's procedures (contingency plan) largely follow the format at NBCBO, but with some adjustments.

3. KPMG found that Norges Bank's planning for joint and co-ordinated crises across the operational areas is a good starting point. It will be important for Norges Bank to conduct exercises in dealing with crises that affect both operational areas.

The Executive Board believes that collaboration between the contingency organisations in the two operational areas has been strengthened over the past year as a result of the work on updating the Bank's principles for contingency planning and crisis management.

The Supervisory Council took note of the Executive Board's response.

There is a good basis for collaboration between the operational areas on managing joint and co-ordinated crises. NBCBO and NBIM plan a joint exercise in 2024 to practise a co-ordinated response to joint crises that may affect both areas.

Outsourcing

The Supervisory Council received input from the Ministry of Finance on the Council's supervision plan for 2023 concerning the management of the GPFG. The Ministry referred to Section 1-8 of the mandate for the GPFG, which states that Norges Bank may outsource operational functions in the management of the GPFG but must have guidelines for when outsourcing may be used. The Ministry also referred to Sections 5 to 8 of the Internal Control Instructions, which state that the Bank bears the responsibility for

risk management and internal control, even where parts of its operations have been outsourced. Against this background, the Ministry asked the Council for a review of the Bank's processes and frameworks for, and reporting on, risk management and internal control of the outsourcing of operations. The Council considered and endorsed the Ministry's input and decided to undertake a review covering not only NBIM but also NBCBO.

Such a review was in line with the supervision plan for 2023. The plan stated that suppliers may entail a security risk and that it is important to have good governance and control of agreements with suppliers to reduce vulnerabilities.

BDO AS was engaged to carry out an independent review. This had two parts. Part 1 was a general assessment of governance, control, and monitoring of outsourced operational services in both operational areas. Part 2 was a specific assessment of governance, control, and monitoring of the global custodian bank for international payments and the settlement and custody of securities, Citibank N.A.

In its assessment of the *framework* for the governance and control of outsourcing, BDO paid particular attention to organisation, roles and responsibilities, and policy documents. In its assessment of the *process* for outsourcing, the full lifecycle from procurement through the term of the agreement to termination of the agreement was covered, but there was a particular emphasis on risk assessments and monitoring of suppliers. In connection with Part 1 of the project, BDO looked more closely at a selection of key suppliers.

To obtain input on whether Norges Bank complies with best practice based on the norm for banks and other financial institutions, BDO's assessment built partly on the Financial Supervisory Authority of Norway's guidance on outsourcing. This document defines good principles for risk management and internal control in a strictly regulated industry and provides clear guidelines for how an entity can manage and control the operational risk related to outsourcing. In its assessment, BDO also applied the European Banking Authority's *Guidelines on Outsourcing Arrangements*.

The project will be completed in spring 2024. BDO's report and the Executive Board's assessment of the report will be discussed in next year's Report to the Storting.

1.7 The Supervisory Council's role at bodies associated with Norges Bank

Norges Bank's Pension Fund and pension scheme

The purpose of Norges Bank's Pension Fund is to provide retirement benefits for former employees of Norges Bank and their survivors. The pension scheme conforms to the National Insurance Scheme and is aligned with the rules for the Norwegian Public Service Pension Fund.

The pension fund is a separate legal entity with its own board and its own accounts. Its operations are regulated by the Insurance Activities Act, are subject to a separate external audit, and are supervised by the Financial Supervisory Authority of Norway. The fund's operations and financial affairs are kept legally separate from Norges Bank's other activities. The Executive Board appoints the Bank's representatives on the board of the pension fund. The Supervisory Council is informed of new appointments.

Norges Bank is responsible for the pension scheme for the Bank's employees and bears the equity risk in the pension fund. The Bank is kept informed about the operation of the pension fund by receiving the fund's annual report and annual financial statements.

The Supervisory Council noted for information Norges Bank's Pension Fund's annual report for 2022.

Foundations at Norges Bank, subject to the Norwegian Foundation Authority

- **The Norges Bank Headquarters Pensioners' Foundation** was set up by the Supervisory Council in 1988. Its statutes state that the purpose of the foundation is to contribute to the organisation and financing of services and activities that "bring pensioners greater well-being and quality of life, better health and make it easier for pensioners to continue to live in their own homes".

The annual financial statements and annual report are to be sent to the organisations represented on the board, Norges Bank's Supervisory Council, and the Register of Company Accounts in Brønnøysund. The auditor's report is to be sent to the Norwegian Foundation Authority.

The Supervisory Council noted for information the annual financial statements, report of the board of directors and auditor's report for the Norges Bank Headquarters Pensioners' Foundation for 2022.

- **The Governor N. Rygg Foundation** was set up by the Supervisory Council following a proposal by Governor Nicolai Rygg in 1954. Its purpose is to provide support for employees and pensioners who, for reasons such as illness, extraordinary strain, or misfortune, require financial support to overcome these difficulties. The foundation is also to promote well-being at the Bank. Support can be granted for measures in the interests of both employees and pensioners.

Proposals from the foundation's board for changes to its statutes are to be put before Norges Bank's Supervisory Council before being submitted to the Foundation Authority.

No matters relating to the foundation were put before the Council in 2023.

- **Norges Bank's Economic Research Foundation** was set up by Norges Bank to support Norwegian economic research, especially applied research. For example, it holds an annual competition for the best doctorate in economics. Proposals from the foundation's board for changes to its statutes are to be put before Norges Bank's Supervisory Council before being submitted to the Foundation Authority.

No matters relating to the Economic Research Foundation were put before the Council in 2023.

CHAPTER 2

Norges Bank's annual financial statements and budget

The Supervisory Council's annual reporting to the Storting is to include "an account of the Council's efforts in relation to approval of the Bank's budget and adoption of its financial statements".

The Council is given the role of approving the budget by the Central Bank Act. The Council's follow-up of the Executive Board's reporting on expenditure relative to the approved budget is presented in this chapter.

Adopting the annual financial statements is another of the Council's duties. The Council's resolution on the allocation of the profit/loss for the year and changes in the Bank's equity is presented below. The financial reporting on the management of the GPFG is included in Norges Bank's annual financial statements as a separate note and is also discussed below.

2.1 Norges Bank's annual financial statements

Rules on the preparation and approval of the financial statements

The Central Bank Act requires the Executive Board to prepare "annual reports and annual financial statements.

The annual financial statements shall be adopted by the Supervisory Council and, together with the annual report and auditor's report, be sent to the Ministry and communicated to the Storting."

The Regulation on the Financial Reporting of Norges Bank also governs the presentation of the financial statements: "Norges Bank shall prepare annual financial statements and the annual report of the Executive Board in accordance with the provisions of the Accounting Act, subject to the exemptions and additions specified in this regulation. Norges Bank shall

follow the provisions in the Accounting Act applicable to large enterprises."

In the same regulation, the Ministry of Finance lays down additional rules stipulating that the Bank's financial statements must be prepared in accordance with international standards. In practice, this means that the Bank applies International Financial Reporting Standards (IFRS).

Approved financial statements for 2023

The Executive Board's annual report and annual financial statements for 2023, including a proposal for the allocation of the loss for the year, were submitted to the Supervisory Council.

The Council's resolution on the Bank's annual financial statements at its meeting on 22 February 2024 was incorporated into the Bank's annual report and reads as follows:

The Supervisory Council takes note of the Annual Report of the Executive Board for 2023.

