



Norwegian Ministry of Finance

# Adherence of the Government Pension Fund Norway (GPFN) 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 Norway (GPFN) 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 GPFN 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 \(GPFA\)](#)

[Act on Folketrygdfondet](#)

[The Management Mandate for the Government Pension Fund Norway \(GPFN mandate\)](#)

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

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

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

**Further information on the Fund and the sources referred to in this self-assessment are available on the websites of the Ministry of Finance and Folke-trygdfondet:**

- [www.government.no/gpf](http://www.government.no/gpf)
- [www.ftf.no](http://www.ftf.no)

# 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 Norway (GPFN) 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 Folketrygdfondet. Folketrygdfondet is organised as a company of special statute and is wholly-owned by the Ministry of Finance. The legal framework for Folketrygdfondet is decreed in the Act on Folketrygdfondet.

The GPFN does not constitute a separate legal entity and does not have its own executive board or administrative staff, but refers to a specific capital deposit placed with Folketrygdfondet by the Norwegian Ministry of Finance. The stated objective is to maximise the return on Fund assets as measured in Norwegian kroner, within the applicable management framework. 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 Folketrygdfondet. 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, Folketrygdfondet shall endeavor to achieve the highest possible return in Norwegian kroner net of costs.

**Sources:** GPFA, Act on Folketrygdfondet, GPFN mandate, Ministry website.

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# 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**

There is currently neither inflow to nor withdrawals from the GPFN. The return on portfolio investments net of management costs is added to the Fund capital. The capital of the GPFN may only be used for transfers to the central government budget pursuant to a resolution by the Norwegian Parliament, as decreed in the Government Pension Fund Act.

**Source: GPFA.**

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## 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 capital base of the GPFN originates primarily from surpluses in the national insurance accounts subsequent to the introduction of the National Insurance

Scheme in 1967 and until the late 1970s. The legislation related to funding of and withdrawal from the GPFN is publicly available and decreed in the Government Pension Fund Act. The rules are consistent with the macroeconomic purpose of the Fund to support government savings to finance pension expenditures of the Norwegian National Insurance Scheme (NNIS). The income to the GPFN is the return generated by the Fund net of costs incurred by the operational manager (Folketrygdfondet). The return is added to the Fund on an ongoing basis. The capital in the GPFN may only be used for transfers to the central government budget pursuant to a resolution by the Norwegian Parliament.

**Sources: GPFA, GPFN mandate, Ministry website.**

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## 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 macroeconomic data sets.*

**Status: Implemented**

Folketrygdfondet reports on the performance of the Fund on a quarterly basis. The reports cover Fund performance, risk and costs and are published on the website

of Folketrygdfondet. The asset manager also publishes biannual listings of all investments, both equities and fixed income. The market value of the Fund forms part of the central government accounts. All relevant data on the return on the Fund and assets under management are included in the central government accounts.

