



Norwegian Ministry of Finance

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

January 2023



The Santiago Principles or Generally Accepted Principles and Practices (GAPP) is an initiative¹ of the International Forum of Sovereign Wealth Funds (IFSWF).

The Principles recognise the importance of Sovereign Wealth Funds (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 comprises the Government Pension Fund Global (GPFG) and the Government Pension Fund Norway (GPFN). The GPFG and GPFN do not constitute separate legal entities. The Ministry of Finance has reviewed the legal and operational superstructure related to the management of the Funds.

This self-assessment documents the adherence of the GPFG to the Santiago Principles. For the adherence of the GPFN to the Principles please see the stand-alone self-assessment for the GPFN.

¹ The International Forum of Sovereign Wealth Funds (IFSWF) was established in 2009 with the purpose of promoting the Santiago Principles. The Santiago Principles encompass 24 Generally Accepted Principles and Practices (GAPP) for sovereign wealth funds promoting inter alia transparency, good governance, accountability, and prudent investment practices. Norway is not a member of the IFSWF, but fully supports these 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](#)

[The Norges Bank Act](#)

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

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

[Regulation on Risk Management and Internal Control at Norges Bank \(in Norwegian only\)](#)

[Regulation on Financial Reporting at Norges Bank \(in Norwegian only\)](#)

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

Ministry of Finance's websites:

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

Norges Bank's websites:

- 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 GPF in the Government Pension Fund Act. The Act frames the legal basis and governance structure of the Fund. The responsibility for managing the Fund is placed with the Ministry of Finance. The operational management of the GPF is carried out by the Central Bank of Norway, Norges Bank. Norges Bank constitutes a separate legal entity according to the Norges Bank Act. The GPF 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 Government Pension Fund Act states that the investment objective shall be the highest possible return at an acceptable level of risk and that within the scope of this objective, the Funds shall be managed responsibly. The Ministry of Finance has pursuant to this Act laid down the mentioned objective and premise, and further regulations on the management of the Fund in a separate management mandate to Norges Bank. In the mandate the Ministry sets the general investment framework for the Fund and stipulates requirements regarding risk management, reporting and responsible management. Within the limits set by the Ministry, Norges Bank shall seek to generate the highest possible return, net of costs, measured in the currency basket of the investment portfolio.

Sources: *Government Pension Fund Act, Norges Bank Act, GPF mandate, Ministry of Finance's website.*

GAPP Principle 2

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

Status: Implemented

The Government Pension Fund consists of the GPF and the Government Pension Fund Norway (GPFN). There is no transfer of capital between the GPF and the GPFN. The purpose of the Government Pension Fund, as stated in the Government Pension Fund Act, is to support government savings to finance the pension expenditure of the National Insurance Scheme and facilitate spending of government petroleum revenues that reflects long-term considerations, thus ensuring that the petroleum wealth benefits both current and future generations.

The Government Pension Fund Act states that the investment objective shall be the highest possible

return at an acceptable level of risk and that within the scope of this objective, the Fund shall be managed responsibly. The Ministry of Finance has pursuant to this Act laid down the mentioned objective and premise, and further regulations on the management of the Fund in a separate management mandate to Norges Bank.

In the mandate the Ministry sets the general investment framework for the Fund and stipulates requirements regarding risk management, reporting and responsible management. Within the limits set by the Ministry, Norges Bank shall seek to generate the highest possible return, net of costs, measured in the currency basket of the investment portfolio. The mandate further specifies that Norges Bank shall make investment decisions and exercise ownership rights independently of the Ministry.

Source: *Government Pension Fund Act, GPF mandate.*

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 of the GPFG and the process for funding and withdrawal are outlined in the Government Pension Fund Act. Income of the Fund consists of the net cash flow from petroleum activities transferred from the central government budget, net financial transactions relating to petroleum activities and the return on the Fund's investment, net of costs.

