
NBIM

Norges Bank Investment Management

NBIM

Governance Model

This document describes NBIM's internal Governance Model
and the relationship between its key components.

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1 Purpose and scope

This document details Norges Bank Investment Management's (NBIM) Governance Model. The purpose of the document is to provide a high-level description of how NBIM is governed to allow a common language and understanding between relevant stakeholders.

The document covers governing bodies, documents and structures. It describes strategy and action planning cycles, and how they work to ensure continuous improvement of processes. Operational risk management, incident management and internal control form an integrated part of the improvement cycle. Finally we describe how information flow, solutions and technology support our processes.

The scope is NBIM's *internal* governance, from the Executive Board and into NBIM. Figure 1 below illustrates governing levels from parliament down to NBIM.

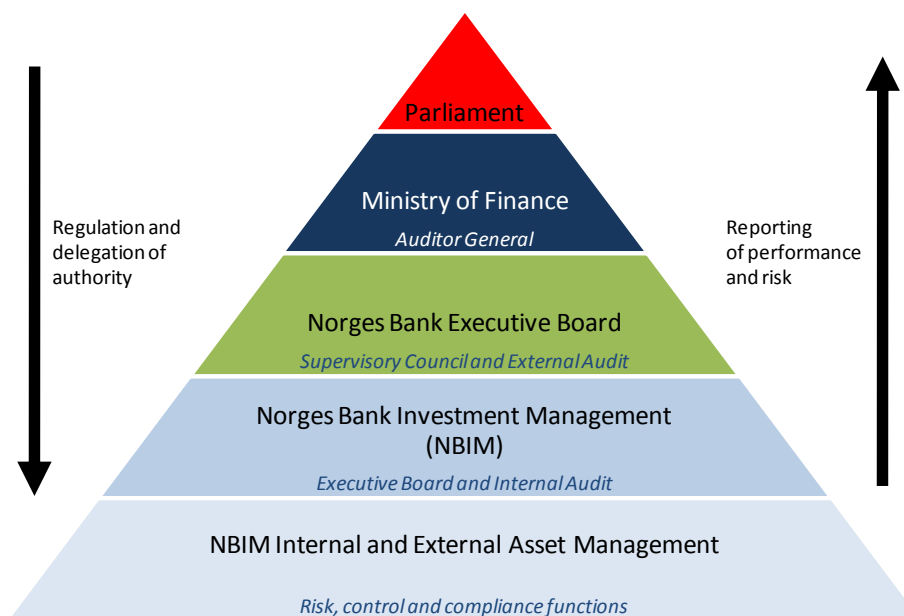


Figure 1 – Governing structures (Source: Ministry of Finance)

2 NBIM Governance Model

The NBIM Governance Model defines the structures used to govern and manage NBIM. The Governance Model's main components are illustrated in Figure 2 below.