**Sources: GPFN mandate, Folketrygdfondet and Ministry 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*

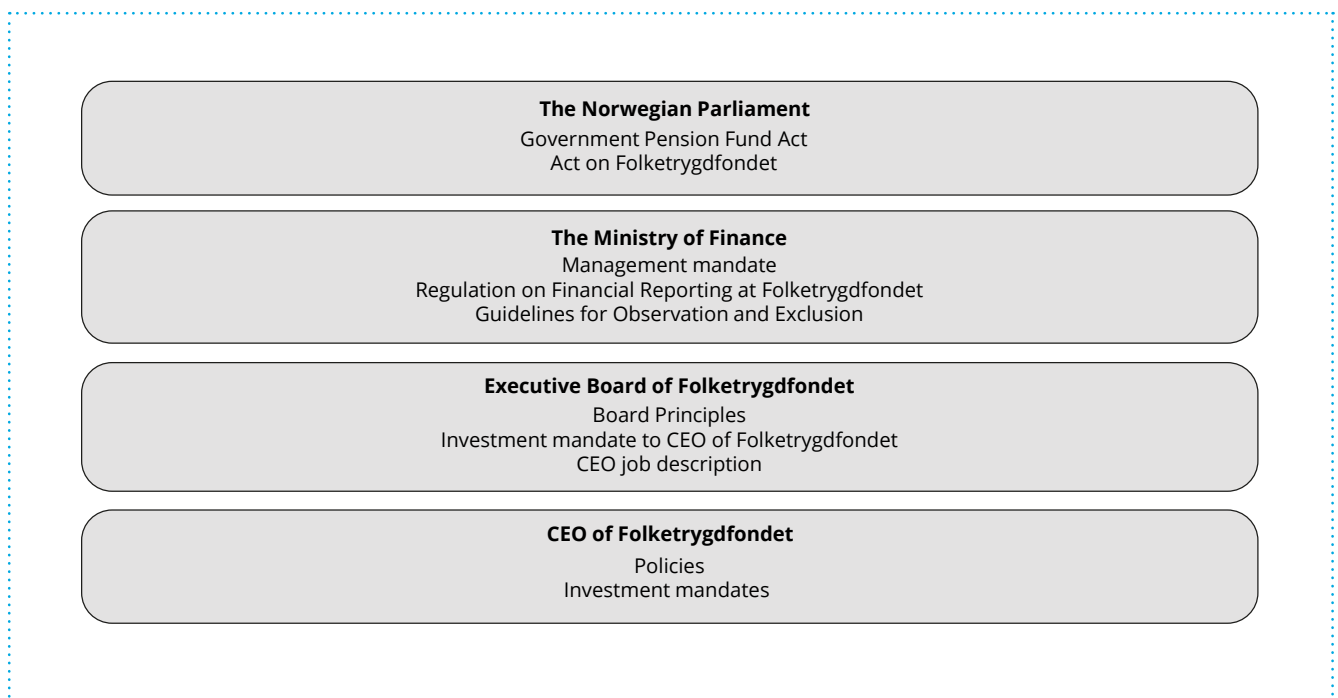
## **Status: Implemented**

The Norwegian parliament has laid down the regulatory framework for the GPFN 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 Folketrygdfondet. The Executive Board of Folketrygdfondet is responsible for the asset management operations at Folketrygdfondet, and consists of seven members and two regularly attending alternates appointed by the Ministry of Finance. The Board of Folketrygdfondet has issued supplementary governing documents for the management of the GPFN, and delegated the operational management of the Fund to the CEO of Folketrygdfondet.

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

The Ministry of Finance has further issued Guidelines for Observation and Exclusion of companies from the Government Pension Fund Global (GPGF). Decisions on exclusion (or reinclusion) of individual companies pursuant to these guidelines also pertain to the investments of the GPFN. The management mandate stipulates the responsibility of the Ministry to notify Folketrygdfondet of any exclusion or reinclusion of companies under the Guidelines for Observation and Exclusion from the GPGF. 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, cf. *Adherence of the GPGF to the Santiago principles* for more details.