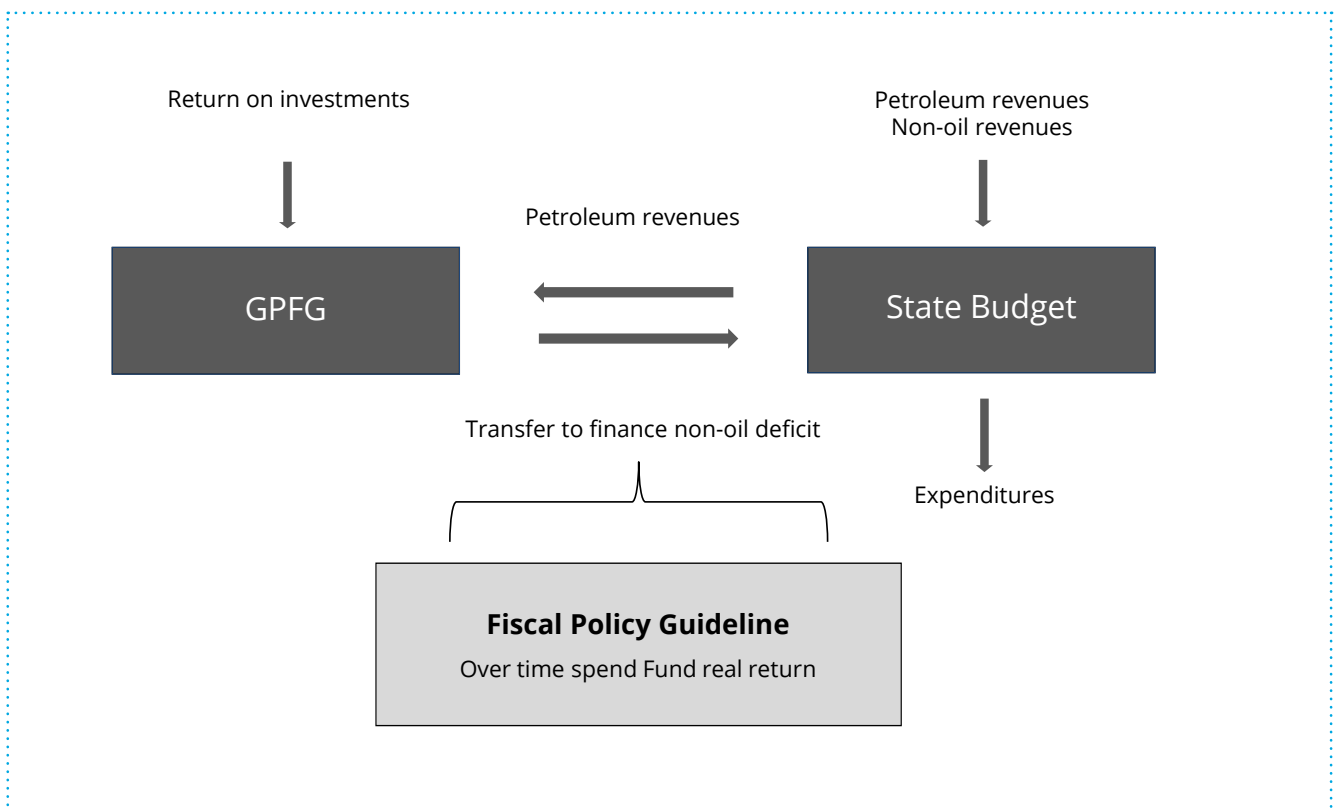
The capital in the GPFG may only be used for transfers to the central government budget by resolution of the Norwegian Parliament. Such transfers cover the oil-adjusted budget deficit. There is broad consensus in the Norwegian Parliament that the spending from the fund over time shall be equal to the expected real rate of return on the Fund (referred as a fiscal policy guideline). Economic policy is based on this fiscal policy guideline. The guideline is flexible, allowing for govern-

ment 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 GPFG can be spent only once, the real return may fund a permanently higher level of government expenditure. The fiscal policy guideline supports the longevity of the Fund.

The GPFG is invested outside of Norway in foreign currency 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. The Government Pension Fund Act states that the central government shall not fund central government budget expenditure by borrowing if there is capital in the Fund. As long as the State does not accumulate debt by borrowing to fund expenditure, accrual of capital in the Fund reflects true financial savings on part of the State.

