

# Stefnir's Sustainability Report 2022

## Non-financial Information 2022

Stefnir Asset Management Company is a well-established Icelandic fund manager with assets of approximately ISK 260 billion under active management at the end of 2022. Stefnir caters for both retail and professional clients with the aim of managing its clients' assets as best serves their interests. Stefnir has about 23 specialists in four teams managing a diverse collection of mutual, investment and institutional alternative investment fund marketed towards the public. Stefnir is Arion bank's subsidiary. Stefnir publishes its non-financial information for the second time in 2022. Stefnir wants to inspire others to do the same to alliterate transparency in operations regarding environmental, social and governance factors.

Stefnir's role is to manage its clients' assets as best serves their interests. Responsible and diverse investment options and thorough disclosure of information are central to the corporate social responsibility that Stefnir aspires to maintain. By paying due attention to environmental and social issues and good corporate governance we believe the company can have a positive influence on our society, to the benefit of fund members and other stakeholders. Non-financial reporting pursuant to Article 66 d of Act No. 3/2006 can be seen on the company's website, and Stefnir records nonfinancial information in accordance with the Nasdaq ESG reporting guide.

The board of directors of Stefnir is committed to good corporate governance and endeavours to promote responsible behaviour and corporate culture within Stefnir for the benefit of all the company's stakeholders. Since 2012 Stefnir has been recognized as a company which has achieved excellence in corporate governance by the Center for Corporate Governance. The company is continuously working on maintaining and developing corporate governance and re-attaining this recognition on a regular basis is part of this effort.

### **Policy on sustainability, responsible investments and due diligence assessment**

Policy on sustainability and social responsibility was confirmed by the board in the beginning of 2022. The policy highlights Stefnir's long term sustainability commitments and how Stefnir integrates sustainability into its operations when managing financial assets according to company's fiduciary duty. The policy can be found on company's website. Stefnir has a policy on responsible investments. The policy aims to manage the financial assets of Stefnir's clients, as best serves their interests, regarding environmental, social and governance factors.

Key elements in integrating ESG issues into investment decisions are screening according to ethical constraints and active ownership. There is a great development in the methodology for integrating ESG issues with investments, and it is important to approach the subject with humility.

Stefnir receives information regarding scope 2 and 3 from Klappir, they are calculated based on the percentage of staff at the end of the year within the headquarters of Arion Bank where Stefnir is housed. In the company's 2021 non-financial disclosure, the emissions were estimated from the Stefnir's ratio of square meters within the bank's headquarters against the total square meters of the bank's headquarters and therefore there is a change in method between years.

Stefnir receives its data regarding human resources from its parent company. Data regarding governance factors are based on Stefnir's Corporate Governance Statement. Deloitte has provided an opinion with limited assurance on non-financial reporting by Stefnir.

## **Results on policy on responsible investment**

In 2022, a new fund was established, Stefmir – Sustainable Arctic Fund, which focuses on equity investments in the Nordics with sustainability as a guiding principle. Moreover, KF Global Equity, a foreign fund managed by Stefmir, was defined according to Article 8 of the European Parliament's and of the Council's regulation on sustainability-related disclosures in the financial services sector (e. SFDR). The fund thus provides information on how the impact of sustainability is taken into account in its investment decisions. This is the first fund managed by a domestic entity that has defined itself in this way.

Stefmir had previously established three other funds that pay special attention to sustainability. The funds are Stefmir - Scandinavian Fund - ESG, Stefmir - Sustainable Fixed Income Fund and Stefmir - Green Selection. On behalf of Stefmir - Green Selection's unit holders, Stefmir planted 5,000 trees in cooperation with Kolviður. With this, around 500 tons of emissions are tied up, amounting to around the same emissions as 250 passenger cars emit per year. Since 2020, Stefmir has bound the company's carbon emissions with Kolviður.

In 2020, Stefmir participated in signing a declaration of intent for investments for a sustainable recovery. Capital is an important motive power in shaping the economy and creating jobs. Decisions made today will have a major impact on the development of societies in the coming years, and it is important that they are made with sustainability in mind. By utilizing capital through targeted measures, it is possible to maintain sustainable development and at the same time strengthen the competitiveness of nations and the future of posterity.