The Supervisory Council takes note of the auditor's report for Norges Bank and independent accountant's assurance report.

The Supervisory Council approves Norges Bank's financial statements for 2023.

In accordance with the guidelines, the net profit of NOK 70.0bn is to be transferred as follows: NOK 33.4bn to the Adjustment Fund and NOK 36.6bn to the Transfer Fund. From the Transfer Fund, one-third, or NOK 17.6 bn, will be transferred to the Treasury.

In its annual report for 2023, the Executive Board writes that the Bank's equity is sufficient to fulfil the Bank's purpose, cf. Section 3-11, Sub-section 1, of the Central Bank Act:

"Norges Bank's equity as of 31 December 2023 was NOK 322bn, compared with NOK 270bn at 31 December 2022. The Bank's equity consists of the Adjustment Fund and the Transfer Fund. At year-end 2023, the Adjustment Fund stood at NOK 286.7bn and the Transfer Fund at NOK 35.2bn, compared with NOK 253.3bn and NOK 16.2bn, respectively, at year-end 2022. Norges Bank's equity, excluding the GPFG krone account, was 36.9% of the balance sheet total, compared with 35.0% in 2022."

Results of the management of the Government Pension Fund Global (GPFG)

The Ministry of Finance deposits the GPFG in a designated account at Norges Bank known as the krone account. The Bank is then to invest this krone deposit in a portfolio of equities, bonds, real estate, renewable energy infrastructure, cash deposits and other assets and financial liabilities. The value of the krone account is the net book value of the investment portfolio.

The krone account had a value of NOK 15,757bn on 31 December 2023, up NOK 3,326bn on a year earlier. The total return on the GPFG in 2023 was 16.1% before management costs. The return broke down as follows:

- equities 21.3%
- bonds 6.1%
- unlisted real estate -12.4%
- unlisted renewable energy infrastructure 3.7%

The return on real estate was weak, due to lower property valuations and reduced demand for office space in the period after the pandemic.

The Ministry of Finance sets a limit for the management fee. The management fee in 2023 was NOK 6,632m, up from NOK 5,226m in 2022. The increase was due mainly to higher costs for external managers and higher salary and personnel costs.

The financial reporting on the management of the GPFG forms part of Norges Bank's annual financial statements and is presented in detail in Note 20 to the financial statements. A separate annual report on the management of the fund is also published and is also considered by the Supervisory Council.

External auditor's reports on Norges Bank's financial reporting

The work of the external auditor is important for the Supervisory Council's adoption of the annual financial statements. The auditor performs a variety of tasks throughout the financial year. An overview of these tasks is presented in Table 1.

The external auditor submits a report and briefs the Supervisory Council on audit procedures performed as part of the Council's consideration of the annual report. The auditor's report also presents the auditor's assessment of its objectivity and impartiality and describes the procedures designed to enable it to give an opinion on the annual financial statements for 2023.

The external auditor's opinion is reproduced in Norges Bank's annual report:

"In our opinion, the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of Norges Bank as of 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with the Regulation concerning annual financial reporting for Norges Bank. The Regulation requires the financial statements for Norges Bank to be prepared in accordance with IFRS Accounting Standards as adopted by the EU, with certain specific presentation requirements for the investment portfolio for the Government Pension Fund Global and subsidiaries that exclusively constitute investments as part of the management of the investment portfolio."

The auditor also submitted a report on the annual report on the management of the GPFG:

"In our opinion, the financial statements comply [with applicable legal requirements and give a true and fair view of the financial position of the investment portfolio of the Government Pension Fund

Global as of 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.”

- Responsible investment in the GPFG
- Emissions intensity of the equity portfolio
- Emissions intensity of the bond portfolio
- Emissions intensity of the foreign exchange reserves
- Financed emissions – equities and bonds
- Own emissions
- Equality, diversity, and inclusion

Sustainability reporting and assurance report from EY

The external auditor has been engaged by the Supervisory Council to review parts of Norges Bank's annual reporting on social responsibility and sustainability. The auditor reviewed disclosures in the following areas:

The review, which was conducted in accordance with the standard ISAE 3000, covered selected indicators in these areas. These indicators are based on the GRI (Global Reporting Initiative) and IFRS S2 framework, with adjustments to ensure that the indicators are relevant to Norges Bank.

Table 1 Auditor's tasks in 2023

AUDITOR'S TASKS IN 2023
1. Audit of Norges Bank's annual financial statements
Report on the financial reporting for the Government Pension Fund Global, including interim reporting
2. Assurance engagements
1. Treasury single account
2. Government debt management
3. Disclosures in the Executive Board's annual report on climate risk in the Government Pension Fund Global, climate and environmental impact of Norges Bank's operations, and responsible investment
3. Audit of Norges Bank's Pension Fund
Co-ordination with Internal Audit
1. Regular status meetings
2. Meetings relating to planning and implementation projects
Dialogue with the Office of the Auditor General
1. Three meetings a year: start-up, status, and sum-up
2. Audit documentation

The external auditor submits an assurance report on this work which is included in Norges Bank's annual report.

2.2 Norges Bank's budget

The Supervisory Council's budgetary authority

Norges Bank is a separate legal entity owned by the central government. Norges Bank sets its own budget, which is not included in the Storting's consideration of the central government budget.

The Central Bank Act requires the Supervisory Council to approve Norges Bank's budget on the basis of a proposal from the Executive Board. This means that the Executive Board has a duty to prepare a budget for Norges Bank for approval by the Council. The Council also approved a budget for operating expenses at operating companies in the GPFG's real estate management.

The Council has issued [budget rules for Norges Bank](#). These rules include provisions on the basis for budget proposals, budget decisions, budget deployment and reporting. The budget rules also contain provisions on the submission of long-term forecasts for operating expenses and capital expenditure for two years beyond the budget year as part of the budget documentation. The Executive Board has issued principles for financial management. The purpose of the principles is to "promote sound financial management, efficient use of resources, achievement of established objectives, strategy implementation and financial reporting in compliance with current legislation and rules".

The Council's budget resolution approves Norges Bank's total expected expenditure in the coming year. The annual budget resolution covers the whole of Norges Bank's activities, including the management of the GPFG. At an overarching level, the criteria and assumptions for budgeting are to be consistent across the whole of the Bank.

Norges Bank's expenditure and follow-up of the budget for 2023

The Executive Board reported on the status of the budget at six-monthly intervals in line with the budget

rules. In connection with the reporting for the first half of 2023, the Supervisory Council asked for a separate report on the remuneration process and terms for local and Norwegian employees at the offices outside Norway.

The Executive Board wrote in its report that salaries at the overseas offices are set in the same way as in Norway, that salaries are paid in local currency, and that employees of all nationalities will in principle pay tax to Norway, but that this is considered on an individual basis. It also wrote that employees temporarily assigned to other offices may receive salary supplements depending on the length of the assignment. With short assignments, a mobility supplement is paid, while employees on longer assignments also receive a cost-of-living payment. These supplements stop being paid once the employees return home.

