

Corporate Governance Statement of Stefnir 2024



Introduction

The board of directors of Stefnir hf. believes that good corporate governance is a key factor behind Stefnir's success as a leading fund management company in Iceland. Corporate governance provides companies with a framework in which objectives are defined, which tools should be used to achieve these objectives and how the success of these objectives is measured. Good corporate governance is designed to provide the right incentives to the board of directors and management to exploit the opportunities which serve the interests of the company, the shareholders and the general public. Good corporate governance also enables the board to perform its monitoring duties effectively. This corporate governance statement by Stefnir hf. is in compliance with the requirements set forth in recognized guidelines at the time these financial statements are approved by

the board of the company with reference to Article 66 c. of the Annual Accounts Act No. 3/2006. The Guidelines on Corporate Governance, 6th edition, issued by the Icelandic Chamber of Commerce, SA – Business Iceland, and Nasdaq Iceland hf. and the OECD's Principles of Corporate Governance from 2015 were used as a reference when Stefnir hf.'s corporate governance statement was written. The Guidelines on Corporate Governance can be seen at leidbeiningar.is and the OECD's Principles of Corporate Governance can be seen [here](#).

In 2012 Stefnir was the first Icelandic company to be recognized for "Excellence in good corporate governance.." This recognition was first awarded by the Center for Corporate Governance at the University of Iceland and is based on an audit performed by KPMG. Stefnir has since been recognized in this way on repeated occasions and therefore remains a model company in good corporate governance in Iceland.

Stefnir hf. is an independent financial institution pursuant to the Financial Undertakings Act No. 161/2002. The company operates on the basis of an operating license from the Financial Supervisory Authority of the Central Bank of Iceland as a manager of UCITS pursuant to Act No. 116/2021 on Undertakings for Collective Investment in Transferable Securities (UCITS) and as an alternative investment fund manager pursuant to Act No. 45/2020 on Alternative Investment Fund Managers. The company's operating license also applies to asset management, investment advice, and the custody and management of unit shares or shares in funds for collective investment. Stefnir has assets of ISK 247 billion under fund management at the end of 2023. Stefnir has 24 employees with a diverse range of expertise and experience from the domestic and international financial markets.

Stefnir is a subsidiary of Arion Bank hf. The company is fully owned by Arion Bank and a related company. The company's corporate governance statement serves to encourage open and reliable communications between the board, shareholders and other stakeholders such as fund members managed by Stefnir, parties that service and participate in the operations of Stefnir, employees and the general public.

The company's operations are subject to an operating license issued by the Financial Authority of the Central Bank of Iceland. The company's operations are governed by acts of law including the Financial Undertakings Act No. 161/2002, the UCITS Act No. 116/2021, and the Alternative Investment Fund Managers Act No. 45/2020.

Stefnir is supervised by the Financial Authority of the Central Bank of Iceland under the Official Supervision of Financial Operations Act No. 87/1998.

Main features of internal controls, risk management and accounting

Risk management and active internal control are mainstays of the responsible operation of a fund management company. The board confirmed the company's risk policy at the end of 2023. The risk policy states: "Risk in the company's operations shall be identified, quantified, measured and monitored according to the criteria established in the business at any given time. The risk appetite of the board of directors of Stefnir shall be communicated to the employees and be integral to the process of informed decision-making at the company."

By setting out a clear risk policy the board wishes to encourage and support a corporate culture at Stefnir which is characterized by a keen sense of risk awareness.

The company's risk appetite has been defined and this work was based on international models which were adapted to Icelandic conditions and the company. The company's auditing and risk committee helped to define the risk appetite and tolerance limits. The board of directors of Stefnir will review the company's risk appetite on an annual basis to take into account changes in the company's internal and external environment.

The Risk Officer of Stefnir is responsible for analyzing and assessing the company's financial risks and operating risks. The Risk Officer takes an active part in formulating the risk policy, risk appetite and is involved in major decisions on risk management. Compliance, Internal Audit and the Risk Officer regularly report the results of their assessments to the board of directors of Stefnir and the audit and risk committee. All supervisory measures are documented and regularly assessed by the persons responsible for monitoring risk, e.g. the risk officer. The audit and risk committee is informed of the progress of these measures. Compliance and Internal Audit functions are outsourced with the permission of the Financial Authority of the Central Bank of Iceland to Arion Bank and they work in accordance with a charter from the board of directors of Stefnir.

The structure and organization of corporate governance are vital tools for the effective management of the company, the separation of different business units and the prevention of conflicts of interest. Corporate

governance at Stefnir has been assessed and the board of directors is of the opinion that the company operates in accordance with the standards set out there concerning best practice in internal corporate governance.

Stefnir has adopted a policy on conflicts of interest. The objective of the policy is to protect clients and fund members and to safeguard the independence and reputation of the company and its employees. The policy applies equally to the board and employees and implies that the company will take all available measures to prevent conflicts of interest from damaging the interests of fund members. An extract of the policy and other rules designed to prevent conflicts of interest, e.g. rules on securities trading by employees of Stefnir, can be found on the company's website.

