

MINUTES OF THE EXECUTIVE BOARD MEETING OF 23 NOVEMBER 2016

Present:

Executive Board: Øystein Olsen, Jon Nicolaisen, Egil Matsen, Hilde Myrberg, Kjetil Storesletten, Karen Helene Ulltveit-Moe, Kathryn M. Baker and Steinar Juel

Deputy members: Arne Hyttnes and Kristine Landmark

Employee representatives: Mona H. Sørensen and Nina Larsson Midthjell (items 212-215)

Office of the Supervisory Council: Sverren-Erik Forsstrøm (items 209-210 and 212-215)

Management: Yngve Slyngstad (items 209-213), Trond Grande (items 209-210 and 212-215), Ole Christian Bech-Moen (items 209-210), Lise Lindbäck (items 209-210), Hege Gjerde (items 212-213 and 215), Merethe Riddervold (items 209-210, 212-213 and 215), Karsten Kallevig (items 212-213), Ivar Eriksen (items 212-213 and 215), Ørjan Agdesteen (items 213-215), Jannecke Ebbesen (items 214-215), Kristin Gulbrandsen (items 214-215 and 217), Ida Wolden Bache (item 216), Per Espen Lilleås (item 216), Ingrid Solberg (item 216), Olav Bø (item 217), Ketil J. Rakkestad (item 217), Ingrid Katrine Rogne (item 217), Birger Vikøren (items 209-215), Runar Malkenes (items 209-210), Ingunn Valvatne (items 209-210 and 212-215), Pål Haugerud (items 209-210 and 212-213), Bjarne Gulbrandsen (items 209-219), Olav Mundal (items 209-210 and 212-219)

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

- Minutes of the Real Estate Investment Board meeting of 27 October 2016
- Letter to the Committee for the Revision of the Norges Bank Act of 27 October 2016
- Government Pension Fund Global – Report and presentation from the quarterly meeting with the Ministry of Finance
- Report from the Audit Committee meeting of 24 October 2016
- Minutes of the Risk and Investment Committee meeting of 24 October 2016
- Minutes of the Risk and Investment Committee meeting of 14 November 2016
- NBIM Monthly Board Report – October 2016

209/2016 The Government Pension Fund Global's equity share – Letter to the Ministry of Finance

Discussion documents:

- Memo from NBIM of 18 November 2016

The Executive Board was presented with analyses and held provisional discussions on this matter at its seminars of 5 and 25 October and its meeting of 26 October.

Yngve Slyngstad and Ole Christian Bech-Moen presented the draft letter based on these analyses and the Executive Board's provisional discussions. Egil Matsen presented the topics that particularly drew the attention of the Risk and Investment Committee in its discussions on a previous draft.

The Executive Board discussed the matter thoroughly and decided to recommend to the Ministry of Finance that the equity share in the Government Pension Fund Global be increased to 75%. The Governor was authorised to finalise the letter to the Ministry based on the attached draft and the Executive Board's remarks at the meeting.

210/2016 Government Pension Fund Global – Investments in unlisted infrastructure

Discussion documents:

- Memo from NBIM of 18 November 2016

In its letter of 4 July 2016, the Ministry of Finance asked for Norges Bank's input on how investments in unlisted infrastructure might be organised and framed in the management mandate, how the risk might be managed operationally, and how the Bank might ensure good reporting and transparency on such investments. The Bank's input was also to include a review of how comparable funds have handled the special risks associated with investments in unlisted infrastructure.

Yngve Slyngstad presented the topic.

The Executive Board discussed the key elements of the discussion document and the way forward, and asked for the draft letter to be presented for final consideration in December.

211/2016 Briefing on current issues in investment management

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

212/2016 Minutes of the Executive Board meeting of 26 October 2016

The Executive Board approved the minutes of its meeting of 26 October 2016.

213/2016 Budget for 2017 for investment management at Norges Bank

Discussion documents:

- Memo from NBIM of 17 November 2016

- Memo from the Remuneration Committee of 22 November 2016

Trond Grande and Karsten Kallevig introduced the topic. Hilde Myrberg presented the Remuneration Committee's position on total staff costs and the limit for the accrual of performance-based pay in investment management.

The Executive Board discussed the proposed budget. At the Executive Board's request, information was provided on developments in costs and expenditure in relation to other funds.

The Executive Board approved the draft budget for 2017 for investment management at Norges Bank (Norges Bank Investment Management including Norges Bank Real Estate Management). As part of this overall budget decision, the Board approved the proposed budget for total staff costs including performance-based pay. The budget for performance-based pay is based on a continuation of the arrangement whereby up to 100 employees in investment management at the offices outside Norway may be given contracts with a limit for performance-based pay of up to 200% of fixed salary.

The proposed budget, including the proposed budget for operating expenses at operating companies in the Government Pension Fund Global's real estate management, is to be submitted to the Supervisory Council, together with the proposed budget for Central Banking Operations, for final approval, cf. item 215/2016.

The Governor was authorised to finalise a letter to the Ministry of Finance proposing a maximum management fee for the management of the Government Pension Fund Global in 2017 of 8 basis points.

214/2016 Action plan and proposed budget for 2017 for Central Banking Operations

Discussion documents:

- Memo from the Deputy Governor/Corporate and Shared Services' Finance Unit of 17 November 2016

Jon Nicolaisen and Ørjan Agdesteen introduced the topic.

The Executive Board exchanged views and asked a number of clarifying questions concerning adjustments due to external factors, new spending areas and the use of external comparisons of Norges Bank's expenditure, primarily in relation to the other Nordic central banks.

The Executive Board approved the proposed budget for 2017 for Central Banking Operations and took note of its action plan for 2017.

The proposed budget is to be submitted to the Supervisory Council, together with the proposed budget for investment management, for final approval, cf. item 215/2016.

215/2016 Proposed budget for 2017 for Norges Bank

Discussion documents:

- Memo from General Secretariat/Corporate and Shared Services' Finance Unit of 18 November 2016

Ørjan Agdesteen presented the draft budget.

The Executive Board exchanged views and approved the document Norges Bank Proposed Budget 2017. The proposed budget is to be submitted to the Supervisory Council for approval. The Governor was authorised to finalise the document based on the Executive Board's remarks.

It is assumed that the Supervisory Council will authorise the Executive Board to allocate budget funds within the approved limit for investment. The Executive Board will delegate authority to allocate funds within this limit to the Governor.

216/2016 Briefing on the current monetary situation

Jon Nicolaisen gave a briefing on the current monetary situation.

217/2016 Changes to the lending regulation

Discussion documents:

- Memo from Markets and Banking Services of 16 November 2016

The Executive Board approved changes to sections 10 and 7(2) of Regulation No. 240 of 25 February 2009 on the Access of Banks to Borrowing and Deposit Facilities in Norges Bank, etc.

218/2016 Briefing on current issues in Central Banking Operations

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

219/2016 Any other business

The Executive Board approved two adjustments to its meeting schedule for 2017. A revised meeting schedule will be sent out for the next meeting.

Executive Board members:

Executive Board alternates:

Employee representatives in respect of items 212-215: