

Introductory statement by Governor Øystein Olsen at the hearing before the Standing Committee on Finance and Economic Affairs on 10 August

I would like to thank the Committee for giving me the opportunity to provide an account of the Executive Board's assessment of key aspects of the matter regarding the appointment of Nicolai Tangen as the new CEO of Norges Bank Investment Management (NBIM).

In recruiting a new CEO for NBIM, the Executive Board seeks the best qualified candidate for the position. The Board's final decision to choose Nicolai Tangen after a lengthy process through winter was the result of a broad search involving a number of strong candidates. Among them, Tangen clearly stood out. He has unique experience in international investment management and can document impressive results. At the same time, he is an innovative and engaged leader with an in-depth understanding of the strategic challenges facing the Government Pension Fund Global (GPF). I note that Nicolai Tangen's qualifications and leadership and professional attributes have never been contested.

The Board was aware that selecting Nicolai Tangen could attract attention because of his personal finances and his ownership interests in AKO. The ensuing challenges must be handled in such a way that prevents Tangen's ownership interests from coming into conflict with the tasks that he will be responsible for as CEO of NBIM. During the recruitment process, dealing with Tangen's ownership interests and functions was therefore discussed in detail. The Board made it clear that Tangen had to restructure his ownership interests and his personal finances in a manner that ensures the requisite distance between NBIM, the AKO system and his personal wealth. Tangen himself was in complete agreement with this. A framework outline was presented, and key questions relating to residence and tax status were clarified. However, the extensive work of drawing up the contractual framework could not commence until Tangen's appointment was made public.

The Executive Board was aware that this work would take time. When the Board decided to appoint Nicolai Tangen on 24 March, the plan was therefore for him to take office in September 2020. This would provide sufficient time to establish robust barriers between NBIM, the AKO system and Tangen's personal investments.

This work has now been completed. Nicolai Tangen has delegated both the management of his ownership interests in AKO Capital LLP and his own fund investments to independent third parties. A number of undertakings have been submitted that will prevent Tangen from receiving any information about the management of his holdings and AKO's investment activities while he is the

CEO of NBIM. The system of internal control measures at Norges Bank has been put in place.

Nicolai Tangen has satisfied the Board's requirements regarding the restructuring of his financial engagements. The Bank has never demanded that Tangen fully divest from AKO Capital LLP. The Board is of the view that the structure now established ensures adequate distance between NBIM and the AKO system, making their investment decisions fully independent of one another.

Tangen's employment contract with Norges Bank regulates his relationship to his ownership interests. The Executive Board finds that Tangen's financial arrangements, pursuant to the agreements entered into, is in accordance with the ethical principles and the ethical framework applicable to all of Norges Bank's employees. This was clearly expressed in the Board's letter to the Supervisory Council of 27 May 2020.

The amendments made to the ethical principles by the Board on 24 June 2020 do not have a bearing on this assessment. The background for the latest revision was a need for adjustments to the new Central Bank Act and organisational changes, and for the Board to follow up a recommendation from the Supervisory Council to clarify some aspects of the ethical framework. I would like to emphasise – as there has been speculation in this regard – that there is no connection between the appointment process and this revision. I will gladly expand on this if the Committee so wishes.

Employees of Norges Bank may face conflicts of interest in their day-to-day work. The Executive Board has therefore established a robust system for dealing with such situations. We have a strict ethical and supervisory framework, where compliance functions and internal audit play key roles. The Supervisory Council is an important, ultimate component of this framework. Equally as important as rules and controls is fostering a healthy business culture and appropriate attitudes among the employees.

In Nicolai Tangen's case, the Supervisory Council has stressed the need to eliminate the risk of conflicts of interest. I fully appreciate the Supervisory Council's desire to remove risk. At the same time, I would emphasise that any responsible board of directors must make discretionary trade-offs between different types of risk and business objectives. With the contractual framework now in place, the Executive Board finds that potential conflicts of interest have been duly addressed. The risk of a conflict of interest between Tangen's ownership interests and his management tasks as CEO of NBIM has for all practical purposes been eliminated.

The Supervisory Council has been concerned with tax haven issues. The Executive Board has done its utmost to provide the Supervisory Council with answers to the questions it has raised. Let me be entirely clear:

Norges Bank fully and unreservedly supports the Norwegian authorities' work to ensure the highest possible tax transparency standards, also for non-

cooperative jurisdictions. How well the GPFG fares depends – slightly simplified – on how well the world fares. Financial secrecy undermines a healthy global economy. Norges Bank therefore clearly recognises the importance of transparency and sound reporting standards with a view to building confidence and supporting appropriate taxation across jurisdictions. This has been repeatedly expressed, including in the letter to the Ministry of Finance on “*Expectations document on tax transparency*” of 24 January 2018.

Investors should be clear in their expectations and play a role in promoting solid international standards and transparency for multinational companies. This can contribute to well-functioning markets. The Executive Board has addressed NBIM’s expectations document on tax transparency, and the Board will continue to devote considerable attention to this area. Nicolai Tangen will naturally contribute to enhancing this work further, in line with our expectations document and the decisions made by the Storting (Norwegian parliament) in this area.

In its examination of Nicolai Tangen’s business arrangements, Norges Bank did not find any circumstances at variance with the principles in NBIM’s expectations document. An important principle in that document is that income should be taxed where it is earned. The investment management company that generates Tangen’s income – AKO Capital LLP – is registered and regulated in the UK – not in Ireland or the Cayman Islands as the Supervisory Council has written. Tangen has always paid tax on that income to the UK.

The position of CEO of NBIM is an important one, and I understand that Nicolai Tangen’s background and ownership interests have attracted public attention. We acknowledge that the process surrounding Tangen’s appointment has raised questions that needed to be clarified – and there have been some learning points along the way.

In a thorough process to recruit a new CEO of NBIM, Nicolai Tangen emerged as the decidedly strongest candidate. With his background and competence, we rest assured that he will make an important contribution to securing the GPFG’s objective of delivering the highest possible return in the long term, within limits specified by the Ministry of Finance and endorsed by the Storting. Nothing has come to light in recent months that has changed our assessment. Norges Bank’s Executive Board and I have full confidence that Nicolai Tangen will carry out his tasks in a way that will provide the organisation with invaluable expertise and strengthen the management of our national wealth.

Thank you for your attention.