



Norwegian Ministry of Finance

Adherence of the Government Pension Fund Global (GPFG) to the Santiago principles

February 2017



The Santiago Principles or Generally Accepted Principles and Practices (GAPP) are an initiative of the International Forum of Sovereign Wealth Funds (IFSWF).

The Principles recognise the importance of SWFs to demonstrate to their home countries and domestic stakeholders, to the countries in which they are invested and to the international financial markets in general that such investment vehicles are properly set up and that investments are made on an economic and financial basis.

The Principles are underpinned by the following guiding objectives for SWFs:

1. To help maintain a stable global financial system and free flow of capital and investment;
2. To comply with all applicable regulatory and disclosure requirements in the countries in which the SWFs invest;
3. To invest on the basis of economic and financial risk and return-related considerations; and
4. To have in place a transparent and sound governance structure that provides for adequate operational controls, risk management and accountability.

The Government Pension Fund Global (GPFG) does not constitute a separate legal entity. The Ministry of Finance has, thus, reviewed the legal and operational superstructure related to the management of the Fund.

This self-assessment documents the adherence of the GPFG to the Santiago Principles.

Key sources of information are highlighted for each principle. On the aggregate level the Ministry would like to draw the attention to the following formative documents, to which reference is made throughout:

[The Government Pension Fund Act \(GPFA\)](#)

[The Norges Bank Act \(NBA\)](#)

[The Management Mandate for the Government Pension Fund Global \(GPFG mandate\)](#)

[Guidelines for Observation and Exclusion from the Government Pension Fund Global](#)

[Regulation on Risk Management and Internal Control at Norges Bank \(Regulation on RM & IC\)](#)

[Regulation on Financial Reporting at Norges Bank \(Regulation on FR\)](#)

Further information on the Fund and the sources referred to in this self-assessment are available on the Ministry and Norges Bank websites:

Ministry of Finance website:

- www.regjeringen.no/en/dep/fin
- www.government.no/gpf
- www.government.no/gpfg

Norges Bank website:

- www.nbim.no/en
- www.norges-bank.no/en

GAPP Principle 1

The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).

- **GAPP 1.1 Subprinciple** *The legal framework for the SWF should ensure the legal soundness of the SWF and its transactions.*
- **GAPP 1.2 Subprinciple** *The key features of the SWF's legal basis and structure, as well as the legal relationship between the SWF and the other state bodies, should be publicly disclosed.*

Status: Implemented

The Norwegian Parliament has established the legal framework for the Government Pension Fund Global (GPFG) in the Government Pension Fund Act (GPFA). The Pension Fund Act describes the legal basis and governance structure of the Fund. The Ministry of Finance has been accorded formal responsibility for managing the Fund. The operational management is carried out by Norges Bank (the Central Bank of Norway). The legal framework of Norges Bank is decreed in the Norges Bank Act (NBA).

The GPFG does not constitute a separate legal entity and does not have its own executive board or administrative staff, but refers to a specific Norwegian krone deposit placed by the Ministry of Finance with Norges Bank. The stated management objective is to maximise the return on the Fund as measured in international currency, within a moderate level of risk. Within this overarching financial objective, the Fund shall be responsibly managed.

The GPFA requires the Ministry to lay down further regulations on the management of the Fund. The Ministry has issued such provisions in a separate management mandate to Norges Bank. The mandate describes the general investment framework for the Fund and stipulates requirements with regard to risk management, reporting and responsible management. Within the limits set by the Ministry, Norges Bank shall strive to achieve the highest possible return in international currency net of costs.

Sources: GPFA, NBA, GPFG mandate, Ministry website.

GAPP Principle 2

The policy purpose of the SWF should be clearly defined and publicly disclosed.

Status: Implemented

The purpose of the Government Pension Fund is to support government savings to finance the pension expenditure of the National Insurance Scheme and long-term considerations in the spending of govern-

ment petroleum revenues. The purpose is decreed in the Government Pension Fund Act. The Government Pension Fund consists of the Government Pension Fund Global (GPFG) and the Government Pension Fund Norway (GPFN). There is no transfer of capital between the GPFG and the GPFN.

Source: GPFA.

GAPP Principle 3

Where the SWF's activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency with the overall macroeconomic policies.

Status: Implemented

The income to the GPFG and the process for funding and withdrawal are outlined in the Government Pension Fund Act (GPFA). Income to the Fund comprises net cash flows from petroleum activities, which are transferred from the central government budget, the net results of financial transactions associated with petroleum activities and the return on Fund capital.

