ATP Group
Responsibility 2017

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UN Global Compact Report on Progress

To our Stakeholders

The foundation of the ATP Group's work with responsibility is our vision of ensuring basic financial security for all of Denmark.

As part of this commitment ATP continues to support The Ten Principles of the UN Global Compact, which cover the areas of Human Rights, Labour Rights, the Environment, and Anti-corruption. Throughout 2017 ATP has continued our efforts to integrate the principles into our business strategy, culture and everyday work. This is further elucidated in the attached communication on progress. We further commit ourselves to share this information with our stakeholders through our primary communication channels.

28th of February, 2018. Hilleroed, Denmark

Christian Hyldahl
CEO

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Preface

In the wake of the financial crisis, responsibility has featured prominently in the public debate and is more than ever before on the agenda of politicians, businesses and citizens. Responsibility is a constantly evolving field, which became apparent in January 2017 at the World Economic Forum summit in Davos, Switzerland, where global business leaders launched the Compact for Responsive and Responsible Leadership. It is the most comprehensive coordinated global corporate-sector initiative to date, which aims to provide a framework for business leadership according to long-term sustainability principles. ATP attended these discussions, joined the Compact and participates in the public debate to promote these views.

Long-term decision-making, transparency and integration of responsibility in business cultures are a prerequisite for sustainable development. ATP believes that this gives businesses a stronger reputation among customers, makes them a more attractive place to work and leads to lower cost of capital, as the business will be a more attractive investment target for investors in terms of return and risk.

During 2017, ATP therefore continued its efforts to integrate responsibility into our investment processes. We see ESG issues as a valuable input in line with other business-related risks and opportunities in our investment decisions. This, combined with active ownership where we maintain a close dialogue with businesses on their strategy and operations, is an important precondition for creating attractive long-term returns for our members. To ensure better transparency on these efforts, ATP set up a dedicated website (atp.dk/voting) in 2017, where all votes cast by ATP at general meetings in listed companies from 2017 and onwards will be published.

In 2017, a new climate initiative was launched when the Task Force on Climate-related Financial Disclosures (TCFD), which is a working group under the G20's Financial Stability Board, published its recommendations on climate-related financial disclosures. The recommendations are the first comprehensive climate-related financial disclosure guidelines, which are an important precondition for continuing the transition to a low-carbon economy for both businesses and investors. In 2017, ATP introduced two climate initiatives. We have chosen to integrate the TCFD's recommendations into our reports and internal processes, and we feel that the market for green bonds has grown to a size that allows us to enter this market.

As a major investor that invests on behalf of virtually the entire Danish population, ATP has a special responsibility for contributing to the ongoing debate and further development of social responsibility both locally in Denmark and globally. Among other things, we joined the debate on international taxation and adopted a tax policy for unlisted investments, which firmly opposes aggressive tax planning. One of the recent initiatives which is suitable for implementation and communication of responsibility for businesses and investors is the UN's 17 Sustainable Development Goals (SDGs). Several of the businesses that ATP invests in have adopted these goals, and 2018 will see ATP focusing on integrating the SDGs into our work on responsibility in investments.

Introduction

Responsibility in the ATP Group

ATP plays a significant role in society by managing two thirds of all welfare benefits disbursed in Denmark and as a pension fund with more than 5 million members in Denmark. ATP also manages one of the largest pension asset holdings in Europe, which imposes on us a special obligation to invest responsibly and fulfil our responsibility to society.

ATP is established by statute, and its aim is to provide good, stable pensions and basic financial security for its members by investing its pension assets sensibly and responsibly. The ATP Act (ATP-loven) does not prevent ATP from acting as a responsible investor. On the contrary, we believe that responsibility and high returns go hand in hand.

The preconditions for high future returns are long-term and sustainable business value creation. Therefore, it is also important to us that the companies ATP invests in establish long-term goals and take responsibility for the societies they operate in. By acting responsibly the businesses maintain their legitimacy and license to operate, which is fundamental to continued growth and development. The businesses' long-term growth contributes directly to generating solid returns for the benefit of ATP's members. At the same time, experience has shown that we make better investment decisions by integrating ESG information with knowledge of other business aspects into the decision-making basis. As an important social institution, ATP also participates in the public debate, contributing facts, analyses and views on topics such as pension policy, rule simplification, responsible investment and tax, for example by making ourselves available to the media, NGOs and legislators.