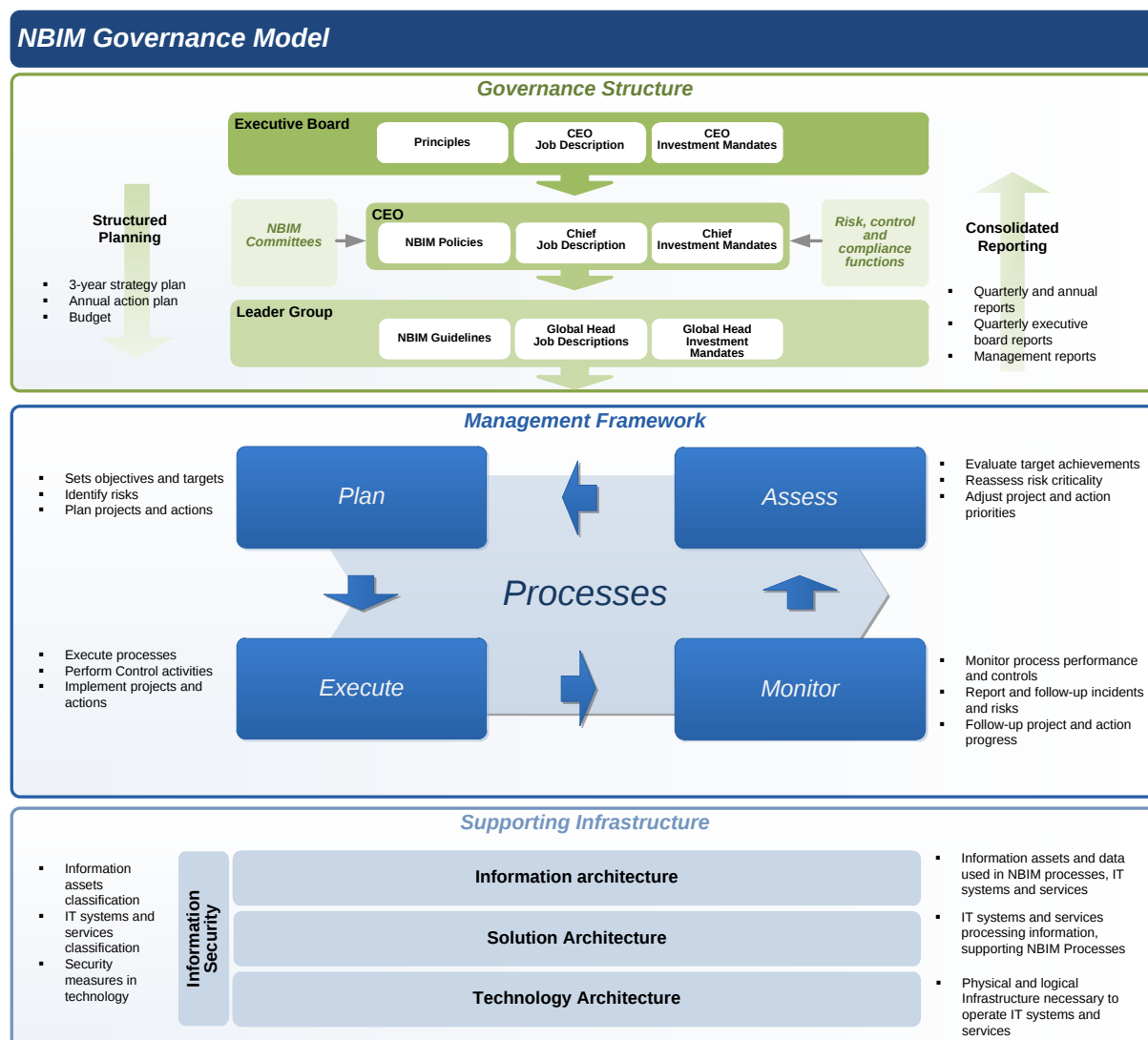


Figure 2 – NBIM Governance Model

- Governance Structure includes governing bodies, governing documents, formalized forums and authorisation structures within NBIM.
- Management Framework contains a framework of processes that contains processes and activities, and strategic, tactical and ongoing improvement cycles executed on top of our processes.
- Investment Architecture describes information, solution and technology architecture and how this supports all activities in NBIM. It includes information and IT security.

3 NBIM Governance Structure

The NBIM Governance Structure describes the Governing Bodies in NBIM and the relevant Governing Documents for each level. The Governance Structure includes NBIM Committees as an advisory forum to the CEO. Risk Management monitors adherence to external and internal requirements.

Figure 3 below illustrates the Governance Structure of NBIM.

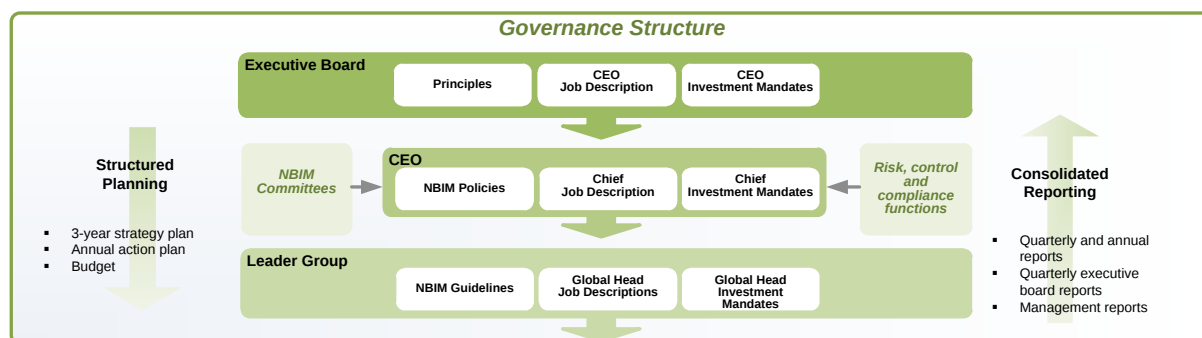


Figure 3 –Governance Structure

3.1 Governing bodies

NBIM has the following Governing Bodies:

- **Executive Board** is NBIM's highest Governing Body. Defines executive board principles, job description and investment mandates for NBIM's CEO.
- **NBIM CEO** has the overall responsibility for implementing requirements defined by the Executive Board.
- **NBIM Leader Group** is responsible for implementing processes in NBIM based on requirements defined by the CEO, and within the framework requirements defined by Risk Management.
- **NBIM Committees** are advisory forums to the CEO. These cover different subjects, and consist of different members of the leader group.
- **Risk, control and compliance functions** initiate, advice, monitor and report on compliance, operational risk and control activities at all levels in NBIM.

