

ATP Group

Responsibility 2019



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Preface

As the pension company of more than five million members and as one of the main providers of welfare benefits, ATP plays a significant role in Denmark. Having one of the largest pension asset holdings in Europe, ATP has a special obligation to invest responsibly and fulfil our responsibility to society.

Established by statute, ATP's aim is to provide good, stable pensions and basic financial security for its members by investing its pension assets sensibly and responsibly.

The preconditions for high future returns are long-term and sustainable business value creation. Therefore, it is also important to us that ATP and the companies in which we invest establish long-term goals and take responsibility for the societies they operate in. By acting responsibly, the companies maintain their legitimacy and license to operate, which is fundamental to continued growth and development. The companies' long-term growth contributes directly to generating solid returns for the benefit of ATP's members. At the same time, experience shows that we make better investment decisions by integrating ESG information with knowledge of other business aspects into the decision-making basis.

ATP's five million members, Danish and international NGOs and other stakeholders have – often diverging – expectations with regard to how ATP should exercise responsibility. At the same time, institutional investors are faced with constant dilemmas in terms of responsibility in investments, including in their assessments of specific companies. ATP takes the responsibility of navigating in an area characterised by diverse expectations, dilemmas and complex issues very seriously. We want our responsibility work to be characterised by consistency, predictability, seriousness and transparency and to be based on facts rather than subjective assessments.

ATP has worked with the integration of ESG for a number of years, and we have continuously intensified our efforts in terms of resources and scope. Along with this, the demands and expectations of the outside world for our responsibility reporting have increased significantly. Therefore, for 2019, ATP has decided to divide the responsibility report into thematic reports that deal with single subjects. Our hope is that this will make

the reports more comprehensible and increase focus on the individual areas.

We therefore urge interested parties to read the thematic reports, whereas this report is to be considered an anthology which briefly describes ATP's work in the different areas and addresses ATP's internal CSR efforts with regard to the environment and diversity.

This year, in the reporting of ATP's own efforts as an employer and company, we have decided to use the new ESG key figures prepared by CFA Society Denmark, FSR - Danish Auditors and Nasdaq.

The report is ATP's statutory report on responsibility and covers the period 1 January 2019 to 31 December 2019, cf. Section 22 of the *Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)*. The report also includes ATP's statutory report on the status of compliance with the target figures set for the underrepresented gender, cf. Section 23 of the *Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)*.

The report also constitutes ATP's Communication on Progress to the UN Global Compact, describing ATP's progress in terms of incorporating the ten principles of the Global Compact into processes and business procedures. As part of its responsibility, ATP continues to support the ten principles of the Global Compact, covering the areas of human rights, labour, environment and anti-corruption and we are currently integrating them into our processes.

In the first half of 2020, we will issue the publication 'ATP as a responsible investor' which will also describe our responsibility work.

ATP complies with the Stewardship Code by the Committee on Corporate Governance. The report can be found under Further Information in ATP's financial statements.

Bo Foged, CEO

ATP's business model

HOW ATP LIVSLANG PENSION (LIFELONG PENSION) WORKS

Contributions

This year, ATP received member contributions totalling DKK 10.1 billion. DKK 3,408 was paid to ATP on behalf of the average employee, two thirds of which was paid by the employer.

AT ATP

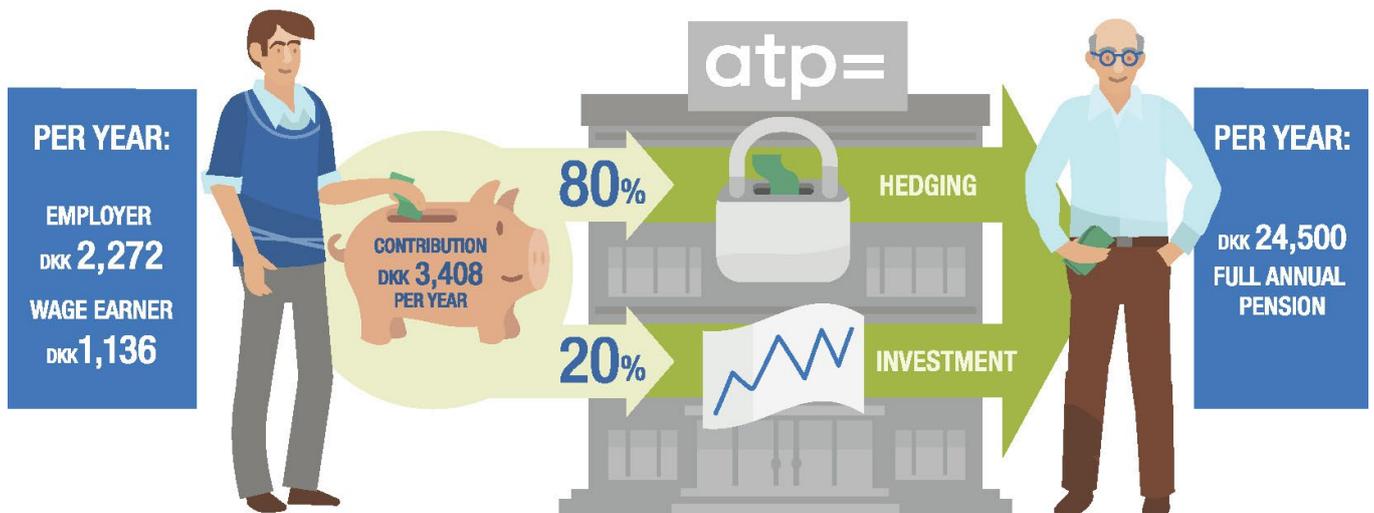
The largest portion of the contributions – 80% – is applied to guaranteed pensions which are hedged to ensure that ATP is always able to deliver on the pension promises issued to our members.

The remainder – 20% – is included in the bonus potential and invested widely in equities, real estate, etc. The principal objective

of the investment portfolio is to generate a return that will allow the building of reserves for, e.g. financing increased life expectancy, so that ATP secures lifelong pensions, and to increase the guaranteed pensions, thereby maintaining the real value of the pensions.

Payments

When a member starts receiving state-funded old-age pension, ATP Livslang Pension (Lifelong Pension) becomes payable. This year, pensioners received a total of DKK 17.1bn. The payments comprise the guaranteed pensions and any current bonus allowances. A full, annual pension for a 65½-year-old, who has contributed to ATP throughout his or her working life, is DKK 24,500 for 2019 (the average annual ATP pension for a 65½-year-old was DKK 16,400 in 2019).



Thematic reports

We want our responsibility work to be characterised by consistency, predictability, seriousness and transparency and to be based on facts rather than subjective assessments. We also want our new reporting format to reflect this.

All seven reports therefore use the same structure for the reporting:

- **Basis**
Provides information about ATP's policies, investment motives and external expectations for how ATP will act in the specific ESG area.
- **Processes**
Provides information about the fixed processes maintained by ATP on an ongoing basis in connection with the ESG activities.
- **Activities**
Provides information about activities and results of ATP's work within the past year.