The company's accounting is the responsibility of Arion Bank's finance division. The Financial Authority of the Central Bank of Iceland has authorized the outsourcing of this task. Arion Bank is also the depositary of Stefnir hf. and the price calculations of funds managed by Stefnir are the responsibility of the Bank.



The audit and risk committee examines the company's financial statement and obtains the opinion of an external auditor on the six-month financial results and 12-month financial results of Stefñir and the funds managed by Stefñir. Reporting to the board of directors with respect to the accounts is the responsibility of the committee; the board also meets the auditing company Deloitte.

Values and social responsibility

In the strategic planning completed in 2023, the Stefñir's business focuses over the next few years were decided. The board of directors and employees actively participated in this task, and numerous key performance indicators were set which are designed to support and strengthen Stefñir as the leading fund manager in Iceland.

The values decided upon in the strategic planning by the board and employees in 2022 are professional, forward-thinking and responsible. The sentence "Together we create valuable opportunities by being forward-thinking and acting responsibly" is a good description of the power of teamwork which prevails in the company, where we look to the future responsibly, guided by the interests of our clients.

The company's core value is "United in a strong team" which describes the company's overall sense of teamwork.

The board of directors approved the code of ethics in 2022 which reflects the ethical standards according to which the board and employees work. Other benchmarks can be found in employment agreements, the conflicts of interest policy and the board of directors' rules of procedure.

A policy on sustainability and social responsibility was approved by the board in 2023. The policy describes Stefñir's sustainability focuses in the long term and how the company adopts sustainability in its business and managing financial assets pursuant to the company's fiduciary duty. The policy can be viewed on Stefñir's website.

The company's policy on diversity, equality and participation, which was approved in 2023, sets out the criteria the board has established with respect to diversity and equality.

Stefñir is a signatory to the Principles for Responsible Investment and undertakes to provide information on how it takes into account environmental, social and governance issues when managing its investments. The company is also one of the founding members of IcelandSIF, which was founded in 2017. IcelandSIF is an independent forum for discussion and education on responsible and sustainable investment.

Stefnir has signed a declaration of intent on investment for a sustainable recovery. Financial resources are critical for shaping the business sector and creating jobs in this recovery. Responsible and diverse investment options and thorough disclosure of information are central to the corporate social responsibility that the company aspires to represent. The board of Stefnir has adopted a policy on responsible investment which applies to investments by funds managed by the company and how Stefnir can have a positive influence on our society, to the benefit of fund members and other stakeholders.

Board of Directors

The board of directors of Stefnir has three members. The majority of the board is independent of Arion Bank, Stefnir's parent company, and the company itself. All board members are elected at a shareholders' meeting of the company. The managing director is hired by the board and has the mandate from the board to manage the day-to-day operations of the company. Board meetings are held regularly, on average once a month and more often if required. There were 16 board meetings during the year and there was a quorum present at every meeting. The board's standard procedures can be accessed on the company's website, as well as the company's articles of association.

The board of directors of Stefnir has two female and one male director who have a diverse background and education and broad experience of business and management. The board members are Sigrún Ragna Ólafsdóttir, chairwoman, Guðmundur Jóhann Jónsson, and Hrefna Ösp Sigfinnsdóttir.

Sigrún Ragna was born in 1963. Sigrún Ragna is self-employed and is the former CEO of VÍS and Mannvit. She was previously managing director of the finance division of Íslandsbanki and before that was a partner at Deloitte. Sigrún Ragna graduated in business administration from the University of Iceland and is a certified accountant. She gained an MBA from Reykjavík University. Sigrún also serves on the board of Síminn where she is vice-chairwoman. Sigrún has no shared interests with Stefnir's main clients or competitors.

Guðmundur Jóhann was born in 1959. Guðmundur is self-employed and is the former CEO of Vörður. Guðmundur is also a board member of Útgerðarfélag Reykjavíkur hf., Fareind hf. and Stjórnborði ehf. Guðmundur is a business administration graduate from Seattle University. He gained an MBA from the University of Edinburgh and has completed the Advanced

Management Program(AMP) from the IESE Business School. Guðmundur has no shared interests with Stefnir's main clients or competitors. The board has assessed Guðmundur as a non-independent board member according to its rules of procedure and chapter 2.3 of the Guidelines on Corporate Governance on account of his previous employment agreement with Vörður which is also a subsidiary of Arion Bank.

Hrefna Ösp was born in 1969. Hrefna is the CEO of Creditinfo and former managing director of asset management at Landsbankinn. Hrefna is a board member of Coripharma Holding hf., Vaxandi fjárfestinga hf. and Styrktarsjóður Arnarskóla. Hrefna is a business administration graduate from the University of Iceland, is a licensed securities broker and has completed the Advanced Management Program (AMP) from IESE Business School. Hrefna has no shared interests with Stefnir's main clients or competitors.

