Unofficial and preliminary

translation from Norwegian

DRAFT REGULATIONS ON THE MANAGEMENT OF THE GOVERNMENT PENSION FUND – GLOBAL

31 August 2009

Regulations on management of the Government Pension Fund – Global
Adopted by the Ministry of Finance on xx.xx.2009 pursuant to the Act on the Government Pension Fund, Section 2 second paragraph and Section 7

Chapter 1. General provisions

Section 1-1. Norges Bank's management tasks

(1) The Ministry of Finance places the Government Pension Fund – Global in the form of a Norwegian krone deposit with Norges Bank (the Bank) in accordance with the Act of 21 December 2005 no. 123 relating to the Government Pension Fund, Section 2, second paragraph.

(2) The Bank shall manage the capital in accordance with these regulations and other provisions laid down by the Ministry of Finance. Within the limits of the investment framework, the Bank shall strive to achieve the maximum possible return after costs. The return on the equity and fixed income portfolio shall be measured in the currency composition of the actual benchmark portfolio, cf. Section 3-5. The return on the real estate portfolio shall be measured in the currency composition of the return objective, cf. Section 4-4.

(3) Within the limits set out in the regulations, the Bank shall make investment decisions independently of the Ministry of Finance.

Section 1-2. Investment of the assets

(1) The Ministry of Finance's Norwegian krone deposit (the capital) shall be placed in a separate account in the Bank. The Bank shall reinvest the capital in its own name in

financial instruments, real estate and cash deposits denominated in foreign currency in accordance with these regulations.

(2) The Bank's book return on the portfolio, less management fee to the Bank, shall be added to the Ministry of Finance's separate account.

Section 1-3. Strategic plan for the Bank's management of the Government Pension Fund – Global

(1) The Bank shall prepare a strategic plan for its management of the Government Pension Fund – Global. This plan shall be updated at least every three years and in the event of significant changes to the management.

(2) The plan for the equity and fixed income portfolio (cf. Chapter 3), shall, as a minimum, include:

a) an account of how the Bank intends to ensure cost-efficient phasing-in of new capital in the markets
b) an account of how the Bank intends to achieve an actual return that reflects the return on the benchmark portfolio in a cost-efficient manner
c) an account of the key strategies in the Bank's management aimed at achieving a rate of return in excess of that of the benchmark portfolio (active management) and risk budgets for these strategies. It should be demonstrated that the strategies will yield a positive expected excess return
d) an account of the Bank's analyses of expected returns and risks in different asset classes and the Bank's contribution to the development of the Fund's investment strategy
e) an account of how ownership will be exercised and how this will help ensure fulfilment of the objectives for the management, and how the Bank will integrate environmental and social issues and corporate governance into the management

(3) The plan for the real estate portfolio (cf. Chapter 4), shall, as a minimum, include:

a) analyses of different segments of the property markets with estimates of expected returns and risks
b) an explanation of the choice of investment strategy and how the investments are to be executed
c) a review of the current investments in the real estate portfolio and an account of how the new strategic plan will complement the existing portfolio
d) an account of the use of leverage for the entire real estate portfolio, different investment options and countries, and the impact of leverage on risk in the real estate portfolio
e) structure for the delegation of authority in the real estate management

(4) The Bank shall regularly undertake a written evaluation of the extent to which the goals in the strategic plan have been met, including an evaluation of realised investments and performance compared with previous strategic plans.

Section 1-4. The Bank's advisory duty and right to express an opinion to the Ministry of Finance

(1) The Bank shall advise the Ministry of Finance on the need for changes in the guidelines for the management of the Fund. Advice may be provided on the initiative of the Bank or on request from the Ministry of Finance.

(2) The Bank shall have the opportunity to express its opinion before significant changes are introduced in the guidelines for the management of the Fund, and shall be given notice in reasonable time to allow any changes to be made in the portfolio.

Section 1-5. The Bank's duties in the event of violation of quantitative limits

In the event of situations arising where the quantitative limits defined in the regulations are surpassed or at risk of being surpassed, the Bank shall without undue delay assess how its management can be brought back within the limits in an appropriate and cost-efficient manner.

Chapter 2. Responsible investments

[The Ministry has recently conducted an evaluation of the ethical guidelines, (cf. Report no. 20 (2008–2009) to the Storting, Chapter 4). In this context, a consultation memorandum was circulated widely for comment. The Ministry is currently working on incorporating the main conclusions from this evaluation process into these regulations. A second consultation round will not be held.]

