

## Product name: **SEB Danish Mortgage Bond Fund**

Legal entity identifier: **5299003E27N3RFS7YD30**

### Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

#### Did this financial product have a sustainable investment objective?

●● <input type="checkbox"/> Yes	●○ <input checked="" type="checkbox"/> No
<input type="checkbox"/> It made <b>sustainable investments with an environmental objective</b> : ____% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It made <b>sustainable investments with a social objective</b> : ____%	<input checked="" type="checkbox"/> It <b>promoted Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of <b>0.99%</b> of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b>



### To what extent were the environmental and/or social characteristics promoted by this financial product met?

Specific ESG meetings were held with all the issuers of the fund's holdings during the year as a means to promote environmental and social characteristics in relation to the mortgage issuers. At these meetings, all issuers were asked to explain the developments on parameters relating to environmental and social aspects of the pool of assets that were backing the covered bonds that the fund invested in. Among these, the most relevant was that of Co2-emission – not least through the development of the share of energy-efficient properties in the pool of collateral within the mortgage bonds.

Especially regarding Co2-emission, the fund's engagement processes specifically detailed the need for more and better data. The latest development in this regard was that one issuer began publishing bond-level data, while others published only cover pool-level data. At the meetings, the issuers were informed that it is of the utmost importance that they start publishing bond-level data. It was somewhat of a breakthrough that one issuer had begun doing it. Others are still contemplating possibilities.

Regarding social characteristics, the issuers were clearly informed that it is seen as positive if their share of social housing funding increased. Two of the issuers confirmed that they expected their respective market share to increase.

#### ● How did the sustainability indicators perform?

##### Green bonds

With only 12 green mortgage bonds and two green government bonds in Denmark, this is still a young market. However, the share is growing, albeit at a slower pace than hoped for. The portfolio manager pushed all mortgage issuers to increase their share and suggested that they publish data in a more granular fashion to be able to show a scale of "greenness" instead of the rather rigid green bond framework. At the end of 2023, the total market share of green bonds was 1%.

##### Issuers' Co2-emissions

As the market standards for reporting on Co2-emissions has yet to be formalised, it is difficult to set quantitative targets. However, all issuers included in the fund were able to provide evidence that they were on track for a 50% decrease of their calculated Co2-emissions on the assets of the underlying cover pool.

##### Influence the issuers towards a more sustainable direction

All mortgage issuers, with whom the fund has substantial holdings, agreed to meetings during the year. 100% of the issuers acknowledge the concerns raised relating to ESG-factors, mostly the environmental and social aspects of the theme. With this acknowledgment, issuers were also expected to promote the concerns – both internally as well as externally. Many of them provided extensive communication material

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

with specific targets on funded Co2-emissions as well as other measurable targets. All disclosed progress in every subsequent meeting.

#### Exclusion

None of the issuers breached international norms nor were they excluded in any other way. However, some of the underlying companies' properties in the pool of assets may have been subject to exposure to, for example, fossil fuels. In the fund's engagement process, the portfolio managers were adamant in pressing that funding for these companies should be kept to a minimum or perhaps removed altogether. Some of issuers shared the concern but found it hard to deviate from the lending policies (it may be politically difficult). Some of the issuers were more open to an actual change in policy or to help the underlying companies transition to a net-zero impact from their current activities. However, this is a second derivative on the investments of the fund and as such does not lie within the ESG process.

#### ● ...and compared to previous periods?

Since 29 August 2023, the fund has been classified as Article 8 under SFDR, which means that no previous reporting exists, and thus comparisons with previous reference periods cannot be made.

#### ● What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

The fund did not commit to sustainable investments.

#### ● How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

The fund company's sustainability policy is used through the exclusions described herein as a first step to ensure that no sustainable investment causes significant harm to any environmental or social sustainable investment objective.

Companies are excluded and not eligible for investment if they:

- do not comply with international norms and standards;
- operate in controversial sectors and business areas; or
- have exposure to fossil fuels.

Beyond the exclusions covered by the fund company's sustainability policy, the fund also excluded companies that were not considered to fulfil the levels of the minimum social requirements defined by the EU Taxonomy for Sustainable Investment.

To ensure that investee companies are adhering to good corporate governance practices, an external assessment of each company's governance structure, labour relations, tax compliance and remuneration is used.

Read more about the fund company's exclusions at [sebgroup.com/fundcompanysustainability](https://sebgroup.com/fundcompanysustainability)

#### ● How were the indicators for adverse impacts on sustainability factors taken into account?

The fund considers principle adverse impacts on sustainability factors through the exclusions outlined in the fund company's sustainability policy where companies with operations in the following are excluded:

- Companies with activities in the fossil fuel sector;
- Companies with facilities/operations located in or near biodiversity-sensitive areas where the activities of these companies negatively impact these areas;
- Companies that do not comply with international norms and standards, such as the UN Global Compact principles and the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;
- Companies involved in the manufacture or sale of controversial weapons (landmines, cluster bombs, chemical and biological weapons); and
- Companies whose activities affect endangered species.

#### ● Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

The sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights via the norm-based exclusion criteria stated in the fund company's sustainability policy.

Norm-based exclusions mean that the fund company expects issuers to adhere to international laws and conventions such as the following:

- The UN Principles for Responsible Investment;
- The UN Global Compact – the OECD Guidelines for Multinational Enterprises; and
- The UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

Companies with confirmed violations are not considered as sustainable investments.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Read more about exclusions and SEB Investment Management's sustainability approach at [sebgroup.com/fundcompanysustainability](https://sebgroup.com/fundcompanysustainability).

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



## How did this financial product consider principal adverse impacts on sustainability factors?

The fund considered principal adverse impacts on sustainability factors prior to investing by excluding investments related to:

- PAI 4: Exposure to companies active in the fossil sector
- PAI 10: Violations of UN Global Compact Principles & OECD Guidelines for multinational enterprises
- PAI 14: Exposure to controversial weapons

From an exclusionary perspective, all companies with the abovementioned PAI are excluded. However, as a second derivative, mortgage issuers were asked to reduce (or consider how to reduce) providing funding in sectors with a high degree of Co2-emissions (this is similar to requiring a target to reduce Co2, but it applies more specifically to sectors that have a large impact on the environment). Some issuers share the concern, but find it hard to deviate from the lending policies (it may be politically difficult). Some issuers are more open to an actual change in policy or to help the underlying companies transition to a net-zero impact from their current activities. However, this is a second derivative on the investments of the fund and as such does not lie within the ESG-process.



## What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 31 December 2023

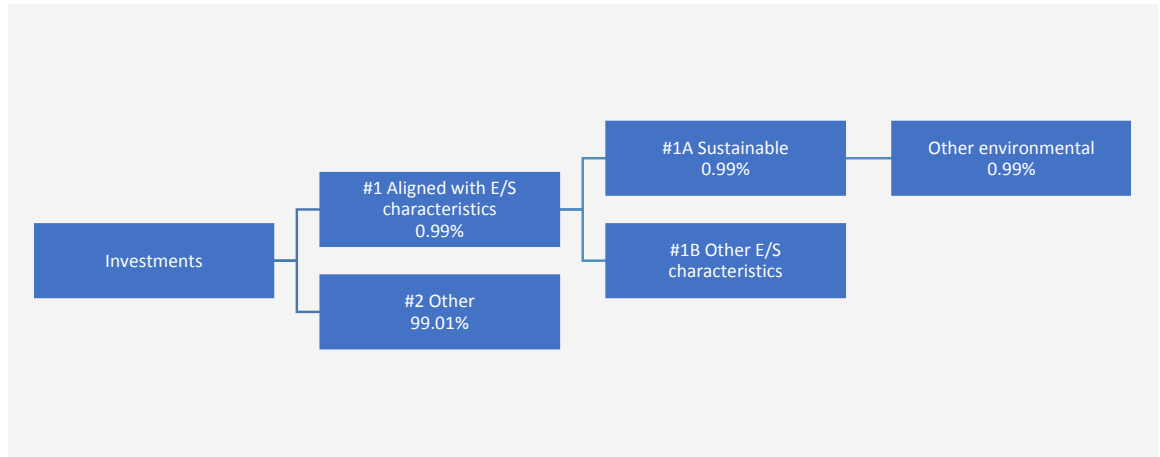
Largest investments	Sector	% Assets	Country
Nykredit Realkredit A/S	Financials	23.02	Denmark
Nordea Kredit Realkreditaktieselskab	Financials	21.58	Denmark
Realkredit Danmark A/S	Financials	21.47	Denmark



## What was the proportion of sustainability-related investments?

**Asset allocation**  
describes the share of investments in specific assets.

### ● What was the asset allocation?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

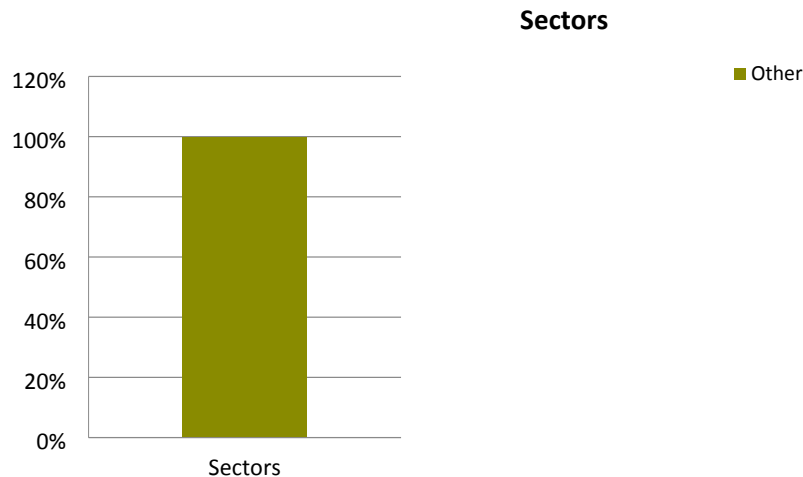
**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