The board members have not taken on any special tasks for the company, and the board's rules of procedure specifically address other tasks which board members can take on.

Sigrún Ragna Ólafsdóttir has been chairwoman since August 2019, Guðmundur Jóhann Jónsson joined the board in May 2022 and Hrefna Ösp Sigfinnsdóttir joined the board in December 2022. Further information on board members at Stefnir can be found on the company's website.

Board sub-committees

Stefnir operates an audit and risk committee. The committee is composed of board directors of Stefnir. The committee met eight times in during the operating year and a quorum was present on each occasion. Two committee members are independent of the company and their broad expertise in business administration, auditing and management was put to good use in the course of the committee's business. The committee submits its annual report to the board of directors in the first quarter of every year. The committee's rules of procedure can be found on the company's website.

The board of directors of Stefnir also has a remuneration committee. As with the audit and risk committee, it is composed of board directors of the company. The committee met five times during the operating year and a quorum was present on each occasion. There is no nomination committee since Stefnir is fully owned by Arion Bank and a related company.

The role of the board

The role of the board of directors of Stefnr has been defined as follows:

The board's key role is to establish a corporate strategy and ensure that it is implemented. The core of the strategy is for the company to be a leading fund management company and to ensure that the company is guided by the interests of clients, owners, employees and society as a whole when managing financial assets responsibly. There is an emphasis on high quality risk management and running a dependable and profitable business. The board places a strong emphasis on good corporate governance and ensuring that the board and company operate at all times in compliance with the law, rules and good business practices.

The role of the board is defined in more detail in the rules of procedures and the company's articles of association.

The board evaluates its own work and that of committees and the chairman on an annual basis and makes proposals for improvements. For the assessment the board uses an anonymous, digital questionnaire. The results of the assessment are then discussed at a board meeting and the board's proposals for improvements are assigned to people for completion. The key features of the board assessment are value creation and strategic planning, the board agenda and meetings, employees and culture, board composition, assessment of the chairperson, risk management and disclosure and other factors which are important in order for the board to reach its targets. The board examines the assessment, and this is specified in the minutes of the board meeting.

Managing director

The company's managing director since 1 May 2022 is Jón Finnbogason, born 1973. Jón is a lawyer and a licensed securities broker. Jón has worked on the financial markets in a diverse range of management and specialist positions for 23 years. Jón was manager at Byr Savings Bank and later CEO of Byr hf. between 2009 and 2011, when he took over as assistant managing director of retail banking at Íslandsbanki, a position he held until 2013. He worked at Stefnr from 2003 to 2008 and again from 2013 to 2017 when he was head of the fixed income team and deputy managing director. Jón was credit officer at Arion Bank from 2017 to 2022. Jón is chairman of Fimleikasjóður Íslands. Jón has no shared interests with Stefnr's main clients or competitors.

Neither the managing director nor related parties own share or options in Stefnr, but the managing director and related parties do have shares and share option in Arion

Bank, the parent company of Stefnr. This involves direct ownership of 38,534 shares and options under the general share option scheme for employees of the parent company's group and indirect ownership of related parties of 396,593 shares, 150,000 SDRs and options to 641,026 shares. The main duties of the managing director are to manage the day-to-day business of the company, implement strategy and follow the instructions given by the board of directors, cf. Article 68 (1) of the Public Limited Companies Act. He is responsible for reporting to internal and external supervisory bodies. The managing director is authorized, upon approval by the board, to grant other employees of the company the power to carry out limited aspects of his duties.

The board's rules of procedure and communications between the shareholders and the board

The board's rules of procedure are set with reference to Article 70 (5) of the Public Limited Companies Act. The rules of procedure are largely based on Guidelines No. 1/2010 of the Financial Supervisory Authority (FSA) and the company's articles of association, as well as the work undertaken in relation to the company's recognition as a model company in good corporate governance.

The board of directors' rules of procedure cover in detail the protocol for communications between shareholders and the board. The rules basically state that the chairman of the board is responsible for communications between the board and shareholders and that at every board meeting a report, verbal or in writing, shall be given on communications with shareholders between meetings. The rules of procedure can be viewed on Stefnr's website.

Conclusion

No judgments for punishable acts according to the Criminal Code, the Competition Act, Financial Undertakings Act or laws on public limited companies, private limited companies, book-keeping, annual accounts, bankruptcy or taxation, nor under special legislation applicable to parties subject to public supervision of financial activities, have been passed on Stefnr hf.

Stefnr has been a leader in many areas and has placed great importance on offering its clients competitive and responsible investment options in virtually all asset classes. It is vital that the company is able to share information accurately and easily with investors. The company's website performs an important role in this respect by publishing detailed information on all the Stefnr funds available to the public.