Chapter 3. Management of the equity and fixed income portfolio

Section 3-1. Introductory provision

(1) The provisions in this chapter apply to investments in equities and fixed income instruments, including investments in listed property companies and property trusts included in the Fund's equity portfolio. Separate provisions apply to investments that are to be included in the real estate portfolio, cf. Chapter 4.

(2) The Bank manages the portfolio of equities and fixed income instruments on the basis of the actual benchmark index and within the framework of the rules in this chapter. The actual benchmark index is established on the basis of the strategic benchmark index, cf. Section 3-5.

Section 3-2. Strategic benchmark index

(1) The strategic benchmark index consists of two asset class indices: an equity index and a fixed income index. The equity index constitutes 60 per cent of the value of the Fund.

The fixed income index constitutes 40 per cent of the value of the Fund, minus the share of the value of the Fund invested in the real estate portfolio.

(2) Each asset class index consists of three strategic regional indices: Europe, America & Africa, and Asia & Oceania. Together, the two asset class indices and the three regional indices constitute six sub-indices.

(3) Within each individual sub-index, the relative share of the individual markets varies according to market developments.

(4) Companies that the Ministry of Finance has excluded from the investment universe shall not be included in the strategic benchmark index. When a company is excluded from the equity index, the remaining companies in the regional index in question shall be weighted up. When fixed income instruments are excluded from the fixed income index, the remaining fixed income instruments in the regional index in question shall be weighted up. If the issuer has issued fixed income instruments in several currencies that belong to different regional indices, the weighting-up rule shall be applied to each regional index.

Section 3-3. Strategic bond index

(1) The strategic fixed income index has the following composition:

a) 60 per cent consists of the instruments in Barclays Capital Global Aggregate Bond Index (BCGA) and Barclays Capital Global Inflation-Linked Index (BCGI) Europe, with the exception of instruments denominated in Norwegian kroner and with the addition of domestic government bonds that are included in Barclays Capital Swiss Franc Aggregate Bond Index. This part of the strategic fixed income index shall consist of loans issued in euro, pounds sterling, Swiss francs, Swedish kroner and Danish kroner.

b) 35 per cent consists of the instruments in the indices BCGA and BCGI US and Canada, with sector weights adjusted in accordance with table 1. This part of the strategic fixed income index shall consist of loans issued in Canadian and US dollars. The variable x in table 1 shall be decided by the Bank each month such that the combined market value of instruments issued in US dollars does not change as a result of the adjusted weights.

Table 1. Factors for adjusting the weights of the sector indices in BCGA and BCGI US and Canada.

	Currenc	**Sector**	**Region**	**Factor**
Norges Bank CAD ABS	CAD	Securitised	AMERICA	1.0
Norges Bank CAD Agency	CAD	Government ited	AMERICA	1.0
Norges Bank CAD CMBS	CAD	Securitised	AMERICA	1.0
NB CAD Covered Bonds	CAD	Securitised	AMERICA	1.0
NB CAD Financial	CAD	Corporate	AMERICA	1.0
Global Inflation-Linked: Canada	CAD	ILB	AMERICA	1.0
NB CAD INDS SR	CAD	Corporate	AMERICA	1.0
NB CAD Local Authority	CAD	Government ited	AMERICA	1.0
NB CAD MBS	CAD	Securitised	AMERICA	1.0
NB CAD Sovereign	CAD	Government ited	AMERICA	1.0
NB CAD Supranational	CAD	Government ited	AMERICA	1.0
NB CAD Treasury	CAD	Treasury	AMERICA	1.0
NB CAD Utility	CAD	Corporate	AMERICA	1.0
NB USD ABS	USD	Securitised	AMERICA	0.5
NB USD Agency	USD	Government ited	AMERICA	0.5
NB USD CMBS	USD	Securitised	AMERICA	0.5
NB USD Covered Bonds	USD	Securitised	AMERICA	0.5
NB USD Financial	USD	Corporate	AMERICA	1+x
Global Inflation-Linked: U.S. S	USD	ILB	AMERICA	1+x
NB USD INDS SR	USD	Corporate	AMERICA	1+x
NB USD Local Authority	USD	Government ited	AMERICA	1+x
NB USD MBS	USD	Securitised	AMERICA	0.5
NB USD Sovereign	USD	Government ited	AMERICA	1+x
NB USD Supranational	USD	Government ited	AMERICA	1+x

NB USD Treasury	USD	Treasury	AMERICA	1+x
NB USD Utility	USD	Corporate	AMERICA	1+x

c) 5 per cent shall consist of government bonds from developed markets in BCGA and BCGI Asia & Oceania (Japan, Australia, New Zealand and Singapore). This part of the strategic fixed income index shall consist of loans issued in Australian dollars, Japanese yen, New Zealand dollars and Singapore dollars.