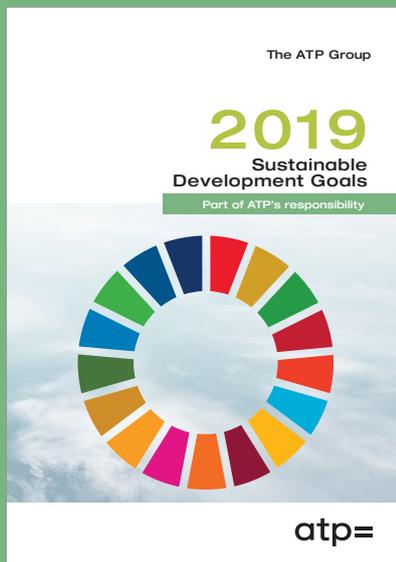
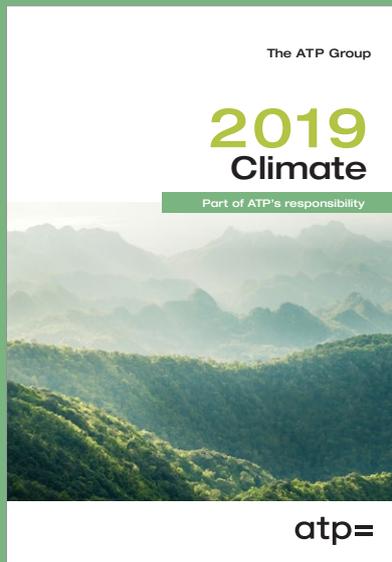
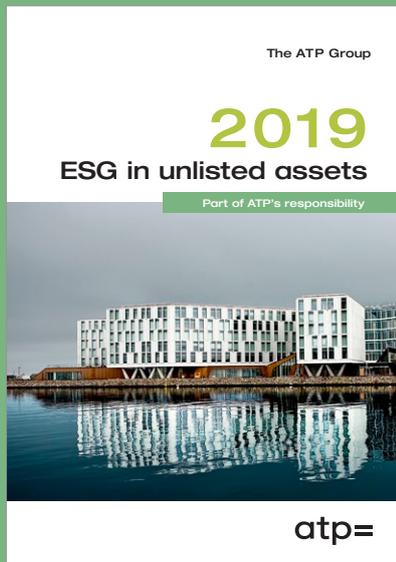
In our opinion, we consistently meet the provisions of the Danish ATP Act on the non-financial report on responsibility which focuses on policies, how such policies translate into practice and what results have been achieved.

In recent years, ATP's ESG activities have been based on four guiding principles which guide the day-to-day work in relation to the various small and large decisions made in the ESG area.

- **ESG as an investment belief**
At ATP, we believe that ESG is important for the long-term return on our investments.
- **Strong tailored processes**
We believe that effective integration of ESG is achieved through strong processes tailored to concrete investment processes.
- **Development of ATP's ESG competencies**
True ESG integration requires building and developing the ESG competencies of the investment organisation.
- **Preference for capital stewardship**
We believe that it is better to influence companies by exercising our right to vote as active owners – to a certain limit.

All seven reports also describe the relevance of the four principles for the specific work explained in each of the separate reports.

It is our hope that this new structure will help make ATP's ESG activities more accessible.



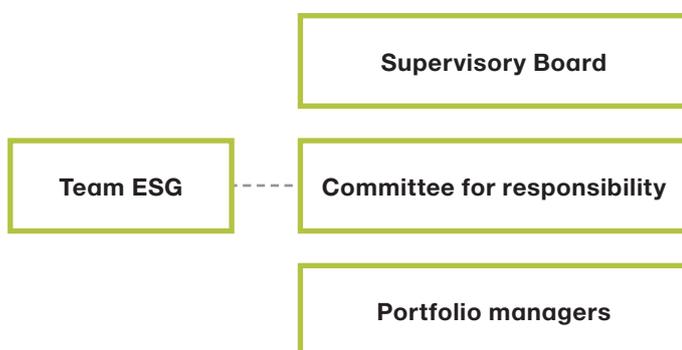
For the financial year 2019, ATP has issued seven thematic reports which deal with different aspects of ATP's responsibility work.

The reports are available at atp.dk

Governance and policies

To ensure management ownership of responsibility in ATP's investment decisions, ATP's Supervisory Board has decided that the responsibility efforts are to be coordinated by a Committee for Responsibility. The Committee is chaired by the CEO and other members are the CIO (Chief Investment Officer) and the CRO (Chief Risk Officer) as well as relevant managers within and outside the investment organisation. The Committee Secretariat is served by Team ESG, which is part of the Investment department. The Executive Board provides ongoing reporting on the responsibility work to the Supervisory Board.

Governance and responsibility



ATP'S RESPONSIBILITY POLICIES

Policy of Responsibility in Investments

ATP's Policy of Responsibility in Investments constitutes the overall framework for the work on responsibility across asset classes and investment methods.

The aim of the policy is to ensure that ATP also includes considerations for the environment, climate, human rights, labour and management issues in its risk management and investment processes in line with other business conditions and risks.

In ATP's Policy of Responsibility in Investments, the Supervisory Board sets out a number of basic principles and minimum criteria for the portfolio companies' conduct. Among other things, the policy states that ATP does not invest in companies

that deliberately and repeatedly violate the rules and regulations of the countries in which they operate. The policy also states that the portfolio companies must act in accordance with the standards that follow from the international conventions adopted by Denmark.

Policy of Stewardship

ATP's Policy of Stewardship describes the principles and processes that guide ATP's stewardship work. As a responsible long-term investor, ATP has an interest in investors as owners of listed companies being able to understand and control the companies' overall actions, thereby promoting the companies' long-term value creation.

Tax Policy on Unlisted Investments

ATP's Tax Policy on Unlisted Investments describes ATP's approach to tax in relation to ATP's illiquid investments. We have decided to take it further than what is required by law in the tax area. We do so to make our investments more resilient to taxation risks and to take co-responsibility for strengthening governance in the area. We have high standards for ensuring that ATP pays the correct amount of tax – neither too much, nor too little.

MOST SIGNIFICANT ESG RISKS

ATP has a diversified investment strategy. As a result, ATP has investments in many different companies within various different industries. Therefore, ATP is exposed to a wide range of risks which are specific to the individual company and industry. ATP's work is organised with a view to managing and understanding such risks.

As an owner, ATP may on the one hand use dialogue with the company to create an understanding of the challenges facing companies and any company-specific risks. An understanding that ATP can use to make better and more informed investment decisions. On the other hand, ATP can work to minimise risks and promote the long-term value creation of companies by encouraging change.



ATP's stewardship activities

Stewardship is given high priority at ATP. As active owners, ATP and other investors are better able to understand and control the companies' overall transactions and promote their long-term value creation.

Basis

The basis for this work is ATP's Policy of Stewardship, which lays down the framework and principles of ATP's work. ATP's principles build on our own experience as well as leading expert and academic knowledge in the field.

