



NORWEGIAN MINISTRY OF FINANCE

Norway's Sovereign Wealth Fund

(Government Pension Fund – Global)

Paris, 28 March 2008

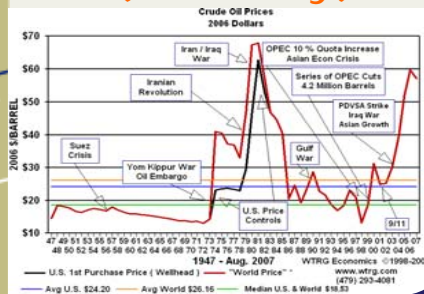
Tore Eriksen
Secretary General

Petroleum revenue management – some key challenges

1. Exploration/
Extraction
(high tech,
capital intensive,
incentives)



2. Oil price
(volatility)



3. Total cash flow



multinationals

national oil
company

taxes/
royalties

4. Government
take
(percentage,
policy mix,
risk profile)

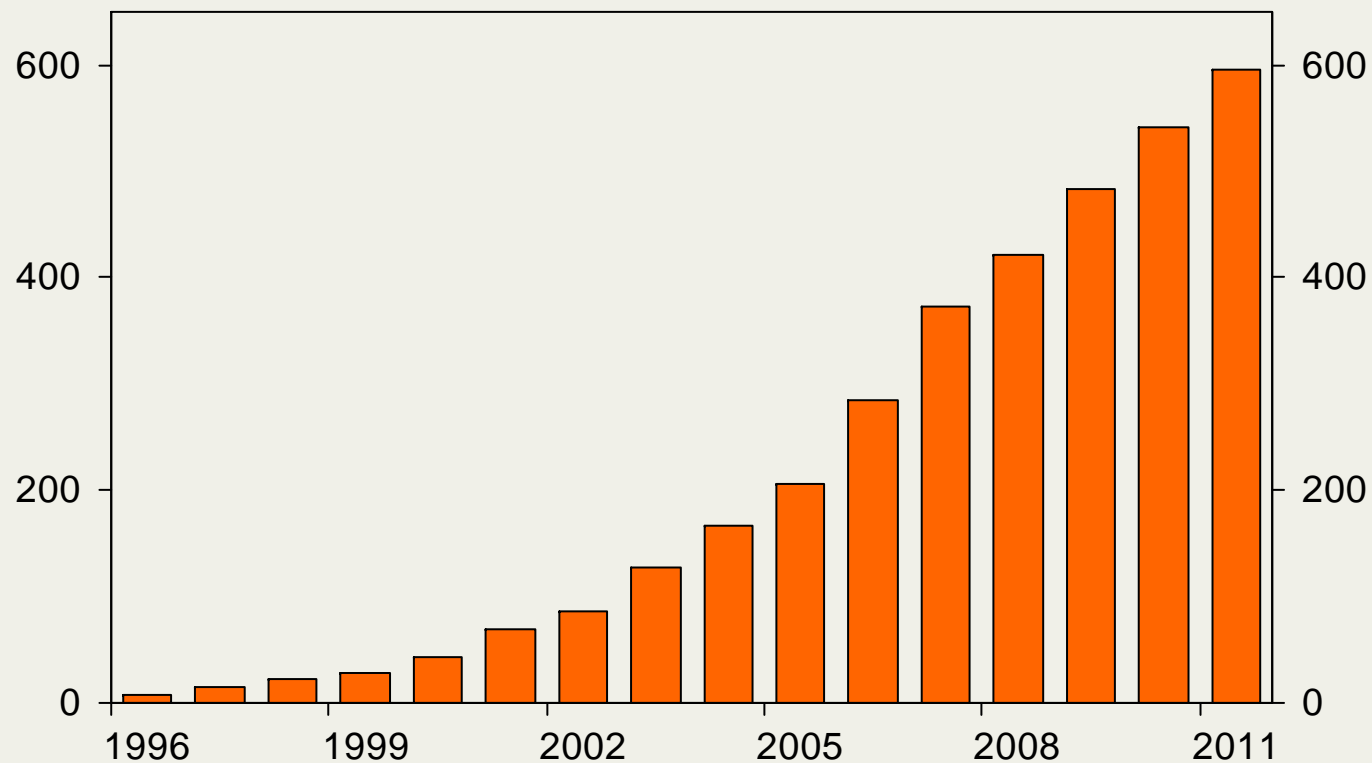
5. Petroleum fund?
(revenues or
asset swap?,
time structure
and volatility,
investments
abroad?)

