

## Article 10 web disclosure

### Sustainability-related disclosure

# Stefnir – Sustainable Fixed Income Fund

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

### Summary

The fund's investments seek to generate returns on a portfolio of domestic and international bonds issued by governments, companies, financial institutions, public authorities or other companies with the goal of sustainability.

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**

The fund's investments seek to generate returns on a portfolio of domestic and international bonds issued by governments, companies, financial institutions, public authorities or other companies with the goal of sustainability. This goal might mean having a positive environmental impact as well as positive social impact.

### **Benchmark**

The Fund does not aim to reflect any particular index.

### **Investment policy**

The fund chiefly invests in other funds to further diversify risk. Investments are made in accordance with Stefnir hf.'s policy on responsible investment.

### **Derivatives and techniques**

The fund is not authorized to invest in derivatives. Therefore, the fund does not use derivatives for the attainment of its environmental or social characteristics. However, the fund is permitted to acquire derivatives indirectly through investments.

### **Strategy**

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:** ISK.

### 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. 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 Reitun.

### 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.