Sources: *Government Pension Fund Act, Ministry of Finance's 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 Government Pension Fund Act legislates the funding of and withdrawal from the GPFG. The Fiscal Policy Framework is disclosed and explained in the publica-

tions related to the central government budgets and accounts. The rules support general government savings and long-term considerations in the spending of petroleum revenues. 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.norsketroleum.no/en/economy/transparency-eiti/>

Sources: *Government Pension Fund Act, GPFG mandate, Ministry of Finance's 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 publicly on the performance of the GPFG on a biannual basis and to the Ministry of Finance on a quarterly basis. The biannual and annual reports cover Fund risk and return, market value and

management costs and are published on the website of Norges Bank. The asset manager further publishes live estimates of the Fund's 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 Financial Reporting, Ministry of Finance's and Norges Bank's websites.*

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

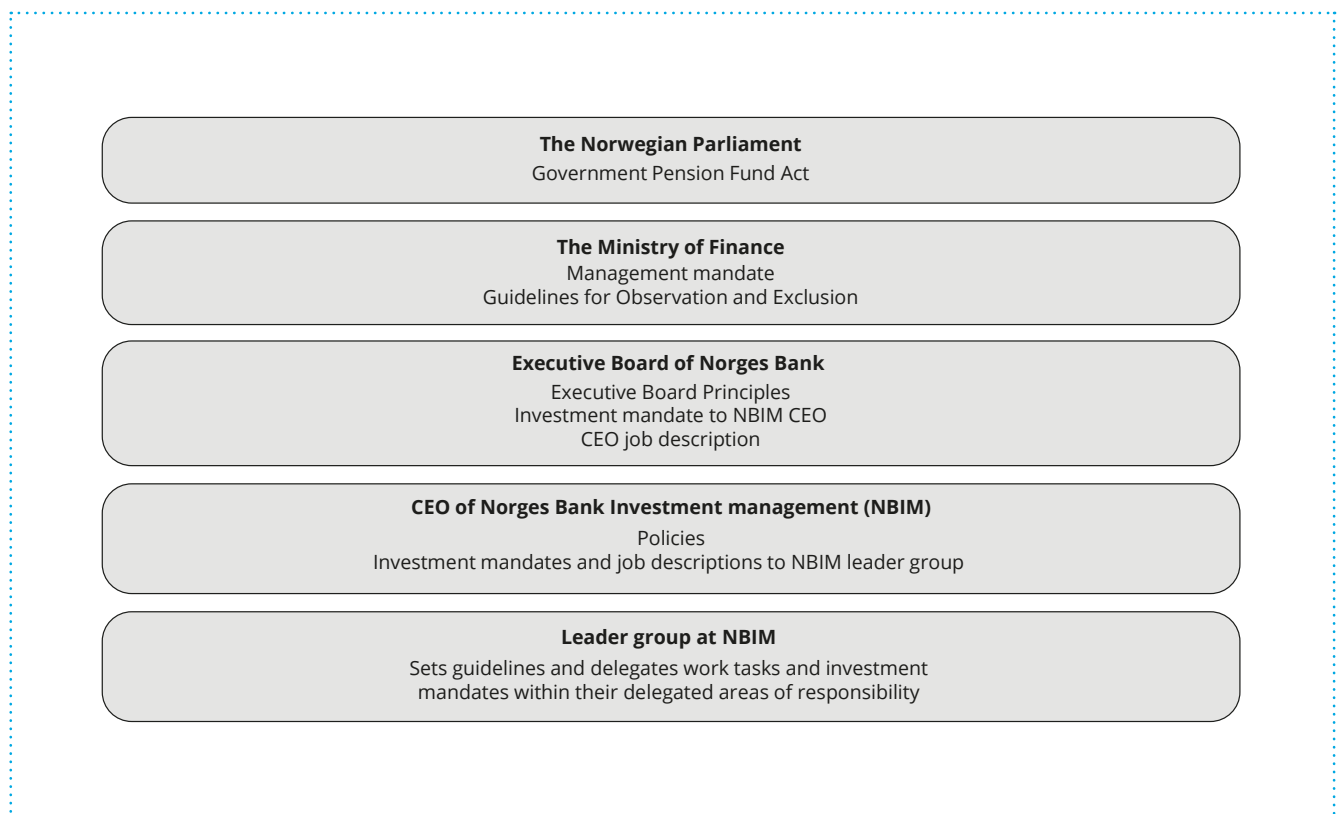
The Norwegian parliament has laid down the regulatory framework for the GPFG in the Government Pension Fund Act. The Ministry of Finance holds the overall responsibility for the management of the Fund and acts as the asset owner. The Ministry's instructions to the manager on the management is gathered in a management mandate to Norges Bank. The management mandate stipulates that Norges Bank shall make investment decisions and exercise ownership rights independently of the Ministry.

