Financed Emissions of Stefnir 2024

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About the report and its purpose

The following report contains information on the financed emissions of Stefnir's funds for the year 2024. Results are presented for funds marketed to retail investors as well as one institutional investor fund. The calculations are based on the PCAF (Partnership for Carbon Accounting Financials) methodology.

The analysis aimed to cover at least 70% of each fund's portfolio. If this threshold was not met, the fund's financed emissions were not calculated, which occurred in a few cases due to data limitations.

In line with the PCAF methodology, financed emissions are calculated based on a point-in-time assessment, and in this report, the calculations are based on each fund's portfolio composition as of 31 December 2024.

The objectives of this report are to:

- ❖ Promote transparency for stakeholders
- ❖ Identify climate-related transition risks
- ❖ Support the development of climate-friendly financial products

Methodology

Equities and Bonds

Listed and Unlisted

Method

The methodology used to calculate financed emissions across all asset classes is based on the same fundamental approach. A so-called “attribution factor” is multiplied by the emissions of the company in which the investment is made; however, the composition of this factor varies between asset classes.

For equities and bonds, the attribution factor is determined by dividing the outstanding investment amount in a company by either the company’s EVIC (Enterprise Value Including Cash) or the sum of its equity and debt. The former applies to listed companies, while the latter applies to unlisted companies.

EVIC (Enterprise Value Including Cash) represents the total value of a company, including its cash holdings.

Data Quality

Data on corporate carbon emissions were collected in two ways:

1) From companies’ annual and sustainability reports, *data quality score 1–2.*

2) By estimating emissions based on the company’s industry classification, as described on the following page, *data quality score 4.*

Listed equities and bonds (listed companies) :

$$Financed\ emissions = \sum_f \underbrace{\frac{Outstanding\ amount_f}{Enterprice\ Value\ Incl.\ Cash_f}}_{Attribution\ factor} \times Emissions_f$$

Unlisted equities and bonds (unlisted companies):

$$Financed\ emissions = \sum_f \underbrace{\frac{Outstanding\ amount_f}{Equity + Debt_f}}_{Attribution\ factor} \times Emissions_f$$

f = company invested in

Corporate emission calculation

Emissions not disclosed in annual report

In cases where an investee company does not disclose its greenhouse gas emissions in its annual report, it was necessary to estimate the company's emissions.

To assess these emissions, the company's registered ISAT industry classification was used. The company's emissions were estimated based on industry-level data on emissions and turnover.

A factor was calculated by dividing the company's turnover or revenue by the total turnover of the relevant industry. This factor was then multiplied by the industry's total emissions to obtain an estimated emission figure for the company.

If this estimation method was applied, the data quality score assigned was 4.

Financed emissions where a company's emissions are not disclosed in its annual report:

$$Financed\ emissions = \sum_f \frac{Outstanding\ amount_f}{Equity + Debt_f} \times \left(Revenue_f \times \frac{Emissions_a}{Revenue_a} \right)$$

f = company invested in
a = corresponding ISAT sector

Government bonds

Method

The methodology used to calculate financed emissions from sovereign bonds is based on the same concept and approach as that used for equities and corporate bonds.

The denominator of the attribution factor in this case is PPP-adjusted GDP (purchasing power parity-adjusted gross domestic product). Data on this metric was obtained from the World Bank database.

Emission data were collected from the database provided by PCAF, which aligns with the definitions of the UNFCCC. There is, however, a significant time lag in data availability, with national emission inventories typically being published about two years after the reference year. Consequently, the emissions data used for Iceland refer to the year 2020, which are the most recent available figures. The data exclude emissions and removals from land use, land-use change, and forestry (LULUCF).

Data quality

All government bonds are assigned a data quality score of 2, due to delays in data availability.

(1) UNFCCC: United Nations Framework Convention on Climate Change

Government bonds:

$$Financed\ emissions = \underbrace{\sum_l \frac{Outstanding\ amount\ (USD)_l}{PPP\text{–}adjusted\ GDP(international\ USD)_l}}_{Attribution\ factor} \times Emissions_l$$

l = *country*

Fund investments

Method

It is common for funds to invest in other funds (Fund of Funds). In such cases, the analysis did not look through to the underlying funds but instead applied the following method where applicable.

The denominator of the attribution factor in this case is the total value of the fund being invested in, and the factor is then multiplied by the financed emissions of that fund. Therefore, financed emissions data for the invested fund must be available in order to include fund investments in the PCAF calculation.