About this report

This report deals with ATP's work on responsibility. The report focuses on responsibility in investments, as they have the greatest impact on society.

However, all parts of the Group leave a footprint on society, which is why ATP also reports on fase+, employee satisfaction, carbon emissions and water use at the ATP Group's own offices on page 52.

The report is ATP's statutory report on responsibility and covers the period 1 January 2017 to 31 December 2017. The report also constitutes ATP's Communication on Progress to the UN Global Compact, describing ATP's progress in terms

Business model

ATP is a self-governing institution, established by statute and managed by the social partners.

ATP Livslang Pension is a mandatory pension scheme with more than 5 million members. ATP Livslang Pension is guaranteed and lifelong and is disbursed to nearly all pensioners. A little less than half of all old-age pensioners has no other source of pension income other than their state-funded old-age pension and ATP Livslang Pension
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With assets of DKK 768.6 billion, ATP is one of Europe's largest pension funds. The assets are invested in, among other things, bonds, equities, real estate and infrastructure in Denmark and abroad with a view to creating good, stable pensions while keeping costs low.

ATP administers key welfare benefits and schemes on behalf of the Danish state, the local authorities in Denmark and the social partners. ATP is the largest administration provider in the Nordic countries, managing two thirds of welfare benefits disbursed in Denmark.

The ATP Group is a large employer. In 2017, there were 2,966 full-time employees (avg) in the entire Group, of which the majority were employed in Denmark, primarily in Vordingborg, Holstebro, Haderslev, Allerød, Lillerød, Frederikshavn, Greater Copenhagen and at the head office in Hillerød.

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. See page 56 for a complete overview of ATP's commitment to the individual principles.

The report also includes ATP's statutory report on the status of compliance with the target figures set for the underrepresented gender. The report can be found on page 54.

ATP as a responsible investor

Long-term and sustainable value creation is crucial to our work on responsible investments, and ATP works hard to integrate responsibility into its investments within the framework of the Supervisory Board's three policies on responsibility in investments, active ownership and tax on unlisted investments. The three policies are described below. The aim of the policies is to ensure that ATP's work on responsibility in investments is business-driven and based on stringent criteria.

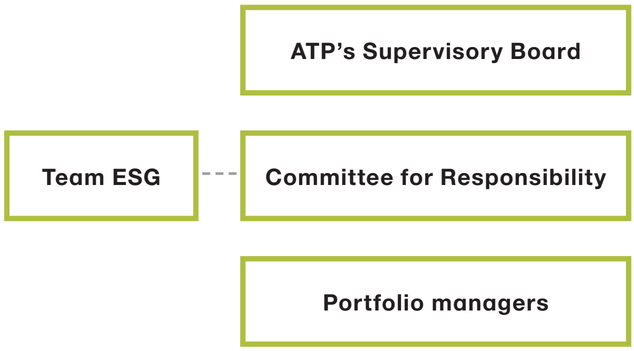
ESG integration and dialogue play a key role in ATP's approach to responsibility. Experience has shown that we make better investment decisions by integrating ESG information with knowledge of other business aspects into the decision-making basis. By entering into a constructive and patient dialogue with the companies ATP invests in, we are able to gain an understanding of the challenges facing the companies, which, in turn, can be used to make better and more informed investment decisions. Dialogue also allows us to encourage the companies to introduce change where appropriate, thereby minimising risks and promoting the companies' long-term value creation. Faced with the choice between dialogue and exclusion, ATP will always choose dialogue, as long as we see a potential for improvement.

Integrating ESG into all investment decisions is a journey that ATP embarked on several years ago and which is still ongoing. This also means that as the level of ambition for ESG increases, some earlier investments will not live up to the most recent ambitions.

Coordinating ATP's responsibility efforts

To ensure management ownership of responsibility in ATP's investment decisions, the responsibility efforts are coordinated by a dedicated Committee for Responsibility. The Committee is chaired by the ATP CEO and other members are the CIO (Chief Investment Officer) and the CRO (Chief Risk Officer) as well as relevant managers.

