PRINCIPLES FOR COMPENSATION TO NBIM EMPLOYEES

LAID DOWN BY NORGES BANK EXECUTIVE BOARD 2 MARCH 2011, LAST AMENDED 22 JUNE 2016

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, including personnel engaged in the management of the Government Pension Fund Global (GPFG) employed by Norges Bank's subsidiaries. NBIM shall ensure that the subsidiaries adopt adequate compensation policies, where relevant.

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.

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.

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.

Employees who have left position or are under notice of leave shall not be entitled to performance payment. Deferred performance pay shall be subject to clawback clauses and malus arrangements in case of gross misconduct, neglect and poor results that are significantly out of proportion to expectations, mandates and objectives. Severance pay may only be granted subject to approval by NBIM's CEO.

Employees in Norway shall be covered by collective personnel insurances and pension plan. For local employees of foreign offices, personnel insurances and pension plans shall be established in accordance with local market practice.

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 personnel

Investment personnel in NBIM may be entitled to performance pay. Performance pay criteria shall be linked to return targets for the funds' investments in accordance with the risk profile of the funds under management or other pre-set performance criteria.

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). Performance pay shall not be granted for performance that is a result of excessive risk taking.

Maximum limits for performance pay shall be established. As a main rule, the variable component shall not exceed 100 per cent of the fixed component of the total remuneration for each individual. For employees based outside Norway, a higher maximum level of the variable component may be agreed, where this is considered necessary due to the local market practice in the market environment that NBIM operates. The maximum level of the variable component shall not exceed 200 per cent of the fixed component.

The total number of individuals with compensation agreements with a higher level than 100 per cent of the variable component shall be presented to the Executive Board for approval.

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

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

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.

NBIM shall conduct a yearly review of the practice of the compensation scheme. NBIM shall following such reviews report to the Executive Board on its compensation practices. The report shall be subject to independent review by Norges Bank Internal Audit, in accordance with the regulation on risk management and internal control in Norges Bank.

Information about NBIMs compensation system, including the structures for variable performance payments and annual aggregate quantitative information on remuneration, shall be made public.