The Executive Board of Norges Bank is responsible for the asset management operations within the Bank. One of the two Deputy Governors has a particular function in the board's management of the Fund. The Executive Board shall appoint a general manager of Norges Bank's management of the GPFG. The general manager is responsible for the day-to-day manage-

ment of Norges Bank's management of the Fund and shall adhere to guidelines and instructions from the Executive Board. Day-to-day management shall not include matters that are of an unusual nature or major importance in the context of Norges Bank's management of the Government Pension Fund Global. The Executive Board has issued supplementary governing documents for the management of the GPFG.

The Ministry of Finance has also issued Guidelines for Observation and Exclusion of companies from the GPFG. These 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 re-inclusion of individual companies. Norges Bank receives recommendations on the exclusion, observation or re-inclusion of companies from an independent Council on Ethics established by the Ministry. The final decision rests with the Executive Board of Norges Bank.

Sources: Government Pension Fund Act, GPFG mandate, Guidelines for Observation and Exclusion, Ministry of Finance's and Norges Bank's websites.



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.

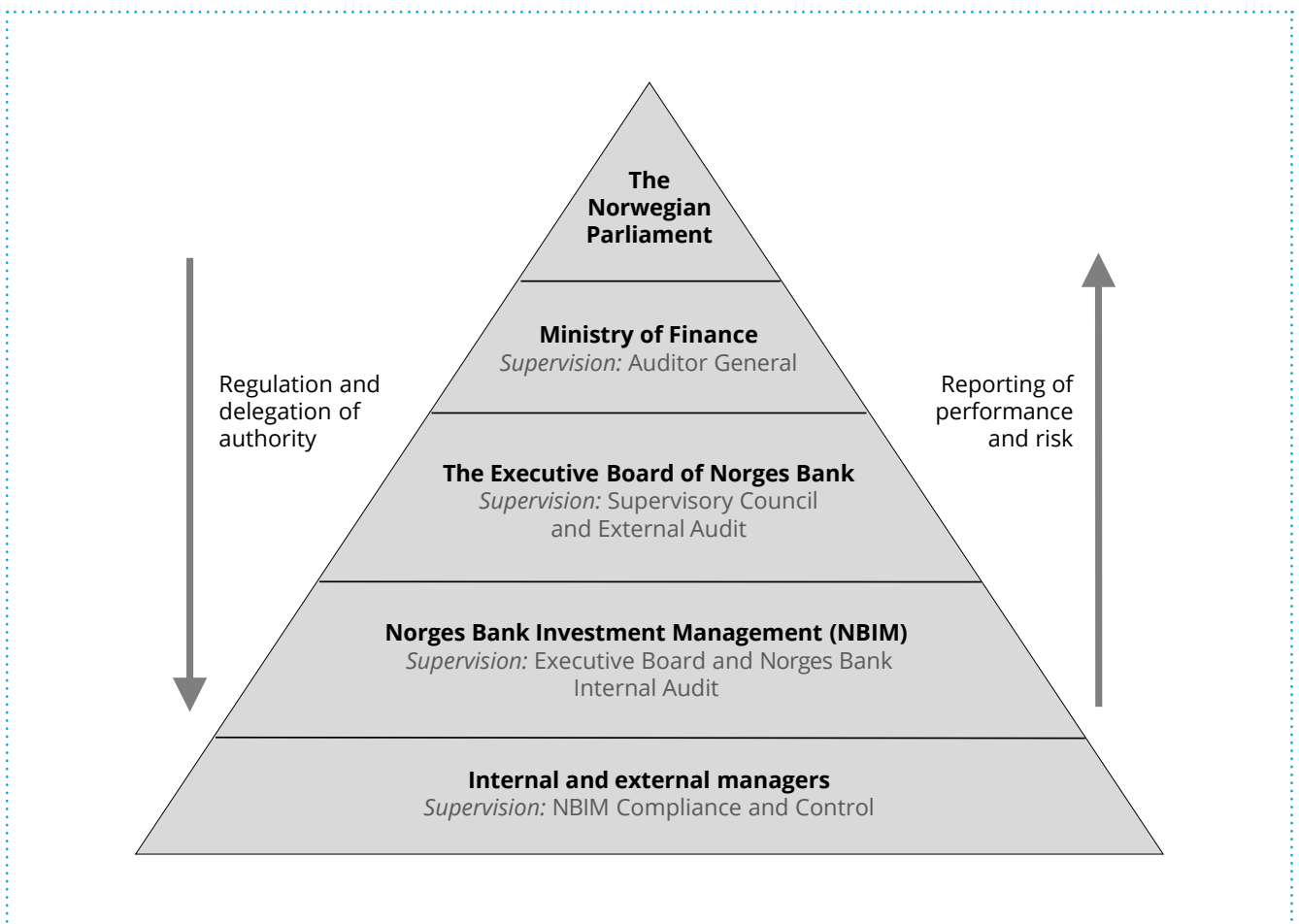
Status: Implemented

The hierarchy of regulation, supervision and reporting related to the management of the GPFG is outlined in the figure below. For information on the objective of Norges Bank's investment assignment and division of roles and responsibilities between the Ministry of Finance and Norges Bank, see response to principle 1 and 6, respectively. Objectives and appropriate supervisory functions are established at all levels of the governance hierarchy. The Ministry's supervision of the Fund is regulated in the Norges Bank Act and according to the Government Pension Fund Act, and further specified in the management mandate issued to Norges Bank. Fund management is based on a governance structure in which the Norwegian Parliament, the Ministry of Finance, the Executive Board of Norges

Bank and the dedicated asset management unit within the Central Bank (NBIM) hold different roles and responsibilities. The Executive Board consists of nine 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 Board.

Decisions of material importance to the aggregate level of risk of the Fund are submitted to the Norwegian Parliament for deliberation prior to implementation. Based on such deliberations the Ministry of Finance adopts the overall investment framework and provisions for the operational execution of the management assignment. The provisions issued by the Ministry are supplemented by more detailed regulations and limits at the various decision-making levels. The governance model implies all in all a highly detailed regulation of the management of the GPFG.