The reason some of Stefnir's mixed funds did not reach the 70% coverage threshold is that a significant portion of their assets are invested in funds that have not yet published financed emissions data.

Data quality

All fund investments are assigned a data quality score of 5.

Fund investments:

$$Financed\ emission = \underbrace{\sum_s \frac{Outstanding\ amount_s}{Total\ fund\ size_s}}_{Attribution\ factor} \times Fund\ emissions_s$$

s= fund invested in

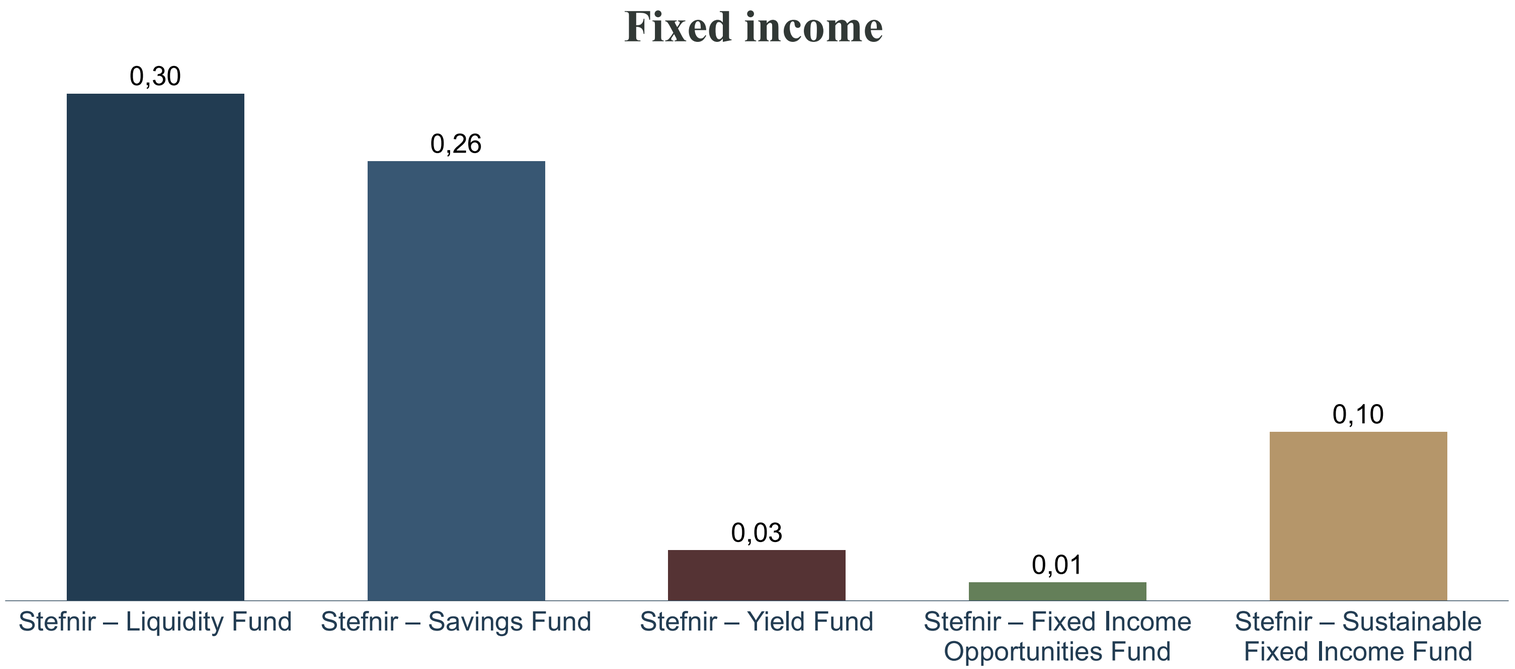
Results

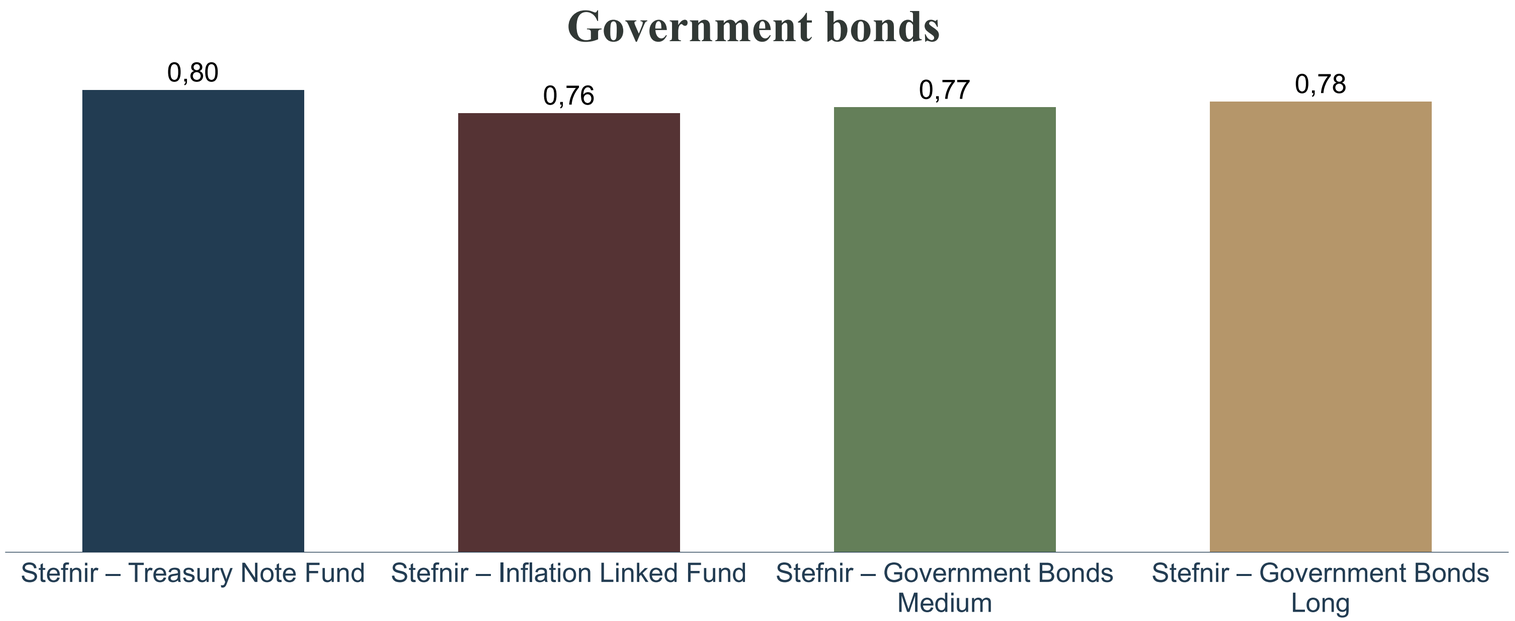
Key findings

Emission intensity (tCO2e/m.kr.)

To compare the emissions of funds, emission intensity is used, this represents the emissions of a fund per every million ISK invested. Total emissions can be misleading since fund sizes vary, and larger funds naturally tend to have higher overall emissions.

Government bonds carry significant weight in total emissions, which is clearly reflected in the emission levels and intensity of government bond funds. Stefnir – Fixed Income Opportunities Fund has by far the lowest emission intensity, as it is among the few bond funds where government bonds account for only a small share of the total portfolio.





