

# INVESTMENT MANDATE – GOVERNMENT PENSION FUND GLOBAL

ISSUED BY NORGES BANK EXECUTIVE BOARD TO THE CHIEF EXECUTIVE OFFICER OF NORGES BANK INVESTMENT MANAGEMENT, LAST AMENDED 26 OCTOBER 2022.

*The Chief Executive Officer of Norges Bank Investment Management (NBIM CEO) is through this investment mandate (the “Investment Mandate”) granted the responsibility for management of the Government Pension Fund Global (the “Fund”). The Fund shall be managed in accordance with the Management Mandate for the Government Pension Fund Global, issued by the Ministry of Finance, (the “Ministry Mandate”) as published on [www.lovdatab.no](http://www.lovdatab.no) and as in force at all times. The Investment Mandate supplements and set out additional risk limits as required in the Ministry Mandate. References to applicable provisions from the Ministry Mandate are incorporated to the right of each section. In the case of inconsistencies between this Investment Mandate and the Ministry Mandate the latter will prevail.*

## 1. MANAGEMENT ASSIGNMENT AND OBJECTIVE

*References to  
Ministry  
Mandate below*

### 1.1 General provisions

NBIM CEO shall manage the Government Pension Fund Global (the Fund) and make investment decisions in accordance with Ministry Mandate and the provisions set by the Executive Board in this mandate (the “Investment Mandate”).

Investment activities shall be carried out in accordance with the strategy as approved by the Executive Board and its principles for management of the Fund.

Investment activities shall at all times comply with relevant laws and regulations in the markets where the Fund is invested.

The Executive Board shall review this Investment Mandate at least annually.

### 1.2 Objective

The Fund shall be managed with an objective to generate the highest possible return, net of costs, measured in the currency basket of the Fund, subject to the applicable investment framework. § 1-2

### 1.3 Delegation of investment mandate

Authority for investment decisions may be delegated.

Formal investment mandates are to be issued for all internally and externally managed portfolios. These mandates must, as a minimum, contain a specification of the investment universe and risk limits. The overall mandate structure shall ensure the diversification of the Fund.

## 2. INVESTMENT UNIVERSE



2.1	<b>Investment universe</b>	
	The investment universe is as set out in the Ministry Mandate.	§ 2-1
2.2	<b>Approval of instruments, markets and issuers of government bonds</b>	
	The Fund may only be invested in financial instruments, markets and issuer government bonds from issuers approved by the Executive Board.	§ 3-10
	NBIM CEO shall inform the Executive Board without undue delay and recommend measures to be taken in situations where markets, instruments or government bond issuers no longer fulfil the requirements in the Executive Board's framework for such approvals.	
	NBIM CEO shall facilitate regular Executive Board reviews of already approved instruments, markets and issuers of government bonds and instruments.	
3.	<b>BENCHMARK</b>	
	The strategic and actual benchmark indices for the Government Pension Fund Global are as set out in the Ministry Mandate.	§§ 1-5, 1-6, 2-2 and 2-3
4.	<b>INVESTMENT RESTRICTIONS</b>	
	The Fund shall be invested in accordance with the risk limits set by the Ministry of Finance in the Ministry Mandate.	§§ 2-4, 4-4 (1) (2)
4.1	<b>Executive Board investment restrictions for listed investments</b>	
4.1.1	The overlap between actual portfolio and actual benchmark index must be at least 60 per cent for the equity portfolio and at least 60 per cent for issuers in the fixed income portfolio.	§ 2-5 (1) a
4.1.2	NBIM CEO shall organize the management with the aim that the maximum holding of a single issuer non-investment grade government bonds does not exceed 2 per cent and that the maximum holding of other single issuer non-investment grade bonds does not exceed 0.5 per cent of the net asset value of the fixed income portfolio.	§ 2-5 (1) b
	NBIM CEO shall organise the management with the aim that high yield bonds (credit rating lower than "investment grade") does not exceed 5 per cent of the market value of the fixed income portfolio.	
4.1.3	A minimum of 7.5 per cent of the net asset value of the Fund shall be held in treasury bonds issued by the governments of France, Germany, Japan, the United Kingdom and the United States of America and supranationals issued by the European Union.	§ 2-5 (1) c
4.1.4	Potential future counterparty exposure shall not exceed 0.75 per cent of the net asset value of the Fund for any single counterparty.	§ 2-5 (1) d
	Counterparts to unsecured deposits shall have a minimum long-term rating of minimum "A" or the equivalent. Counterparts to collateralised instruments or contracts shall have a minimum long-term rating of at least "BBB" or the equivalent. Counterparts to collateralised instruments or contracts not meeting the minimum rating requirements may be approved by the CEO for exposure up to 1 per cent of the net asset value of the Fund,	



and not exceeding 0.2 per cent of the net asset value of the Fund for any single counterparty.