6. state budget
(fiscal and
monetary
policy

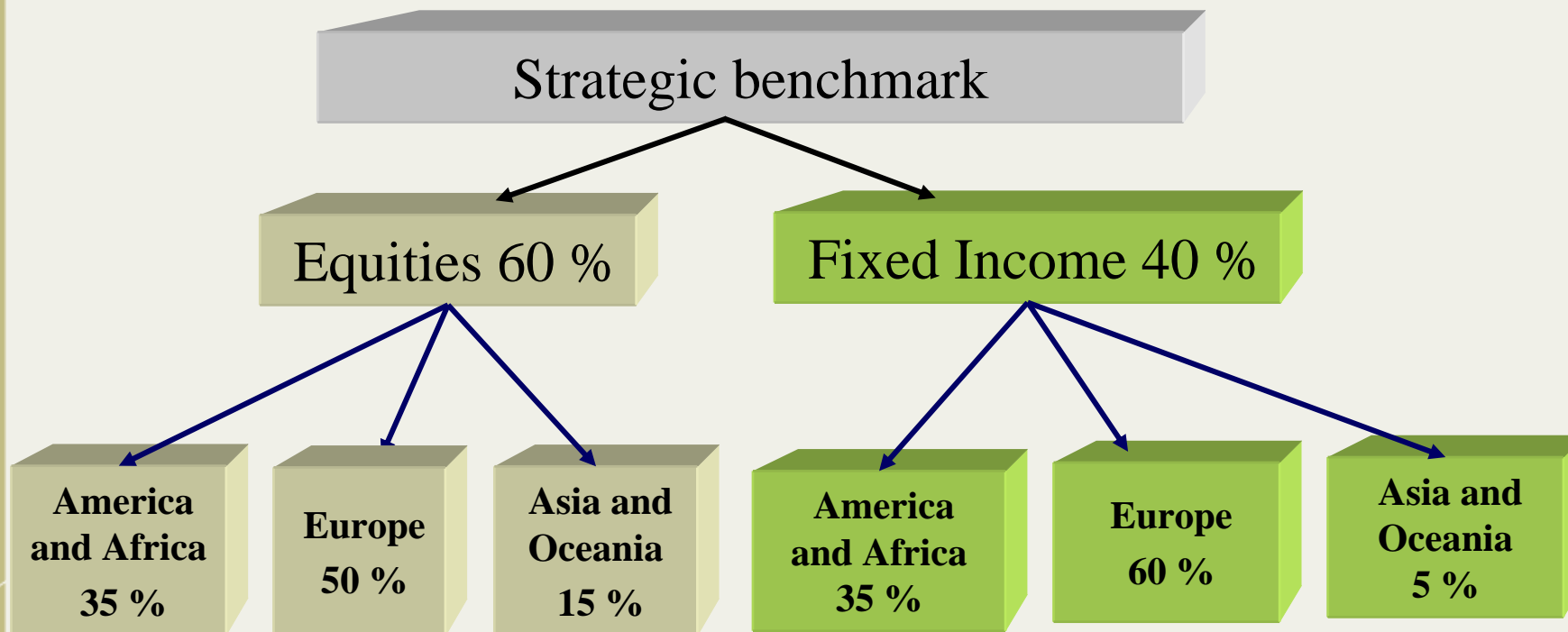
=> spending rule to
keep non-oil
economy fit?)

PFG is among the largest (and fastest growing) funds in the world

-The Fund's market value. Billion USD, year end.