Key findings

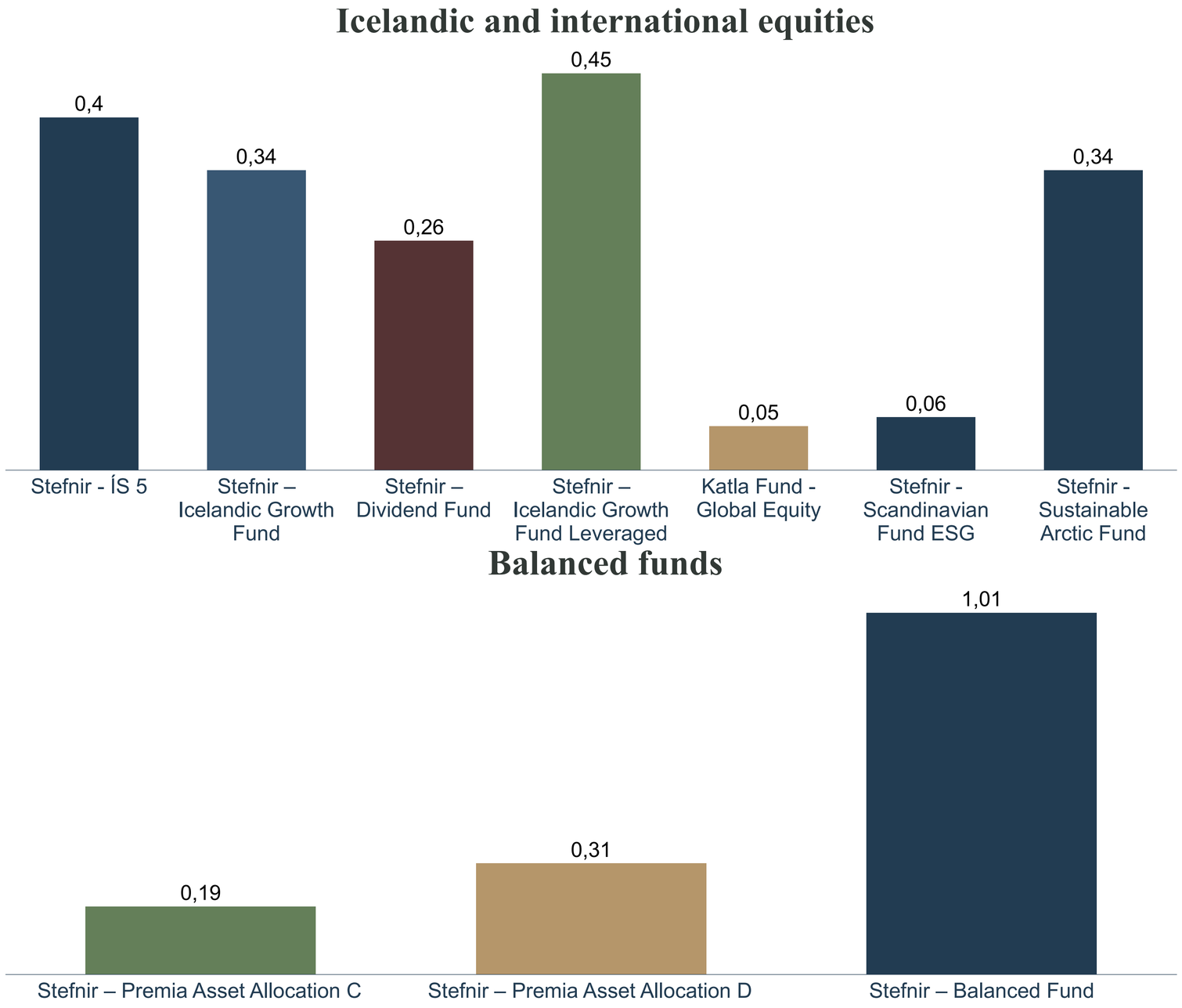
Emission intensity (tCO2e/m.kr.)

Among Stefnir's Icelandic equity funds, Stefnir – Icelandic Growth Fund has the highest emission intensity, indicating that investments in the fund are relatively carbon-intensive. This is mainly because some of the fund's largest holdings are in high-emission companies, including Eimskip and Icelandair.

Stefnir – Sustainable Arctic Fund has the highest emission intensity among the international equity funds. The fund's portfolio includes transport and aviation companies, which contribute significantly to its overall emissions.

Among the alternative investment funds for professional investors, only Stefnir – ÍS 5 was included in the analysis. It ranks among the most carbon-intensive funds due to its exposure to Eimskip and Icelandair.

Stefnir – Balanced Fund, which has the highest emission intensity among the mixed funds, derives most of its emissions from investments in other Stefnir funds.