Sources: Government Pension Fund Act, Norges Bank Act, GPFG mandate, Ministry of Finance's 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 established through legislation and regulations discussed elsewhere in this document. The management mandate issued by the Ministry of Finance to the Executive Board of Norges Bank seeks to ensure that the asset management assignment is executed in the best interests of the GPF. The mandate covers 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 day-to-day execution of the Fund management. The Executive Board has issued supplementary regulations for NBIM, including a Job Description and an Investment Mandate for the CEO of NBIM, Principles for risk management, Principles for responsible investment, Principles for compensation of NBIM employees, and Principles for contributions to research. . The CEO of NBIM is responsible for the day-to-day management of the GPF. The CEO sets policies and delegates mandates and job descriptions to the leader group of NBIM, which in turn sets further guidelines and delegates work tasks and investment mandates within their delegated areas of responsibility.

The Executive Board of Norges Bank is subject to supervision by the parliamentary appointed Supervisory Council, which also appoints the external auditor of the Bank. The Supervisory Council reports annually to the Norwegian Parliament on its supervision of Norges Bank.

Sources: Government Pension Fund Act, Norges Bank Act, GPF 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 of Finance has issued a mandate to Norges Bank detailing the operational management

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

Sources: Government Pension Fund Act, Norges Bank Act, GPF 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 laid out in the following legal documents: Government Pension Fund Act, Norges Bank Act, GPFG mandate, Regulation on Risk Management and Internal Control, and Regulation on Financial Reporting at Norges Bank.

The Parliament-appointed 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 parliamentary 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.

Within NBIM, tasks related to effective risk management processes is delegated to the Risk area and the Governance and Compliance area. The operational risk and compliance second-line functions are organised within the Governance and Compliance area. The Governance and Compliance area has authority to report independently to the Executive Board when required.

Furthermore, the mandate requires Norges Bank to publicly report biannually on the GPFG 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. The annual Fund reports are available on the Ministry's website.

Sources: Government Pension Fund Act, Norges Bank Act, GPFG mandate, Regulation on Risk Management and Internal Control, Regulation on Financial Reporting, Ministry of Finance's and Norges Bank's websites.

