1. Purpose

The purpose of this policy is to outline the Norges Bank Investment Management (NBIM) requirements related to the management framework and financial reporting.

2. Policy

The management framework describes the overall framework for how the business is managed, and includes strategy and action planning, budgeting, cost control and management reporting. NBIM shall operate in a cost effective manner, in line with §1-3 in the Management mandate for the Government Pension Fund Global (GPFG) issued by the Ministry of Finance, which outlines Norges Bank’s assignment to seek highest possible return after costs.

Financial reporting for the GPFG shall be prepared in accordance with the Regulation concerning the annual financial statements of Norges Bank, laid down by the Ministry of Finance.

2.1 Management framework - Overall framework

- NBIM shall maintain an overall management framework, keep track and control of relevant organisational assets, and treat this as structural capital.
- Organisational assets include the organisational structure, regulations and business rules, processes and activities, information assets, systems, services and technology, and the providers of these assets.
- All organisational assets shall be considered in terms of their overall criticality and business importance and to the extent possible their direct and indirect cost.
- NBIM shall seek continuous improvement for all activities to support organisational effectiveness and cost efficiency in the management of the fund.

2.2 Management framework - Strategy and action planning

- NBIM’s strategy sets the long-term direction of the organisation. The strategy shall be updated through a planning process in regular cycles, and approved by the Executive Board.
- Cost/benefit analysis and forecasting of costs shall be presented to the Executive Board where relevant.
- The strategy provides direction and input to the annual action plans. Progress and status on the strategy shall be reported to the Executive Board at regular intervals.
- Annual action plans shall be established to support fulfilment of the strategy.
• There shall be a clear link between the strategy, its implementation through activities and corresponding budget and costs.

2.3 Management framework - Budgeting

• Budget proposals for the fund shall be submitted to the Executive Board in accordance with the requirements set out in the Supervisory Council’s budget rules (Budsjettreglement).
• The budget presentation shall contain a summary of the activities and capital expenditure (CAPEX) that are planned for the coming year.
• The annual budget proposal for the management of the fund should show the relationship between strategy, activities and resource use and provide sufficient information to manage and control the use of resources in the management of the fund.
• The budget shall include an outline of the activities and capital expenditure planned for the applicable budget year, with comments on cost development in light of strategies, objectives and available external benchmarks, and analysis of key cost drivers, risks and benefit realisation from previous initiatives where applicable.

2.4 Management framework - Cost control

• The organisation and use of resources should be cost-effective, and ensure that the NBIM’s operations and management of assets are carried out in a proper manner.
• All activities incurring cost for the fund shall be approved according to given authorisation and aligned with budget before they are initiated.
• Cost comparisons and tender processes shall be carried out for all major purchases of goods and services to secure competition and cost efficiency.
• Cost analysis shall be conducted on a regular basis for relevant areas.

2.5 Management framework - Management reporting

• Management reports shall be prepared on a monthly basis.
• Business management reports covering status on strategic achievements and management costs shall be prepared for the Executive Board on a quarterly basis.
• The status of the budget shall be reported at least twice a year as an integral part of the business management reporting. Any substantial deviation from the budget or need to increase expenditure through the year must be reported.
• Reporting on allocations within capital expenditure limits and individual capital expenditure projects should be included in the regular business management reporting.
• Cost /benefit analysis should be performed for all changes with significant cost impact. Implementation of these changes will be included in the ordinary course of business reporting.

2.6 Financial Reporting

• The financial reporting for the fund shall encompass all assets and liabilities in the investment portfolio.
• The financial reporting for the fund shall include subsidiaries of Norges Bank that exclusively constitute investments as part of the management of the fund.
• The financial reporting for the fund shall be prepared in accordance with the Regulation concerning the annual financial statements of Norges Bank, laid down by the Ministry of Finance. The regulation requires that the financial reporting for the fund shall be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

• In accordance with the Management mandate, a separate annual report for the fund, including annual financial reporting, shall be published. The annual report shall be published no later than three months after the end of the year. Quarterly reports for the fund, including quarterly financial reporting, shall be prepared with closing dates 31 March, 30 June, and 30 September.

• The quarterly and annual financial reporting shall be submitted to the Executive board together with the quarterly and annual reports for the fund, in accordance with the NBIM CEO job description issued by the Executive Board.

• The annual financial reporting for the fund shall be formally approved by the Executive Board as part of Norges Bank’s annual financial statements.

• Any significant changes in accounting policies and disclosures, or any information about items in the financial reporting that involve considerable risk or a high degree of discretionary judgement shall be submitted to the Audit Committee and the Executive Board.