### ● In which economic sectors were the investments made?





## To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

### ● Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy<sup>1</sup>?

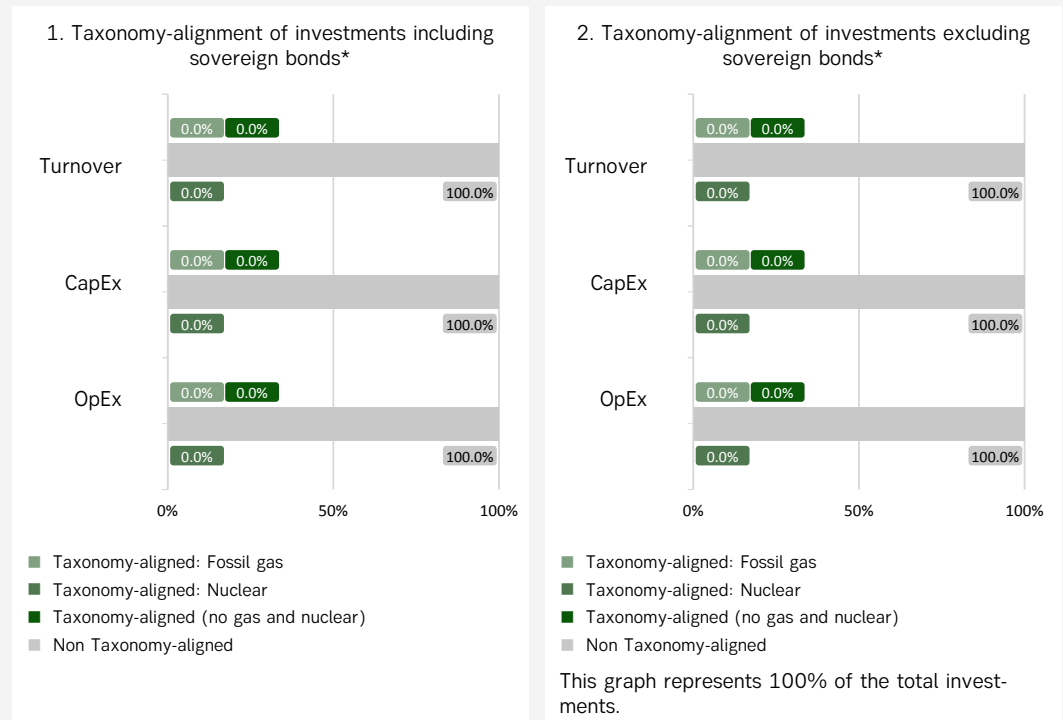
- Yes:
- In fossil gas     In nuclear energy
- No

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

### Enabling activities

directly enable other activities to make a substantial contribution to an environmental objective.

### Transitional activities

are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

### ● What was the share of investments made in transitional and enabling activities?

During 2023, the share of investments in transitional activities was 0.0%. The share in enabling activities was 0.0%.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

● **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

Since 29 August 2023, the fund has been classified as Article 8 under SFDR, which means that no previous reporting exists, and thus comparisons with previous reference periods cannot be made.



**What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?**

The fund invested mainly in Danish mortgage bonds and some part in government bonds during the reference period. The fund did not commit to any sustainable investments. However, the fund did invest in two green government bonds, constituting 1.00% of its investments that were classified as sustainable investments with environmental objectives but not compliant with the EU Taxonomy.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.



**What was the share of socially sustainable investments?**

The fund invested mainly in Danish mortgage bonds and some part in government bonds, and none of them were considered socially sustainable bonds. The fund did not commit to any sustainable investments.



**What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?**

The investments in "Other" were cash and/or cash equivalents, government bonds/ sovereign bonds, derivatives or ETFs, and were used for hedging, liquidity and efficient portfolio management, while the cash was used in the meaning of ancillary liquid assets.



**What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

During the period, a great deal of focus was on data availability. Using the available reporting, especially regarding Co2 emissions, the fund company began to collect and organise the data so that it becomes possible to assess the impact of the fund's holdings rather than just the different issuers. This is still a work in progress and not something which is yet suitable for publication nor as an investment guideline. The portfolio managers continuously push issuers to improve data transparency and availability.

The managers pushed for data availability and transparency as it is essential to have consistent data on the impact of the holdings in the fund in order to gauge the effect of the engagement process and to see if there are developments moving in the right direction.



**How did this financial product perform compared to the reference benchmark?**

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

● **How does the reference benchmark differ from a broad market index?**

The fund did not use a benchmark index to achieve its promotion of environmental and social characteristics.

● **How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?**

The fund did not use a benchmark index to achieve its promotion of environmental and social characteristics.

- **How did this financial product perform compared with the reference benchmark?**

The fund did not use a benchmark index to achieve its promotion of environmental and social characteristics.

- **How did this financial product perform compared with the broad market index?**

The fund did not use a benchmark index to achieve its promotion of environmental and social characteristics.