Governance and responsibility



The Committee is responsible for establishing processes which ensure compliance with the Policy of Responsibility in Investments. In addition, the Committee is to ensure that all assessments and decisions are rigorous, grounded on factually based assessments and that ATP's ongoing responsibility efforts are coordinated, strengthened and developed. The analysis work is performed in-house by Team ESG, which services the Committee for Responsibility and implements decisions made by the Committee.

ATP's Supervisory Board regularly receives reports on the work on responsibility, and any issues regarding the policy can be submitted by the CEO to ATP's Executive Committee which approves any deviations from or interpretations of the policy.

ATP's Policy of Responsibility in Investments

ATP's Policy of Responsibility in Investments, which was revised in 2017, 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. Knowledge and analyses of corporate ESG issues are relevant to ATP, both in terms of risk management and when identifying investment opportunities.

Through their operations, companies that ATP invests in leave their footprint on society, for instance through their environmental impacts, employee conditions or the local population. ATP is aware of this responsibility, and as a responsible investor ATP aims to ensure that its work on responsibility in investments benefits the employees, businesses and communities affected.

Consequently, ATP places a number of demands on the companies we invest in. Firstly, the companies must respect the law of the countries they operate in. Secondly, they must respect the rules, norms and standards that ensue from conventions and other international treaties ratified by Denmark. This applies irrespective of whether or not the country the company operates in has ratified those conventions. ATP does not invest in companies that intentionally and repeatedly violate such conventions. The policy refers to international rules and standards and is as such based on stringent criteria rather than moral assessments.

ATP strives to integrate responsibility across investment strategies. ATP's efforts to integrate ESG across its investments are described on page 10. ATP's processes for and progress on the integration of climate in investments are described on page 14.

ATP's Committee for Responsibility lays down and develops processes to ensure that the companies ATP invests in do not intentionally and repeatedly violate the rules, norms and standards set out in conventions and other international treaties. The screening and exclusion processes that apply to listed equities and corporate bonds are described on page 45.

The complete policy is available in Appendix 4. ATP's list of excluded companies can be found in Appendix 2.

ATP's Policy of Active Ownership

ATP's Policy of Active Ownership describes the principles and processes that guide ATP's active ownership activities. 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. Active ownership activities are a high priority for ATP, and, therefore, ATP engages in a direct dialogue with the companies. ATP's CEO, Christian Hyldahl, is a member of the Committee on Corporate Governance and has as such been involved in the formulation of the Committee's Stewardship Code, and he is often in the media presenting ATP's views on corporate governance and long-term value creation.

ATP applies two processes, in particular, in its active ownership activities. Firstly, ATP engages in dialogue with companies by voting at general meetings in all companies in which ATP holds equity investments. Secondly, ATP often engages in continuous dialogue with companies about various issues, including corporate governance. The approach chosen by ATP depends on the size of ATP's ownership interest, the time horizon and the value of the investment, among other things. Read more about continuous dialogue on page 29 and dialogue through general meetings on page 30.

In 2017, ATP worked consistently to develop and improve its stewardship processes in light of its Policy on Active Ownership, which was revised last year. Three new initiatives should be mentioned.

The first is ATP's decision to publish its votes at general meetings in listed companies. You can find all votes on the website atp.dk/voting.

As a part of its active ownership activities, ATP has also developed something we call 'thematic engagement'. Thematic engagement is systematic, risk-based dialogue with companies on different topics. In 2017, ATP had five thematic engagements with a total of 58 companies. Read more on page 36.

In 2017, ATP strengthened its collaboration with other investors to influence companies through the PRI organisation. In the PRI, ATP participates in collective engagements with other investors on topics such as tax, OECD Guidelines and the SDGs. Read more about these collaborations on page 41.

The complete policy is available in Appendix 3.

ATP's Tax Policy on Unlisted Investments

ATP's Tax Policy on Unlisted Investments, which was revised by ATP's Supervisory Board in 2017, describes ATP's approach to tax in relation to ATP's unlisted investments. Aggressive tax planning represents an investment risk for ATP, including a reputational risk. In the policy, ATP's Supervisory Board points out that ATP opposes and must take measures to avoid contributing to aggressive tax planning. It is also expected that ATP's business partners and the companies ATP invests in conduct themselves in the same appropriate, responsible and transparent manner with regard to tax.

ATP expects that ATP's business partners do not engage in tax planning that deliberately contravenes the OECD's so-called BEPS actions. ATP will inform its business partners of ATP's tax policy with the clear expectation that they observe the policy and current tax legislation in general.

ATP closely monitors its direct investments and also intends to carry out random checks in the course of 2018, e.g. to verify that fund managers' investments comply with ATP's tax policy.

Before completing an investment, ATP identify relevant tax risks, partly via ATP's internal tax department and partly via external tax experts. If ATP has completed an investment and then discovers a subsequent violation of the tax policy, ATP will immediately engage in a dialogue with the business partner to find a solution and consider its options, including whether to continue the collaboration.

ATP and FSB TCFD's recommendations

ATP endorses the TCFD's recommendations on climate-related financial disclosures (Task Force on Climate-related Financial Disclosures). The TCFD is an expert group, which was set up by the Governor of the Bank of England and Chairman of the Financial Stability Board (FSB) Mark Carney on behalf of the G20 countries in continuation of the Paris Agreement. The expert group presented its recommendations in June 2017.

The fundamental idea behind the recommendations of the expert group is that company disclosures should focus on the company's financial risks and opportunities in the transition to a low-carbon economy. In the transition to a low-carbon economy, changes in policy, technology and customer behaviour may impact companies' results and value. Moreover, there is a risk that climate change leads to physical changes, such as extreme weather and increased water levels which may affect the company's results, assets and liabilities.

The recommendations apply to businesses of all sectors, and ATP is therefore taking a two-pronged approach to the recommendations. First in the active ownership activities where ATP encourages companies to embrace climate-related financial disclosures. Second, ATP has started working on the guidelines for investors.

For many years, ATP has focused on incorporating climate considerations and risks in its investment processes and welcomes the TCFD's recommendations as an overall framework that we can use to further verify, challenge or develop our approach and understanding of climate risks. Read more about ATP's climate and climate reporting efforts on page 14.

ATP and the OECD Guidelines for Multinational Enterprises

ATP also endorses the OECD Guidelines for Multinational Enterprises which are recommendations on responsible business conduct. Like the UN Global Compact, the OECD Guidelines cover a number of topics within human rights, environment, anti-corruption and taxation. The UN's Guiding Principles have also been integrated into the OECD Guidelines. Further to this, the OECD has published a number of specific guidelines for enterprises operating in the extraction, agricultural and textile industries.

In spring 2017, the OECD published guidance aimed specifically at institutional investors looking to integrate the guidelines into their investments. ATP has followed the development of the new guidelines with great interest and attended the launch of the paper, where experts from the OECD elaborated on some of the points raised in the guidelines. Similarly, ATP welcomes the fact that the OECD Guidelines will be integrated into the Danish Business Authority's forthcoming guidelines on responsible investment.

ATP also launched an internal evaluation of its processes in relation to the clarifications provided in the OECD Guidelines. The evaluation did not give rise to any major changes in ATP's approach, but we continue to adjust and develop our processes. Read more about how ATP integrates the OECD Guidelines into its screening processes on page 46.

ATP and the PRI

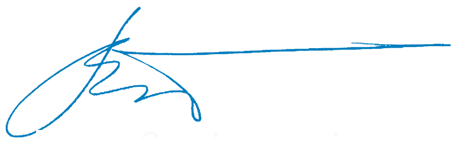
ATP endorses the UN-backed Principles for Responsible Investment and is a member of the PRI organisation. In the PRI organisation, ATP focuses especially on the collaboration with other investors. Consequently, ATP is involved in deciding, organising or carrying out major so-called collective engagements where it makes sense, and where common ground can be found. Collective engagements are a series of dialogues with businesses on different topics. Such collaboration between investors can give them the necessary strength and influence to encourage businesses to change. In 2017, ATP participated in collective engagements concerning the OECD Guidelines, taxation and the SDGs, among other things. Read more about PRI engagements on page 41.

ATP and the Global Compact

ATP has joined the UN Global Compact initiative, which aims to promote corporate responsibility by endorsing common and universally accepted values consisting of ten principles. The principles are based on internationally adopted conventions and standards within human rights, labour, environment and anti-corruption. The Global Compact has focused a lot on SDGs, which are the UN's 17 Sustainable Development Goals.