Stefmir also started a collaboration with SoGreen, which produces the carbon units in collaboration with the aid organization FAWE ([www.fawe.org](http://www.fawe.org)) in Zambia. The project involves ensuring a full five-year secondary school education for girls in the Monze region of Zambia. SoGreen is a good example of Icelandic entrepreneurial activity in the field of sustainability, where a social project is used to avoid carbon emissions for the future.

Stefmir has been a leading force in offering funds in the field of responsible investments. In 2021 Stefmir established three fund that specifically consider sustainability when investing. The funds are „Stefmir - Scandinavian Fund - ESG“, „Stefmir – Sustainable Fixed Income Fund“ and „Stefmir – Green Selection“. Stefmir – Scandinavian Fund ESG has received MSCI's AAA-grade and is the first Icelandic fund that receives this grade. The fund, has therefore, joined the foremost funds considering ESG factors. MSCI's report states that „Stefmir – Scandinavian Fund ESG“ rates higher than 94% of the 34 thousand funds it rates worldwide.

Within Stefmir operates an ESG committee that works in accordance with rules of procedure, provides support on asset allocation and assurance that Stefmir works in accordance with the established criteria on responsible investment. Stefmir employees who serve on the ESG committee are the torchbearers for implementing the responsible investment methodology throughout Stefmir. The board and employees of Stefmir have all completed courses at PRI Academy in the methodology of responsible investment. PRI Academy is the global leader for people who want to gain an insight into how environmental, social and governance issues affect companies' performance and increase value of all stakeholders.

## **Impacts of climate change on Stefmir and main risks**

Non-financial targets and performance indicators, that have been set by Stefmir's board and management team, are regularly monitored and results are published in an annual sustainability report. Stefmir will continue to refine how the main sustainability risks are defined and implemented in its operations. Climate risk is twofold, real risk and transformation risk, but it is also accompanied by reputational risk and legal risk. Climate risks may prevent Stefmir from achieving its goals, but climate change and the

process of counteract it will have a significant impact on the economy and, consequently, on the value of investments.

### **Impact of Covid-19 on non-financial goals**

Risk due to the Covid-19 epidemic have decreased, the Icelandic economy has recovered and the outlook for the company is bright. The pandemic had little effect on Stefmir's non-financial performance indicators last year.

### **Key performance indicators**

**G2. Board Independence:** Independent board members were two against one dependent board member in 2021.

**G5. Supplier Code of Conduct:** All Stefmir's suppliers must follow the Supplier's Code of Conduct.

**G6. Ethics & Anti-Corruption:** The Board of Directors confirmed the Code of Conduct in 2022 that reflects the ethical standards that the Board of Directors and employees follow, but other criteria on the same subject can also be found in staff employment contracts, conflicts of interest policy and the Board of Directors' rules of procedure. The Board also approved Stefmir's rules on measures against money laundering and terrorist financing in 2022.

**G7. Data Privacy:** Stefmir has a Data Protection Policy that can be found on the company's website.

**S4. Gender Diversity:** The ratio of women in executive-level positions was 40% in 2022, while within the company the ratio of women was 32%. The board's goal of increased diversity is for the proportion of women among the company's employees to be 40% by the end of 2024.

Confirmed by the board of Stefmir

17<sup>th</sup> of February 2023



<b>Environment</b>	<b>2021</b>
<b>E1. GhG Emissions</b>	
Total amount, in CO2 equivalents	10.6
For Scope 1	0
For Scope 2	1.53
For Scope 3	9.07
Total emissions offset	0
<b>E2. Emissions Intensity</b>	
Emission intensity (kgCO2e/MWh)	64.43
Emission intensity per total assets (tCO2e/ ISK bn.)	2.6
Emission intensity per employee (tCO2e/no)	0.46
<b>E3. Energy Usage</b>	
Total energy consumption (kWh)	164,447
Of which energy from electricity	44,735
Of which energy from hot water	119.
<b>E4. Energy Intensity</b>	
Energy per full-time equivalent (FTEe) employee (kWh/FTEs)	7,150
Energy intensity per total asset (kWh/ISK bn.)	39,789
<b>E5. Energy Mix</b>	
Renewable Energy (%)	100
<b>E6. Water Usage</b>	
Total amount of water consumed (m3)	3,689
<b>E7. Environmental Operations</b>	
Does your company follow a formal Environmental Policy? (Yes/No)	No
Does your company follow specific waste, water, energy, and/or recycling polices? (Yes/No)	Yes
Does your company use a recognized energy management system? (Yes/No)	No
<b>E8. Climate Oversight / Board</b>	
Does your Board of Directors oversee and/or manage climate-related risks? (Yes/No)	No
<b>E9. Climate Oversight / Management</b>	
Does your Senior Management Team oversee and/or manage climate-related risks? (Yes/No)	No
<b>E10. Climate Oversight / Management</b>	
Total amount invested, annually, in climate-related infrastructure, resilience, and product development.	-