ATP also follows the development of other players, who are also part of defining requirements and expectations for the stewardship of institutional investors. This includes legislators

such as the Danish government and the EU, which during the past years have adopted both the Stewardship Code and the EU's updated Shareholder Rights Directive.

ATP's Policy of Stewardship is updated annually and approved by ATP's Supervisory Board to ensure that ATP follows the development in the field.

Processes

ATP pursues two processes that govern our stewardship activities. Continuous dialogue and dialogue through general meetings. The two processes reflect the difference in how stewardship is best exercised depending on either ATP's ownership interest or the value of our investment.

A continuous dialogue is undertaken with the companies in which ATP holds a large ownership interest. We do so because we have great influence in these companies and because we can defend spending more resources due to the size of our investment. As part of the continuous dialogue, we are

in regular contact with the companies' executive boards and boards of directors. This allows us to impact the companies' long-term value creation, while also allowing us to use the dialogue to make better investment decisions.

Dialogue through general meetings means that ATP participates in the general meetings of our portfolio companies. ATP attends meetings both in person and by proxy, but has opted for an extended and hands-on proxy voting model where ATP, based on our voting policy, considers each voting item specifically, so that ATP makes the decision itself.

Activities

ATP's stewardship activities are largely defined by the two processes – continuous dialogue and dialogue through general meetings.

The continuous dialogue with the companies is basically confidential and is not shared with the public. We publish any presentations ATP make at company general meetings, just as we publish our voting in the companies. During the 2019 general meeting season, ATP has voted at a total of 442 general meetings, where all proposals have been reviewed.

ATP has continued to focus on the composition of the boards and remuneration packages, particularly in US companies, and climate has been a prominent topic at a number of general meetings. In total, we voted against the recommendation of the board of directors in 22% of the proposals.

All ATP's voting items are available at atp.dk.

ATP's ESG principles and stewardship

#1

ESG as an investment belief

ATP has a considerable interest in the markets for listed companies functioning according to the best international standards, in management and control generally being exercised with the overall transactions of the listed companies and in the pricing on the markets being as effective as possible.

#2

Strong tailored processes

ATP sees ESG risks in line with other investment risks, including market risks. ATP's Policy of Stewardship seeks to minimise risks and optimise business opportunities in ATP's portfolio of listed companies. ATP therefore pursues two specific processes for stewardship that match our investment style.

#3

Development of ATP's ESG competencies

ATP handles all stewardship-related matters itself. We believe that by handling dialogue and stewardship ourselves rather than hiring an external business partner, we gain special and important insight into a company's affairs. Furthermore, we believe that this is the only way to ensure the integrity of all votes and thereby maintain ATP's reputation with companies and other stakeholders.

#4

Preference for capital stewardship

As an active owner, ATP may on the one hand use dialogue with the company to create an understanding of the challenges facing companies and any company-specific risks and opportunities. At the same time, ATP can work to minimise risks and promote the long-term value creation of companies by encouraging change.

ATP's screening and fact-finding activities

ATP's screening and fact-finding activities ensure that the investment portfolio is investigated on an ongoing basis with a view to identifying the companies which involve the greatest risk of breach of the Policy of Responsibility in Investments. This also helps ensure that ATP complies with international guidelines for good company conduct.

Basis

The basis of the screening and fact-finding activities is ATP's Policy of Responsibility in Investments which sets out a number of basic principles and minimum criteria for the portfolio companies' conduct.

Among other things, the policy states that we do not invest in companies that deliberately and repeatedly violate the rules and regulations of the countries in which they operate. The policy also states that the portfolio companies must act in accordance with the standards that follow from the international conventions adopted by Denmark.

The policy and its implementation in the investment processes are an important part of ATP's efforts to comply with the OECD Guidelines for Multinational Enterprises which set out expectations for companies' conduct and include topics such as human rights, environment and anti-corruption.

ATP has developed different processes for identifying potential violations depending on the asset type and method. For liquid assets, we have developed screening processes which ensure that we continuously monitor whether companies in the portfolio violate the principles of ATP's Policy of Responsibility in Investments.

Processes

The screenings allow ATP to focus its resources on the most serious allegations and possible breaches of ATP's Policy of Responsibility in Investments.

As the equity portfolio is relatively dynamic, we have tailored the screening processes to include risk-based screenings of the surrounding equity pool in addition to screenings of the current portfolio. This helps us identify potential investments that should be further investigated.

If a screening indicates that a company might be in breach of the policy, the investigation will change to fact-finding. Fact-finding is a flexible investigation process which may include many different types of sources and whose purpose is to make it possible for ATP's Committee for Responsibility to conclude whether or not there has been a breach of ATP's policy.

If ATP's Committee for Responsibility finds that a portfolio company is in breach of ATP's Policy of Responsibility in Investments, ATP will either exclude or engage in a targeted dialogue with the company.

Activities

ATP decided to exclude five companies with activities within a special type of tar sand extraction from its investment universe. The assessment was based on the fact that a significant volume of the companies' business comes from activities that are likely to be in conflict with the Convention on Biological Diversity and relevant guidelines in the area.

In 2019, ATP carried out fact-finding of two mining companies, Grupo Mexico and another company, both of which have been accused of unacceptable conditions in connection with their mining activities. The result of the fact-finding was that ATP

decided to exclude Grupo Mexico as the company was unwilling to engage in a dialogue.

ATP has been in dialogue with a utility company with activities in the USA, Mexico, Europe and Brazil. The company was being accused of not having consulted the local population in connection with the construction of a hydropower plant in Brazil.

ATP stopped the fact-finding as the company was believed to have taken the proper measures and was willing to initiate corrective actions.

ATP's ESG principles and fact-finding

#1

ESG as an investment belief

ATP's Policy of Responsibility sets out that ATP must include considerations for the environment, climate, human rights, labour and management issues in its risk management and investment processes. Screening and fact-finding help ensure that ATP complies with the Supervisory Board's policy and ensures that ATP does not take unnecessary risks in its investments.

#2

Strong tailored processes

ATP sees ESG risks in line with other investment risks, including market risks. ATP's screening and fact-finding processes are designed to match the different investment approaches established by ATP for the individual asset types used.

#3

Development of ATP's ESG competencies

ATP carries out the screening and fact-finding work, including the dialogue with companies and external managers, itself as this will give us more insight into the companies' affairs. This also helps increase the professional substance and knowledge sharing to make sure that ATP meets the global requirements and standards in the area and to strengthen ATP's reputation as a serious and responsible investor.

#4

Preference for capital stewardship

By carrying out the investigation of and engaging in dialogue with companies in conflict with ATP's Policy of Responsibility in Investments, ATP gains an insight into the companies' affairs and challenges which enables a positive outcome of the dialogue. For the same reason, ATP views exclusion as a last resort only to be used when dialogue is unsuccessful in influencing a company in the desired direction.