ATP's Policy of Responsibility is to ensure that a wide range of social, environmental and governance issues are clarified and included in risk analyses and investment decisions. ATP therefore believes that it makes sense to include the ten principles in its screening processes. Read more about it on page 45. As this report is a progress report for the Global Compact, page 56 contains an overview of the sections describing ATP's work on the different Global Compact principles.

In recent years, ATP has also begun looking into how the 17 goals can be integrated into its investment processes. This work is still in the early stages. In 2017, ATP initiated a thematic engagement with six companies on water and water risks inspired by the 17 global goals. In addition, ATP has joined an international working group in the PRI organisation on how investors can integrate the SDGs into collective engagements with businesses. Read more on page 41.



Jørgen Søndergaard
Chairman

Christian Hyldahl
CEO

ESG integration

ESG integration in ATP's investments

ESG integration is about integrating information about companies' performance and responsibility efforts into the decision-making basis for investments. From a financial perspective, information about companies' responsibility efforts can help to identify high-risk investments and suggest potential investment targets that involve a lower level of risk.

ATP invests in a number of different asset classes, including listed equities, corporate bonds, government bonds, private equity, infrastructure investments and real estate investments. The work on integrating ESG into risk management and investment processes largely depends on which of these asset classes you invest in, but the investment method is also important. This chapter describes some of the ways in which ATP integrates responsibility into its investments.

In addition to integrating ESG information into its investment decisions, ATP also continuously monitors its investment targets' compliance with ATP's Policy of Responsibility in Investments. ATP employs thorough and systematic processes to identify and investigate companies in its portfolio that should potentially be excluded from the investment portfolio. Among other things, ATP has for years screened its listed equities and corporate bonds. When ATP has identified a company that is potentially in violation of the policy, ATP engages in a dialogue with the company to rectify the situation. Exclusion will always be a last resort. Read more about this work on page 45.

ATP's overall perspectives on ESG integration

The philosophy behind ATP's efforts to integrate knowledge of companies' performance and work on responsibility in investments is that, similar to investment decisions, this work must be anchored in the respective investment teams. The portfolio managers must decide for themselves whether knowledge of companies' ESG issues can contribute to a better decision-making basis in risk analyses and investment processes, so that ESG integration creates better investment decisions.

Portfolio managers have access to knowledge and guidance from an internal team of ESG analysts, which is ATP's knowledge bank on issues relating to responsibility in investments.

Better data is a main focus

High data quality is key to successful ESG integration, particularly if information about the companies' ESG performance and responsibility efforts is to form part of the decision-making basis for ATP's investments. Consequently, ATP has a firm focus on continuously exploring the market for ESG data and influencing companies directly or through investor groups to encourage them to report high-quality data. In 2017, ATP conducted thematic engagements with a number of companies on their reporting of different ESG data, among other things. The work on thematic engagements is described on page 36.

For some asset classes, the market for quality data on ESG performance is still immature, for example within unlisted investments in infrastructure. Within infrastructure investments, ATP is therefore a founding member og the GRESB Infrastructure organisation, which benchmarks and compares infrastructure funds and assets against a number of different parameters such as environment, social issues and governance. When the data quality is improved and investors receive data from multiple assets, it will also be easier to work systematically with ESG integration across the infrastructure investments.

Integrating responsibility into investments in listed equities

Listed equities is one of the asset classes where relatively good data and information about companies' ESG performance and responsibility efforts is available from data providers. When ATP invests in listed equities, we employ a variety of investment strategies.

ATP is an important investor in Danish listed companies, both when it comes to ownership interests and the amount of money invested. An integrated model is applied, where responsibility is integrated into the decision-making basis and investment follow-up. The investment decisions are based on thorough and long-term analyses of individual companies, covering issues such as corporate strategy, financial results, governance power, governance, market position and responsibility. In Danish companies where ATP is a significant investor, ATP has successfully engaged in active ownership activities and continuous dialogue, discussing topics such as responsibility and ESG issues. Read more about ATP's active ownership activities and continuous dialogue on page 28. One example is ATP's investments in Vestas and Ørsted (formerly DONG Energy), where the business opportunities offered by the green transformation have formed an integral part of the assessment. The integrated model has helped to drive value creation in ATP's investments in Danish companies.

ATP also invests in global listed equities, acting as active owners, leading thematic engagements on responsibility issues and voting at the companies' general meetings. This following section describes ATP's efforts to integrate ESG data with market data into its global quantitative equity strategies.