Benchmark for the Pension Fund – Global



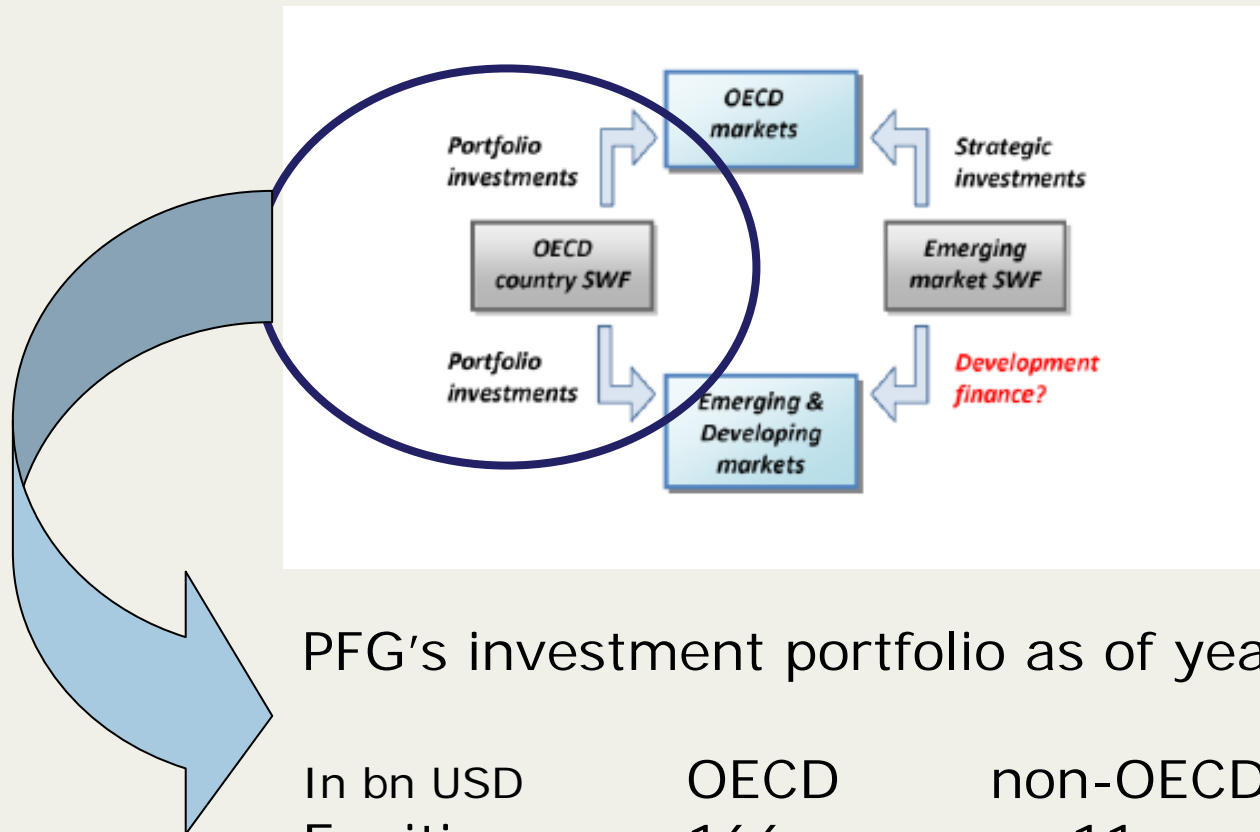
Equity index:

FTSE All-Cap Index
Approx. 7000 equities

Fixed income index:

Lehman Brothers Global Aggregate/Global Real
Government / Agency / Corporate / Securitized
Approx. 7500 bonds

Actual Asset allocation year end 2007

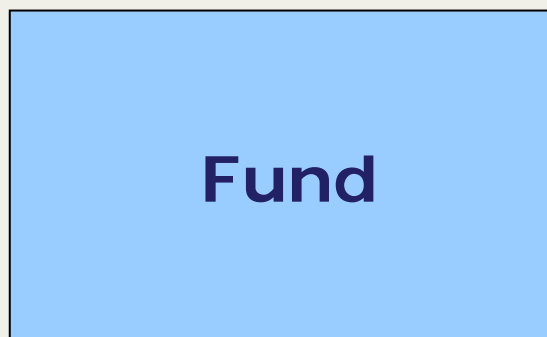


PFG's investment portfolio as of year end 2007

In bn USD	OECD	non-OECD
Equities	166	11
Bonds	192	4
Sum	358	15

The Fund mechanism – integrated with fiscal policy

Return on investments



Petroleum
revenues



Transfer to finance
non-oil budget
deficit

Revenues



Expenditures

- consumption
- investment
(infrastructure, human
capital)