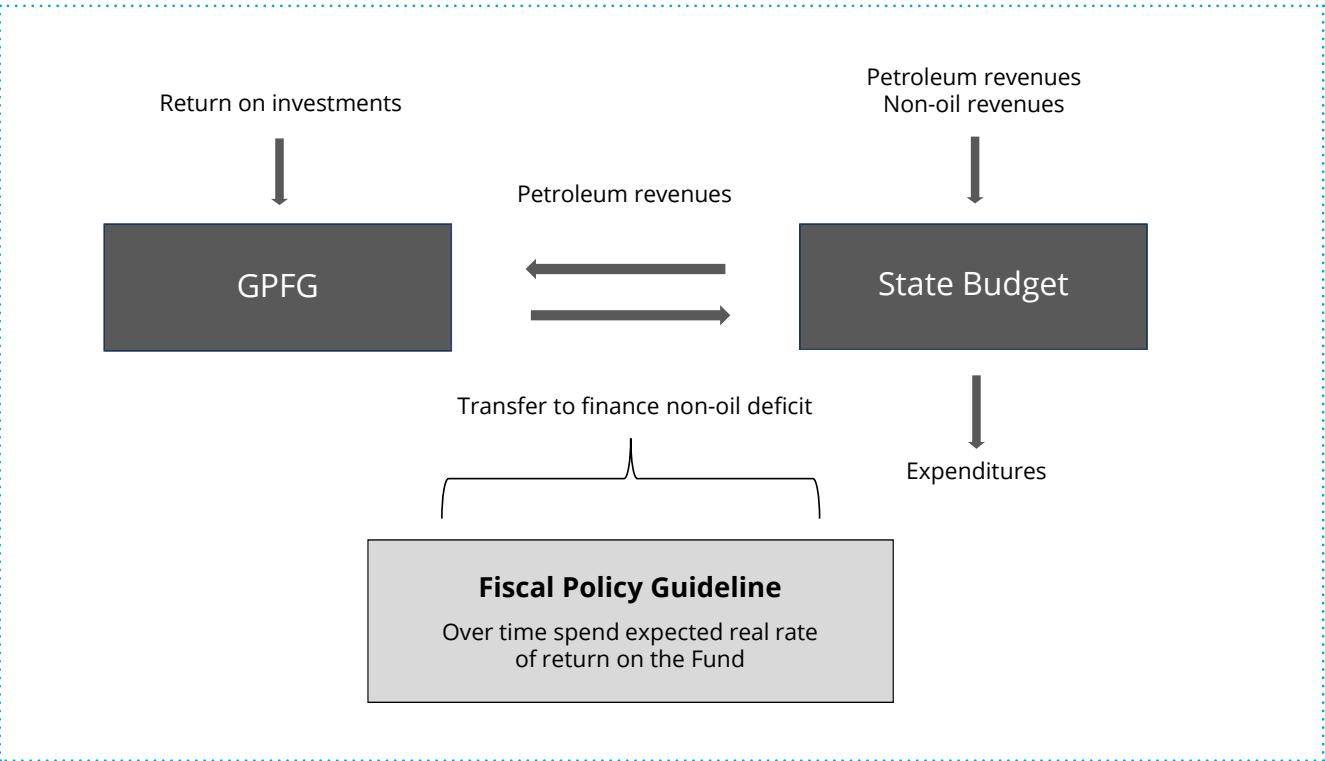
The capital in the GPFG may only be used for transfers to the central government budget pursuant to a resolution by the Norwegian Parliament. Such transfers shall cover the oil-adjusted budget deficit. Economic policy is based on a fiscal policy guideline, which states that the spending of petroleum revenues over the

central government budget over time shall be equal to the expected real rate of return on the Fund. The guideline is flexible, allowing for government spending to be contingent upon prevailing economic conditions.

The fiscal policy guideline supports preservation of wealth over time, thus serving to safeguard welfare for future generations. Whilst the capital of the Fund can only be spent once, the real return may fund a permanently higher level of government expenditure. The fiscal policy guideline supports the long time horizon of the Fund.

The GPFG is invested outside of Norway only. The capital of the Fund is not earmarked for specific purposes. The allocation of capital to the Fund forms part of a transparent and integrated budget process. As long as the State does not accumulate debt by borrowing to fund expenditure, accrual of capital in the GPFG reflects true financial savings on part of the State.

Sources: GPFA, Ministry website.



