

# Corporate Governance Statement of Stefnir for 2023



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 Financial Undertakings 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 and the Principles of Corporate Governance can be viewed on Stefnir's website.

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.

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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 more than ISK 260 billion under fund management. Stefnir has a team of 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 restrictions by the legislator. 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 FSA under Act No. 87/1998.

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 2022. 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 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 team. 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 FSA 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.

The company's accounting is the responsibility of Arion Bank's finance division. The FSA 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 Stefnir and the funds managed by Stefnir. 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.

In 2022 Stefnir completed strategic planning to define the company's new values. It was a joint effort between the employees and the board of directors.





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The values are: professionalism, foresight and responsibility and the sentence “Together we create valuable opportunities by being forward-thinking and acting responsibly” is descriptive of the spirit of cooperation and teamwork at Stefnr, where the company looks to the future responsibly and prioritizes the interests of its 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 conduct 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 at the beginning of 2022. The policy describes Stefnr’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 Stefnr’s website.

Stefnr 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.

Stefnr 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 Stefnr has adopted a policy on responsible investment which applies to investments by funds managed by the company and how Stefnr can have a positive influence on our society, to the benefit of fund members and other stakeholders.

Stefnr 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 clients and fund members. An extract of the policy and other rules designed to prevent conflicts of interest, e.g. rules on business dealings by employees of Stefnr, can be found on the company’s website.

The board of directors of Stefnr has three members. The majority of the board is independent of Arion Bank, Stefnr’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 19 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 Stefnr 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

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Ólafsdóttir, chairman, selfemployed, Guðmundur Jóhann Jónsson, CEO of Vörður Insurance and Hrefna Ösp Sigfinnsdóttir, CEO of Creditinfo. Sigrún Ragna has been chairman since August 2019, Guðmundur Jóhann joined the board in May 2022 after Guðfinna Helgadóttir, employee of Arion Bank, stepped down from the board following a change in the law, and Hrefna joined the board in December 2022 after Jón Óttar Birgisson stepped down from the board after he took up a position at Stefmir following changes to the alternative investments team.

The company's policy on diversity, equality and participation, which was approved in early 2022, sets out the criteria the board has established with respect to diversity and equality. Further information on board members at Stefmir can be found on the company's website.

Stefmir has an audit and risk committee. The committee is composed of board directors of Stefmir. The committee met eight times in 2022 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 Stefmir did not operate a remuneration committee during the year as this function is performed by the board. Stefmir plans to set up a remuneration committee before the company's AGM in March 2023. There is no nomination committee due to Stefmir's ownership structure, where the company is fully owned by Arion Bank and a related company.

The board of directors of Stefmir jointly devised the following mission statement for the board:

*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 at large 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 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. In light of the changes to the company's board of directors in December it was decided not to use the digital questionnaire, but instead the board decided to evaluate its work verbally at a board meeting and used questions based on good corporate governance.

The company's managing director since 1 May 2022 is Jón Finnbogason, born 1973. Jón is a lawyer and a qualified stockbroker.

Jón has worked on the financial markets in a diverse range of management and specialist positions for 23 years. He worked at Stefmir from 2003 to 2008 and again from 2013 to 2017 when he was head of the fixed income team and deputy managing director.

Neither the managing director nor related persons own shares or options in Stefmir. 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 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. The chairman shall ensure that the board is informed of all communications with 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 Stefmir's website.





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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.

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 Stefnir hf.

Stefnir 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 Stefnir funds available to the public.