ATP's tax work

It is important for the credibility of the pension fund and for the long-term returns of the members that ATP pays the correct amount of tax and that we support good tax behaviour in investments. Transparency and clarity with regard to ATP's policy and processes for tax payment are part of our responsibility.

Basis

ATP has decided to take it further than what is required by law in the tax area. We do so to make our investments more resilient to taxation risks and to take co-responsibility for strengthening governance in the area. We have high standards for ensuring that ATP pays the correct amount of tax – neither too much, nor too little.

We also want to exert our influence in the the fight against aggressive tax planning, while also retaining some degree of realism, since we do not always have the casting vote. We

cannot force managers and co-investors to follow our tax policy and we cannot control how they act in relation to investments of which ATP is not part.

We cannot change the world on our own, but as a major investor we are willing to assume part of the responsibility. If aggressive tax planning is to be prevented entirely, it requires enhanced international cooperation. We believe that transparency and clarity about our policy and processes for tax payment are part of ATP's responsibility.

Processes

ATP has fixed processes in place for incorporating taxation in our new unlisted investments. This way, we ensure that we have control of taxation in the investments and that we minimise taxation risks when we step in as owner. We also ensure that the tax structure is in accordance with our Tax Policy.

The purpose of the due diligence phase is to map out and uncover the taxation risks involved in the investments, inclu-

ding whether the investments comply with our Tax Policy.

ATP has its own tax experts who ensure that we can act promptly and profoundly when investment opportunities are identified. If the investments do not comply with ATP's Tax Policy, we look into whether we can adapt the investment or the contractual basis.

Activities

In 2019, in cooperation with a group of Danish pension companies, ATP developed a common tax code for unlisted investments which lays down a number of requirement and expectations for the tax practice of external asset managers. If enough investors make requirements for responsible tax behaviour, it will limit the possibilities of the market players who do not want to align their tax practice to match the expectations of ATP and other responsible investors.

As part of ATP's work, we make annual spot checks to ensure that our investments comply with our Tax Policy. In 2019, we made 13 spot checks which all showed compliance with ATP's Tax Policy.

In 2019, ATP held a series of dialogues on tax practice with foreign pharmaceutical companies in the listed portfolio. The companies were responsive and provided satisfactory answers to how the companies deal with tax issues.

ATP's ESG principles and tax

#1

ESG as an investment belief

ATP considers aggressive tax planning as an investment risk for ATP that does not contribute to the long-term value creation of our investments. With regard to ATP's own tax matters, we seek to avoid being subjected to double taxation so that most of the return on investments is taxed in Denmark and that tax is not paid twice on the return for pensions. On the other hand, it is also important that we pay the tax we are required to pay.

#2

Strong tailored processes

ATP maps out taxation in relation to all new, unlisted investments by conducting taxation due diligence. We seek to influence and, if possible, simplify the tax structures in connection with new investments and as far as possible commit external asset managers in which ATP invests as a minimum to comply with the tax policy. In ATP's listed investments, tax is an integral part of our stewardship work.

#3

Development of ATP's ESG competencies

ATP wants to stay updated on and follow the international initiatives in the tax area. Therefore, it is important to have the skills to continuously assess new tax structures on the basis of the Tax Policy. At the same time, we build knowledge of how it is possible to influence and make new requirements for investments in ATP.

#4

Preference for capital stewardship

ATP engages in an active dialogue with other pension funds and asset managers for the purpose of achieving common standards and criteria for international investment structures in order to reduce the related tax uncertainties.

ATP's ESG activities in relation to unlisted assets

ATP makes investments in unlisted assets and funds which are to generate stable returns to ATP's members over a long period. As a result, ATP has structured its investment process to ensure that ESG becomes part of the value creation and that we address matters that must or should be improved.

Basis

Because of the long-term nature of unlisted investments, it is important that ESG aspects that might have an impact during ATP's period of ownership form an integral part of ATP's investment process. This prevents unexpected surprises for ATP during the period of ownership and thus protects ATP against unwanted risks, but can also help identify further opportunities of value creation.

ATP's Policy of Responsibility – and its implementation in our investment processes – is also designed to ensure that

ATP complies with the OECD Guidelines for Multinational Enterprises.

In several cases, ATP has a considerable ownership interest in a fund or an infrastructure project which allows us to have a high degree of influence on how a given investment is run. The considerable influence also increases ATP's responsibility for ensuring that we are not in breach of the OECD Guidelines for Multinational Enterprises.

Processes

ATP has three main lines of business within unlisted investments – direct investments, investments in funds and investments in real estate. All three lines of business have very specific investment processes that require thorough due diligence processes.

For global direct investments and fund investments, ATP has defined an ESG process tailored to the well-defined invest-

ment process applied for such investments. As these are often single assets, we can narrow down the relevant areas and concentrate the dialogue on these.

In fund investments with no specific investments to be considered, ATP focuses on assessing the ability of the fund to work with ESG when the fund starts to invest on behalf of ATP. This is done in parallel with the rest of the due diligence process.

Activities

In the past year, ATP had a number of illiquid investments where ESG was incorporated in the investment process. For confidentiality reasons, we are not able to say much. Time is also spent on making ESG due diligence for assets which ATP eventually decides not to invest in. Moreover, it is difficult to make quantitative assessments of the ESG work in relation to illiquid assets as the scope of such work very much depends on the individual investment.

However, ATP would like to unveil how we incorporate ESG in practice, and therefore, ATP publishes cases from our ESG

work in relation to illiquid assets. This includes cases from the due diligence process and cases from our subsequent asset management process. In Spanish Redexis Gas, ATP has decided, in cooperation with the management, to focus on green transition, and in a new investment, we have required improved ESG conditions.

As part of ATP's continued focus on data and reporting, ATP is a member of the GRESB initiative for both real estate and infrastructure. Every year, ATP announces our own GRESB performance.

ATP's ESG principles and illiquid assets

#1

ESG as an investment belief

ATP is a long-term investor which is to ensure that illiquid investments maintain their value throughout the life expectancy. The incorporation of ESG parameters are therefore an essential part of the risk assessment of the investment. At the same time, ATP believes that ESG integration is an important part of the management task and that good practice in the area may eventually strengthen the value creation.

#2

Strong tailored processes

The buying and selling of illiquid assets are resource- and cost-intensive processes where a number of matters have to be clarified and agreed before the purchase of a specific asset. Therefore, it is important that any ESG aspects are identified and clarified early in the process to ensure that any potential problems are addressed and that agreements can be made with the investment parties on solutions and expectations for ESG. ATP ensures that ESG is incorporated from the very start in the screening of new investments.

#3

Development of ATP's ESG competencies

Unlisted investments differ from listed investments on a number of parameters – e.g. data coverage is far more extensive for listed companies. Therefore, ATP wants to build special skills in making ESG assessments of unlisted companies. We do so by building knowledge of various industries and companies and by knowing the right questions to ask our business partners.