(2) At the end of each month, the composition of the strategic fixed income index shall be adjusted in accordance with changes in the composition implemented by the index provider.

Section 3-4. Strategic equity index

(1) The strategic equity index consists of FTSE All-Cap indices, adjusted for the Bank's tax position, for the categories Developed, Advanced Emerging and Secondary Emerging. The regions shall have the following weights:

- 50 per cent FTSE All-Cap Europe
- 35 per cent FTSE All-Cap Americas / FTSE All-Cap Middle East and Africa
- 15 per cent FTSE All-Cap Asia

(2) Specification of the countries and companies in the strategic equity index follows the rules for the FTSE index.

(3) The share allocated to the various national indices within a region is determined every day on the basis of developments in the market values of the companies included in the countries within each region.

Section 3-5. Actual benchmark index

(1) [The Bank shall maintain an actual benchmark index for the equity and fixed income portfolio.]

(2) The actual benchmark index consists of the same sub-indices as the strategic benchmark index, cf. Section 3-2 second paragraph.

(3) Within each individual sub-index, the relative shares of the individual markets shall vary according to market developments. The relative share of the sub-indices in the actual benchmark index shall be adjusted on a daily basis in accordance with changes in the market value of the securities included in the indices.

Section 3-6. Rebalancing the weights in the actual benchmark index against the weights in the strategic benchmark index

The Ministry of Finance sets more detailed provisions on transfer of capital to the Bank and on rebalancing the actual benchmark index.

Section 3-7. Actual portfolio

(1) The Bank may have an actual equity and fixed income portfolio that deviates from the composition of the actual benchmark index.

(2) The Bank may invest the actual portfolio in the following instruments:

a) financial instruments included in the actual benchmark index, cf. Section 3-5
b) negotiable debt securities and other debt instruments, and depository receipts for these kinds of fixed income instruments, not included in the actual benchmark index (bonds)
c) equities listed on a regulated and recognised market place, listed securities that are equivalent to listed equities, and depository receipts for these kinds of equities not included in the actual benchmark index (equities)

(3) Net exposure to equities in the actual portfolio shall be in the range of 50 – 70 per cent. Net exposure shall be calculated in relation to the Net Asset Value (NAV). Gross exposure to equities (i.e. the sum of the absolute value of all the long and short positions) shall not exceed [90] per cent of the Net Asset Value (NAV).

Section 3-8. Ownership limitations in the actual portfolio

(1) The assets may not be used to acquire more than 10 per cent of the voting shares in a listed company.

(2) The fund capital may not be invested in securities issued by Norwegian enterprises and securities denominated in Norwegian kroner. "Norwegian enterprises" means enterprises whose head office is in Norway.

(3) The fund capital may not be invested in securities issued by enterprises that the Ministry of Finance has excluded from the investment universe or government bonds that the Ministry of Finance has excluded from the investment universe.

Section 3-9. General guidelines for deviations from the benchmark index

(1) Deviations from the benchmark index shall be composed in a way that ensures exposure to several independent risk factors.

(2) Deviation from the benchmark portfolio shall be composed in such a way that differences in the returns on the actual portfolio and the actual benchmark index (excess return) over time has low correlation with the return on the actual benchmark index.

(3) The Bank shall establish guidelines for concentration and factor exposure in deviations from the benchmark index.

(4) The Bank shall devise stress tests for deviations from the benchmark index based on an assessment of potential future developments in important risk factors.

(5) The Bank shall produce various scenarios made up of simultaneous changes in sets of risk factors and calculate the excess return in the different scenarios.

Section 3-10. Limits on market risk

(1) Tracking error refers to the standard deviation of the difference between the rates of return of the actual portfolio and the benchmark portfolio ("excess returns"). Tracking error on an annualised basis shall not exceed 1.5 percentage points.