GAPP Principle 4

There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF's general approach to funding, withdrawal, and spending operations.

- **GAPP 4.1 Subprinciple** *The source of SWF funding should be publicly disclosed.*
- **GAPP 4.2 Subprinciple** *The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.*

Status: Implemented

The rules for funding and withdrawal are decreed in the Government Pension Fund Act and disclosed in the publications related to the central government

budgets and accounts. The rules are consistent with the macroeconomic purpose of the Fund to support general government savings and long-term considerations in the spending of petroleum revenues. Additional data on funding and withdrawals are presented in the National Accounts, chapter three. This document is available in Norwegian only.

Furthermore, Norway is EITI (Extractive Industries Transparency Initiative) compliant, please refer to;

<http://www.norskpetroleum.no/en/economy/transparency-eiti/>

Sources: GPFA, GPFG mandate, Ministry website.

GAPP Principle 5

The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macro-economic data sets.

Status: Implemented

Norges Bank reports on the results of the Fund on a quarterly basis. The quarterly and annual reports include figures on inter alia Fund performance and risk, market value and management costs and are

published on the website of Norges Bank. The asset manager further publishes live estimates of GPFG net asset value (NAV) on their website. All relevant data on the return on the Fund and assets under management are included in the central government accounts.

Sources: GPFG mandate, Regulation on FR, Norges Bank website.

GAPP Principle 6

The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives.

Status: Implemented

The Norwegian parliament has laid down the regulatory framework for the Fund in the Government Pension Fund Act (GPFA). The Ministry of Finance holds the formal responsibility for the management of the Fund and acts as the asset owner. The Ministry has issued general investment guidelines in a separate management mandate to Norges Bank. The Executive Board of Norges Bank is responsible for the asset management operations within the Bank. The Board consists of eight members appointed by the King in Council. The Governor of Norges Bank shall be chair and two Deputy Governors shall act as first and second deputy chair of the Executive Board. The second deputy chair has a particular responsibility for the GPFG.

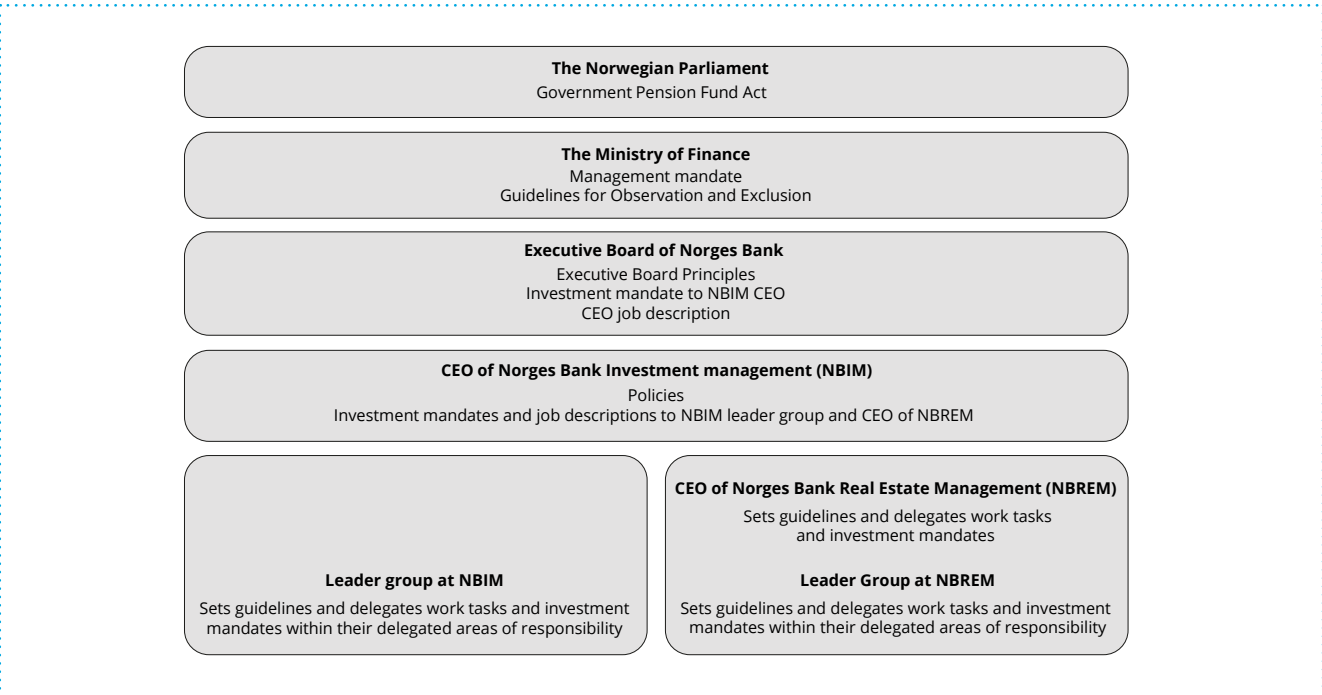
The Executive Board has issued supplementary governing documents for the management of the GPFG, and delegated the operational management of the Fund to the CEO of the asset management unit within the bank - Norges Bank Investment Management (NBIM). The real estate department of the asset management unit - Norges Bank Real Estate Management (NBREM)