**Sources: GPFA, Act on Folketrygdfondet, GPFN mandate, Guidelines for Observation and Exclusion.**





# 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**

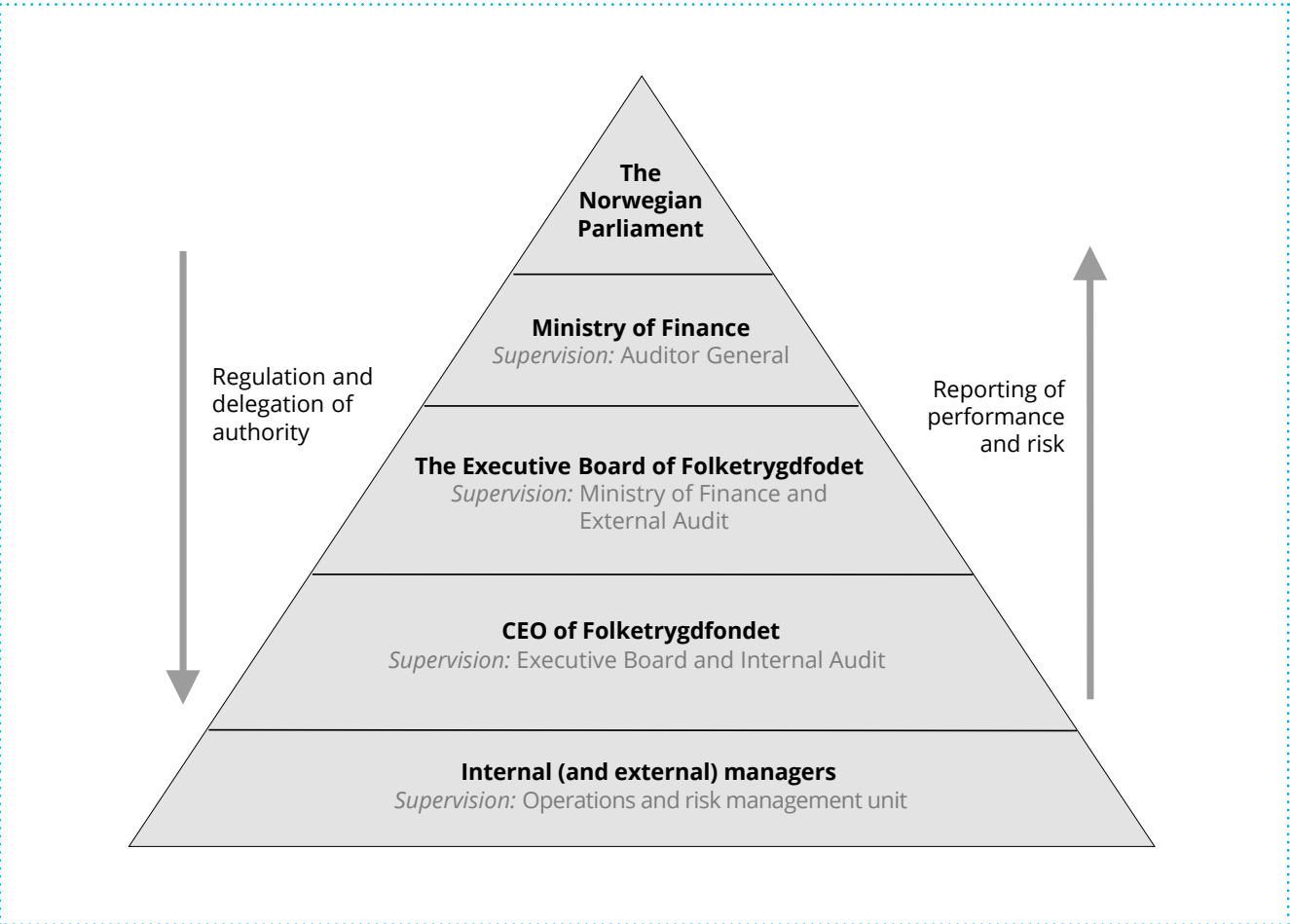
The asset owner (Ministry of Finance) has stated the overall investment objectives of the Fund in a management mandate issued to the operational manager (Folketrygdfondet). See response to principle 1 and 6 for further information on Fund objectives and division of roles and responsibilities in the management of the GPFN.

The hierarchy of regulation, supervision and reporting related to the Fund management is outlined in the figure below. Objectives have been set and appropriate supervisory functions established at all levels of the governance hierarchy. Provisions on the Ministry's supervision of the GPFN are decreed in the the GPFA and Act on Folketrygdfondet, and further specified

in the management mandate issued to Folketrygdfondet. The management of the GPFN is based on a governance structure in which the Norwegian Parliament, the Ministry of Finance, the Executive Board and administration of Folketrygdfondet 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. 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 GPFN.

**Sources:** GPFA, Act on Folketrygdfondet, GPFN mandate, Folketrygdfondet and 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 Folketrygdfondet 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 a clear division of roles and responsibilities between the asset owner (Ministry of Finance) and the operational manager (Folketrygdfondet).