Integrating responsibility in the selection process into quantitative global equity strategies

In 2017, ATP began the task of applying and integrating ESG data in the selection process directly into its quantitative equity strategies. The quantitative equity strategies mainly apply to global investments, and in 2017 ATP worked hard to build up a large global portfolio of cash equities.

A quantitative equity strategy means that ATP selects equities from a pool of several thousand companies based on proven, factor-based market data analyses. Examples of proven quantitative factors used by ATP to select equities for its portfolio are 'value', 'momentum' and 'low risk'.

Equities with a high value factor score are 'cheap', i.e. their market value is low compared to their earnings. Equities with a high momentum factor score are equities that show a positive price development trend. Equities with a high low risk factor score are equities with low equity price volatility. Statistically, equities with a high score in the three factors will perform better than expected in terms of higher risk-adjusted return. ATP classifies all the equities in its investment portfolio according to quantitative factors and selects its portfolio based on these factors.

ATP has examined the possibilities of integrating ESG data into its quantitative factor model. The work is complex and still ongoing. ATP's hypothesis is that ESG data – and governance data, in particular – can be used as input to select quality companies. Internationally, the so-called 'quality factor' is increasingly seen as a recognised factor similar to 'low risk', 'momentum' and 'value'. By integrating ESG factors and quality, it is expected that ATP will be able to further increase the expected risk-adjusted, long-term return, and improve returns in falling markets, in particular. ATP places the same requirements on factors based on ESG data as factors based on market data. This means that, as a general rule, the factors must be verified by means of statistical analyses of historical returns.

At the same time, ATP is aware that the historical data is not necessarily an indicator of future performance. The world is constantly changing, and so are the financial markets. ATP therefore continuously keeps itself up to date on the academic literature on ESG integration.

It should also be noted that the preliminary investigations have revealed certain challenges with respect to data quality. The number of covered companies is not high enough, and for some ESG factors the time series are also relatively short, making statistical verification difficult. ATP continuously explores the opportunities for obtaining better ESG data and, through thematic and collective engagements, continues to push for companies to increase their reporting and reporting quality.

Integrating responsibility into alternative investments

In addition to more traditional investments in listed equities, ATP has considerable investments in alternative assets such as real estate, infrastructure and forestry. Alternative investments have special characteristics, which makes it more complex to systematically integrate ESG factors.

One of the barriers for integration is that the market for good and adequate ESG data remains immature in some areas. ATP overcomes this barrier by working on ESG reporting in the organisations GRESB Real Estate and GRESB Infrastructure. ATP reports to the two organisations, which evaluate and compare investor performance in terms of sustainability and responsibility. Investor performance is measured at both asset and fund level.

Integrating responsibility into real estate investments

ATP has years of experience with integrating responsibility into its real estate investments. Through its subsidiary ATP Ejendomme, ATP invests in both existing real estate and new-build. For many direct investments, ATP is also responsible for the real estate management.

The real estate portfolio is spread across various sectors and includes investments in Denmark, Europe and the UK. ATP invests both directly, in partnership with other institutional investors and through funds in office properties, shopping centres and hotels, among other things.

ATP strives to integrate responsibility into its investments in different ways. Read ATP's Responsibility Report 2016 for more details.

The ambition is to continue developing ATP's current practice of integrating responsibility into its real estate investments. By participating in and reporting to GRESB Real Estate, ATP will be able to continue to grow by comparing its practice with that of leading global real estate investors.

