

# Policy on *responsible investment*

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## **The role of Stefnir**

The role of Stefnir is to manage the financial assets of its clients as best serves their interests in the short and long term.

Responsible and diverse investment options and thorough disclosure of information are central to the corporate social responsibility to which Stefnir is committed. By paying due attention to environmental and social issues and good corporate governance we believe we can have a positive influence on our society, to the benefit of fund members and other stakeholders.

## **The fundamentals of responsible investment**

As a signatory to the United Nations Principles for Responsible Investment (PRI), Stefnir has pledged to introduce and implement rules on responsible investment. Under these rules environmental, social and governance issues form part of the decision-making process on investments. Stefnir is a founder member of IcelandSIF, an initiative designed to develop and add to the knowledge and debate on responsible investment. Stefnir was one of many organizations in Iceland which

signed a declaration of intent with the government on investment for sustainable development.

Investment decisions are based on laws, regulations and internal rules, such as rules on proxy voting, rules of procedure on counterparty due diligence and due diligence criteria in Stefnir funds. Funds managed by Stefnir use ESG analyses by domestic and international service providers when performing due diligence of investments. International rules such as the OECD guidelines on corporate governance are also utilized.

## **Stefnir ESG Committee**

The managing director appoints an ESG committee comprising employees involved in the investment process of funds. The ESG committee works in accordance with rules of procedure, provides support on asset allocation and assurance that Stefnir works in accordance with the established criteria on responsible investment. The ESG determines the ethical standards for investments and they are published as an annex to this policy.



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## **Methodology used for asset allocation in Stefnr funds**

Fund management should always entail due diligence throughout the investment process that safeguards the best interests of the fund unit holders. There must be adequate understanding and knowledge of the investment options available to the fund at the beginning of the investment process and throughout the investment period. This includes knowledge of the ESG factors which impact our society in the short and long term.

## **Integrating ESG into the investment process**

Wherever possible Stefnr integrates ESG into the investment process at funds managed by the company. Companies are screened in order to identify those which do not meet the required ethical standards and thematic methodology is applied where appropriate.

The ethical standards for investments are set out in a separate annex to this policy. The annex shall be published with the policy and be available on the website of Stefnr.

## **Active ownership and impact investing**

Stefnr complies with rules on proxy voting and Stefnr exercise its shareholder rights according to the best interests of the funds. Through active ownership we aim to advocate positive change which benefits ESG issues in the short and long term.

## **Alternative investments**

Due diligence is performed on alternative investment options to identify and highlight the key aspects of a company's operations and finances. There is a particular emphasis on ESG factors in this respect, and the

extent of the ESG analysis performed depends on the nature of the investment option being considered at any given time.

Where Stefnr is directly involved in the operations of companies via ownership of funds managed by the company and where it is necessary to make improvements and to devise strategy in ESG issues, representatives of the company should promote these issues to the benefit of all stakeholders. Good corporate governance practices are introduced at companies where Stefnr has a stake on behalf of customers in alternative investment funds.

## **Corporate governance, transparency and disclosure**

The board of directors of Stefnr is committed to good corporate governance and endeavours to promote responsible behaviour and corporate culture within Stefnr for the benefit of all the company's stakeholders. In addition, a code of ethics and the company's policy on conflicts of interest support the responsible corporate culture which thrives at Stefnr and which the company endeavours to bring to those companies in which Stefnr is involved through fund ownership.

Stefnr will inform fund members clearly and transparently what action the company has taken and what it has achieved in terms of responsible investment. Information on voting in accordance with the rules on proxy voting is published annually on Stefnr's website.

We will advocate, support and encourage the positive development of responsible investment in line with our commitments as a signatory of PRI.