3.2 Governing documents

The Governing Bodies use a number of supporting documents:

- **Principles, Policies and Guidelines** describe the context of NBIM's processes and daily operations to achieve efficient and consistent business performance and sufficient control and oversight.
- **Job Descriptions** describe delegation of authority from the Executive Board via the CEO and downwards. They describe a role's area of responsibility, management and planning, control and oversight, reporting and communication and personnel responsibility.
- **Investment Mandates** delegate authority for NBIM's investment activities. Investment Mandates are based on limitations as described in the mandates issued by the Executive Board to NBIM's CEO.

4 NBIM Management Framework

The Management Framework describes ongoing management and improvement activities across processes. Figure 4 shows how the continuous improvement cycle (Plan, Execute, Monitor, Adjust) sits on top of NBIM's processes:

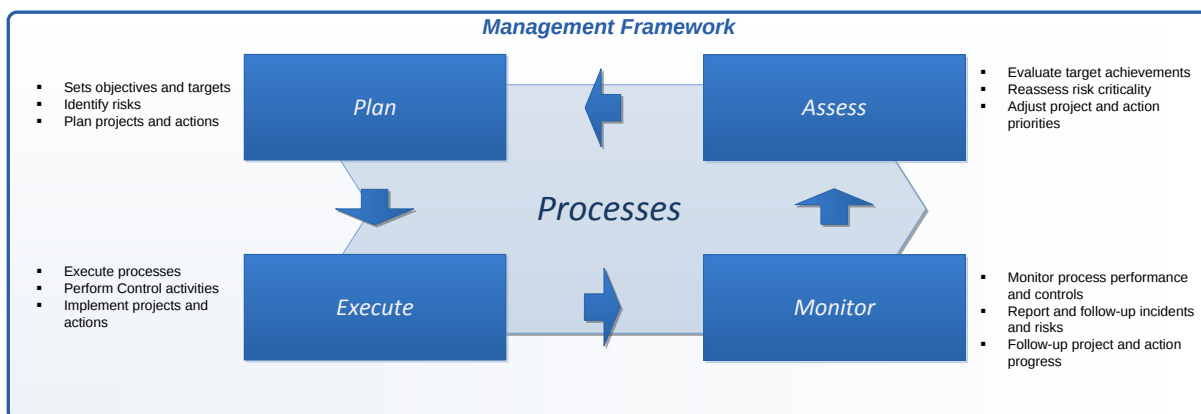


Figure 4 – Management framework

The Management Framework aims to explain how strategic, tactical on ongoing planning is integrated with risk management and internal control in NBIM. Each component of the framework has this setup, discussed in Table 1:

Table 1 – Improvement cycles

Component	Question	Management framework cycle
Processes	Where are we?	Processes represent a picture of the current situation. They aim to represent one shared truth about how we work, and to be the main starting point for any improvement.
Plan	Where do we want to be? (Strategy) What can prevent us from getting there? (Risk)	The current situation (processes) is the starting point, and plans set out a future state. We set objectives and targets, identify risks, and plan actions and projects.
Execute	How do we get there?	Execute refers to how we perform processes (including internal control) and planned improvements (actions and projects) to our processes. It also includes how we establish new capabilities, e.g. establish new processes and solutions.
Monitor	Are we going in the right direction, and are we doing it right?	This phase refers to how we monitor performance of processes (including internal controls) and ongoing projects and actions. It includes how we monitor operational risk and incidents.
Adjust	Do we need to adjust to ensure targets are achieved?	This phase refers to how we assess our achievements against our plans, and adjust priorities accordingly based on new insight.

4.1 Objectives and risk

The "Plan, Execute, Monitor, Adjust" boxes in Figure 4 illustrate NBIM's continuous improvement cycle. The cycles integrate objective setting and risk management.