(2) Expected value-at-risk of the excess returns, based on historical simulations, a [30] day prediction horizon and at a 95 per cent confidence level, shall not exceed [0.75] percentage points. Options and other derivates shall be fully re-priced when calculating risk.

(3) Expected shortfall, assuming a [30] day prediction horizon and at a 95 per cent confidence level, shall not exceed [0.90] percentage points. Options and other derivates shall be fully re-priced when calculating risk.

(4) The Bank shall establish supplementary guidelines for modelling expected relative volatility and for value-at-risk and expected shortfall for deviations from the actual benchmark index.

Section 3-11. Limits on credit risk

(1) Expected credit value-at-risk for excess returns, assuming a [one year] prediction horizon and at a 95 per cent confidence level, shall not exceed [0.45] percentage points.

(2) Expected credit shortfall for excess returns, assuming a [one year] prediction horizon and at a 95 per cent confidence level, shall not exceed [0.55] percentage points.

(3) The Bank shall establish supplementary guidelines for modelling expected credit value-at-risk and expected shortfall for deviations from the actual benchmark index.

Section 3-12. Counterparties and limits on counterparty exposure

(1) Exposure to a single counterparty or group of counterparties that it is natural to consolidate shall not constitute more than 10 per cent of the Fund's total counterparty exposure, cf. Section 5-5.

(2) Exposure to a single counterparty or group of counterparties that it is natural to consolidate shall not constitute more than 1 per cent of the Fund's total value.

(3) The Bank shall set limits for the minimum credit rating of counterparties for non-secured deposits, non-listed derivates transactions and other types of contracts that expose the Bank to counterparty risk.

Section 3-13. Limits on leverage

(1) Explicit and implicit leverage of the portfolio may be used with a view to ensuring efficient execution of the management assignment, but not with a view to increasing the financial exposure of the Fund to risky assets.

(2) The Bank shall establish guidelines that set limits for explicit and implicit leverage.

Chapter 4. Management of the real estate portfolio

Section 4-1. Norges Bank's management responsibility

The Bank shall place up to 5 per cent of the assets in a real estate portfolio in accordance with the provisions in this chapter.

Section 4-2. Definitions

(1) In this chapter, gross value means the value of the investments in real estate together with the Fund's share of liabilities related to the investments.

(2) In this chapter, net value means the value of the investments in real estate excluding liabilities related to the investment.

(3) In this chapter, vacancy rate means the ratio between the estimated value of rental income from vacant properties, minus properties under development, renovation,

remodelling or significant changes in the lease agreements, and the estimated value of the total rental income.

Section 4-3. General framework for investments in real estate

(1) The real estate portfolio may be invested directly in real estate or indirectly in equity and interest-bearing instruments issued by listed or non-listed companies, property trusts and trust-like constructions whose primary business is the acquisition, development and operation or financing of real estate.

(2) The real estate portfolio may only be invested in derivatives that are naturally linked to listed real estate instruments. For the purpose of calculating regional distribution and the percentage of listed investments, derivatives shall be depicted with the underlying economic exposure.

(3) The Bank may structure investments in the real estate portfolio through Norwegian or foreign wholly or partly owned subsidiaries.

(4) Investments in listed equity instruments shall be listed on regulated and recognised markets. Unlisted companies, property trusts or trust-like constructions shall be established in an OECD country, a country that Norway has a tax agreement with, a country with which Norway has other agreements that provide adequate insight, or a country that Norway has entered into a separate Tax Information Exchange Agreement (TIEA) with, where the agreement is based on the OECD's model for this type of agreement. Furthermore, the jurisdiction cannot be listed as "non-cooperative" by the OECD as regards transparency and effective exchange of information.

(5) The Bank may not invest directly in real estate located in Norway or indirectly in unlisted property companies, property trusts or similar constructions where more than 5 per cent of the investments are in properties in Norway.

(6) The real estate portfolio may not be invested in securities issued by enterprises that the Ministry of Finance has screened out or excluded from the investment universe.

(7) The Bank shall establish guidelines for valuation of instruments in connection with internal transactions between the real estate portfolio and the equity and fixed income portfolio.

