

POLICY

INVESTMENT UNIVERSE

Issued by	Chief Executive Officer
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1. Purpose

The purpose of this policy is to provide principles for the approval and on-going monitoring of the fund's investment universe. The objective is to ensure changes to the investment universe align with the investment strategy and that relevant risks are identified, assessed, and accepted.

2. Policy

The fund invests in a broad range of countries, markets and financial instruments in order to achieve its investment objectives. These countries, markets and financial instruments constitute the fund's investment universe.

Norges Bank Investment Management takes a risk-based approach to which countries, markets and financial instruments are appropriate in the investment universe given our investment strategy. This includes a business rational and due consideration of relevant investment and operational risks, including country risk. Investments in new countries, markets and financial instruments will only be made after an implementation process verifies that this can be done in a way which safeguards the interests of the Norges Bank and the Fund.

The investment universe is assessed on a recurring basis to ensure it is appropriate given the investment objectives and the development across markets and countries.

2.1 Countries and markets

- There are number of considerations related to countries, markets and financial instruments referenced in the Management Mandate for the Government Pension Fund Global.
- In addition, we will take the following into consideration:
 - where the risk of a failed state is unacceptably elevated due to factors like extreme conflict or systematic political terror.
 - whether the rule of law and protection of property rights is considered sufficient to safeguard our investments.
 - conditions of its citizens and the environment.
 - an assessment of the relevant investment and operational risks.

2.2 Financial instruments

- We invest in a broad range of financial instruments to support our investment objectives.
- The financial instruments that we utilise should complement our investment strategy.
- All financial instruments that we use shall be subject to an assessment where we consider relevant investment and operational risks.

2.3 Business case

- A formal business case for changes to the investment universe shall be submitted for review by the leader group and approval by the CEO NBIM in the Investment Meeting.
- The business case will normally be accepted prior to the commencement of the risk assessment.

2.4 Risk assessment

- Through the risk assessment, we secure an understanding of the relevant investment and operational risks, including country risk
- Country risk captures the government and institutions in the country as well as reflects the conditions of its citizens and the environment.
- Investment risk takes into consideration factors related to the market framework, the functioning of the marketplace, ownership issues, legal documentation, tax as well as credit, counterparty, and market risks.
- Operational risk when considering markets includes considerations related to the exchanges, settlement and safekeeping, market infrastructure as well as relevant restrictions and disclosures.
- Operational risk when considering financial instruments includes considerations related to asset servicing, valuations, measurement of risks, data and systems, compliance and tax.

2.5 Executive Board approval of government bond issuers, financial instruments and markets

- The management mandate from the Ministry of Finance requires that the Executive Board of Norges Bank perform an approval for all financial instruments and markets the fund is invested in, and all issuers of government bonds. The approval shall depend on whether the financial instrument, market or government bond issuer contribute to an efficient and effective execution of the management assignment. This approval shall consider both investment as well as operational risks, including country risk.

2.6 Implementation

- After approval of the risk assessment, the organisation, processes, systems and downstream services provided are made ready for implementation of the new financial instruments and markets.
- Preparations for implementation may start prior to approval where these do not commit Norges Bank Investment Management to invest, or where unacceptable costs may be incurred.
- Additions to the investment universe will take place when the implementation has been successfully completed.
- The fund shall only invest in new countries, markets and financial instruments through external managers when there is internal operational readiness to enable us to take home assets managed externally.

2.7 Monitoring

- The investment universe shall be monitored to ensure it is aligned with the investment objectives and that the assets can be safeguarded. The monitoring process will take a risk-based approach.