#4

Preference for capital stewardship

As an investor in companies outside the listed markets, it is possible for ATP to influence companies which are not regulated within the conventional framework for listed companies. As a result, ATP exercises capital stewardship in both funds and companies to have a positive impact on the conditions and secure the value of ATP's investments in the future. We do so by being active owners throughout the investment period.

ATP's work with climate change

The interplay of climate change and investments is complex and may impact ATP's return in various ways. Climate change offers new investment opportunities, but many also lead to new types of risk. That is why ATP is considering climate in our investment decisions.

Basis

Climate change is one of the greatest challenges we face today and will have a massive impact on our society and therefore also ATP's investments in the future. We therefore want to support the transition to a green economy in Denmark and globally by being an active investor and providing capital for green projects.

Climate change has a strong impact on ATP's investments, since it has the potential to affect the long-term risk-adjusted return both positively and negatively. It is impossible to predict

how climate change will affect the investment portfolio, and we therefore want to consider climate broadly in our work across our portfolio.

ATP supports the recommendations from the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and uses them as an overall framework for verifying, challenging and developing our approach to and understanding of climate risks.

Processes

ATP applies a number of processes to ensure that climate concerns are meaningfully integrated in the investment processes. As a new initiative, we focus on mapping our exposure to extraction of fossil fuels across asset classes throughout our portfolio. Based on this mapping, we have chosen not to invest in credit and private equity funds that invest in extraction of fossil fuels.

We have integrated climate in the global equity portfolio where equity is selected based on quantitative models so

that our equity selection also considers climate risks. This helps strengthen the resilience against climate risks in the equity portfolio.

During the past years, ATP has amassed a portfolio of green bonds worth almost DKK 20 billion. This is an area where we want to help develop the market for green bonds by engaging in a dialogue with the issuers of green bonds and demanding that they are transparent and report.

Activities

In 2019, we focused on the carbon intensity of the extraction activities of oil companies. Based on Stanford researcher Masnadi's estimates as to the carbon intensity of oil production in each of the world's oil-producing countries and data regarding the geographical distribution of the oil companies' production, we have created an estimate of the carbon intensity of the production of the individual oil companies.

Based on this analysis, we have divested four companies from ATP's investment universe since their carbon intensity was significantly higher than the average. We have also engaged

in a dialogue with seven companies that we found were not sufficiently transparent when it came to relevant CO₂ emission figures. Three of the companies did not respond to our inquiries and have therefore also been excluded from our investment universe. In 2020, we will continue the dialogue with a number of oil companies to assess their ambitions and specific initiatives to reduce the carbon intensity from their oil extraction activities.

ATP is part of the Climate Action 100+ investor initiative, which on several occasions in 2019 managed to push the world's biggest CO₂ emitters in a greener direction.

ATP's ESG principles and climate in investments

#1

ESG as an investment belief

ATP believes that climate change has a material impact on the risk-adjusted return on our investments. Climate change engenders new investment opportunities, but also leads to a number of investment risks – both transition risks and physical risks – that can have a negative impact on ATP's investments. That is why we are considering climate when we invest in the same way as we consider other investment aspects.

#2

Strong tailored processes

Climate change can affect ATP's investments in various ways depending on the specific asset class and investment. Efficient integration is conditional on the climate work being adapted to the individual investment process. For some of ATP's investments, a quantitative approach that focuses on data is the most expedient alternative, while other processes are more suitable for a qualitative approach, such as investments in funds.

#3

Development of ATP's ESG competencies

The interplay of climate change and investments is complex and multi-faceted. Investors are faced with a host of methods that can be used to calculate climate footprint, climate risks, etc. Actual integration of climate change in ATP's investments demands a persistent focus on developing our own knowledge and understanding of climate change and the possible paths of transition towards a low-emission economy. Only by doing so will we acquire the competencies that are necessary to be able to integrated climate in our investment decisions and our stewardship.

#4

Preference for capital stewardship

Climate change affects the value of many assets in ATP's portfolio. That is why we use our capital stewardship across the portfolio from our investments in listed equity, in our investments in infrastructure and real estate and as an active voice in developing the market for green bonds. We have a preference for capital stewardship, but do not want to assume any climate risks in our investments that we do not assess are compensated in terms of return.

ATP's work on thematic engagement

Thematic engagement is ATP's structured dialogue with a number of our portfolio companies where we focus on improving the companies' practice within ESG thematics. The dialogue is driven by a constructive approach and an ambition to strengthen the value creation in the companies. Through dialogue, we also increase our own level of knowledge for the benefit of future investments.

Basis

The basis of our thematic engagement work is ATP's Policy of Responsibility in Investments and Policy of Stewardship. We work to integrate responsibility considerations in line with considerations for other business matters and risks, because we believe that analysis of companies' ESG aspects is an important and relevant element in the risk management activities and because our experience is that investment opportunities can also be identified on the basis of this work.

We have decided to handle all stewardship-related matters ourselves. We believe that it gives us important insight into the companies' affairs to handle the dialogue and the stewardship ourselves – an insight we would not gain if we delegated such work to an external business partner. Thematic engagement is a key component in work of clarifying companies' ESG issues.

Processes

Our choice of thematics and participants in the thematic dialogues is based on an assessment of whether dialogue about the theme with the relevant group of portfolio companies can strengthen the companies' future value creation and/or our investment processes and decisions. Our experience shows that thematic engagements can make it easier for us to understand the companies' challenges and opportunities and to uncover ESG risks across the portfolio.

We maintain a pipeline of possible engagement themes which are approved by ATP's Committee for Responsibility on an ongoing basis based on analyses from ATP's ESG team.

We mainly use a data-driven approach, because experience shows that such an approach gives a more structured dialogue with a clear focal point.

A data-driven approach also makes it possible to conduct engagements with large groups of companies rather than just dialogues with a few companies. This way, our engagements will reach all relevant companies. A common feature of the themes is that ATP tries to contribute to extend best practice for any given ESG area to as many companies as possible.

Activities

In 2019, ATP conducted a number of thematic engagements, focusing on different elements of the portfolio companies' value creation. In 2019, we engaged in dialogues with a total of 182 companies about eight different thematic engagements.

We decided to focus on reporting of material ESG data by comparing the Materiality Map prepared by the Sustainability Accounting Standards Board (SASB) with the company assessments made by our ESG data providers. The diverse answers provided us with knowledge which we will use in our future SASB work.

In a number of thematic engagements conducted in 2019, we focused on control mechanisms in corporate governance. In academic literature, there is general consensus that it is important for the value creation of a company that the company has strong structures to ensure that the board of directors and management work in the best interest of the shareholders.

Finally, we conducted two thematic engagements on employee satisfaction and human rights based on a data-driven approach – similar to our general approach.

ATP's ESG principles and thematic engagement

#1

ESG as an investment belief

Like ATP's other responsibility work, the basis of the thematic engagement work is our belief that responsibility considerations contribute to the companies' long-term value creation and should therefore be an integral part of the investment discipline. We believe that the thematic engagements help secure the future real value of the investments.

