
PRINCIPLES FOR COMPENSATION TO NBIM EMPLOYEES

Laid down by Norges Banks Executive Board 2 March 2011

Main principles

NBIM's compensation system shall be designed to support NBIM's long-term strategy, objectives, vision and values. The compensation system shall give NBIM employees the incentive to pursue the right behaviour with consideration to NBIM's objectives and the interests of the funds under management. The Compensation system shall include employees at all levels in NBIM, regardless of their place of employment.

The overall compensation shall reflect the national and international framework and business environment that NBIM operates within.

NBIM's compensation scheme shall comply with the Mandate set by the Norwegian Ministry of Finance and other laws and regulations concerning remuneration applicable to NBIM.

NBIM shall have a compensation system that contributes to effective and sound risk management, in line with the risk limits and targets established for NBIM's investment activities and which is construed in a way that does not incentivise unauthorized risk-taking. The compensation system and practices shall be aligned and consistent with risk management processes and systems.

Compensation structure

Compensation includes annual fixed salary, performance pay and other associated compensation such as expatriation and assignment allowances, severance pay arrangements, insurance and pension schemes, (including other benefits and allowances) that are granted to NBIM employees.

The compensation system shall clearly define which employees that shall be categorized as senior executives, employees who have significant influence on the funds' risk exposure (investment employees) and other employees, including those with supervisory and control functions (other employees).

Compensation shall be closely tied to the individual's competency and responsibilities and performance. It must be aligned with the local market compensation practices to ensure that NBIM is able to recruit and retain the best professionals. NBIM shall offer competitive compensation but shall in general not be market leader.

NBIM's compensation system may consist of both fixed and variable components. NBIM's compensation system shall provide for an appropriate balance of fixed and variable components for employee groups depending on their function and responsibilities, as well as their contribution to the risk profile of NBIM's investment activities.

The fixed compensation component shall for each individual be sufficiently high to ensure that NBIM has the opportunity not to pay the variable component. Guaranteed variable compensation may only be granted following a decision by NBIM's CEO and must be limited to the first year of employment.

Severance pay may only be granted subject to approval by NBIM's CEO. Such pay must reflect the requirements in these principles.

Compensation to senior executives

Employees who are members of NBIM's Leader Group shall be considered senior executives in relation to the requirements in accounting regulations applicable to Norges Bank. Members of NBIM Leader Group shall not receive performance based pay.

NBIM's CEO shall submit proposals for compensation levels for NBIM's senior executives, to be decided by the Executive Board following discussion in the Board's Compensation Committee in accordance with the Committee's mandate. The Chairman of the Executive Board prepares proposals for Executive Board's decision regarding compensation to NBIM's CEO.

Compensation to investment employees

Investment personnel in NBIM may be entitled to performance pay. Performance pay shall only be linked to return targets for the funds' investments in accordance with the risk profile of the funds under management. Performance pay shall not be granted for performance which is a result of excessive risk taking.

The performance criteria for investment professionals shall be based on the performance of the assets under management, the performance of the relevant organisational unit and performance of the individual. With respect to the component relating to funds under management, this shall, as a minimum, be based on a two year performance period (moving average).

Maximum limits for performance pay shall be established.

Where possible, subsequent performance results should impact deferred compensation taking into account the time horizon of risk.

Compensation to other employees

All other employees in NBIM shall receive fixed compensation only, unless specifically determined by NBIM's CEO.

Review and reporting

The Executive Board's Compensation Committee shall review and prepare for Executive Board decision all significant matters relating to these principles as well as major changes to NBIM's compensation system.

Compensation levels and structures should be benchmarked on a regular basis against competitors in the local markets where NBIM operates.

NBIM shall conduct a yearly review of the practice of the compensation scheme. NBIM shall following such reviews report to the Executive Board's Compensation Committee on its compensation practices, in accordance with the regulation on risk management and internal control in Norges Bank.