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. The financial statements are reported in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), subject to the additions and exemptions specified in the Norwegian Accounting Act and in the Regulation on Financial Reporting at Norges Bank. Performance figures shall be designed in compliance with the Global Investment Performance Standards (GIPS) methodology.

The GPFG mandate stipulates minimum requirements as to the contents of biannual 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. Further Norges 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 biannual reports on the Fund management.

Sources: *GPFG mandate, Regulation on Financial Reporting.*

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,

see response to principle 1 and 10) is currently being audited by Ernst & Young. The financial statements are regulated by the Norwegian Accounting Act and Regulation on Financial Reporting at Norges Bank. See response to principle 11 for further information.

Sources: *Norges Bank Act, Regulation on Financial Reporting.*

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 ethical standards for all Ministry employees. These include principles of transparency, objectivity, and independence, as well as restrictions on transactions in financial instruments. Professional standards are as a rule defined at the point of employment.

Norges Bank has set clear conduct of business guidelines. Norges Bank applies a systematic approach to

ensuring that its personnel comply with internal rules, applicable laws and regulations to cultivate a compliance culture built on risk awareness and ethical principles. This includes identification of regulatory requirements, monitoring changes in the regulatory landscape, assessing and mitigating compliance risks across the organisation, as well as advising and enabling the business to conduct its activities in adherence to internal and external rules.

Source: Ministry of Finance's and Norges Bank's websites.

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 GPF 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 for outsourced operations. Norges Bank shall ensure that the governing bodies of the 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 GPF. 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: GPF mandate, Regulation on Risk Management and Internal Control.

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 (NBIM) has established a separate Governance and Compliance area, which is charged with ensuring compliance with all applicable regulatory and disclosure requirements. This includes disclosure regulations related to substantial securities holdings in various jurisdictions. The same department maintains relationships with financial regulators and exchanges and responds to regulatory inquiries.

The Governance and Compliance area applies a systematic approach to ensuring that its personnel comply with internal rules, applicable laws and regulations to cultivate a compliance culture built on risk awareness and ethical principles. This includes identification of regulatory requirements, monitoring changes in the regulatory landscape, assessing and mitigating compliance risks across the organisation, as well as advising and enabling the business to conduct its activities in adherence the rules. The Governance and Compliance unit may report material risks and conflicts of interest issues directly to the Executive Board of Norges Bank when and if the unit finds it necessary.

Source: Norges Bank's 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. The overall framework and objective of the asset management of the GPFG are established by Parliament and laid down in the Government Pension Fund Act and the Norges Bank Act. More specific elements of the division of roles and responsibilities between owner and manager are set out in the management mandate issued by the Ministry of Finance (asset owner) to Norges Bank (operational manager), and publicly dis-

closed. 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 GPFG. In addition to presenting the financial performance of the Fund, the report includes discussions of the foundations for and recent developments in the investment strategy. The report to Parliament further provides an account of the governance of the Fund. The Fund reports are publicly available on the Ministry website.

Sources: Norges Bank Act, Government Pension Fund Act, GPFG mandate, Ministry of Finance's 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 of Finance on the performance of the GPFG on a quarterly basis.

Annual and biannual reports by Norges Bank on Fund performance are publicly disclosed. 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 Financial Reporting.*

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 Government Pension Fund Act states that the investment objective shall be the highest possible return at an acceptable level of risk and that within the scope of this objective, the Fund shall be managed responsibly. The investment policy is formed accordingly. The annual white paper submitted to Parliament by the Ministry of Finance reports on the development of the investment strategy of the GPFG. The strategy is founded on fundamental investment beliefs and the distinctive characteristics of the Fund and is developed based on comprehensive professional assess-

ments, experiences, and thorough 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).

The Executive Board of Norges Bank has laid down supplementary governing documents, including a Job Description and an Investment Mandate for the CEO of the asset management unit (NBIM), Principles for risk management, Principles for responsible investment, Principles for compensation of NBIM employees, and Principles for contributions to research. The investment mandate to the NBIM CEO supplements and sets out additional risk limits as required by the GPFG mandate issued by the Ministry of Finance. NBIM has published policies on inter alia the use of external managers and on procurement.