Section 4-4. Return objective

The return on the real estate portfolio shall be measured against the five-year rolling return on the Investment Property Databank (IPD)'s Global Property Benchmark for the Government Pension Fund – Global (IPD SPU). IPD SPU is IPD's global property index weighted with the midpoints in Section 4-5 second paragraph. The Ministry of Finance will establish more detailed guidelines for calculation of the actual return on the real estate portfolio.

Section 4-5. Diversification targets etc.

(1) The real estate portfolio shall be well-diversified both from a geographical point of view and sector-wise, within the framework of the second and third paragraphs.

(2) The real estate portfolio shall be placed in countries that are included in the IPD Global Property Index. The gross value of the portfolio shall have the following regional distribution:

- Europe: 40 – 60 per cent
- America and Africa: 30 – 50 per cent
- Asia and Oceania: 5 – 15 per cent

Up to 15 per cent of the gross value of the real estate portfolio may be invested in countries that are not included in the IPD Global Property Index.

(3) The gross value of the portfolio shall have the following sector distribution:

- Office: 20 – 60 per cent
- Retail: 10 – 50 per cent
- Housing: 0 – 30 per cent

- Industrial: 0 – 30 per cent
- Other: 0 – 20 per cent

(4) The gross value of the real estate portfolio's investments in properties under development, renovation, remodelling or significant changes in the lease agreement shall not exceed 20 per cent of the gross value of the real estate portfolio.

(5) The vacancy rate shall not exceed 25 per cent.

(6) For unlisted investments, the gross value of individual properties shall not exceed 10 per cent of the gross value of the real estate portfolio.

(7) No single external investment manager or listed property company shall manage more than 15 per cent of the gross value of the real estate portfolio.

(8) Investments in property trusts, trust-like constructions and unlisted companies with clearly defined investment horizons shall be diversified over the entities' year of establishment (vintage year).

(9) The gross value of listed shares in real estate shall not exceed 30 per cent of the gross value of the real estate portfolio.

(10) The gross value of interest-bearing instruments shall not exceed 10 per cent of the gross value of the real estate portfolio.

(11) The total debt ratio of the unlisted real estate portfolio, measured as the percentage of the current market value provided via debt, shall not exceed 50 per cent of the gross value of the real estate portfolio. No single investment shall have a debt ratio that exceeds 70 per cent of the gross value of the investment. In the event of borrowings, the Bank shall seek to minimise the inherent interest rate risk. Interest rate risk shall be measured and taken into consideration in the risk management. The limits laid down in Section 3-13 apply to interest-bearing instruments and listed equity instruments.

(12) If information about the underlying real estate investments that is necessary to assess whether the portfolio complies with the diversification requirements in this provision is not publically available for listed equities, interest-bearing instruments or derivates, the

Bank shall estimate these values to the best of its ability. In special cases, this may also be done for investments in unlisted companies, property trusts, and trust-like constructions.

Section 4-6. Due diligence

(1) The Bank shall establish guidelines that ensure a thorough review (due diligence) before investments are made directly in real estate or investments or binding agreements on investment are made in unlisted property companies, trusts or trust-like constructions, interest-bearing instruments and in the event of acquisition of more than 10 per cent of the shares in a listed property company.

(2) The investment process and the due diligence shall be based on internationally recognised practices and satisfy the Bank's requirements concerning outsourcing to external service providers and external managers.

(3) The investment process and the due diligence shall be documented.

Section 4-7. Environmental liability

(1) If the due diligence in Section 4-6 reveals that an investment may involve environmental liability, then the investment may only take place if:

a) it is possible to establish an upper limit for the environmental liability,
b) the environmental liability can be mitigated with measures already in place or to be implemented,
c) it is possible to establish an upper limit for the costs related to environmental liability mitigation, and
d) the environmental liability will not expose the Fund as a whole to any potential liability.

(2) The Bank shall ensure that external managers and trusts have guidelines that similarly limit environmental liability.

Section 4-8. Reporting to IPD

The Bank shall submit property specific data to IPD for unlisted investments wherever possible.

Chapter 5. Valuation, performance measurement, and management and control of risk

Section 5-1. Introductory provision

(1) The Bank shall establish principles for valuation, performance measurement, and management and control of risk that, as a minimum, adhere to internationally recognised standards and methods.

(2) The Bank shall regularly evaluate its own principles and methods of valuation, performance measurement, and management and control of risk against best international practice.

(3) The Bank shall have routines for reporting risk and exposure in the areas covered in this chapter.