The Executive Board reported total operating expenses of NOK 7,928m for 2023, which is NOK 130m more than the approved budget. The Board explained that this was due mainly to higher costs for external managers and higher salary and personnel expenses. The increase in costs for external managers was a result of a larger share of the GPFG being managed externally than budgeted, and a slightly higher return than budgeted. The higher salary and personnel expenses were attributed mainly to foreign exchange effects (for employees abroad), higher employer contributions and pension costs (for staff at the Oslo office) and higher wage growth than assumed in the budget. Capital expenditure was within the approved budget.

Norges Bank had 1,071 employees at the end of the year, five fewer than assumed in the budget for 2023.

Consideration and approval of Norges Bank's budget for 2024

The Supervisory Council approved the Executive Board's proposed budget for Norges Bank for 2024 at its meeting on 15 December 2023.

The Council considered the proposed budget in the normal way.

Norges Bank presented a cost budget for 2024 of NOK 9,054m, which is a substantial increase on the budget for 2023 of NOK 7,798m. The difference is due

mainly to an increase in costs for external managers of NOK 853m, which is in turn a result of the continuation of the investment strategy of having around 5% of the GPFG managed by external managers. The share budgeted for 2024 is 5.2%. The average value of the GPFG in 2024 is assumed to be NOK 15,900bn (from the central government budget). Total fees to external managers are budgeted at NOK 3,252m for 2024, including NOK 1,751m in performance-based fees.

The total number of employees is budgeted at 1,119, which is 43 more than in the budget for 2023. This breaks down into an increase of 19 employees at NBCBO and 24 at NBIM.

Capital expenditure of NOK 299m is budgeted for 2024, of which NOK 6m was approved previously and NOK 293m relates to proposed new investments. The proposed new investments are workplace upgrades at the Bank's headquarters at NOK 170m, a new data and analysis platform for NBCBO at NOK 70m, and expansion of office capacity at the London office at NOK 23 million.

The proposed total budget for the project for a new data and analysis platform (P85) is NOK 177m. The project will run for 2.5 years.

Each year, Norges Bank requests a limit for the reimbursement of management costs from the Ministry of Finance. The Council received a copy of the letter from the Ministry on the reimbursement of management costs for 2024 in November 2023. The Ministry has set a maximum limit for management costs in 2024 of NOK 7,100m. Performance-based fees budgeted at NOK 1,751m will be covered on top of this limit. Only actual costs are reimbursed.

Operating budget for wholly-owned operating subsidiaries in the management of the GPFG

Under the budget rules, a limit for management costs at wholly-owned operating subsidiaries that are part of the Bank's management of investments in unlisted real estate and unlisted renewable energy infrastructure in the GPFG is to be approved by the Supervisory Council. Plans and budgets are approved by the boards of the individual companies.

Total operating expenses at wholly-owned operating subsidiaries are budgeted at NOK 152m for 2024. To allow for uncertainty about exchange rates and give the boards of the subsidiaries the necessary room to manoeuvre, the Supervisory Council approved the requested limit of NOK 190m for 2024.

The cost limit from the Ministry of Finance includes management costs at wholly-owned operating subsidiaries. Other operating expenses related to the ordinary operation, maintenance and development of assets are not covered. Budgets for the Bank's wholly-owned subsidiaries are approved by the boards of the individual companies.

The Council passed the following resolution on the budget for 2024:

In accordance with the Central Bank Act and the budget rules for Norges Bank, the Supervisory Council has considered and approved the Executive Board's proposed budget for Norges Bank for 2024. Key figures from the budget are shown in the table below.

(FIGURES IN MILLIONS OF NOK)	BUDGET FOR 2024
Management fee, GPFG	7 685
Other operating revenue	182
Total operating revenue, Norges Bank	7 867
Personnel expenses, NBCBO	-763
Other operating expenses, NBCBO	-742
Depreciation, amortisation, and impairment losses, NBCBO	-117
Personnel expenses, NBIM	-2 215
Other operating expenses, NBIM	-2 264
Depreciation, amortisation, and impairment losses, NBIM	-23
Fees to external managers, NBIM	-3 252
Elimination of shared costs ¹	315
Elimination of shared costs passed on from NBA and NBCBO to SC/OSC	8
Total operating expenses, Norges Bank	-9 054
Operating profit/loss, Norges Bank	-1 187

Proposed new investments amount to a total of NOK 293m, of which NOK 270m at NBCBO and NOK 23m at NBIM. Previously approved and ongoing investments carried forward are estimated at NOK 6m.

The Supervisory Council approves a budget for operating expenses at operating companies in the Government Pension Fund Global of NOK 190m for 2024.

The Council will set a budget for supervision and audit costs in a separate resolution. Norges Bank's overall budget will be submitted to the Ministry of Finance in accordance with Section 4-2 of the Central Bank Act.

¹ Elimination of costs allocated to NBIM, including NOK 277m from the Governor's area of responsibility and NOK 37m from the Supervisory Council (SC) and the Office of the Supervisory Council (OSC).

Budget resolution for the Council's own activities

At its meeting in December, the Council also approved budgets for the Supervisory Council itself,

the Office of the Supervisory Council and the external auditor, which came to a total of NOK 47.8m for 2024. The budget resolution for 2024 and expenditure in 2023 are discussed in [Chapter 5](#) of this report.

Other tasks under the Supervisory Council's mandate

The Council's activities beyond the minimum reporting requirements are presented in this chapter. In its report for 2022, the Council discussed the appointment of employee representatives to the Executive Board and two consultation responses to the Ministry of Finance. In this year's report, the Council discusses the outcome of the dispute over the appointment of employee representatives and the Council's consultation response concerning the review of the activities of the Office of the Auditor General.

Appointment of employee representatives

Norges Bank and the two largest trade unions reached agreement in 2023 on how employee representatives are to be appointed.

In December 2021, the Council received a letter from the Executive Board stating that agreement had not been reached between the Board and employee organisations on the appointment procedure. In line with the provisions of the Central Bank Act, the matter was referred to the Council. During 2022, the Council engaged in dialogue with both the Board and employee representatives both in the form of letters and at Council meetings. This is discussed in Document No. 9 (2022-2023).

At the Council's meeting in December 2023, the Bank's top management explained that the parties had now reached a consensus and an agreement had been signed. The election procedure that has been negotiated is based, with some adjustments, on the rules in the [Regulation on the State-owned Enterprise](#)

[Act's rules on employees' right to representation on boards and corporate assemblies.](#)

The Supervisory Council took note of the signed agreement on the election procedure for employee representatives on the Executive Board.

Review of the activities of the Office of the Auditor General – consultation response from Norges Bank's Supervisory Council

On 30 November 2023, the Commission on the Office of the Auditor General presented its review of the activities of the Office of the Auditor General and proposals for a new Act relating to the Office of the Auditor General, Document No. 19 (2023-2024). It is 20 years since the act was last updated.

The matter is being considered by the Storting's Standing Committee on Scrutiny and Constitutional Affairs, which invited responses to the review with a deadline of 1 March 2024.

The Supervisory Council sent the following consultation response to the standing committee on 29 February 2024:

"[...] The Supervisory Council has considered the review in the light of its own activities and duties under the Central Bank Act.

"The Council has no comments on the actual text of the proposed act but believes that the bounda-

ries between the Council's duties and responsibilities and the Office of the Auditor General's duties and responsibilities could and should be made clearer than they are in the report.