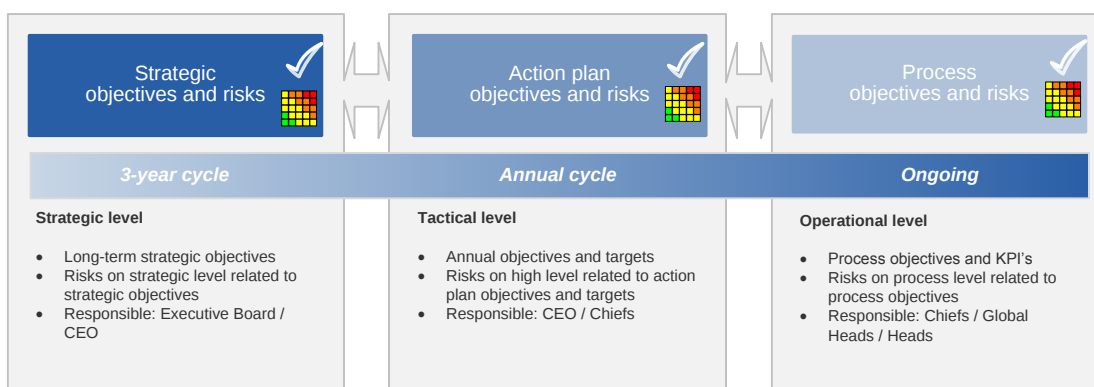


Figure 5 – Improvement cycles

NBIM has three overlapping continuous improvement cycles, illustrated in Figure 5. The basic principle of all the cycles is the same, though they differ in timing and level (organisational and detail).

- NBIM updates the overall strategy plan in 3-year cycles. The strategy plan sets the long term direction of the organisation. It is prepared by NBIM's management, and approved by the Executive Board. It provides direction and input to the annual action plans.
- NBIM updates the action plan annually. The action plan sets the mid-term direction through objectives, targets, projects and actions, and is input to the budgeting process. The CEO defines high-level objectives. Chiefs set targets that support the high-level objectives. For each target, we plan actions to achieve the targets and, indirectly, the high-level objectives.
- Objectives from both strategy and annual action plan influence the continuous improvement cycle on the operational level. Chiefs allocate specific responsibility, and set individual targets for their people. Process owners set process level objectives, and measure performance based on Key Performance Indicators (KPIs) where applicable. We set service level requirements on services delivered from external providers, and measure performance against set levels.

4.2 Internal control

NBIM uses a risk based approach to internal control. This means that the inherent risk level of a process and its specific risk factors determine the need for formalized control activities. Internal control is thus an integrated part of operational risk management. Operational risk management is integrated in our processes and continuous improvement cycles, which is at the core of the Governance Model.

4.3 Incident management

NBIM identifies captures and tracks incidents on an ongoing basis to learn from incidents, and feed this into the continuous improvement cycle. When incidents occur, they provide input to the current risk picture, and put focus on necessary improvements in the process they occurred. It includes incidents related to services provided to NBIM from external providers.

5 NBIM Investment Architecture

NBIM Investment Architecture consists of Information Architecture, Solution Architecture and Technology Architecture, and covers information security.

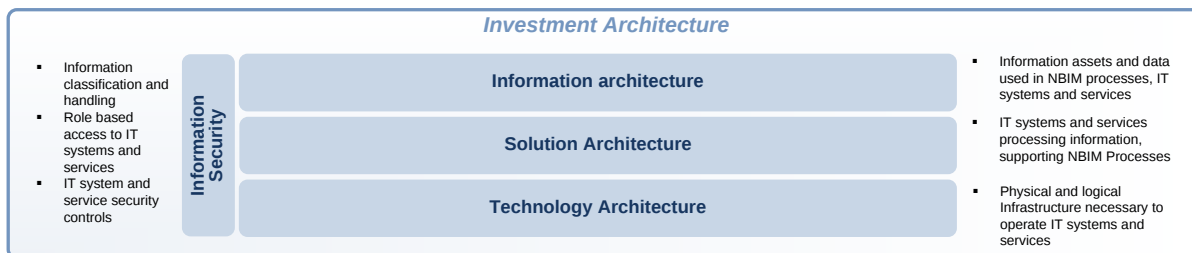


Figure 6 – Investment Architecture

NBIM information architecture describes how information assets and data flow through processes, IT systems and services. The solution architecture describes IT systems and services that support NBIM's processes. The technology architecture describes physical and logical infrastructure necessary to operate IT systems and services.

Information security covers information, solutions (IT systems and services) and technology. It details information classification and handling rules, access to IT systems and services based on business roles, and security controls implemented into IT systems and services.