Folketrygdfondet is organised as a company of special statute under the Ministry of Finance. The Ministry selects the external auditor and appoints the Execu-

tive Board of Folketrygdfondet. The Executive Board is responsible for the execution of the management assignment and appoints the internal audit and the CEO of Folketrygdfondet.

The Executive Board has issued supplementary provisions for the asset management, including principles for risk management, investment mandate and job description to the CEO of Folketrygdfondet. The CEO of Folketrygdfondet is responsible for the day-to-day management of the GPFN.

The Executive Board receives extensive reports on the risk and return on the Fund, compliance and internal control on a quarterly basis. Monthly reports to the Board may be brief and shall document changes to the portfolio composition and developments in the risk and return of the Fund as a whole and for the sub-portfolios separately.

**Sources:** GPFA, GPFN mandate, website of Folketrygdfondet.

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# 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 Folketrygdfondet detailing the management assignment of GPFN within clearly defined responsibilities. Folketrygdfondet exe-

cutes investment decisions and exercises ownership rights independently of the Ministry within the limits of the management framework. See reply to principle 6, 7 and 8 for more details.

**Sources:** GPFA, GPFN mandate.

# GAPP Principle 10

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

## **Status: Implemented**

The accountability framework is stipulated in various legal documents, including the GPFA, Act on Folketrygdfondet, GPFN mandate and Regulation on FR.

The Parliament-appointed Office of 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 GPFN are in accordance with the decisions and intentions of the Norwegian Parliament. The Ministry of Finance submits a separate annual white paper to Parliament on the management

of the Government Pension Fund. These annual Fund reports are available on the Ministry website.

The Ministry of Finance and external auditor are responsible for the supervision of the Executive Board of Folketrygdfondet. The mandate states that Folketrygdfondet to the extent suited shall comply with the Regulation on Internal Control and Risk Management drafted by the Financial Supervisory Authority of Norway. The Internal Audit is an independent and objective supervisory function that on behalf of the Executive Board assesses whether there is adequate and effective risk management as well as appropriate and satisfactory internal control within the organisation.

**Sources:** GPFA, Act on Folketrygdfondet, GPFN mandate, Regulation on FR, Folketrygdfondet and Ministry website.

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# 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 reported in accordance with International Financial Reporting Standards (IFRS). Performance figures shall be designed in compliance with the Global Investment Performance Standards (GIPS) methodology.

The management mandate issued to Folketrygdfondet states minimum requirement as to the contents of quarterly and annual reports, and further articulates that there shall be the greatest possible transparency within the limits defined by a sound execution of the management assignment. The reports shall consist of a descriptive part and extracts from Folketrygdfondet's

accounts concerning the management of the Fund, and they shall be adopted in accordance with the current accounting regulations for Folketrygdfondet. 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 investment management. Folketrygdfondet is to report on its responsible management activities, including the integration of principles for responsible investment into the organisation, the use of various measures and the effect of ownership efforts.

**Sources:** GPFN mandate, Regulation on FR at Folketrygdfondet.



## 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 Act on Folketrygdfondet states that the external auditor of Folketrygdfondet is appointed by the Min-

istry of Finance. Folketrygdfondet is currently being audited by Ernst & Young. The financial statements are regulated by the Norwegian GAAP and Regulation on Financial Reporting at Folketrygdfondet. See response to principle 11 for further information.

**Sources:** *Act on Folketrygdfondet, Regulation on FR at Folketrygdfondet, website of Folketrygdfondet.*

## 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.

Folketrygdfondet has established ethical and professional standards and laid down ethical rules for its employees, including rules on advance approval and reporting requirements on transactions in financial instruments.