- is organised as a separate entity with its own leader group to ensure capacity, specialist expertise and an organisation and investment culture tailored to investments in unlisted real estate. The CEO of NBREM holds the day-to-day responsibility for the entire real estate organisation. The CEO of NBIM maintains the overall responsibility for the operational management of the GPFG as a whole, including investments in unlisted real estate, cf. figure below.

The management mandate set by the Ministry of Finance stipulates that Norges Bank shall make investment decisions and exercise ownership rights independently of the Ministry.

The Ministry has also issued Guidelines for Observation and Exclusion of companies from the GPFG. Such ethically motivated guidelines are in place to reduce the risk of the Fund being invested in companies deemed in serious violation of fundamental ethical norms. The guidelines specify the process for observation, exclusion or readmittance of individual companies. Norges Bank receives recommendations on exclusion, observation or readmittance of companies from a separate Council on Ethics established by the Ministry. The final decision rests with the Executive Board of Norges Bank.

Sources: GPFA, GPFG mandate, Guidelines for Observation and Exclusion, Ministry and Norges Bank website.



GAPP Principle 7

The owner should set the objectives of the SWF, appoint the members of its governing body(ies) in accordance with clearly defined procedures, and exercise oversight over the SWF's operations.

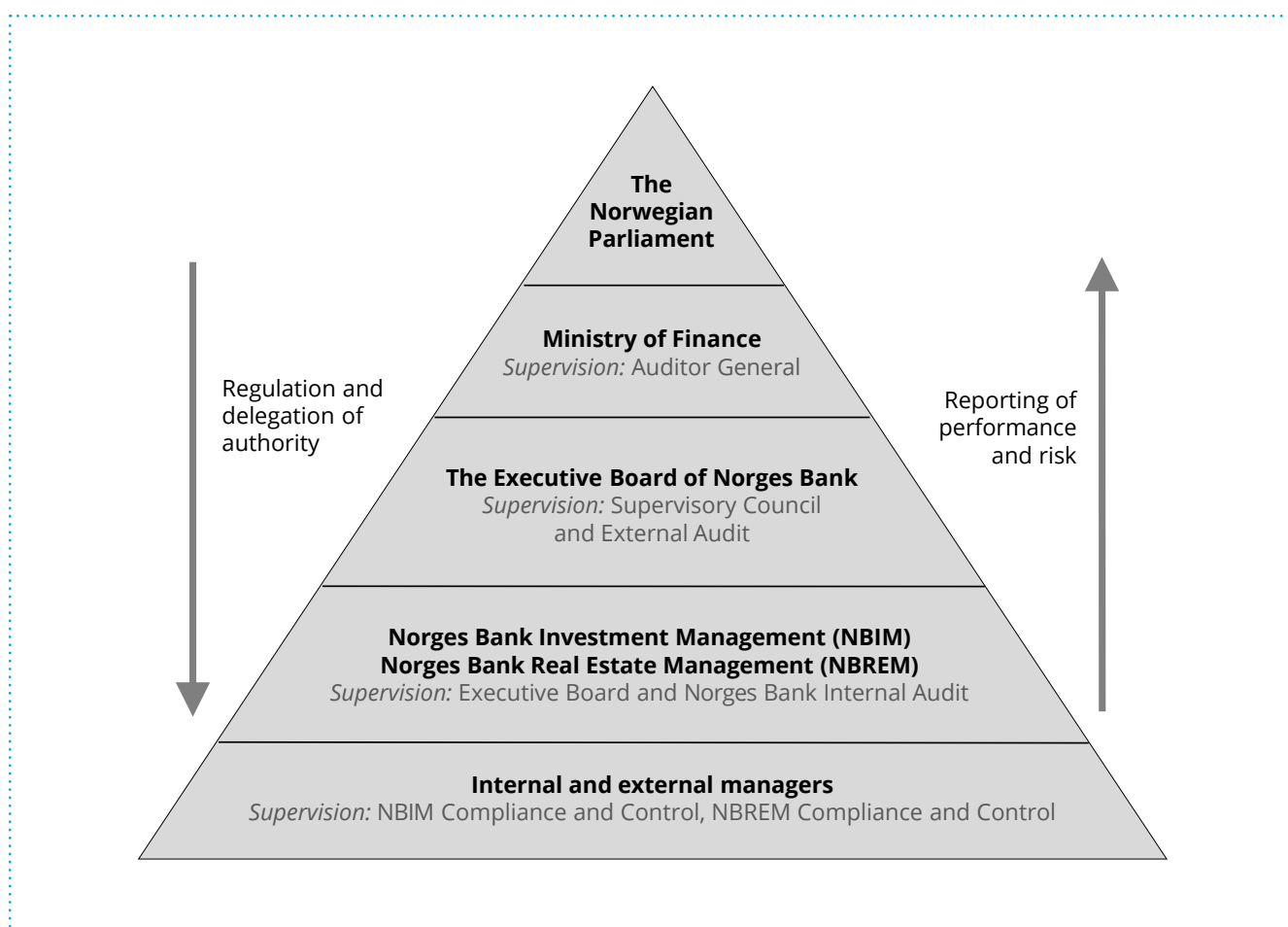
Status: Implemented

The hierarchy of regulation, supervision and reporting related to the management of the GPFG is outlined in the figure below. For information on the overall objective of the GPFG and division of roles and responsibilities between the Ministry and Norges Bank, cf. response to principle 1 and 6, respectively. Objectives have been set and appropriate supervisory functions established at all levels of the governance hierarchy. Provisions on the Ministry's supervision of the GPFG are decreed in the NBA and GPFA, and further specified in the management mandate issued to Norges Bank. The management of the GPFG is based on a governance structure in which the Norwegian Parliament, the Ministry of Finance, the Executive Board of Norges Bank and

dedicated asset management unit within the Central Bank (NBIM) hold different roles and responsibilities.