#2

Strong tailored processes

The processes for thematic engagement have been made to ensure that we can apply our stewardship to influence the companies in the desired direction. At the same time, the processes are designed in such a way that the information and insights gained through our engagements can be used directly in the future investment work. This could e.g. be in relation to uncovering risks across the portfolio or by identifying new investment opportunities.

#3

Development of ATP's ESG competencies

The analyses behind and the conduct of thematic engagements are an important part of our efforts to build strong internal ESG competencies. We believe that we create the most possible value for the investment processes and for the companies' future actions by carrying out the analysis work and the company dialogues ourselves rather than delegating it to an external party. This way, we ensure that ATP's work and approach are characterised by consistency, predictability, seriousness and transparency.

#4

Preference for capital stewardship

We want to exercise our influence as an investor. Thematic engagement allows us to engage in dialogue with companies on topics which are not necessarily related to a potential breach of our Policy of Responsibility in Investments but where the topic may have material influence on the future value creation of the company. This helps us expand best practice across companies and industries and thus promote positive ESG development.

ATP and the Sustainable Development Goals

The UN's Sustainable Development Goals (SDGs) set an ambitious agenda for sustainable development, and as an investor with keen focus on responsibility, it is natural that ATP's work reflects the SDGs. We use the SDGs for inspiration, guidance and quality assurance of our responsibility work.

Basis

ATP fully supports the UN's 17 sustainable development goals. As a long-term investor whose purpose is to provide good pensions to its members, ATP has a strong interest in the sustainable social and environmental development of the planet and the economy. If the global economy does not develop sustainably, and if the world does not achieve the goals set, there may be a risk of growing unrest, conflicts, increased global warming and thus increasingly uncertain conditions for growth and future returns on the investment portfolio.

As a result, we also have an inherent interest in and a responsibility for – through our investment processes – to support

the long-term value creation in companies and thereby contribute to sustainable development and growth. We pursue stewardship and ESG integration in order to promote an increased focus on long-term value creation in the companies and influence them to minimise any negative impact they may have on society and the planet and to work towards a more sustainable business development.

The 17 SDGs set a very ambitious agenda for the global development towards 2030. Achieving the goals requires the commitment of a wide range of stakeholders in society, including the corporate sector and investors.

Processes

We want our investments to contribute positively to achieving the SDGs, but we are careful not to take credit for any positive impact on society as the matters contributing to the positive impact of an investment are often complex.

According to the Danish Business Authority's Guide to Responsible Investment, compliance with the OECD Guidelines for Multinational Enterprises helps the world navigate towards

achievement of the SDGs. ATP complies with the OECD Guidelines for Multinational Enterprises through our fact-finding, thematic engagement and ESG due diligence.

Therefore, we annually state the impact which our two on-going processes, fact-finding and thematic engagement, and focused initiatives and investments have had on the SDGs.

Activities

In addition to the ongoing SDG work through fact-finding, thematic engagement and ESG due diligence, ATP has also made focused investments and initiatives that contribute to the SDGs.

In 2018, ATP made a commitment to the Danish SDG Investment Fund (the SDG Fund) which made its first investments in food production and health care in Africa and renewable energy in Eastern Europe in 2019.

In our property portfolio, we have increased our focus on sustainability in the design and construction of new real estate

and renovation of old real estate. This allows us to make decisions as a construction client that can support the SDGs, e.g. through sustainability certification of real estate.

As part of our stewardship, we also monitor how Danish companies in the investment universe incorporate the SDGs in their business. Our analysis for 2019 shows that an increasing number of companies incorporate the SDGs in their business.

ATP's ESG principles and the Sustainable Development Goals

#1

ESG as an investment belief

Like ATP's other responsibility work, the basis of the sustainable development work is our belief that responsibility considerations contribute to the companies' long-term value creation and risk management and should therefore be an integral part of the investment discipline. We believe that a close relationship exists between the achievement of the 17 Sustainable Development Goals, the companies' long-term value creation and the future real value of the investments.

#2

Strong tailored processes

ATP's established tailored processes for fact-finding, thematic engagement and ESG due diligence already to a high extent capture the development problems which the 17 DSGs seek to address. We evaluate on an ongoing basis whether the ESG activities ensure an adequate cross-cutting focus on the 17 SDGs or whether we need to launch new initiatives aimed at the SDGs not adequately captured by our existing ESG work.

#3

Development of ATP's ESG competencies

The SDGs set out an ambitious and complex agenda for sustainable, global development which is full of dilemmas. As a global investor with investments in numerous companies, ATP considers it an important role to contribute to progress across all these goals. We can only contribute to the progress of the companies if we develop our own understanding of the individual SDGs and the interplay of the different SDGs.

#4

Preference for capital stewardship

ATP wants to exercise its influence as an investor. We believe that we can step up the companies' awareness of the considerable business opportunities offered by the SDGs for the individual company while also increasing the companies' focus on the potential negative impacts which their business model and business conduct might have for the achievement of the SDGs. At the same time, we are aware of the focused investments and initiatives that may contribute to achieving the SDGs.

Resource consumption and diversity in ATP

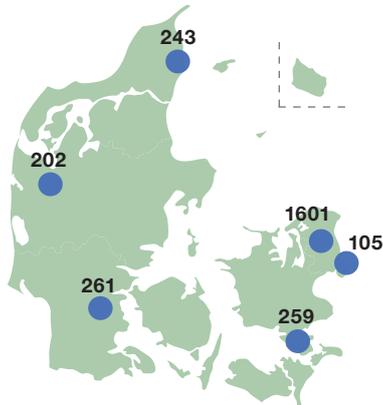
Follow-up on ATP's own environmental, social and governance key figures.

EMPLOYEES IN THE ATP GROUP

In 2019, the ATP Group had a total of 2,747 full-time employees (on average), who were mainly based in Vordingborg, Holstebro, Haderslev, Allerød, Lillerød, Frederikshavn, Copenhagen and the headquarters in Hillerød.

As a large employer with many offices, the ATP Group leaves its footprint on society, for example in the form of environmental, climate and employee impacts.

Employees in Denmark



Note: *Average number of full-time employees in 2019 in Denmark.

ATP plays a significant role in society and has a social responsibility. ATP is aware of this and has in an effort to increase transparency incorporated relevant recommendations by CFA Society Denmark in the reporting of environmental, social and governance key figures.

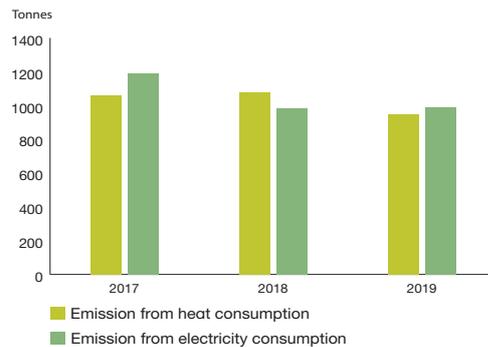
KEY FIGURES FOR ENVIRONMENTAL IMPACT

In the table on the next page, ATP accounts for its environmental impacts, for instance through CO₂ emissions, electricity, heat and water consumption in ATP's Danish offices in Copenhagen, Haderslev, Holstebro, Vordingborg, Frede-

rikshavn, Hillerød, Allerød, Lillerød and the offices of ATP's subsidiaries in Copenhagen.