Government bonds funds

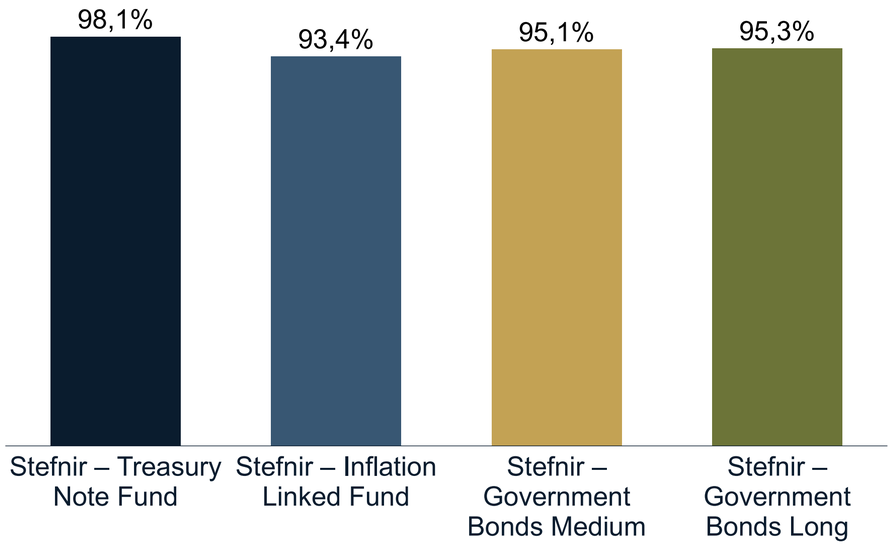
	Total assets (ISK m.)	**% of assets included in calculations**	**Scope 1&2** (ktCO2e)	**Emission intensity** (tCO2e/ISK m.)	**Data quality**
Stefnir – Treasury Note Fund	832	100%	0,66	0,80	1,96
Stefnir – Inflation Linked Fund	5.214	99,19%	3,96	0,76	1,87
Stefnir – Government Bonds Medium	11.614	99,72%	8,98	0,77	2,05
Stefnir – Government Bonds Long	7.279	99,45%	5,64	0,78	2,04
Total	24.939		19,2	3,11	1,98

Government bonds account for a large share of total emissions, which is clearly reflected in the emission intensity of government bond funds.

Stefnir – Treasury Note Fund has the highest emission intensity, at 0.80 tonnes of CO_2e per ISK million invested, which is expected since 98.1% of the fund consists of government bonds.

The higher the share of government bonds in a portfolio, the higher the total emissions and emission intensity. Bonds issued by institutions are calculated differently and therefore have a lower carbon impact than sovereign bonds (RIKB and RIKS).

Weight of government bonds in funds



Fixed income funds

	Total assets (ISK m.)	**% of assets included in calculations**	**Scope 1&2** (ktCO2e)	**Emission intensity** (tCO2e/ISK m.)	**Data quality**
Stefnir – Liquidity Fund	9.432	100%	2,88	0,30	1,51
Stefnir – Savings Fund	21.934	97,56%	5,71	0,26	1,55
Stefnir – Yield Fund	9.328	77,95%	0,25	0,03	1,40
Stefnir – Fixed Income Opportunities Fund	18.915	85,66%	0,21	0,011	1,32
Stefnir – Sustainable Fixed Income Fund	298	85,24%	0,03	0,10	1,21
Total	59.907		9,08	0,70	1,40

The fixed income funds consist of government bonds, mortgage bonds, corporate bonds, and deposits.

Financed emissions depend largely on the share of government bonds within each fund. Stefnir – Liquidity fund shows the highest emission intensity among bond funds, as government bonds make up 37.5% of its portfolio. Stefnir – Savings Fund follows, with a 31.9% share of government bonds and an emission intensity of 0.26 tonnes per ISK million.

There is currently no separate methodology for calculating financed emissions from sustainability bonds, so the standard bond approach is applied.