Important decisions pertaining to the overall level of risk in the Fund shall be anchored with Parliament. The Ministry adopts, based on the deliberations of Parliament, a general investment framework and provisions for the execution of the management assignment. An effort has been made to achieve an appropriate trade-off by requiring decisions of material importance to the overall risk level of the Fund to be submitted to Parliament for deliberation prior to implementation, whilst the management mandate to Norges Bank is more generally framed and based on principles. The provisions issued by the Ministry are supplemented by more detailed limits and regulations at the various decision-making levels. The governance model implies all in all a highly detailed regulation of the management of the GPFG.

Sources: GPFA, NBA, GPFG mandate, Ministry website.



GAPP Principle 8

The governing body(ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions.

Status: Implemented

See also response to principle 7. The authority of the governing bodies is decreed in various government legislation and regulations discussed elsewhere in this document. The management mandate issued by the Ministry to the Executive Board of Norges Bank seeks to ensure that the manager acts in the best interests of the Fund, and covers inter alia the management objective, strategic benchmark indices and corresponding risk limits, responsible investment practices, risk management, costs and reporting requirements. The management mandate also establishes the division of roles and responsibilities between the asset owner (the Ministry) and the operational manager (Norges Bank).

The Executive Board of Norges Bank has established a separate asset management unit - Norges Bank Investment Management (NBIM) - responsible for the execution of the Fund management. The real estate

department of the asset management unit - Norges Bank Real Estate Management (NBREM) - is organised as a separate entity with its own leader group. The CEO of NBIM holds the overall responsibility for the operational management of the Fund as a whole, including investments in unlisted real estate.

The Executive Board has issued supplementary regulations for the asset management including principles for risk management, investment mandate and job description to the CEO of NBIM. The CEO of NBIM is responsible for setting more detailed internal and external regulations and mandates for operational execution to the leader group of NBIM and to the CEO of NBREM. The Executive Board of Norges Bank is subject to supervision by the Parliament appointed Supervisory Council, which also appoints the external auditor of the Bank. The Supervisory Council reports annually to Parliament on its supervision of Norges Bank.

Sources: GPFA, NBA, GPFG mandate.

GAPP Principle 9

The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.