"The report presents the Council's role as consisting principally of monitoring compliance. This is an overly narrow description of the Council's role. The Council's role is to supervise the whole of Norges Bank's activities, draw up its own supervision plan, obtain all information that it deems necessary for its supervision, and adopt its own budget for this work. There are only two areas where the Council is not to supervise Norges Bank's activities: the exercise of powers over Norges Bank by the Minister (Ministry of Finance) and the Bank's exercise of its own discretionary powers in the use of economic policy instruments (central banking activities) under the Central Bank Act. The reasons for these exceptions are also clear: it is the Office of the Auditor General, on behalf of the Storting, that is to monitor the Minister's exercise of powers, and there is to be independence for the central bank when it comes to its economic policy instruments.

"The Commission is clear that the Office of the Auditor General is not to conduct investigations assigned to other external control bodies, and writes in the report:

'The Commission therefore finds that the Office of the Auditor General's administrative audit of Norges Bank and the Government Pension Fund Global should be designed in such a way that it provides 'material added value' and does not overlap with the supervisory duties falling to Norges Bank's Supervisory Council.'

"The Supervisory Council agrees with this but asks that the description of its supervision of Norges Bank is corrected. The Commission's description emphasises monitoring of compliance, but the Council's supervision extends to the whole of Norges Bank's activities except for the Bank's own exercise of discretionary powers in the use of economic policy instruments. The Commission's understanding could give the impression that the risk of overlapping control activities is low. It will not be if the Commission's understanding is applied. It is essential that the Standing Committee on Scrutiny and Constitutional Affairs is presented with a complete picture of the Council's duties.

"When it comes to monitoring the Minister's exercise of powers, the Council believes that the Office of the Auditor General as an independent control body acting on behalf of the Storting must be free to choose its methods, standards, and procedures.

"The Council considers it very important that understanding of the division of duties between the Office of the Auditor General and the Council is clarified in the Storting's consideration of the report."

CHAPTER 4

Priorities for future work

The priorities for the Council's supervisory activities in the coming year are set partly on the basis of a risk assessment and partly on the basis of the objective that all parts of Norges Bank's operations should be subject to supervision with a degree of regularity.

The Council's supervision must also cover areas where there have been changes to the rules, changes to the organisation or major changes to systems. The supervision plan selects priority areas for supervisory activities. The planned activities are not performed at the cost of other statutory and established duties.

The geopolitical situation in several parts of the world is unstable. Besides the war in Ukraine, there is a war between Israel and Hamas, and all parties in these conflicts are supported by various countries. Countries are more concerned with protecting their own assets and may, for example, impose trade restrictions on imports.

Higher interest rates and higher inflation after several years of debt accumulation and high prices for real estate and other assets have increased the risk of financial instability.

Given this instability, the Supervisory Council is interested in the degree to which Norges Bank's Executive Board is discharging its responsibility for assessing the exclusion of individual companies and the approval of markets and countries. When assessing the risk of investing in a particular country, the Executive Board is to consider political risks, among others. It is the Council on Ethics that makes recommendations on exclusion and observation under guidelines issued by the Ministry Finance. The Executive Board may choose to follow these recommendations or decide on alternative action.

As part of our supervision, it may be appropriate to look at co-ordination and communication between

the Council on Ethics and Norges Bank, including how the division of duties between them functions. Based on the division of responsibilities between the Ministry of Finance and Norges Bank, it is relevant to account for who has what responsibilities in the process for excluding companies, markets, and countries.

Another priority area in 2024 is how Norges Bank manages its human capital. This is a follow-up of Norges Bank's strategy (Strategy 2025).

Here, the Council will assess the degree to which strategic decisions reflect the focus areas and priorities chosen. One of these focus areas is "An attractive and future-fit workplace". Part of the Council's investigations will consider the degree to which the goals have been operationalised in the operational areas.

Another priority activity in 2024 is continuing the investigation of Norges Bank's compliance with the Internal Control Instructions begun in 2023. The monitoring of outsourced activities was assessed in 2023, while the review in 2024 will look at other key requirements of the instructions, which mainly concern control functions at the Bank.

Under the [Central Bank Act](#), Norges Bank is to issue banknotes and coins, facilitate the central settlement system and oversee the payment system. The Council supervises the Bank's activities in this area. It is therefore important for the Council to have a fundamental understanding of possible future means of payment and how tomorrow's payment system might function. Norges Bank's approach to the use of artificial intelligence (AI) is also important. AI is changing working methods and approaches, including when it comes to supervision. In both areas, the Council receives information from Norges Bank on request, but also where there are matters that the Bank itself believes the Council should be aware of.

Organisation of the Supervisory Council's work

This chapter reports on the organisation of the Council's supervision. It also presents the Council's activities and expenditure in 2023. The appointment and composition of the Council are regulated by the Central Bank Act, which also requires the Council to have a secretariat.

5.1 Organisation of supervision

Supervisory Council

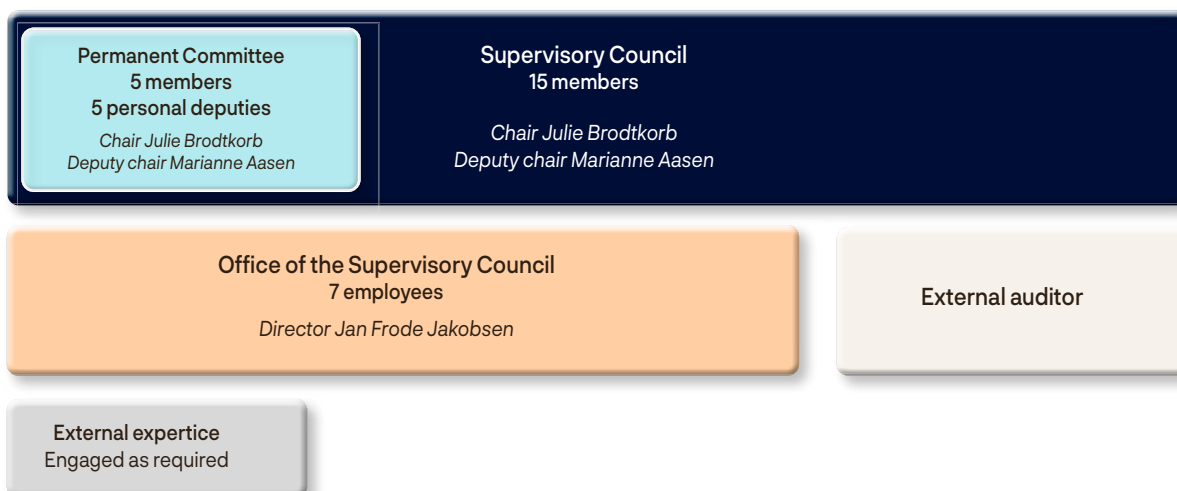
The Supervisory Council's role under the Central Bank Act is to supervise, approve budgets, adopt financial statements, appoint auditors and determine the method of appointment, if applicable, of employee representatives on the Executive Board.

When it comes to Norges Bank's activities, the Council has issued [budget rules for Norges Bank](#), [rules on loans to employees of Norges Bank](#) and [guidelines for the Council's supervision of companies owned by Norges Bank in connection with investments in the GPFG](#). These relate directly to the Council's duties under the Central Bank Act, and the Council supervises compliance with them.

When it comes to the organisation of its own area of work, the Council has issued [rules of procedure for the Supervisory Council](#), a [mandate for the Permanent Committee](#) and [instructions for the Office of the Supervisory Council](#).

Amendments to the budget rules and the Council's rules of procedure were approved at the Council's meeting in June 2023. Among the changes to the

Figure 4 The Supervisory Council's organisation and resources



budget rules were that the Council must now receive budget documentation from Norges Bank three weeks ahead of the Council's consideration of the budget rather than the previous two weeks. The rules of procedure were amended in line with the latest Auditors Act. There were also some other minor alterations and adjustments to both documents.

The Council's members are covered by the duty of confidentiality set out in the Central Bank Act. Under the rules of procedure, it is primarily the chair – or a person nominated by the chair – who makes public statements on behalf of the Council.

Permanent Committee

The Central Bank Act stipulates that the Council may appoint committees from among its members to prepare matters for deliberation by the Council. The Permanent Committee is an established working committee provided for in the rules of procedure. The Committee has no powers to take decisions on behalf of the Council, but as a committee of the Council it does have the right of access to all of the Bank's affairs.

The purpose of the Committee's meetings is to set the agenda for Council meetings, review submitted documentation, request introductory briefings from Norges Bank, and propose resolutions for consideration by the Council. The minutes of the Committee's meetings are circulated with the meeting documentation and summarise significant discussions and reports.

The Governor may be asked to attend meetings of the Permanent Committee. The Executive Board or Governor may also ask to provide information and present their assessments to support the Council's deliberations before the Permanent Committee makes its recommendation on a resolution.

Office of the Supervisory Council

The Supervisory Council has its own secretariat as required by the Central Bank Act. In matters pertaining to the employees of the secretariat, the Supervisory Council represents Norges Bank as employer.

Supervisory Council as employer

The work of the Office of the Supervisory Council is regulated by the Council's rules of procedure and a separate set of instructions. From 1 April 2023, the Office has had seven full-time employees besides the director. The Office reports directly to the Council.

The Director is mandated to recruit and dismiss staff and set salaries and terms of employment within the constraints laid down by the Council. The Council decides on the Director's employment contract, remuneration and other terms of employment.

Relationship between the Council and the Office

The Office is to keep the Council informed of work on significant supervisory and control activities. Other key tasks are advising the Council and helping the Permanent Committee prepare matters for consideration by the Council, such as the Council's consideration of Norges Bank's budget and annual financial statements. The Office assists with entering into and managing the engagement agreement with the external auditor, facilitates the Council's professional development, and drafts the annual report to the Storting. The Office manages and organises meetings, seminars and professional development activities for the Permanent Committee and the Council.

The Office attends the meetings of the Council and the Committee.

The Office also exchanges information relevant to the supervision of the management of the GPFG with both the Ministry of Finance and the Office of the Auditor General.

The framework for supervision work follows from the plans and budgets approved by the Supervisory Council.

The Office's expertise

For the Council to fulfil its role satisfactorily, the Office must have the expertise and resources for its duties. This covers both its own staff and external expertise that can be drawn on/bought in as required. Important foundations for the staff of the Office are an understanding of their role, integrity, objectivity, and due care in the conduct of their duties. The staff of the Office are a multidisciplinary team with expertise in areas such as economics, investment management, accountancy, law, finance, corporate govern-

ance, risk management and internal control. They are given ample opportunities to develop in professional networks and access specialist resources. Besides participating in relevant courses and conferences, the Office arranges meetings and technical seminars. Speakers are sourced from various centres of expertise, international contacts, and the Bank's operational areas.

The Office's staff took part in a number of professional development activities in 2023. It is important for them to have an understanding of artificial intelligence, what it is and how it can be used, not only in terms of the Bank's work but also how it might impact the way in which supervision is conducted. Employees have participated in various short courses in this area to gain different perspectives on this. Two employees completed a master's programme on *Governance: Risk management, compliance and internal auditing* at BI Norwegian Business School in 2022/2023. One important part of the Office's professional development is the opportunity to participate in the Council's seminars and study visits. This is done through the Office's budget for professional development. This skills building is very important both for supervisory reviews and for preparations for the Supervisory Council's work.

Norges Bank's external auditor

Ernst & Young AS (EY) is the external auditor for the period 2022-2027.

Contact with the Office of the Auditor General

[Guidelines for the exchange of information and co-ordination of auditing and supervision between the Office of the Auditor General and Norges Bank's Supervisory Council with regard to the GPFG](#) were signed by the then Auditor General and chair of the Supervisory Council in 2010. The guidelines set out the roles of the two supervisory bodies in their professional co-operation. The Office of the Supervisory Council facilitates the exchange of information between the Council, the external auditor and the Office of the Auditor General on the auditing and supervision of the GPFG.

The external auditor provides the Office of the Auditor General with a detailed presentation of the results of its financial audit of the GPFG, which the

Office of the Auditor General can build on when auditing the central government accounts. The Office of the Auditor General also receives information about supervisory reviews and assurance projects.

A review of these guidelines is planned but has been postponed in anticipation of a possible new Act on the Office of the Auditor General. There was additional dialogue between the Office of the Auditor General and the external auditor in 2023 to ensure that the Office of the Auditor General receives both the information it needs and a sufficient basis for its audit opinion for the coming financial year. This did not lead to major changes, but adjustments were made to the controls already agreed.

5.2 The Supervisory Council's activities in 2023

Meetings and items considered in 2023

A meeting schedule is decided in advance of each calendar year. The timing and content are based on deadlines for reporting at Norges Bank and the Executive Board's consideration of reports that are relevant to the Supervisory Council's mandate and area of responsibility.

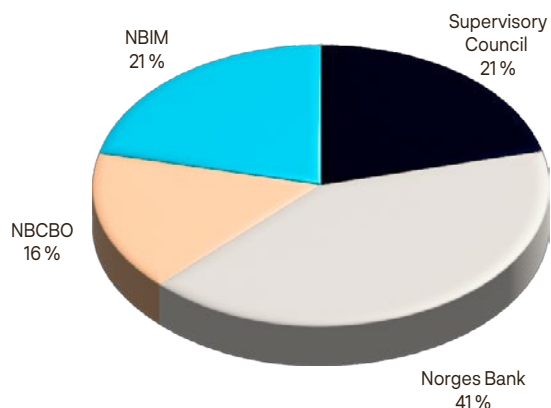
The Council held six meetings in 2023. The Permanent Committee had six preparatory meetings.

The Council's rules of procedure require at least eight members to attend a meeting for it to be quorate. The Council was quorate at all meetings in 2023.

Table 2 Attendance of meetings

MEETING	MEMBERS PRESENT	
	2022	2023
February	13	15
March	12	12
June	12	12
September	10	12
November	12	13
December	9	14

Figure 5 Items considered by the Council in 2023



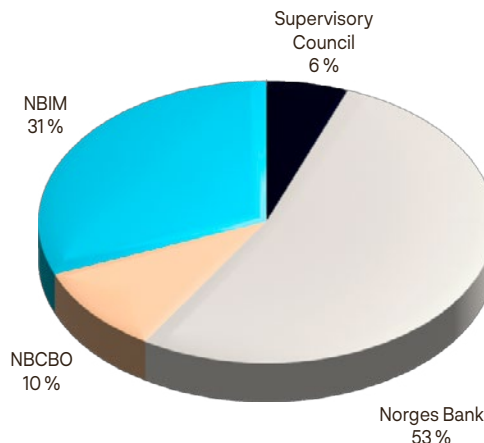
Breakdown of items considered by the Council in 2023

The Supervisory Council considered 126 items in 2023, compared with 122 in 2022. Items divide into documents received from the Executive Board for consideration and matters and documents prepared by the Office of the Supervisory Council on the Council's behalf. Items are normally either "taken note of" or "noted for information". The Council "takes note" of items that are important for its supervision. This means that the Council has taken a position on the matter. An item "noted for information" provides useful background, but the Council does not take a position on the matter.