Section 5-2. Valuation and return measurement

(1) The Bank shall establish principles for pricing and measuring the rate of return on the financial instruments included in the actual portfolio.

(2) The method used to establish the value of financial instruments shall be verifiable and shall indicate with reasonable assurance the true value of the assets at the time of measurement.

(3) At least once a year, the Bank shall obtain an external, independent assessment of the unlisted real estate investments.

Section 5-3. Measurement and management of market risk

Market risk refers to changes in value caused by changes in equity prices, changes in interest rates, changes in exchange rates, changes in commodity prices and changes in property prices. The Bank shall establish principles for measurement and management of market risk, cf. Section 3-10. Measurements of market risk shall strive to identify all relevant market risk linked to the financial instruments used in the management. The risk measurement system shall be flexible, so that risk can be assessed using several different methods.

Section 5-4. Measurement and management of credit risk

Credit risk refers to the risk that a bond issuer will be declared bankrupt. The Bank shall establish principles for measurement and management of credit risk, cf. Section 3-11. Measurements of credit risk shall strive to identify all relevant credit risk linked to the financial instruments used in the management.

Section 5-5. Measurement and management of counterparty exposure

(1) Counterparty exposure refers to the costs linked to replacing a transaction or set of transactions against a counterparty because the counterparty is not capable of meeting its obligations in accordance with signed agreements. The Bank shall establish principles for measurement and management of counterparty exposure, cf. Section 3-12

(2) The Bank shall have satisfactory routines and systems for selecting and evaluating counterparties. The Bank shall establish upper limits for exposure, minimum requirements for credit rating and standards for provision of collateral, collateral management and netting arrangements. Overall exposure to counterparties shall be measured using internationally recognised methods that meet the necessary requirements as to verifiability and accuracy.

Section 5-6. Measurement and management of operational risk

(1) Operational risk refers to the risk of losses as a result of inadequate internal processes, human error, systems failure, or external factors. The Bank shall establish principles for measurement and management of operational risk in its management of the Fund.

(2) The Bank shall define in more detail and delimit what is meant by the term operational risk.

(3) Operational risk factors shall be identified, assessed in terms of probability and impact, monitored and managed.

(4) Operational risk shall be identified, documented and there shall be methods for measuring and monitoring it before new operations or new investments are initiated.

Section 5-7. Measurement and management of implicit leverage

(1) Implicit leverage refers to the difference between financial exposure and net asset value.

(2) The Bank shall establish principles for the measurement and management of implicit leverage in the portfolio. The principles shall cover implicit leverage achieved through the use of derivates and reinvestment of cash collateral provided in connection with securities lending or repurchase agreements.

Section 5-8. Measurement and management of liquidity risk

(1) Liquidity risk refers to a) the risk that the value of a position or group of positions is significantly lower in a situation where liquidation is needed than in a normal market situation, and b) the risk that the value of a position or group of positions is affected by the time it takes to liquidate the position(s). The Bank shall establish principles for measurement and management of liquidity risk.

Section 5-9. Security lending and borrowing and short selling

(1) The Bank shall establish guidelines for security lending and borrowing, including guidelines for counterparty exposure.

(2) The Bank may not undertake uncovered short selling. Uncovered short selling are transactions where the Bank sells a security it does not own or has borrowed into its portfolio.

(3) The Bank shall establish guidelines for short-selling of securities, including rules on which securities may be shorted, maximum size of short sales, and maximum duration of the transactions.

(4) The Bank shall establish guidelines for reinvestment of received cash collateral.

Section 5-10. New instruments

(1) New instruments are instruments or markets that the Bank has not previously invested the portfolio in. Before the Bank invests in new instruments, the Bank shall define the objective of the instrument, carry out an cost-benefit analysis, clarify how the instrument will be used in the management, describe the risk associated with the instrument, and establish principles and methods for measurement, management and monitoring of risk, including market risk, liquidity risk, credit risk, counterparty risk, operational risk and legal risk. Furthermore, the Bank shall establish guidelines for settlement, custody, valuation and accounting of the instrument.