Social factors	2021
<b>S1. CEO Pay Ratio</b>	
Ratio: CEO total compensation to median FTE total compensation	2.14
Does your company report this metric in regulatory filings? (Yes/No)	Yes
<b>S2. Gender Pay Ratio</b>	
Ratio: Median male compensation to median female compensation	1.83
<b>S3. Employee Turnover</b>	
Year-over-year change for full-time employees (%)	26.1
Year-over-year change for part-time employees (%)	4.3
Year-over-year change for contractors and/or consultants (%)	0
<b>S4. Gender Diversity</b>	
Total enterprise headcount held by women (%)	32
Entry- and mid-level positions held by women (%)	29
Senior- and executive-level positions held by women (%)	40
<b>S5. Temporary Worker Ratio</b>	
Total enterprise headcount held by part-time employees (%)	10
Total enterprise headcount held by contractors and/or consultants (%)	0
<b>S6. Non-Discrimination</b>	
Does your company follow a sexual harassment and/or non-discrimination policy? (Yes/No)	Yes
<b>S7. Injury Rate</b>	
Frequency of injury events relative to total workforce time (%)	0
<b>S8. Global Health &amp; Safety</b>	
Does your company follow an occupational health and/or global health & safety policy? (Yes/No)	No
<b>S9. Child &amp; Forced Labor</b>	
Does your company follow a child and/or forced labor policy? (Yes/No)	No
If yes, does your child and/or forced labor policy See also: cover suppliers and vendors? (Yes/No)	No
<b>S10. Human Rights</b>	
Does your company follow a human rights policy? (Yes/No)	No
If yes, does your human rights policy See also: cover suppliers and vendors? (Yes/No)	No



Governance	2021
<b>G1. Board Diversity</b>	
Total board seats occupied by women (%)	67
Committee chairs occupied by women (%)	100
<b>G2. Board Independence</b>	
Does company prohibit CEO from serving as board chair? (Yes/No)	Yes
Total board seats occupied by independents (%)	67
<b>G3. Incentivized Pay</b>	
Are executives formally incentivized to perform on sustainability? (Yes/No)	Yes
<b>G4. Collective Bargaining</b>	
Total enterprise headcount covered by collective bargaining agreement(s)	100
<b>G5. Supplier Code of Conduct</b>	
Are your vendors or suppliers required to follow a Code of Conduct? (Yes/No)	Yes
If yes, what percentage of your suppliers have formally certified their compliance with the code?	42.7
<b>G6. Ethics &amp; Anti-Corruption</b>	
Does your company follow an Ethics and/or Anti-Corruption policy? (Yes/No)	Yes
If yes, what percentage of your workforce has formally certified its compliance with the policy?	100
<b>G7. Data Privacy</b>	
Does your company follow a Data Privacy policy? (Yes/No)	Yes
Has your company taken steps to comply with GDPR rules? (Yes/No)	Yes
<b>G8. ESG Reporting</b>	
Does your company publish a sustainability report? (Yes/No)	Yes
Is sustainability data included in your regulatory filings? (Yes/No)	Yes
<b>G9. Disclosure Practices</b>	
Does your company provide sustainability data to sustainability reporting frameworks? (Yes/No)	No
Does your company focus on specific UN Sustainable Development Goals (SDGs)? (Yes/No)	Yes
Does your company set targets and report progress on the UN SDGs? (Yes/No)	No
<b>G10. External Assurance</b>	
Are your sustainability disclosures assured or validated by a third party? (Yes/No)	Yes