As can be seen from Figure 5, 80% of items in 2023 concerned NBCBO, NBIM or items of a general nature concerning the whole of Norges Bank. Items of a general nature might include updated principles from the Executive Board or supervisory reviews that cover both operational areas. Other items are the Council's internal matters, such as its own minutes and status reports.

Time consumption at meetings depends largely on whether items are accompanied by a presentation and whether the Council has follow-up questions. An item to be "taken note of" normally requires more time than other items. Figure 6 presents a rough breakdown of the Council's time consumption based on the minutes of meetings. It shows that the Council spent more than 50% of its time at meetings on items relating to Norges Bank as a whole in 2023, which is twice as much as in 2022. The increase was chiefly

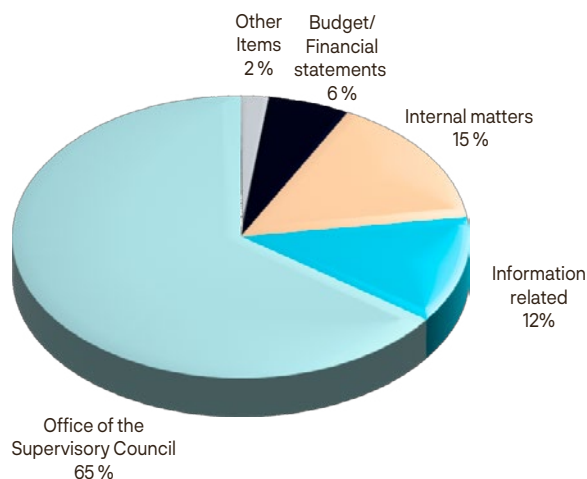
Figure 6 Time consumption at the Council's meetings in 2023



because the supervisory activities conducted did not focus specifically on either NBCBO or NBIM but covered Norges Bank as a whole. The time spent on NBIM therefore fell from 50% in 2022 to 31% in 2023, and the time spent on NBCBO from 15% to 10%.

The share of supervision-related items was unchanged at 65%. These included supervision projects, the minutes of Executive Board meetings, and regular reporting from Norges Bank in areas such as compliance and control. Information-related items include areas that are not directly relevant for supervision but are still important for the Council's understanding of Norges Bank's activities. Examples are the review of the monetary policy report or briefings on Norges Bank's work on digital central bank money.

Figure 7 Items by type in 2023



The Bank's budget and annual financial statements are important items on which the Council spends considerable time at the meetings where they are considered.

Professional development

Members of the Council collectively have broad expertise and experience from the Storting, government work, key areas of Norwegian society, public administration, and industry. The Council also has a goal of maintaining and developing its understanding of Norges Bank's overall activities and relevant risks.

The Council has adopted a four-year professional development plan. The plan includes a list of topics that it is relevant for the Council to have a good understanding of, and proposals for how to build up expertise in them. The plan is flexible and will reflect developments in society in terms of the choice of topics.

Preparedness was the main theme for supervision in 2023, and this was also the theme for the Council's seminars and study visits in line with the professional development plan. International events, turmoil and crises were on the agenda during the year. The Council was given presentations and lectures on the management of the financial crisis in 2008, the ongoing war in Ukraine, and Norwegian state-owned energy company Equinor's handling of the In Amenas hostage crisis. A study trip was made with the emphasis on financial preparedness and support for countries in crisis.

Clear communication on the Supervisory Council's work

The approved minutes of the Council's meetings are published on the Council's [website](#). The minutes are still evolving and have been made more informative than in previous years. They show not only the Council's resolutions but also members' questions and assessments during the consideration of items. Depending on the item, answers, and reports from the Bank's management and NBIM's management are presented. Where the Council has remarks, or there are outstanding issues requiring further follow-up, this is also stated in the minutes. More detailed

minutes which present the Council's discussions and questions to the Bank's top management contribute to transparency around Norges Bank.

Evaluation of the Council's work

Members of the Supervisory Council perform an annual self-evaluation of their work. The self-evaluation covers the Council's working procedures, the discussions at its meetings, and relations with the Office, external auditor, and advisers. In the self-evaluation for 2023, the Council drew attention to the volume of discussion documents and underlined the importance of them being submitted in good time. The main outcome for 2023 was that the Council's work functioned well.

5.3 The Supervisory Council's expenditure in 2023

Remuneration of members

Under the Central Bank Act, the Storting sets the Supervisory Council's remuneration as an annual fee for the role. This fee is adjusted every two years. On the basis of [Recommendation 40 S \(2021-2022\)](#), the Storting approved rates for 2022 and 2023 as shown in Table 3. Fixed fees totalling NOK 960,600 were paid in 2023, an increase of 6% on the previous two-year period.

Alternate members of the Permanent Committee received NOK 4,000 for each meeting they attended. This happened twice in 2023. The members of the Supervisory Council or their employers may also be reimbursed for loss of income due to attending meetings of the Council, on top of the fee set by the Storting. Employers may be reimbursed at actual hourly rates according to the central government tariff for enterprises where employees' time is billed out. The Council has issued criteria for this. These reimbursements totalled NOK 246,862 in 2023, compared with NOK 107,000 in 2022.

Total fees for the Council therefore came to NOK 1,211,462 in 2023, compared with NOK 1,072,000 in 2022.

Table 3 Fixed fees for the Supervisory Council for 2022-2023

Fixed annual fees	Supervisory Council	Permanent Committee	Per member	Total fixed fees
Chair	70 200	105 200	175 400	175 400
Deputy chair	46 800	70 200	117 000	117 000
Three other members of the Permanent Committee	35 200	70 200	105 400	316 200
Ten other members of the Supervisory Council	35 200		35 200	352 000
Total fixed fees 2023				960 600

Table 4 The Supervisory Council's overall expenditure

Overall expenditure	Budget	Actual	Actual	Actual
	2023	2023	2022	2021
Supervisory Council	3 159 040	3 751 000	2 469 000	1 788 000
Office of the Supervisory Council	25 321 268	27 412 400	22 533 000	22 907 000
Statutory audit	13 310 313	13 317 000	13 111 000	14 807 000
Assurance engagements	1 522 875	3 000 000	1 286 000	1 842 000
Total	43 313 495	47 480 400	39 399 000	41 344 000

Other costs

Annual expenditure is reconciled against the budget adopted by the Supervisory Council. The Council's total expenditure in 2023 was NOK 43.3m. These costs are broken down in Table 4 and include the Supervisory Council, the Office of the Supervisory Council, the external auditor, and the use of external advisers. This expenditure is included in Norges Bank's annual financial statements.

Total running costs for the Council's organisation came in NOK 4.2m below budget in 2023. This was due partly to much lower travel costs for meetings and study trips, and reduced use of external consulting services.