(2) Investment in a new instrument may only be undertaken once the instrument has been approved in writing. The approval document shall include

a) an account of the factors described in the first paragraph
b) confirmation that the necessary systems and procedures have been implemented

Chapter 6. Management fee and principles for performance-based compensation

Section 6-1. Management fee

(1) By 1 December each year, the Bank shall send the Ministry of Finance a proposal for management fee based on estimates of the coming year's costs for asset management. The management fee proposal shall be broken down according to the main areas in the strategic plan, cf. Section 1-3, and shall, as a minimum, include

a) estimates of internal costs
b) estimates of costs related to custody and settlement
c) estimates of costs related to external management, divided into
  - minimum fees
  - performance-related fees

(2) The Ministry of Finance will define an upper limit for the management fee. The Bank will be reimbursed for actual costs up to the approved ceiling. Costs above the approved ceiling will not be covered. In addition to the reimbursement of costs up to the ceiling, the Bank is compensated for such part of the fees of external managers as are incurred as a result of the excess returns achieved.

(3) The management fee may be drawn directly from the Ministry of Finance's separate account, cf. Section 1-2.

Section 6-2. Principles for compensation

Employees within asset management shall be paid in accordance with the Financial Stability Forum Principles for Sound Compensation Practices. The system for determining compensation for employees within asset management shall be designed to support the targets set for management of the assets in the Fund. It shall also be designed in such a way that it promotes a long-term approach in the management in conformance with the Principles for Responsible Investment (PRI).

Chapter 7. Reporting

Section 7-1. Public reports on the management of the assets in the Fund

(1) The Bank shall prepare public quarterly and annual reports on the management of the assets in the Fund. The reports shall consist of a written report and excerpts from those parts of the Bank's audited accounts that concern management of the assets in the Fund. The reports shall include all the information necessary to give the public and the Ministry of Finance an accurate picture of the developments in the value of the Fund and the risks being taken in the asset management.

(2) The reports shall be signed by the members of the Executive Board.

(3) Data on returns shall be prepared in compliance with Global Investment Performance Standards (GIPS).

(4) Information shall be provided about the impact of any changes to the structure of the reporting on returns and risk. In addition, pro-forma figures shall be provided pursuant to the previous method of reporting in the subsequent [four] quarters.

(5) The annual report shall be published at the latest [three] months after the end of the financial year. Quarterly reports shall be published at the latest [six] weeks after the end of the quarter. The main points in the reports shall be made available in print. Other data may be reported electronically.

Section 7-2. Minimum requirements for the content of public quarterly reports

(1) Accounting figures shall be reported in accordance with the relevant accounting rules for the Bank.

(2) Data shall be reported on the return on the assets, including absolute and relative return measured in Norwegian kroner and the currency basket of the Fund, real return and decomposition of the return according to asset classes.

(3) As a minimum, the quarterly report shall also provide the following information:

a) the regional and sector weights of the actual portfolio and the benchmark portfolio
b) reporting on the absolute and relative market risk (volatility) of the portfolio, monthly figures – total and broken down into asset classes, cf. Section 3-9
c) the composition of the fixed income portfolio according to the main credit rating groups and according to market spread intervals
d) reporting on the credit risk of the portfolio, cf. Sections 3-11 and 5-4
e) an account of the scope of counterparty exposure, cf. Sections 3-12 and 5-5
f) an account of the Bank's use of implicit leverage, derivates and short-positions, cf. Sections 3-13, 5-7 and 5-10
g) an account of the Bank's security lending and borrowing, cf. Sections 5-9 and 5-10
h) an overview of the investments in light of the qualitative and quantitative requirements in Sections 3-7 – 3-13
i) an account of any deviations from the requirements laid down in the regulations
j) the main aspects of the exercise of ownership during the last quarter

Section 7-3. Minimum requirements for the content of public annual reports

(1) The minimum requirements in Section 7-2 apply similarly to the public annual report.

(2) The return on the assets in the Fund shall be reported broken down into the main groups of management strategies and internal and external management. Performance shall be commented specifically against the description of the investment strategies specified in the strategic plan, cf. Section 1-3.

(3) For the active management, information shall be provided about the financial objective, the strategy including a description of the risk factors and the evaluation horizon, and the risk and resource limits. The annual report shall indicate the estimated extra costs associated with active management compared with a passive (index-like) management strategy.