Status: Implemented

The Ministry has issued a mandate to Norges Bank detailing the operational management of GPFG within

clearly defined responsibilities. Norges Bank executes investment decisions and exercises ownership rights independently of the Ministry. See reply to principle 6, 7 and 8 for more details.

Sources: GPFA, NBA, GPFG mandate.

GAPP Principle 10

The accountability framework for the SWFs operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.

Status: Implemented

The accountability framework is laid out in the following legal documents: GPFA, NBA, GPFG mandate, Regulation on RM & IC and Regulation on FR. The Auditor General is responsible for the supervision of the Ministry of Finance. The Auditor General shall ensure that the Ministry's efforts related to the GPFG are in accordance with the decisions and intentions of the Norwegian Parliament.

The Parliament appointed Supervisory Council and the selected external auditor are responsible for the supervision of the Executive Board of Norges Bank. On behalf of the Executive Board the internal audit unit shall ensure that adequate and effective risk management and appropriate and satisfactory internal control are in place. The internal audit shall issue independent

and objective statements and provide advice concerning improvements in the risk management and control systems. The internal supervisory function within the asset management unit is carried out by NBIM and NBREM Compliance and Control Unit, respectively. The compliance and control units have authority to report independently to the Executive Board when required.

Furthermore, the mandate requires Norges Bank to report quarterly on the Fund management. The mandate stipulates minimum requirements for such reporting. The Ministry of Finance reports on the management of the Fund in a separate annual white paper to Parliament. These annual Fund reports are available on the Ministry website.

Sources: *GPFA, NBA, GPFG mandate, Regulation on RM & IC, Regulation on FR, Ministry and Norges Bank website.*

GAPP Principle 11

An annual report and accompanying financial statements on the SWF's operations and performance should be prepared in a timely fashion and in accordance with recognised international or national accounting standards in a consistent manner.

Status: Implemented

The financial statements are regulated by the Regulation on Financial Reporting at Norges Bank. Fund accounts are reported in accordance with IFRS. Performance figures shall be designed in compliance with the Global Investment Performance Standards (GIPS) methodology.

The mandate states minimum requirements as to the contents of quarterly and annual reports. The reports shall be based on the greatest possible degree of transparency within the limits defined by a sound execution of the management assignment. The reports shall consist of a descriptive part and extracts from the Bank's accounts concerning the management of

the Fund, and they shall be adopted in accordance with the current accounting regulations for Norges Bank. The descriptive part shall include a true and fair summary of the performance of the Fund, management costs, management strategies, value added by operational management and relevant risks within asset management, including utilisation of the limits defined in the mandate. In addition, an account shall be given of the organisation of the asset management. The Bank is to report on its responsible investment activities, including the integration of responsible investment into management activities, use of various measures and the effect of ownership efforts.

Norges Bank publishes annual and quarterly reports on the Fund management. The annual report is accompanied by separate annual reports on responsible investment and unlisted real estate, as well as a supplementary performance and risk report.

Sources: GPFG mandate, Regulation on FR.

GAPP Principle 12

The SWF's operations and financial statements should be audited annually in accordance with recognised international or national auditing standards in a consistent manner.

Status: Implemented

The Supervisory Council of Norges Bank appoints the external auditor. Norges Bank (and the GPFG accounts, cf. response to principle 1 and 10) is currently being audited by Deloitte.

Sources: NBA, Regulation on FR.

GAPP Principle 13

Professional and ethical standards should be clearly defined and made known to the members of the SWF's governing body(ies), management, and staff.

Status: Implemented

The Ministry of Finance has established and published clear ethical standards for all Ministry employees. These include principles of transparency, objectivity and independence, as well as restrictions on transac-

tions in financial instruments. Professional standards are as a rule defined at the point of employment.

Norges Bank has set clear ethical and professional standards, laid down ethical principles for its employees as well as supplementary conduct of business requirements.

Source: *Ministry and Norges Bank website.*

GAPP Principle 14

Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.

Status: Implemented

The general principles governing the relationship between Norges Bank and external managers of Fund assets are defined in the management mandate. The regulation on risk management and internal control states that Norges Bank bears the responsibility for risk management and internal control in relation to outsourced operations. This responsibility shall be established in written agreements ensuring that the governing bodies of Norges Bank are entitled to inspect and monitor outsourced operations. Norges

Bank shall further ensure that there is adequate expertise within the organisation to manage the outsourcing agreement(s).

Furthermore, the mandate stipulates that all dealings with third parties shall be in accordance with the economic interests of the Fund. The asset manager shall establish internal policies in accordance with the mandate and other legal requirements, including regulations on risk management and internal control. Procurements must comply with the Norwegian Act on Public Procurement and its regulations. The governing bodies of the asset manager monitor compliance accordingly.