The Council and the Office receive administrative services as required from Norges Bank. These are regulated by a service agreement. Rent and shared costs are charged to the Office at fixed prices. The agreement covers the use of offices and other premises such as canteens and meeting rooms, archiving, use of IT hardware, support from the Bank with procurement, security and contingency planning, and payroll and personnel services. It also covers

meeting arrangements, travel security and agreements with travel agents. The independent position of the Office and the Council in relation to Norges Bank is assured through this service agreement.

The Director of the Office of the Supervisory Council was paid a salary of NOK 2,280,920 in 2023, compared with NOK 2,191,596 in 2022. Pension contributions for the Director amounted to NOK 357,477, and other benefits (electronic communication, insurance, and other payments in kind) came to NOK 9,710.

The external auditor's fees are paid based on the engagement agreement, including VAT. The cost of financial auditing by EY in 2023 was NOK 13.3m.

EY also received fees of NOK 1.5m under agreements on regular assurance statements relating to the Bank's annual reporting for 2023. Costs for the Supervisory Council's activities, including fees paid for the work of the external auditor, are included in Norges Bank's annual financial statements and detailed in the notes to those statements – see the [annual report and financial statements for 2023](#).

The Supervisory Council's budget for 2024

The Council considered its own budget for 2024 at its meeting of 15 December 2023. The total budget approved for the Council, the Office and the external auditor is NOK 47.8m. The budget for the Council's own activities is NOK 3.76m. This budget covers all fees, meeting costs, seminars, and study trips with travel expenditure, based on the meeting schedule set for 2024. The Storting set members' fixed fees for 2023 and 2024 in [Recommendation 117 S \(2023-2024\)](#). These are budgeted at NOK 1,081,500 per year.

The Office of the Supervisory Council's budget of NOK 27.7m is based on it having eight FTEs. Rent and shared costs under the service agreement with Norges Bank are unchanged at NOK 7.9m. Based on the supervision plan for 2024, NOK 2.0m has been budgeted for purchases of services from various external experts.

Table 5 Budgeted and actual expenditure for the Council, Office and external auditor

Overall expenditure	Budget	Actual	Budget
	2024	2023	2023
Supervisory Council	3 761 300	3 159 040	3 751 000
Office of the Supervisory Council	27 706 000	25 321 268	27 412 400
Statutory audit	13 317 000	13 310 313	13 317 000
Assurance engagements	3 000 000	1 522 875	3 000 000
Total	47 784 300	43 313 496	47 480 400

An audit fee of NOK 13.3m has been budgeted for the statutory financial audits of Norges Bank's annual financial statements and the interim financial reporting for the GPF for 2024. This is in line with the engagement agreement entered into with EY. A total of NOK 3.0m has been budgeted for regular annual assurance engagements and any supervisory reviews which the Supervisory Council chooses to conduct as part of its supervision in 2024.

5.4 The Supervisory Council's members

The Supervisory Council's 15 members are elected by the Storting for a four-year term. The chair and deputy chair appointed by the Storting for the period 2024-2025 are Julie Brodtkorb and Marianne Aasen.

The Council's members from 1 January 2024 are resident in eight of the country's 15 counties. A third of them are women. Table 6 shows members, when they were first elected and their current term. Members may be re-elected and serve a total of eight years.

Table 6 Members of the Supervisory Council for 2024

Member	First elected	Current term
Julie Brodtkorb, chair 2024–2025	2018	2022–2025
Marianne Aasen, deputy chair 2024-2025	2020	2024–2027
Gjermund Hagesæter	2018	2022–2025
Morten Søberg	2018	2022–2025
Harald Espedal	2020	2024–2027
Eirin Kristin Sund	2020	2024–2027
Per Botolf Maurseth	2021	2024–2027
Eli Hovd Prestegården	2021	2024–2027
Mathias Hunskår Furevik	2022	2022–2025
Tord Hustveit	2022	2022–2025
Martin Kolberg	2022	2022–2025
Tom Henning Slethei	2022	2022–2025
Terje Bartholsen	2024	2024–2027
Terje Rogde	2024	2024–2027
Anne Berit Lein	2024	2024–2027

Permanent Committee

The Permanent Committee is a standing working committee provided for in the Council's rules of procedure which operates under a mandate from the Council.

The Council's chair and deputy chair lead the committee, while three other members and five personal alternates are elected for a term of two years.

The chair calls meetings as often as is required, or when at least two members so request.

Table 7 Members of the Permanent Committee

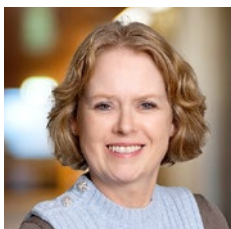
Full members	Personal alternates
Julie Brodtkorb, chair	Harald Espedal
Marianne Aasen, deputy chair	Eirin Kristin Sund
Gjermund Hagesæter	Tord Hustveit
Martin Kolberg	Mathias Hunskår Furevik
Morten Søberg	Per Botolf Maurseth

Profiles of Council members



Julie Brodtkorb, chair

- CEO of the Norwegian Association of Heavy Equipment Contractors
- Past experience includes secretary of state and chief of staff at the Office of the Prime Minister, member of Oslo city council, adviser on business and finance policy, chair of the Norwegian Broadcasting Council, communications director at Utfors AS,
- CEO of JKL Group and consultant at Geelmuyden Kiese
- MBA from the Norwegian School of Economics



Marianne Aasen, deputy chair

- Special adviser at Oslo Metropolitan University
- Chair of the Norwegian Biotechnology Advisory Board
- Chair of Nedre Romerike brann og redningsvesen IKS
- Past experience includes member of the Storting and its Standing Committees on Finance and Economic Affairs, and Education, Research and Church Affairs, political adviser at the Ministry of Local Government, head of information at the European Movement, journalist and director of Simula Learning
- Chair of the parliamentary commission on university admissions (NOU 2022:17)
- MA from the University of Oslo



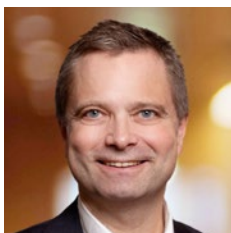
Gjermund Hagesæter

- Municipal chief executive of Fitjar municipality
- Past experience includes member of the Storting, fiscal policy spokesperson, member of the Standing Committees on Finance and Economic Affairs, Local Government and Public Administration, and Scrutiny and Constitutional Affairs, state secretary at the Ministry of Justice, county and municipal councillor, officer in the Armed Forces, municipal chief executive, deputy chair of Haukeland Hospital, and member of the board of Nordhordland Kraftlag, the transport committee in Hordaland, and the board of the European Movement
- Law degree from the University of Bergen and economics degree from the Norwegian School of Economics



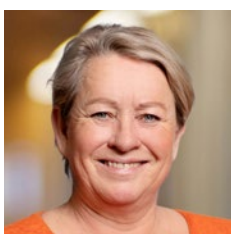
Morten Sjøberg

- Head of public relations at SpareBank 1 Gruppen
- Board member at Oslo Nye Sparebanks Fond
- Past experience includes secretary of state at the Ministry of Finance and researcher in Statistics Norway's research division
- Doctorate in economics from the University of Oslo and BSc in philosophy and economics from the London School of Economics