Sources: *Government Pension Fund Act, GPFG mandate, Ministry of Finance's and Norges Bank's websites.*

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 of the asset management in the management mandate is to maximise long-term return net of costs measured in international currency, subject to specified risk limits. Within the scope of this objective, the Fund shall be responsibly managed.

Responsible investment activities form an integral part of the management of

the investment portfolio. See response to principle 18 for further details.

The Ministry of Finance has issued Guidelines for Observation and Exclusion of companies 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 re-inclusion 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, and both the recommendations from the Council on Ethics and the decisions of the Executive Board of Norges Bank are made public.

The management mandate issued to Norges Bank requires a broad set of principles for responsible management of the GPFG investment portfolio to be established. In formulating the principles for responsible management, the mandate states that the Bank shall put emphasis on the long time horizon for the management of the investment portfolio, as well as its basis in broad diversification of investments. The principles shall be based on environmental, social and corporate governance considerations in accordance with internationally recognised principles and standards, such as the UN Global Compact, the OECD Guidelines on Corporate Governance, and the OECD Guidelines for Multinational Enterprises.

According to the mandate Norges Bank shall make investment decisions and exercise ownership rights independently of the Ministry. The Bank publishes 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 GPFG in the long term.

The Ministry of Finance has further specified a government bond exclusion clause in the management mandate, stating that the GPFG 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's 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 governance structure of Norges Bank reflects the different nature and characteristics of the activities that the Bank has been entrusted with.

The investment management activities are organised as a separate operational unit within the Bank, NBIM. The investment management unit has no access to any privileged information from the broader government. The job description issued to the NBIM CEO by the Executive Board specifies that the CEO shall not take part in discussions by the management of Norges

Bank concerning monetary policy or financial stability issues or international organisations' assessments of such issues. Furthermore, NBIM is to be organised in a manner that protects inside information and other confidential or market sensitive information. In the event that Norges Bank 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 used in investment decisions and (ii) confidentiality is observed. The CEO job description further requires that NBIM employees shall, to the extent possible, not have access to confidential information from other parts of Norges Bank. See response to principle 6 for details on the governance structure.

Source: Norges Bank's 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 the GPFG investments. The principles give priority to the areas of standard setting, ownership, and risk management.

The management mandate issued by the Ministry of Finance stipulates that Norges Bank shall make investment decisions and exercise ownership rights independently of the Ministry. The Bank publishes 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 GPFG in the long term.

Norges Bank seeks to influence companies in its role as a financially motivated shareholder, in accordance with the management mandate for the Fund. As minority shareholder in listed companies, ownership activities will be conducted according to priorities that

consider 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 dialogue.

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 reports on its voting activities and publishes their voting instructions and rationales five days before the shareholder meeting where practicable. In cases where the Bank votes against the board's recommendation, an explanation is provided. 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, among other things, 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, water management, human rights, tax and transparency, anti-corruption, ocean sustainability, biodiversity and ecosystems, and human capital management.

Sources: GPFG mandate, Norges Bank's 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 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 governing bodies of Norges Bank are responsible for monitoring the effectiveness of the risk manage-

ment framework. The Bank's Internal Audit shall on behalf of the Executive Board ensure the adequacy of risk management and internal control at Norges Bank. The Executive Board of Norges Bank is supervised by the parliamentary appointed Supervisory Council which also appoints the external auditor.

The management mandate issued by the Ministry of Finance sets the benchmark indices and permitted deviations from such indices, and further requires the Executive Board of Norges Bank to set supplementary risk limits. The Board has established principles for such risk management for the separate asset management unit, NBIM. NBIM has further published policies on the management of enterprise risk, strategic risk, operational risk, and investment risk. Investment risk includes market risk, climate risk, credit risk, and counterparty credit risk. Responsibility for effective processes related to risk management within NBIM is delegated to the Risk unit and the Governance and Compliance unit.

Sources: GPFG mandate, Ministry of Finance's and Norges Bank's websites.

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

The performance of the GPFG is measured according to the Global Investment Performance Standards (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 Financial Reporting, Norges Bank's 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.

Status: Implemented

The Ministry of Finance emphasises that the GPFG operates in adherence to the GAPP. This self-assess-

ment will be updated when required by amendments to the GAPP or material changes in the management of the Fund.

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