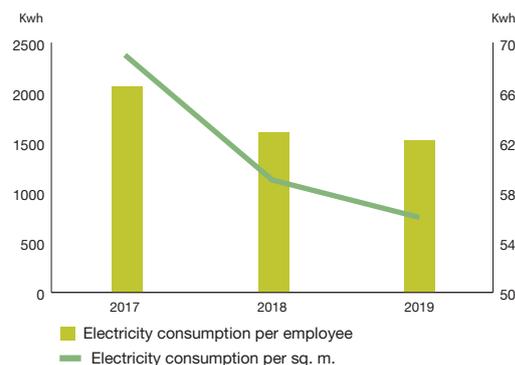
In 2019, ATP's CO₂ emission per employee totalled 1.03 tonnes. The total electricity and water consumption fell compared to 2018, whereas water consumption increased.

CO₂ emission from heat and electricity consumption



KPI development shows a slightly increasing trend for water consumption per employee and m². In future, ATP will analyse the possibilities of reducing water consumption. However, the KPIs for electricity and heat consumption per employee and m² show a downward trend, reflecting the reduced total electricity and heat consumption. The total CO₂ emissions for 2019 ended at 2,915 tonnes from electricity and heat consumption and transport.

Electricity consumption



Initiatives in 2019

Sustainability is a major focus area for ATP as reflected in our activities. We continuously consider how we can keep our carbon footprint at a minimum through procurement and

other initiatives. ATP engages in the circular economy, and in 2019, we donated used furniture to the local communities, and we aim to use recycled materials as we did when we bought new carpets.

Environmental impact of CO₂, consumption of electricity, heat and water, etc.

	2019	2018	2017
ATP facts			
Number of locations	9	10	9
Number of sq. m.	63,435	76,654	73,933
Number of employees (FTE) ¹	2,747	2,948	2,966
Consumption data²			
Electricity consumption (MWh)	4,288	4,342	4,198
Heat consumption (MWh)	5,879	6,355	5,667
Heating degree day-adjusted heat consumption (MWh)	6,438	7,516	6,519
Water consumption(m ³)	20,301	18,747	15,710
KPIs			
Area per employee (sq. m)	24	27	27
Electricity consumption per employee (kWh)	1,520	1,567	2,062
Electricity consumption per sq. m. (kWh)	56	59	69
Heating degree day-adjusted heat consumption per employee (kWh)	2,282	2,765	3,202
Heating degree day-adjusted heat consumption per sq. m. (kWh)	84	102	107
Water consumption per employee (m ³)	7.6	6.9	7.7
Water consumption per sq. m. (m ³)	0.27	0.25	0.26
CO₂ emission			
CO ₂ emission, heat consumption (tonnes)	945	1,076	1,057
CO ₂ emission, electricity consumption (tonnes)	991	982	1,189
CO ₂ emission, transport (own vehicles, taxis and air travel) (tonnes)	979 ³	-	-
CO ₂ Scope 1 (tonnes)	128	133	121
CO ₂ Scope 2 (tonnes)	1,812	1,930	2,128
Total CO ₂ emission (tonnes)	2,915 ³	-	-
CO ₂ emission per employee (tonnes per FTE)	1.03 ³	-	-

¹ Number of employees is stated as the average number of full-time employees.

² Consumption figures for electricity, heat and water are stated using the most recently available figures. In order to make trends in KPIs comparable, these are calculated on the basis of the average number of employees during the period of consumption and the number of sq. m. used in the period of consumption. Moreover, consumption when moving in/out is translated into annual consumption. Therefore, the KPIs cannot be deduced directly from the table.

³ No reference year has been specified due to changed calculation method of the air travel provider.

Energy-saving initiatives

ATP continuously seeks to improve our environmental impact and CO₂ emissions from consumption. In 2019, ATP started to install LED lighting throughout the Hillerød location, and this work is expected to be finished at the beginning of 2020. The replacement is expected to generate total CO₂ and kWh savings of up to 50%. Moreover, much of the lighting at the Frederikshavn and Vordingborg locations has already been replaced by LED and such replacement work is carried out continuously at all locations.

At the end of 2019, charging stations for electric cars to be used by the employees were established at several locations. The continued increased focus on a more sustainable ATP also involves several minor initiatives, such as replacement of water softening systems, investigations into the use of heat sources and optimisation of ventilations systems, all of which contribute to the vision of reducing the environmental impact.

Phase-out of disposable tableware

With the aim of reducing the climate footprint of our canteens, ATP started to phase out our use of disposable tableware in 2019. The result is minimum consumption of disposable tableware which has been replaced by compostable material.

Increased focus on organic food and food waste

In 2019, all canteens in ATP achieved bronze status for organic food within the existing budget. The ambition is still to increase the volume of organic produce. The focus on optimum use of produce and surplus production has raised awareness of food waste and waste separation. This will continue in 2020.

SOCIAL KEY FIGURES

Diversity and inclusion

ATP has a strong trackrecord of commitment to diversity and inclusion, and back in 2010, this led to the establishment of the FASE+ department. One thing all FASE+ employees have in common is that, for various reasons, they need support in order to facilitate their return to the labour market. The employees currently associated with FASE+ include non-Western men and

women, vulnerable youths and employees with mental disorders. The aim is to help the FASE+ employees become self-supporting and thus able to manage a job or education on normal or special conditions. In return, the FASE+ employees carry out a number of ATP's service and administrative tasks, relieving other employees of some of their workload. In 2019 alone, a total of 65 employees have been associated with FASE+. At the end of 2019, 22 employees who were formerly associated with FASE+ were working for ATP on general or special conditions.

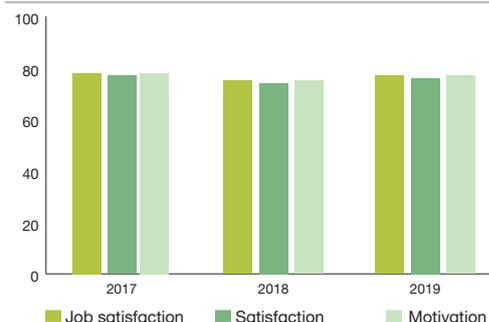
ATP's Policy of Diversity

ATP strengthens our working environment through diversity. Diversity provides for a more dynamic, vibrant and inspirational working environment. In other words, diversity among managers and employees is the basis for continuous innovation and competitiveness. Diversity expands ATP's recruitment potential and ensures a wide range of skills in managers and employees. We expect both managers and employees to help ensure that diversity flourishes and thrives in the workplace.