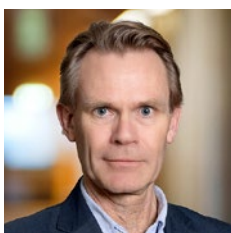
Harald Espedal

- Owner of investment firm Espedal & Co and CEO of Salt Capital AS
- Chair of Retail Office Stavanger, Lyse AS, Sandnes Sparebank and Solstad Offshore ASA, deputy chair of Stavanger Concert Hall, and board member of Aspelin Ramm and the Norwegian School of Economics
- Past experience includes CEO of SKAGEN, deputy chair and board member at Oslo Børs VPS and Oslo Børs, board member at the Norwegian Opera and Ballet, head of financial planning and analysis at Sparebank 1 SR-Bank, and head of the Stavanger office of the consultancy and auditing firm Arthur Andersen
- MBA from the Norwegian School of Economics, State-Authorised Public Accountant



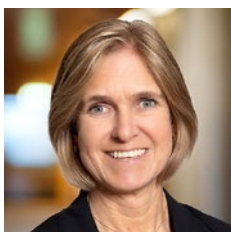
Eirin Kristin Sund

- Regional director at LO Norway
- Board member at the Rogaland Research Foundation and Maritime Forum Stavanger
- Past experience includes member of the Storting and its Standing Committees on Finance and Economic Affairs, Energy and the Environment, Local Government and Public Administration, and Transport and Communications, secretary of state at the Ministry of Transport and Communications, political adviser at the Ministry of Environmental Protection, deputy mayor, deputy county mayor, vice president of the Norwegian Football Federation and general manager of a volunteer centre
- FHS Armed Forces College management programme



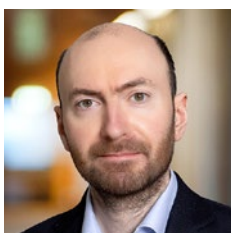
Per Botolf Maurseth

- Associate professor at BI Norwegian Business School
- Past experience includes state secretary at the Ministry of Education and Research, researcher at the Norwegian Institute of International Affairs (NUPI) and board member at the Government Pension Fund Norway
- Doctorate in economics from the University of Oslo



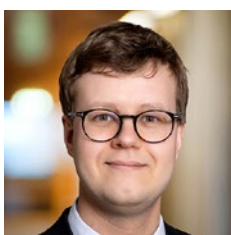
Eli Hovd Prestegården

- Municipal councillor and municipal executive committee member in Nore og Uvdal municipality
- Assistant at Uvdal school, manager of Mårbu seter og fjellstue.
- Past experience includes deputy mayor and mayor of Nore og Uvdal municipality, deputy member of the Storting, board member at the Association of Outlying Municipalities and Association of Hydropower-producing Municipalities, general manager at a building supplies shop, bank worker
- Tourism at Wang school, and organisation, management, and support teaching at NKI Distance Education



Mathias Hunskår Furevik

- Analyst at Sparebanken Vest
- Employee representative in Sparebanken Vest's general assembly
- Past experience includes leader of a party group on Bergen city council and member of Bergen municipality's supervisory committee



Tord Hustveit

- Energy markets analyst at Statkraft
- Past experience includes Chair of Young Liberals of Norway and member of Akershus county council
- MA in Economics from the University of Oslo



Martin Arvid Kolberg

- Lecturer on politics
- Past experience includes member of the Storting, member of the Standing Committee on Foreign Affairs and Defence, Chair of the Standing Committee on Scrutiny and Constitutional Affairs, state secretary at the Office of the Prime Minister and the Ministry of Defence, party secretary of the Labour Party, head of secretariat for the Labour Party's parliamentary group, member of Lier municipal council



Tom Henning Slethei

- Self-employed
- Chair of Jåsund Utviklingsselskap AS, Hummeren Hotell AS, Tananger Leilighetshotell AS, Risavika Handelseiendom AS, Myklebust Butikkeiendom AS,
- Stadionparken Næringseiendom AS, Hestholmen AS and Solakrossen 13 AS
- Past experience includes deputy mayor of Sola municipality, chair of the planning and building committee, chair of Sola Bredbånd, and board member at Forus Næringspark AS, Polarcus AS and IVAR IKS
- BA in business management from BI Norwegian Business School



Terje Bartholzen

- Mayor of Evenes municipality
- Chair of the general assembly of Hålogaland Ressurselskap IKS, chair of the airport committee for Harstad/Narvik Evenes airport, deputy chair of Evenes Labour Party
- Past experience includes deputy chair of Hålogaland Regional Council, chair of Evenes Labour Party, senior communications adviser for various clients around Norway with a focus on defence and public service, reporter and editor for the Norwegian Broadcasting Corporation for ten years
- MA in social sciences from Nord University 2017 and BA in comparative politics, public administration, and law from the University of Bergen



Terje Rogde

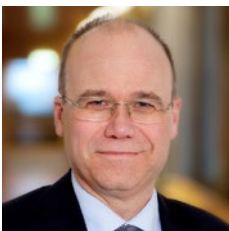
- Mayor of Hammerfest municipality
- CEO of G. Hagen AS
- CEO of Ossnor Hammerfest AS
- Brand manager at Swatch Group Nordic Certina



Anne Berit Lein

- Municipal councillor and municipal executive committee member in Steinkjer municipality
- Deputy director of forestry and land management for the County Governor of Trøndelag
- Past experience includes mayor of Steinkjer municipality from March 2020 to October 2023, employment at the Norwegian Directorate of Public Roads and the Norwegian Public Roads Administration
- MSc in land ownership at the Norwegian University of Life Sciences specialising in regional planning

Office of the Supervisory Council



Jan Frode Jakobsen

- Director
- Past experience includes CEO of pension fund Helseforetakenes Pensjonskasse, director of Oslo city council's secretariat, economic adviser, head of secretariat, committee secretary in the Storting, adviser at the Ministry of Finance and inspector at the Financial Supervisory Authority of Norway
- MBA from the Norwegian School of Economics and MSc from the London School of Economics

Siri Ekestad Bauge	Senior adviser
Lene Finkenhavn	Adviser
Peter Hideo Grutle	Special adviser
Kristian Magnus Langseth	Special adviser
Anne Gullhagen Larsen	Special adviser
Mats Leonhard Pedersen	Special adviser
Lise Taylor	Administrative co-ordinator

Contents of this report in relation to the Central Bank Act

Section 4-1 (4) of the Central Bank Act: “The Supervisory Council shall at least once a year submit to the Storting its statement on the supervision of Norges Bank. A copy of said statement shall be sent to the Ministry. The statement on the supervision of the Bank shall include, at a minimum, the following:	The topics listed in the act are covered by the following chapters of this report:
a) an account of how the supervision of the Bank has been organised;	Chapter 1 Supervision of Norges Bank Chapter 5 Organisation of the Supervisory Council's work
b) an account of completed supervisory activities and the Supervisory Council's priorities for its upcoming supervisory activities;	Chapter 1 Supervision of Norges Bank Chapter 4 Priorities for future work
c) an account of the supervision of the Bank's investment management activities;	Chapter 1 Supervision of Norges Bank
d) the Supervisory Council's assessment of the Executive Board's governance and control of the Bank's management and activities;	Main conclusion Chapter 1 Supervision of Norges Bank
e) an account of the Supervisory Council's efforts in relation to approval of the Bank's budget and adoption of its financial statements;	Chapter 2 Norges Bank's annual financial statements and budget
f) any particular comments merited by its supervision.”	Main conclusion

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Grønt Punkt Norge