

## Article 10 web disclosure

### Sustainability-related disclosure

# Stefnir - Scandinavian Fund – ESG

A fund of Stefnir hf. • SFDR product category: Article 8

### Summary

The fund takes into account ESG factors when making investment decisions with the aim of reducing risk and generating long-term sustainable investment returns.

It excludes or restricts investments in certain sectors that have significant activities with adverse environmental or social impacts, such as companies involved in the manufacturing, use or possession of controversial weapons.

### Sustainable investment objective

This fund promotes E/S characteristics and has an objective of sustainable investments. The minimum share of sustainable investments in the portfolio is 20%.

### E/S characteristics

Primary components applied are the following:

- Consideration of controversies, i.e. non-financial information in regard to the issuers of securities.
- Exclusion of companies that are involved in the manufacturing, use or possession of controversial weapons.
- Voting at general meetings of investee companies.
- Engaging in active discussions with investee companies.

The fund employs negative screening (does not invest in) on fur production and animal experiments, gambling, nuclear power, coal and oil sands processing, pornography, loan sharking, activities which violate basic human rights, e.g. slavery and Arms manufacturing.

It employs positive screening (looks to companies who are driving positive development in the sector and outperform peers according to ratings agencies and internal assessment.) on alcohol producers, mining and oil production.

It employs best in class screening (companies that perform best among its peers on ESG measures, according to internal measures and based on third party ratings agencies) on animal testing intended for drug development and tobacco production.

Internal assessment is performed on companies' publications, the different parameters published by rating agencies and in some cases dialog with companies' representatives.

More information on the methodology is available in the sustainability-related website information here: <https://www.stefnir.is/english/sustainability/>

### Investment strategy

#### **Objective**

Stefnir Scandinavian Fund – ESG takes into account ESG factors when making investment decisions with the aim of reducing risk and generating long-term sustainable investment returns. A special ESG risk assessment is performed on all assets and investment options by the fund's investment team and independent third parties.

#### **Benchmark**

The goal of the fund is to generate better returns than the MSCI Nordic 10/40 index.

### **Investment policy**

The fund is managed by applying the methodology of responsible investment. The fund invests in companies in Scandinavia and invests in those companies, sectors and countries which in the opinion of the fund manager are most likely to generate optimum returns, companies which have demonstrated high and steady profitability, are moderately leveraged and have organic growth potential.

### **Derivatives and techniques**

The fund may use derivatives for investment purposes. However, the fund does not use derivatives for the attainment of its environmental or social characteristics.

### **Strategy**

The fund seeks to invest in quality growth companies with focus on companies that possess competitive advantage, high profitability and an agreeable management along with long term prospect for internal growth. Prior to qualitative assessment of the reduced investment universe, the fund applies ESG criteria through a selective approach, resulting in that at least 20% of the original universe of potential investments is removed based on ESG rating from independent rating agencies. On top of that, the fund applies exclusion process as follows: ESG is integrated into the strategy by excluding companies and issuers due to their exposure to certain activities that have been deselected based on ESG considerations such as UN Global Compact violation.

**Base currency:** EUR.

### Asset allocation

|  | <i>% of assets</i> |
|--|--------------------|
| <b>Investments aligned with the fund's E/S characteristics</b>                 | <b>Min. 90%</b>    |
| Qualifying as sustainable investments  | Min. 20%           |
| - under the EU Taxonomy  | -                  |
| - with a social objective  | -                  |
| Not qualifying as sustainable investments but having other E/S characteristics | Min. 70%           |
| <b>Other investments</b>   | <b>Max. 10%</b>    |

### Monitoring of E/S characteristics

To ensure that environmental and social characteristics are met throughout the lifecycle of the fund, the ESG process above is applied and monitored on an ongoing basis with a regularity of at least once per month.

The investment team monitors ESG scores and analyst reports and may use them in changing the fund's exposure to the security, or to adjust the fund's ESG score.

### E/S methodologies

#### **Analysis and scoring**

Fund managers identify and monitor the ESG factors most likely to significantly affect the financial or operational condition of companies in various industries. These factors include the following E/S risks:

#### Environmental

- Climate change and greenhouse gas emissions
- Resource depletion, including water
- Waste and pollution

#### Social

- Working conditions, including no child labour or slavery
- Health and safety
- Employee relations and diversity

Exclusion filters are applied to the portfolio construction process to exclude investments in companies and issuers with significant exposure to certain activities deemed to be detrimental to the environment or the society at large.

The assessment is currently conducted with data from third party providers as well as self-reported data from companies invested in when available. Companies are excluded based on a minimum ESG rating by external rating agencies. The fund seeks to not invest in companies with a lower rating than B (MSCI ESG Rating) and/or a higher risk score than 36 (Sustainalytics ESG Risk Rating). No minimum scores are on individual sub parameters, but they contribute to the overall rating and scores.

### Data sources and processing

For the data sources, the Investment Manager will mainly rely on the ESG Scores of MSCI and Sustainalytics.

### Limitations of methodologies and data

Reporting of ESG data is a new concept to many, there is little historical data and data methodologies may differ. Lack of data, or insufficient data, can also be an issue. In case of insufficient data, ESG data providers may rely on estimates and approximations using internal methodologies that may be subjective. Data provided by a third party can be biased or incorrect as well.

### Engagement policies

The effective execution of voting rights in investee companies provided for as part of the third component and the engagement in active discussions with investee companies will be implemented in practice on a case-by-case basis, notably by ensuring that the interests of the end investor and ESG objectives are safeguarded.

### Reference benchmark (ESG)

The fund does not use a benchmark to evaluate its overall ESG profile.

## Terms to understand

**E/S** Environmental and/or social.

**ESG** Environmental, social and governance.

**ESG risk, sustainability risk** An ESG event or trend that may bring reputational or financial harm to a corporate or sovereign issuer.

**ESG score** A measure of an issuer's exposure to ESG/ sustainability risks, typically based on data and developed through the investment team's analysis and scoring method.

**EU Taxonomy** The EU's official classification of economic activities that contribute to an environmental objective (such as climate change mitigation, water protection, circular economy, pollution prevention or biodiversity protection). In future the taxonomy will include activities with a social objective.

**issuer** A company, government, government agency, government-sponsored organisation, or supranational or public international entity that registers and sells securities.

**reference benchmark** An index or combination of indices used by the fund to attain or compare its E/S characteristics.

**SFDR** Regulation (EU) 2019/2088 on sustainability-related disclosures for financial products.

**sustainable investment** An investment in economic activities, undertaken by companies that follow good governance practices, that contribute to an E/S objective without significantly harming other E/S objectives.

**UN Global Compact** A United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.