All securities financing transactions and trading in OTC derivatives shall be subject to adequate collateral criteria reflecting the credit quality of the counterparty. Netting agreements shall be in place before trading takes place.

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| 4.1.5. | Leveraging the equity and fixed income portfolio is not permitted beyond what is necessary to minimise transaction costs or a normal part of investment management, and not in excess of 5 per cent of the net asset value of the combined equity and fixed income portfolios.   | § 2-5 (1) e |
| 4.1.6  | Cash collateral received can only be invested in cash equivalent instruments.  | § 2-5 (1) f |
| 4.1.7  | The borrowing of securities may not exceed 5 per cent of the net asset value of the Fund.  | § 2-5 (1) g |
| 4.1.8  | NBIM CEO shall organise the management with the aim that the annualised expected shortfall measured at 97.5 per cent confidence level for the relative return between the Fund and the benchmark index does not exceed 3.75 per cent.  | § 2-5 (1) h |
|        | The methodology for calculation of the expected shortfall shall be approved by the Executive Board.  |             |
|        | In situations with extreme market volatility which may provoke a breach of the limit, NBIM CEO shall without undue delay recommend measures to be decided upon by the Executive Board.   |             |
| 4.1.9  | Lending of securities is permitted, provided that NBIM CEO ensures that adequate security is provided for the loan, reflecting the credit quality of the counterparty. Securities lent, including obligations to lend, shall not exceed 20 per cent of the net asset value of the Fund.  | -           |
| 4.1.10 | Gross exposure of contracts for difference (CfD) shall not exceed 5 per cent of the net asset value of the Fund.   | -           |
| 4.1.11 | When lending securities from the Fund, one voting share in each company shall, as a minimum, always be retained to ensure that we receive company notices and can express our views as a shareholder.  | -           |
| 4.1.12 | The issue of call options on individual securities that are not held in the Fund is not permitted. Issuing of put and call options (measured as notional value) is limited to 2.5 per cent of the net asset value of the Fund.   | -           |
| 4.1.13 | Ownership in a single listed real estate company shall not exceed 30 per cent.   | § 2-5 (7)   |
| 4.1.14 | Investment with a single external manager shall not exceed 0.5 per cent of the net asset value of the Fund.  | § 2-5 (8)   |
| 4.1.15 | Agreements with external managers shall contain provisions to ensure that the total annual fee paid per year per external mandate does not exceed a maximum amount, which shall not be above USD 30 million. Performance fees accrued above the maximum amount may be paid the following years, subject to the maximum annual pay out limit and excess return over the relevant time period. | § 1-8 (3)   |

## 4.2 Executive Board investment restrictions for unlisted real estate

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| 4.2.1 | Investments and divestments in real estate above USD 500 million shall be approved by the Executive Board. | § 2-5 (6) |
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- 4.2.2 All weights shall be calculated by the use of net asset value of the unlisted real estate portfolio, unless otherwise is specified below. -
- 4.2.3 The unlisted real estate portfolio shall be diversified in accordance with the following regional allocation: § 2-5 (3) a
- a. United States of America: 30-70 per cent
  - b. United Kingdom:10-40 per cent
  - c. Germany: 0-20 per cent
  - d. France: 0-30 per cent
  - e. Japan:0-20 per cent
  - f. Other individual countries: 0-10 per cent
- 4.2.4 The unlisted real estate portfolio shall be diversified in accordance with the following sector allocation: § 2-5 (3) b
- a. Office: 40-70 per cent
  - b. Retail: 0-30 per cent
  - c. Logistics: 0-40 per cent
  - d. Other: 0-10 per cent
- 4.2.5 Investments in emerging markets shall not exceed 10 per cent. § 2-5 (3) c
- 4.2.6 Investments in property under development shall not exceed 10 per cent of the net asset value of the unlisted real estate portfolio. § 2-5 (3) d
- 4.2.7 The debt ratio of the unlisted real estate portfolio shall not exceed 35 per cent. No single investment shall have a debt ratio of more than 70 per cent. § 2-5 (3) e
- 4.2.8 Agreements with real estate asset management organisations or investment partners shall, as a general rule, contain provisions to ensure that the total performance related annual fee paid per year does not exceed a maximum amount, which shall not be above USD 30 million. Performance fees accrued above the maximum amount may be paid the following years, subject to the maximum annual pay out limit and excess return over the relevant time period. -
- 4.2.9 Co-investment with a single investment partner in unlisted real estate in the logistics sector shall not exceed 1 per cent of the net asset value of the Fund. Co-investments with a single investment partner in unlisted real estate in other sectors (cf. section 4.2.4) shall not exceed 0.5 per cent of the net asset value of the Fund. § 2-5 (9)
- 4.2.10 Counterparts used for real estate daily cash management can be approved with a minimum rating requirement of BBB. Counterparts related to the acquisition of unlisted real estate needs separate approval. Guidelines shall be in place to ensure that a documented credit and operational risk assessment has been performed. § 2-5 (1) d
- 4.2.11 The average economic vacancy rate shall not exceed 15 per cent. Properties under development shall be excluded from this calculation. -
- 4.2.12 Net investment in one calendar year shall not exceed 0.2 per cent of the net asset value of the Fund. -
- 4.2.13 Investment in interest bearing instruments shall not exceed 25 per cent. -
- 4.3 Executive Board investment restrictions for unlisted infrastructure for renewable energy