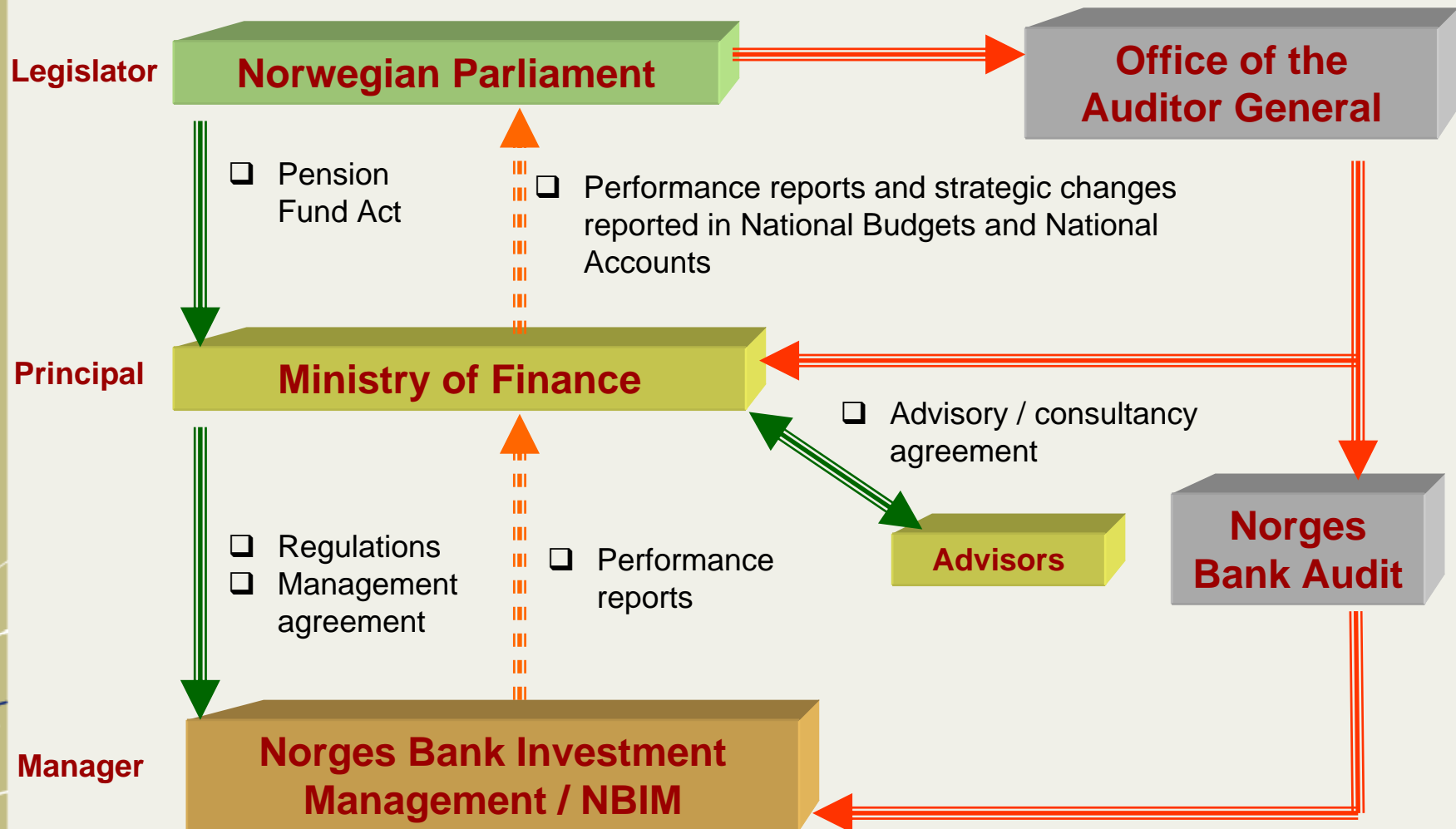


Fiscal policy guideline

(over time spend real return of the fund,
approximately 4%)

Pension Fund - Global Governance Structure

Founded on Act, regulations and separate contracts



Asset management: Clear lines of responsibilities

- Ministry of Finance – “Owner”
 - ✓ overall responsibility
 - ✓ strategic asset allocation (benchmark + risk limits)
 - ✓ monitoring and evaluating operational management
 - ✓ ethical guidelines
 - ✓ reports to Parliament
- Central Bank – “Manager”
 - ✓ implement investments strategy (benchmark)
 - ✓ active management to achieve excess return
 - ✓ risk control and reporting
 - ✓ exercise the Fund’s ownership rights
 - ✓ provide professional advice on investment strategy

Ethical guidelines and corporate governance

Two main ethical obligations:

- 1) The obligation to ensure sound financial returns so that future generations will benefit from the petroleum wealth.
- 2) The obligation to respect fundamental rights for those who are affected by the companies in which the Fund invests.
 - ✓ exercise ownership rights – corporate governance
 - ✓ avoid investments in companies whose practices constitute an unacceptable risk that the Fund is or will be complicit in grossly unethical activities



Norway's position in the debate on SWF

- We support the IMF, with the collaboration of relevant partners, in drawing up best practice guidelines for SWF.
 - ✓ transparency a key issue
- Furthermore, we support the OECD in establishing best practice guidelines for recipient countries of SWF-investments.
 - ✓ openness to investment and equal treatment of investors a fundamental principle
 - ✓ legitimate concerns related to national security
- We see no cause for regulations that would restrict the present investment activities of our Fund, or any regulation imposing restrictions on SWF over and above those applying to non-SWF investors

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Links

Ministry of Finance

- www.regjeringen.no/en/dep/fin

Government Pension Fund

- www.government.no/gpf

Norges Bank Investment Management

- www.nbim.no

Council on Ethics

- www.etikkradet.no