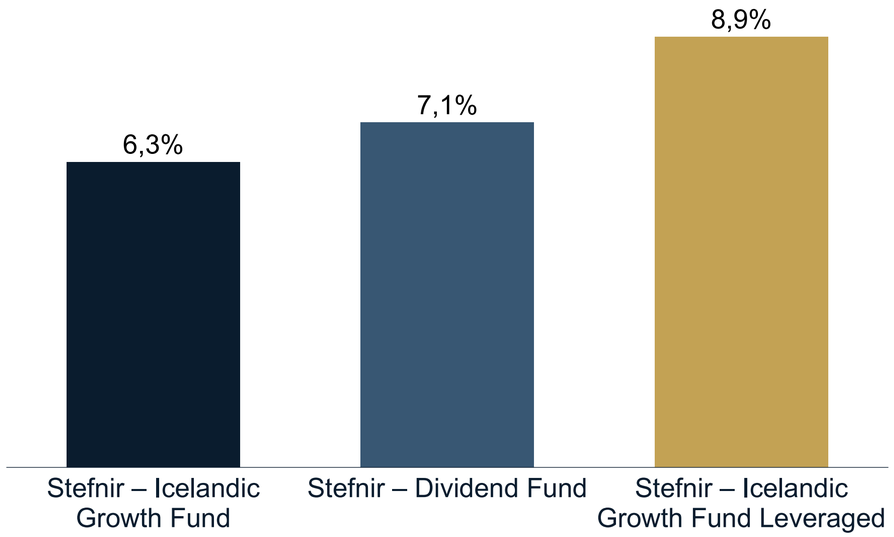
Icelandic equities funds

	Total assets (ISK m.)	**% of assets included in calculations**	**Scope 1&2** (ktCO2e)	**Emission intensity** (tCO2e/ISK m.)	**Data quality**
Stefnir - ÍS 5	9.547	94,83%	3,9	0,40	1,34
Stefnir – Icelandic Growth Fund	23.561	93,38%	7,94	0,34	1,75
Stefnir – Dividend Fund	980	100%	0,26	0,26	1,48
Stefnir – Icelandic Growth Fund Leveraged	1.549	94,50%	0,70	0,45	1,45
Total	35.637		12,80	1,45	1,51

Among the Icelandic equity funds, Stefnir – Icelandic Growth Fund Leveraged and Stefnir – Icelandic Growth Fund show the highest emission intensity.

The results clearly indicate which companies drive the majority of financed emissions. 92.8% of Stefnir – Icelandic Growth Fund Leveraged emissions come from investments in Eimskip and Icelandair, while their share within Stefnir – Icelandic Growth Fund is 89.3%.

Weight of investments in Eimskip and Icelandair



International equities funds

	Total assets (ISK m.)	**% of assets included in calculations**	**Scope 1&2** (ktCO2e)	**Emission intensity** (tCO2e/ISK m.)	**Data quality**
Katla Fund - Global Equity	49.213	96,15%	2,50	0,05	1,48
Stefnir - Scandinavian Fund ESG	12	94,48%	0,10	0,06	1,36
Stefnir - Sustainable Arctic Fund	9.328	87,00%	0,039	0,34	1,50
Total	58.553		2,59	0,43	1,45

Among Stefnir's international equities funds, Stefnir – Sustainable Arctic Fund has the highest emission intensity. The majority of the fund's carbon footprint originates from investments in UPM and Alaska Air Group, or 76%, followed by Rockwool and Ørsted, both relatively carbon-intensive companies.

Stefnir – Scandinavian Fund ESG shows the lowest emission intensity among the international equity funds, as it holds no high-emission companies like those in the Sustainable Arctic Fund.

Interestingly, Katla Fund has a notably low emission intensity. The fund primarily invests in large-cap companies with high market value, which reduces its attribution factor, and these companies also tend to have relatively low absolute emissions.

Balanced funds and private banking funds

	Total assets (ISK m.)	**% of assets included in calculations**	**Scope 1&2** (ktCO2e)	**Emission intensity** (tCO2e/ISK m.)	**Data quality**
Stefnir – Premia Asset Allocation C	2.144	72,10%	0,40	0,19	3,84
Stefnir – Premia Asset Allocation D	71	100%	0,02	0,31	4,01
Stefnir – Balanced Fund	8.128	83,77%	8,21	1,01	3,53
Total	10.343		8,63	1,51	3,79

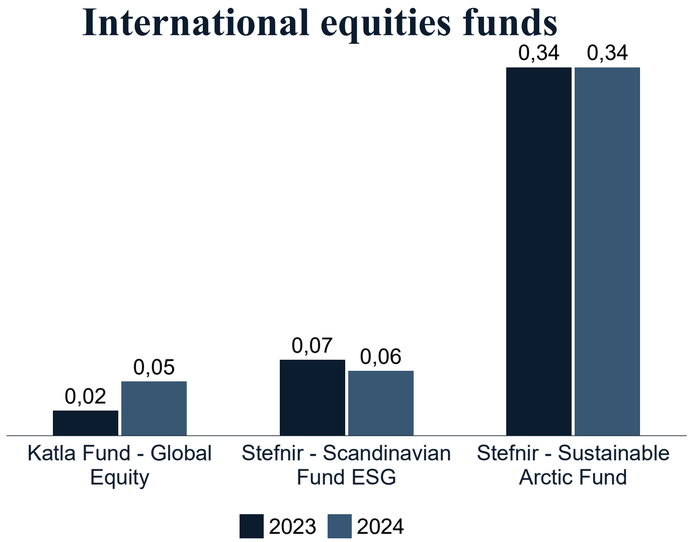
Not included: Stefnir – Green Selection, Stefnir – Premia Asset Allocation A, Stefnir – Premia Asset Allocation B, Stefnir – Premia Asset Allocation Equities Fund E, and Stefnir – Premia Asset Allocation International Equities Fund F