Sources: *GPFG mandate, Regulation on RM & IC.*

GAPP Principle 15

SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.

Status: Implemented

The asset management unit of Norges Bank has established separate Compliance and Control (CC) units for NBIM and NBREM, respectively, which are charged with ensuring compliance with all applicable regulatory and disclosure requirements. The CC units seek

to build a comprehensive picture of all applicable rules through active dialogue with national regulators and other relevant authorities as well as from a wide range of information sources. The compliance risks associated with rules and regulations are managed and mitigated through a wide range of activities including comprehensive employee training as well as extensive reporting. The CC units may report material risks and conflicts of interest issues directly to the Executive Board of Norges Bank when required.

Source: *Norges Bank website.*

GAPP Principle 16

The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed.

Status: Implemented

The governance framework is transparent and publicly disclosed. Both the overall framework and objective are established by Parliament and laid down in legislation (GPFA). More specific elements of the division of responsibilities between owner and manager are set out in the management mandate issued by the Ministry of Finance (asset owner) to Norges Bank (oper-

ational manager). The mandate specifies that Norges Bank shall make investment decisions and exercise ownership rights independently of the Ministry. The Ministry submits an annual report to Parliament (white paper) on the management of the Fund. In addition to presenting the financial performance of the Fund, the report includes inter alia a thorough discussion of investment beliefs and the investment strategy. The report to Parliament also provides an account of the governance and supervision of the Fund. The Fund reports are publicly available on the Ministry website.

Sources: *NBA, GPFA, GPFG mandate, Ministry website.*

GAPP Principle 17

Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.

Status: Implemented

Norges Bank reports to the Ministry on a quarterly basis. Annual and quarterly reports are publicly dis-

closed. See response to principle 11 for further information as to the contents of such reports. Financial information is included in the notes to the annual report of Norges Bank. Relevant financial information is also included in the central government budget and the government accounts.

Sources: *GPFG mandate, Regulation on FR.*

GAPP Principle 18

The SWF's investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles.

- **GAPP 18.1 Subprinciple** *The investment policy should guide the SWF's financial risk exposures and the possible use of leverage.*
- **GAPP 18.2 Subprinciple** *The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they are selected and their performance monitored.*
- **GAPP 18.3 Subprinciple** *A description of the investment policy of the SWF should be publicly disclosed.*

Status: Implemented

The basis for the investment policy is decreed in the GPFA. The annual white paper submitted to Parliament by the Ministry of Finance reports on the development of the investment strategy of the Fund. The strategy is

founded on fundamental investment beliefs and the distinctive characteristics of the Fund, and is developed based on comprehensive professional assessments. The strategy is operationalised in the mandate set by the Ministry. The mandate specifies objectives, risk tolerance and investment strategy. The objective of the asset manager is to maximise long-term return net of costs measured in international currency, subject to given risk limits. The mandate also covers provisions on risk exposures, leverage, benchmark indices and the selection of external managers and service providers (outsourcing). Norges Bank has published additional information on its investment strategy, risk management approach and the investment mandate issued to the CEO of the separate asset management unit within the Central Bank, NBIM. NBIM has published policies on inter alia the use of external managers and on procurement.

Sources: *GPFA, GPFG mandate, Ministry and Norges Bank website.*

GAPP Principle 19

The SWF's investment decisions should aim to maximise risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds.

- **GAPP 19.1 Subprinciple** *If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed.*
- **GAPP 19.2 Subprinciple** *The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.*

Status: Implemented

The stated objective is to maximise long-term return net of costs measured in international currency, subject to specified risk limits. Within this overarching financial objective, the Fund shall be responsibly managed. See response to principle 18 for further details.

The Ministry has issued Guidelines for Observation and Exclusion from the Government Pension Fund Global based on ethically motivated criteria. The guidelines stipulate the process for observation and exclusion of individual companies from the GPFG investment universe. Norges Bank receives recommendations on exclusion, observation or readmittance of companies

from an independent Council on Ethics established by the Ministry. The final decision rests with the Executive Board of Norges Bank. The guidelines are publicly available.

The management mandate issued to Norges Bank requires a broad set of principles for responsible management of the GPFG investment portfolio to be established. The mandate further stipulates that the principles be based on the UN Global Compact, the OECD Guidelines on Corporate Governance and the OECD Guidelines for Multinational Enterprises.