(4) In addition, the annual report shall include:

a) an account of the standards the Bank uses in connection with valuation, performance measurement, and management, measurement and control of identified risk factors within the main groups market risk, credit risk, counterparty risk and operational risk.
b) the outcome of testing of the model used to estimate credit risk against realised losses, cf. Section 5-4.
c) the main principles for determining compensation in the investment departments and operational departments, cf. Section 6-2.
d) the following information broken down according to the investment departments and operational departments:
    a. the number of people who receive performance-based compensation
    b. total fixed compensation
    c. total performance-based compensation in Norwegian kroner and as a percentage of the upper limit on performance-based compensation
    d. total compensation for everyone who receives performance-based compensation (fixed compensation and performance-based compensation and any other benefits) broken down into quartiles
    e. total compensation (fixed compensation and performance-based compensation and any other benefits) of the five highest paid employees
e) an overview of new countries, currencies and instruments that the assets have been invested in

f) a list of the equities and fixed income instruments that the assets are invested in as per 31 December
g) a list of all the major external service providers, including a complete list of external managers
h) an overview of non-refundable tax at source for the Fund and the equity, fixed income and real estate portfolio. For the benchmark indices that are adjusted for non-refundable tax at source, the size of the tax adjustment shall be reported as a percentage of the market value of the portfolio

(5) For the real estate portfolio, the annual report shall, as a minimum, include the following special reports:

a) gross and net time-weighted and money-weighted return in the currency of the return objective and in Norwegian kroner
b) distribution of the return in terms of direct return and appreciation
c) return compared with developments in the return objective, cf. Section 4-4 second paragraph, and an explanation and quantification of the main causes of differences in the return
d) an evaluation of investments in listed property companies and interest-bearing instruments against comparable investments and the return objective, cf. Section 4-4 second paragraph, and an explanation and quantification of the main causes of differences in returns
e) a complete overview of the portfolio. For trusts or trust-like constructions, the list shall, as a minimum, include the name of the investment, the year of establishment, the country of establishment, and the amount of invested and committed capital, and the management strategy
f) management costs

(6) As a minimum, the annual report shall contain the following account of the Bank's work linked to exercise of ownership and integration of environmental and social aspects and good corporate governance: [See the comment under the chapter heading in Chapter 2]

Section 7-4. Other public reports

(1) The Bank shall publish guidelines for management of the assets in the Fund laid down by the Executive Board, including principles established on the basis of these regulations.

(2) The Bank shall publish guidelines for management of the assets in the Fund laid down by the Chief Executive Officer of NBIM.

Section 7-5. Duty to inform the Ministry of Finance

(1) The Bank shall, on its own initiative, send to the Ministry of Finance:

a) the strategic plan, cf. Section 1-3
b) a report in the event of violation of quantitative limits laid down in these regulations if the violation is not reversed within ten trading days
c) a report in the event of significant changes in the assets in the Fund
d) an account of any legal proceedings being brought against or instituted by the Bank
e) an account of any other matters that shall be regarded as being of particular importance to the Ministry of Finance

(2) Norges Bank shall provide the Ministry of Finance and companies that assist the Ministry with any information that the Ministry requests.

(3) The Ministry shall be informed at the first opportunity after the incident that triggers the duty to inform.

Section 7-6. Quarterly meetings

(1) The Ministry of Finance and the Bank shall meet at least once a quarter. The meetings shall be convened by the Ministry of Finance.

(2) The following business shall be discussed at the quarterly meetings:

a) performance during the last quarter

b) the main aspects of the exercise of ownership during the last quarter

c) other matters that the Ministry of Finance or the Bank have put on the agenda

(3) The Ministry of Finance will specify in more detailed which data shall be submitted to the Ministry of Finance as a basis for its preparations for the quarterly meetings and the format and deadline for submission. The data shall be sent to the Ministry of Finance by 1 February, 1 May, 1 August and 1 November.

Chapter 8. Deviation from the rules, transitional provision and entry into force

Section 8-1. Right to deviate from the rules

In exceptional circumstances, the Ministry of Finance may allow the Bank to deviate from the rules established here.

Section 8-2. Transitional provision for approved instruments

By 1 July 2010, the Bank shall assess all the instruments approved under previous regulations in accordance with the new requirements concerning new instruments in Section 5-11.

Section 8-3. Entry into force

These regulations enter into force on 1 January 2010. The regulation on the management of the Government Pension Fund – Global of 22 December 2005 no. 1725 and the guidelines for the management of the Government Pension Fund – Global are repealed on the same date. The Ministry may establish special transitional rules.