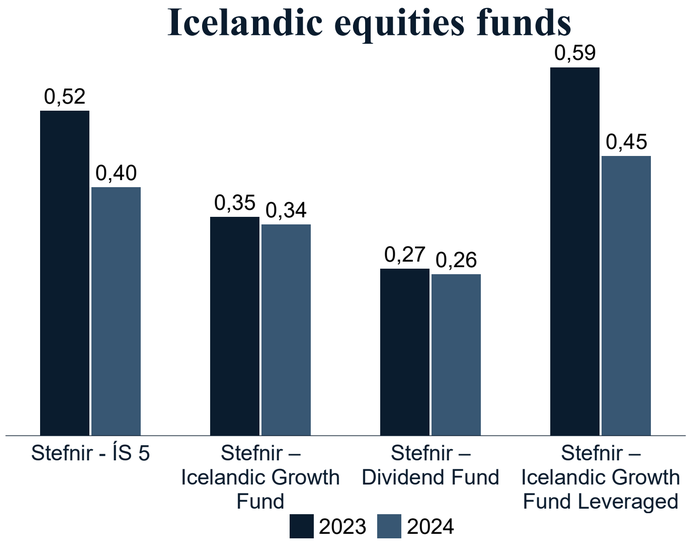
Stefnir's balanced funds and private banking funds invest largely in other funds, making it difficult to obtain emission data for the underlying investments. Consequently, financed emissions could not be calculated for Stefnir – Green Selection, Stefnir – Premia Asset Allocation A, Stefnir – Premia Asset Allocation B, Stefnir – Premia Asset Allocation Equities Fund E, and Stefnir – Premia Asset Allocation International Equities Fund F, as their data coverage did not reach the 70% threshold.

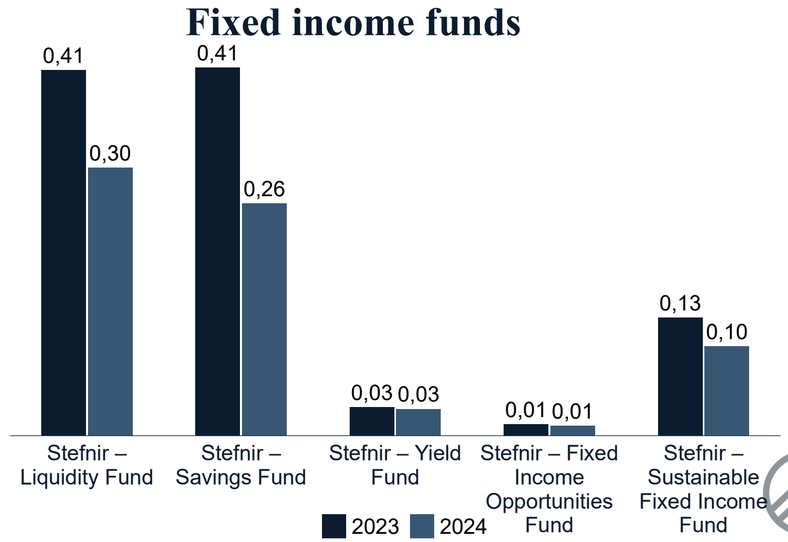
Stefnir – Balanced Fund shows the highest financed emissions within this category, primarily due to investments in other funds with relatively high financed emissions.

Comparison of emission intensity 2023 and 2024

- In general, data quality among Icelandic companies has improved, leading to higher data quality across Stefnir's funds year-over-year.
- Of the two most carbon-intensive companies in the Icelandic market, Icelandair and Eimskip, only one recorded a reduction in emissions year-over-year.
  - Due to increased airline activity, Icelandair's emissions rose slightly by 4.5% compared to the previous year.
- Stefnir – Savings Fund saw one of the largest relative decreases in emission intensity among Stefnir's funds. The fund's financed emissions declined by nearly 37% year-over-year.
  - This is mainly explained by a lower share of government bonds in the fund compared to last year.
- Katla Fund – Global Equity was among the funds that increased in emission intensity year-over-year, primarily due to higher emissions from carbon-intensive companies such as Waste Management and Amazon.







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