The Ministry has further specified a government bond exclusion clause in the management mandate, stating that the Fund shall not be invested in fixed-income instruments issued by governments or government-linked entities in the exceptional cases where the Ministry has barred such investments based on particularly large-scale UN sanctions or other international initiatives of a particularly large scale that are aimed at a specific country and where Norway supports the initiatives.

Sources: *Guidelines for Observation and Exclusion, GPFG mandate, Norges Bank website.*

GAPP Principle 20

The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.

Status: Implemented

The GPFG is invested outside of Norway only. The investment management unit within the Central Bank has no access to any privileged information from the broader government. The governance structure of the Central Bank reflects the different nature and characteristics of the investment management activities that the Bank has been entrusted with. The investment management activities are organised as a separate wing of the Central Bank. Norges Bank has organised

its investment management activities to reflect recognised standards as to the division of responsibilities between the board and the company's executive officers and administration. The CEO of NBIM shall not take part in discussions by the management of Norges Bank concerning monetary and credit policy issues or international organisations' assessments of such issues. NBIM employees shall, to the extent possible, not have access to confidential information from other parts of Norges Bank. This restriction is part of the job description for the CEO of NBIM. See response to principle 6 for details on the governance structure.

Source: *Norges Bank website.*

GAPP Principle 21

SWFs view shareholder ownership rights as a fundamental element of their equity investments' value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.

Status: Implemented

See also response to principle 19. Norges Bank has established principles for the responsible management of Fund investments. The principles give priority to the areas of standard setting, ownership and risk management. Norges Bank will seek to influence companies in its role as a financially motivated shareholder, in accordance with the management mandate for the Fund. The Bank will exercise ownership to safeguard the long-term value of its portfolio. As minority shareholder in listed companies, ownership activities will be conducted according to priorities that take into account factors such as market, sector and company characteristics, the significance of the investment, ownership share and rank, and whether ownership activities are likely to be effective.

Ownership activities will primarily take the form of voting and company interaction. Norges Bank aims to vote at all shareholder meetings of companies in which the Fund is invested. Voting will be principle-based yet cater to the specific circumstances of the individual company. The Bank will report on its voting activities and may choose to publish vote decisions and rationales prior to meetings. Voting records are disclosed in full on the manager website.

NBIM has published documents on standard setting, voting position papers and voting guidelines, industry initiatives and investor expectations towards companies within specific areas. The expectations documents formulate expectations as to how companies should manage risk and report on relevant activities and serve as a starting point for company dialogue and the exercise of ownership rights. Issues for which expectations documents have been formulated include children's rights, climate change risk management, water management and human rights.

Sources: *GPFG mandate, Norges Bank website.*

GAPP Principle 22

The SWF should have a framework that identifies, assesses, and manages the risks of its operations.

- **GAPP 22.1 Subprinciple** *The risk management framework should include reliable information and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function.*
- **GAPP 22.2 Subprinciple** *The general approach to the SWF's risk management framework should be publicly disclosed.*

Status: Implemented

See also response to principle 18. The governing bodies of Norges Bank are responsible for monitoring the effectiveness of the risk management framework. The Bank's Internal Audit shall on behalf of the Executive Board ensure that there is adequate and effective risk management within the organisation and appropriate and satisfactory internal control. Internal Audit shall further make independent and objective statements

and provide advice concerning improvements in the risk management and control systems. The Executive Board of Norges Bank is supervised by the Parliament appointed Supervisory Council which also appoints the external auditor.

The Ministry of Finance is supervised by the Office of the Auditor General, which shall ensure that the Ministry's efforts in the management of the GPFG are in accordance with the decisions and intentions established by the Norwegian Parliament.

The Executive Board of Norges Bank has set principles for risk management in the separate asset management unit, NBIM. The principles are published on the website of the Bank. NBIM has further published policies on the management of market, credit and operational risk, respectively.

Sources: *GPFG mandate, Ministry and Norges Bank website.*

GAPP Principle 23

The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.

Status: Implemented

Fund performance is measured according to GIPS and reported to the asset owner (Ministry of Finance) on a quarterly basis. The benchmark indices are described in detail in the management mandate issued to Norges Bank.

Sources: *GPFG mandate, Regulation on FR, Norges Bank website.*

GAPP Principle 24

A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.

updated when required by amendments to the GAPP or changes in the management of the Fund.

Status: Implemented

The Ministry emphasises that the Fund operates in adherence to the GAPP. This self-assessment will be

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