**Source:** *Folketrygdfondet and Ministry 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 Folketrygdfondet and external managers of Fund assets are defined in the management mandate. Folketrygdfondet may make use of external managers and outsource operational functions as long as risk management and internal control considerations are

attended to. Agreements with external managers shall be designed in order to safeguard the economic interests of the GPFN and shall further take into account the time horizon of the relevant investment strategies. At present, Folketrygdfondet does not employ external managers in the management of GPFN. The mandate states that Folketrygdfondet, to the extent suited, shall operate in compliance with the Regulation on Internal Control and Risk Management drafted by the Financial Supervisory Authority of Norway.

**Sources:** *GPFN Mandate, website of Folketrygdfondet.*

# 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 legal department and department for operations and risk management are charged with ensuring compliance with all applicable regulatory and disclosure requirements of the countries in which the Fund is invested.

*Sources: GPFN mandate, website of Folketrygdfondet.*

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# 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 objectives are established by Parliament and laid down in legislation (GPFA). More specific elements on the division of responsibilities between owner and manager are set out in the management mandate issued by the Ministry of Finance (asset owner) to Folketrygdfondet (operational manager). The mandate stipulates that Folketrygdfondet 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, such reports cover inter alia a thorough discussion of investment beliefs and the investment strategy. The report to Parliament also includes an account of the governance and supervision of the Fund. The Fund reports are publicly available on the Ministry website.

*Sources: GPFA, Act on Folketrygdfondet, GPFN 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**

Folketrygdfondet reports to the Ministry of Finance on the performance of the Fund on a quarterly basis.

Annual and quarterly reports are publicly disclosed. See response to principle 11 for further information as to the contents of such reports. Relevant financial information is also included in the government budget and the government accounts.

*Sources: GPFN mandate, Regulation on FR, Folketrygdfondet and Ministry website.*

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# 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 investment beliefs and the distinctive characteristics of the Fund. The strategy is

operationalised in the management 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 Norwegian kroner, subject to the specified risk limits.

The mandate also covers provisions on risk exposures, leverage, benchmark indices and outsourcing. Folketrygdfondet has published additional information on its investment strategies and risk management approach. Furthermore, the mandate stipulates that all dealings with third parties shall be in accordance with the economic interests of the Fund. At present, Folketrygdfondet does not employ external managers in the management of GPFN. Folketrygdfondet may, however, make use of external managers and outsource operational functions as long as risk management and internal control considerations are attended to.

*Sources: GPFA, GPFN mandate, Folketrygdfondet and Ministry 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** *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 Norwegian kroner, subject to specified risk limits. Within this overarching financial objective, the Fund shall be responsibly managed.

The Ministry of Finance has issued Guidelines for Observation and Exclusion from the Government Pension Fund Global (GPGF) based on ethically motivated criteria. Such guidelines are in place to reduce the risk of being invested in companies deemed in serious violation of fundamental ethical norms. The guidelines stipulate the process for observation and exclusion of individual companies from the GPGF investment universe. The guidelines are publicly disclosed. Decisions on exclusion (or reinclusion) of individual companies pursuant to these guidelines also

pertain to the investments of the GPFN. The management mandate stipulates the responsibility of the Ministry to notify Folketrygdfondet of any exclusion or reinclusion of companies under the Guidelines for observation and exclusion from the GPGF.

The management mandate issued to Folketrygdfondet requires a broad set of principles for responsible management of the GPFN investment portfolio to be established. The mandate further states that such principles be based on recognised principles and standards, such as Norwegian Code of Practice for Corporate Governance (NUES), UN Global Compact, the OECD Guidelines on Corporate Governance and the OECD Guidelines for Multinational Enterprises. According to the mandate, Folketrygdfondet shall take into account the investment strategy and long time horizon of the investment portfolio in the design of the principles for responsible management.

Folketrygdfondet has published a set of ownership principles and expectations documents on specific topics to ensure transparency and predictability in the exercise of ownership rights associated with Fund investments. The overall objective for the exercise of ownership rights is to safeguard the financial interests of the Fund in the long term.