- 4.3.1 Investments and divestments in infrastructure for renewable energy above USD 500 million shall be approved by the Executive Board. § 2-5 (6)
- 4.3.2 Limits for direct investments
- a. Direct investments in unlisted infrastructure for renewable energy can only be undertaken in developed markets in Europe and North America. § 2-5 (4) a and b
  - b. Investments in projects in the construction phase shall not exceed 40 per cent of the maximum allocation to unlisted infrastructure for renewable energy. § 2-5 (4) c
  - c. Direct investments in projects in the development phase, must not exceed 2 per cent of the maximum allocation to unlisted infrastructure for renewable energy. § 2-5 (4) c
  - d. The Fund may only be invested in unlisted companies or other legal entities where unlisted infrastructure for renewable energy represents a minimum of 80 per cent of the activities. § 2-5 (5) a
  - e. The management of the portfolio for unlisted infrastructure for renewable energy shall be organised with the aim that the debt ratio of the portfolio over time shall not exceed 60 per cent. The debt ratio for single investments in unlisted infrastructure for renewable energy shall not exceed 70 per cent. § 2-5 (4) d
  - f. Co-investment with a single investment partner in unlisted infrastructure for renewable energy shall, as a general rule, not exceed 0.5 per cent of the net asset value of the Fund. The Executive Board may grant exemptions from this general rule. § 2-5 (9)
  - g. Counterparts used for renewable infrastructure daily cash management can be approved with a minimum rating requirement of BBB. Counterparts related to the acquisition of renewable infrastructure needs separate approval. Guidelines shall be in place to ensure that a documented credit and operational risk assessment has been performed. § 2-5 (1) d
- 4.3.3 Limits for indirect investments
- a. Investments in funds for renewable energy shall not exceed 10 per cent of the maximum allocation to unlisted infrastructure for renewable energy. § 2-5 (5) b
  - b. The Fund may only be invested in funds that target a minimum of 70 per cent of their investments to be in unlisted infrastructure for renewable energy. § 2-5 (5) b
  - c. A minimum of 70 per cent of underlying investments in funds shall be in OECD countries. § 2-5 (4) a
- 4.4 Executive Board investment restrictions for pre-IPOs § § 2-5 (4) a, 3-11
- a. Investments in unlisted companies where the board has expressed an intention to seek a listing on a regulated and recognised exchange (pre-IPOs) above USD 500 million shall be approved by the Executive Board.
  - b. If an expected listing on a recognised and regulated exchange fails to materialise, NBIM CEO shall decide on a plan for how the stocks in the unlisted companies shall be disposed. The plan shall include assessments of how the stocks can be disposed in an appropriate and cost-efficient manner, how the investment shall be followed up on through ownership activities and ensure that relevant risks are monitored and managed
  - c. Counterparts for pre-initial public offerings (pre-IPO) and central clearing counterparties shall not be subject to the minimum rating requirements above but require a separate risk assessment and CEO approval.



#### 4.5 Executive Board limit for operational risk

Operational risk tolerance for NBIM is defined and set in the Executive Board Principles for Risk Management in NBIM. § 2-5 (2)

### 5. DUTIES IN THE EVENT OF LIMITS BEING EXCEEDED

In the event that investment restrictions in section 2 and section 4 are exceeded, NBIM CEO shall notify the Executive Board and assess how the portfolio may be brought within the limits in an appropriate and cost-effective manner. In the event that restrictions in sections 4.2, 4.3 or 4.4 are exceeded primarily due to market development, NBIM may make decisions that immaterially increase the exposure above the exceeded limit to protect the financial interest of the fund. § 7-2 (1)