Employee satisfaction surveys

ATP is constantly working to create an attractive workplace which is able to attract and retain motivated, dedicated and qualified managers and employees. Employee satisfaction is measured annually against the following three

Employee satisfaction



Note: Employee satisfaction survey data are based on ATP employees' own ratings of job satisfaction, satisfaction and motivation on a scale from 0 to 100.

Follow-up on social key figures

		2019	2018	2017
Number of employees (FTE)		2,747	2,948	2,966
Gender distribution among all employees	Women	64%	64%	65%
	Men	36%	36%	35%
Gender distribution among managers, including CEOs	Women	50%	51%	52%
	Men	50%	49%	48%
Employee turnover rate ¹		16%	16%	14%
Sickness absence rate (average number of days per FTE)		8.3	8.2	8.6
Pay difference between genders				
All employees ²		1.4	1.4	1.4
Customer advisors		0.9	0.9	0.9

¹ Employee turnover rate is calculated on the basis of all ordinary employees.

² The calculation does not include trainees, people employed under the flexjob scheme, employments of less than six months, members of the Group Management, CEOs of the subsidiaries and civil servants.

targets: job satisfaction, satisfaction and motivation. For 2019, the indices for all three targets were at the same level as previous years of 77, 76 and 77, respectively.

Employee turnover rate

In 2019, ATP's employee turnover rate was 16%. The organisation is undergoing major development involving the management of many new tasks and projects that require a diverse range of qualifications. Some of the employee turnover can be ascribed to relocations and organisational changes. 1% of the reported turnover for 2019 is employees who left ATP at the end of December 2018 in connection with the relocation of AES from Østerbro to Hillerød. Adjusted for this, employee turnover decreased from 2018 to 2019.

Sickness absence

Follow-up on sickness absence for ATP's employees shows a level of just over 8 sickness days per year. ATP pays attention to sickness absence and has most recently included questions about stress in the annual employee satisfaction survey. In the management of stress, focus has been on helping people suffering from stress back to work after a period of absence. From 2018 to 2019, there was a small drop in short-term absence whereas long-term absence increased.

Gender balance in management

At the Group's management levels, ATP aims for a 60/40 per cent split which meets the gender balance requirements set out in the Danish Act on Gender Equality. For 2019, this aim was met as 50% of managers were women. In 2019, all areas had an overrepresentation of women across all employees.

ATP is constantly striving to increase the share of women in management, and the gender targets are part of ATP's Policy of Diversity. It is part of ATP's strategy to increase the focus and emphasis on diversity in connection with the recruitment of new employees, and a targeted effort is made to recruit a wide range of candidates for the management and development of in-house talent in ATP's talent programme in order to also get more women into senior management.

Pay difference between genders

ATP is an organisation with great variation in tasks and job types and that requires diversity in skills and specialists within many different areas. The pay difference between men and women of 1.4 means that there is a pay difference of 40% for men and women across the Group. The difference reflects the variation in tasks and the diversity in the composition of employees across the Group. The largest

Follow-up on governance key figures

		2019	2018	2017
Gender distribution on the Supervisory Board	Women	31%	31%	31%
	Men	69%	69%	69%
Gender distribution on the Board of Representatives	Women	35%	32%	34%
	Men	65%	68%	66%
Attendance at Supervisory Board meetings ¹		90%	92%	-
Pay difference between CEO and all employees		11	13	12
Pay difference between CEO and employees, isolated for ATP Livslang Pension (Lifelong Pension)		8	9	9

¹ Attendance at Supervisory Board meetings was not calculated in 2017

employee group, customer advisors, which comprised a total of 1,024 employees in 2019, or more than one third of all employees in the Group, is found to be sufficiently homogeneous to make a comparison of pay levels across the organisation with regard to gender. The pay difference is a factor 0.9 which means that the pay of men in customer service is 10% less than that of women.

GOVERNANCE KEY FIGURES

Pay difference CEO and employees

The purpose of the key figure CEO-Worker pay ratio is to show the pay ratio between CEO and employees and to show the development in pay for the CEO compared to the employees.

In ATP, the key figure is a factor 11 for 2019, meaning that the remuneration of the CEO corresponds to 11 times the average pay of all employees in ATP. This includes employees carrying out administrative tasks for external parties.

When considering ATP Livslang Pension (Lifelong Pension) and the associated employees in isolation, and in order for the key figures to be comparable to other pension funds, the key figure is a factor 8, meaning that the remuneration of the CEO corresponds to 8 times the average pay of employees.

ATP's report on the status of compliance with the target figures set for the underrepresented gender

ATP's Policy of Diversity has been adopted by the Supervisory Board. The policy also defines a target for the gender distribution of its senior management. The target is to have at least one third of the underrepresented gender on ATP's Board of Representatives (at least 11) and on ATP's Supervisory Board (at least 5). This target had to be achieved by 1 April 2019.

The target for the Board of Representatives was met as 11 women served on the Board of Representatives in 2019 (35%). The target for the Supervisory Board was not met, as 4 women still served on the Supervisory Board in 2019 (31%).

The members of ATP's Board of Representatives and Supervisory Board are appointed by the individual organisations. The election period applicable for members of

Target figures for the underrepresented gender

ATP's executive order on accounting stipulates that ATP is to account for the status of compliance with the target figures set for the underrepresented gender on the Supervisory Board, including why ATP has not achieved the target set, if this is the case.

the Board of Representatives and the Supervisory Board is three years, which means that one third of the members are appointed each year.

We are still working towards the gender balance target. The replacements made in 2019 have not altered the balance on the Supervisory Board, as the individual organisations decided that the most qualified candidates for the open vacancies were men. When filling posts, the organisations are aware of the need for ensuring a gender-balanced Board of Representatives and Supervisory Board.

The gender balance target also applies to the Supervisory Boards of some of ATP's subsidiaries. This means that the underrepresented gender should make up at least one third of the Board, the same as the target for ATP's Supervisory Board and within the same time frame. In the subsidiaries covered by the legislation, the target has not been met. This is the case for the companies Via equity Fond I K/S and Via equity Fond II K/S, ATP Timberland Invest K/S, ATP Real Estate Partners I K/S, ATP Ejendomme A/S, ATP Private Equity K/S and the companies ATP Private Equity Partners I-VI K/S. This is primarily due to the fact that the Supervisory Boards of ATP's subsidiaries are made up of members

of ATP's Group Management and that those with special skills in investment subsidiaries are male members of the Group Management.

As previously mentioned, there is no gender underrepresentation at other management levels in the ATP Group. Overall, for all management levels the distribution is balanced. The gender balance in management varies according to management level and area.

Focus on sustainability in the Group strategy

Sustainability is an integral part of the Groups' strategy for 2020. ATP will continue its responsibility work and define further environmental, social and governance targets.

ATP fully supports the UN's 17 sustainable development goals. As a long-term investor whose purpose is to provide good pensions to its members, ATP has a strong interest in the sustainable social and environmental development of the world. ATP uses the goals as a source of inspiration for its own initiatives. As an example, ATP Ejendomme has increased focus on sustainability in the construction of new real estate and renovation of old real estate.