**Sources:** *GPFN mandate, Guidelines for Observation and Exclusion, website of Folketrygdfondet.*

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# 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 GPFN is managed by a separate asset manager. The division of roles and responsibilities between the Ministry of Finance (asset owner) and Folketrygdfondet (operational manager) entails that Folketrygdfondet has no access to privileged information from the

broader government. Folketrygdfondet makes investment decisions based on publicly available information. In the event that Folketrygdfondet as an investor or potential investor obtains privileged information, laws and regulations as well as internal guidelines are abided by to make sure that (i) such information is not abused in investment decisions and (ii) confidentiality is observed.

**Sources:** *GPFA, GPFN mandate, website of Folketrygdfondet.*

# 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**

The rationale for the exercise of ownership rights is to safeguard the financial interests of the GPFN in the long run. High financial return over time is considered to be conditional upon sustainable development in economic, environmental and social terms, as well as well-functioning, legitimate and effective markets. The mandate requires that Folketrygdfondet's approach to the responsible management of portfolio investments be based on recognised principles and standards, cf. response to principle 19 for further information.

The mandate states that Folketrygdfondet is to publicly disclose the principles for responsible management and the use of measures to underpin such efforts. The operational manager has also defined key ownership issues considered of particular financial relevance, including (i) capital structure and strategy, (ii) board composition, (iii) executive remuneration, (iv) sound corporate governance and (v) reporting and transparency. Folketrygdfondet exercises the ownership rights associated with Fund investments through various measures, including company engagement, voting at general meetings and participation in nomination committees.

The Executive Board of Folketrygdfondet gives prominence to a high degree of transparency in the exercise of ownership rights associated with the GPFN portfolio investments. An account of Folketrygdfondet's ownership efforts is published with the annual report. Information on the exercise of ownership rights is published on the website of Folketrygdfondet.

*Sources: GPFN Mandate, website of Folketrygdfondet.*



# 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**

The management mandate issued by the Ministry of Finance stipulates inter alia the benchmark indices and permitted deviations from such indices, and further requires the Executive Board of Folketrygdfondet to set supplementary risk limits for the investment activities. The mandate states that Folketrygdfondet shall establish principles for valuation, performance measurement and the management, as well as measurement and control of risk that, at a minimum, adhere to internationally recognised standards and methods. Folketrygdfondet shall have routines for reporting risk and exposures in the areas covered in the mandate set by the Ministry, including market risk and credit risk, counterparty exposure and operational risk.

The Executive Board holds the overall responsibility for organising the risk management and defining the risk appetite of Folketrygdfondet, within the limits set out in the mandate issued by the Ministry. The Board has published principles for such risk management. The Board has further stated that the risk management and internal control of Folketrygdfondet to the

extent suited be based on the following frameworks and standards:

- a. Regulations laid down the Financial Supervisory Authority of Norway
  - i. *Regulation on Risk Management and Internal Control*
  - ii. *Regulations on use of Information and Communication Technology (ICT)*
- b. *Enterprise Risk Management — Integrated Framework*; published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO)
- c. *Framework for Internal Control Systems in Banking Organisations*; published by the Basel Committee on Banking Supervision – BIS
- d. *Principles for the Sound Management of Operational Risk and the Role of Supervision*; drafted by the Basel Committee on Banking Supervision BIS

The risk management framework of Folketrygdfondet includes procedures for risk identification, assessment and monitoring. In the event that a particular risk factor falls outside the risk tolerance level, further action will be taken to mitigate or avoid such risks. The principles for risk management and internal control of the Executive Board are publicly disclosed.

See also response to principle 10 and 18.

**Sources:** *GPFN Mandate, website of Folketrygdfondet.*

## 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**  
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Fund performance is measured in accordance with GIPS and reported to the asset owner on a quarterly basis. The benchmark indices are described in detail in the management mandate issued to Folketrygdfondet.

*Source: GPFN Mandate.*

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## 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.*

**Status: Implemented**  
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The Ministry emphasises that the Fund operates in adherence to the GAPP. This self-assessment will be updated when required by amendments to the GAPP or changes in the management of the Fund.

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