ATP and GRESB Real Estate

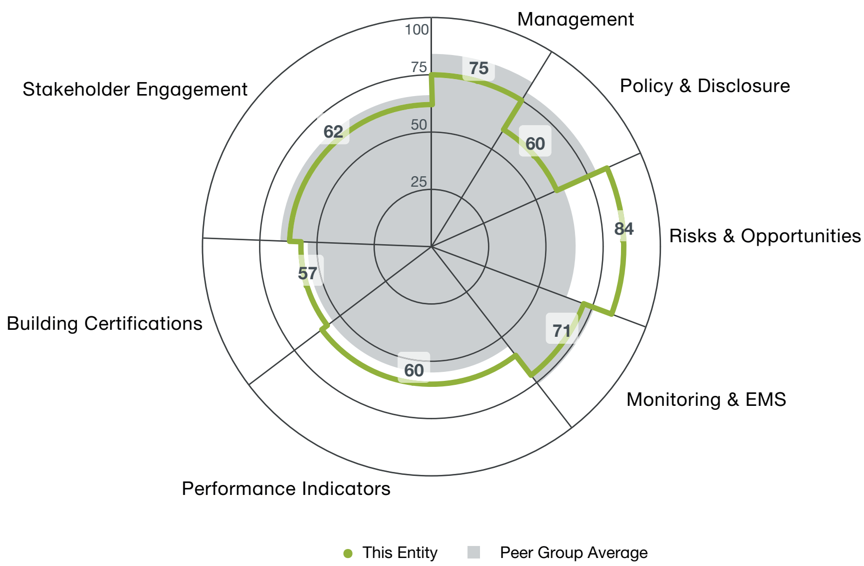
GRESB Real Estate is one of the most ambitious reporting standards for sustainable real estate investments. The standard has been adopted by the largest global real estate investors, and a growing number of investors are reporting on their sustainability work to GRESB Real Estate. Because so many large real estate investors have adopted the standard, the benchmark becomes better and more robust. Real estate investor performance is assessed based on a number of factors, including stakeholder involvement, management, building certificates, risk and opportunities as well as general performance.

ATP uses the assessments as an internal work tool to systematically understand, assess and benchmark its real estate investments' ESG performance against that of the largest global players. ATP has also used GRESB's assessments to identify the potential for improvement and step up its efforts to integrate ESG into its investment decisions.

The chart below shows GRESB Real Estate's latest assessment of ATP compared to a peer group of Northern European investors.

ATP scores higher than the peer group on the 'Risks and Opportunities' parameter, which assesses our efforts to integrate risk and opportunities into the investment process. This reflects ATP's serious efforts to integrate different ESG factors into risk management activities and its due diligence processes that precede investments in real estate and funds.

One of the areas in which ATP scores below the peer group average is 'Policy and Disclosures'. ATP's Policy of Responsibility in Investments covers a wide range of topics, including different aspects of environmental and social issues and governance. However, unlike some of our peers, ATP does not have separate policies for individual areas of its real estate and building operations, which affects the score, among other things. By reporting to GRESB Real Estate, ATP has identified possible development areas. One development area, which ATP has been



working on in 2017, is the formalisation of our processes. Because ATP often has sought to integrate responsibility at asset level, for example in specific real estate investments, ATP has identified a development potential for formalising and systematically documenting our efforts. This work will continue in 2018.

Integrating responsibility into infrastructure investments

ATP integrates responsibility considerations into its infrastructure investments by specifically considering the risk factors and opportunities of each investment.

ATP is continuously working on systematising its processes, but the assets are so diverse that it can be difficult to develop systematic and cross-sectoral solutions. The investments include everything from gas pipelines over metro stations to port terminals and roads – and for each asset, ESG risks and opportunities manifest themselves differently.

One of the ways in which ATP is working on systematising its approach to responsibility in investments is by strengthening the data basis, so that we are better able to assess asset and fund performance. We do this for example by obtaining separate ESG reporting from infrastructure assets and funds, including GRESB Infrastructure reporting.

ATP is a founding member of GRESB Infrastructure and sits on the organisation's steering committee. Assets and funds reported to GRESB Infrastructure for the first time in 2016. In 2016 and 2017, ATP focused on encouraging other investors and business partners to support the initiative, among other things by raising the topic at board meetings in the companies or consortiums or discussing it with other investors who have not yet joined GRESB Infrastructure.

As a benchmark, GRESB Infrastructure has yet to fully mature as the level of reporting remains too low. Nor does it make much sense to compare an investment in motorways with an investment in a gas pipeline. However, ATP is already using GRESB data as a starting point for dialogue concerning its investments.

As an investor, there are also commercial reasons for wanting increased ESG reporting from infrastructure assets. In 2017, ATP noted a demand from lenders for increased ESG reporting following the assets' application for financing.

CASE: SDG reporting

ATP has requested specific SDG reporting on a trial basis from one of its fund investments in infrastructure. Good and adequate reporting is required if we want to understand how a specific investment or investment portfolio contributes to the achievement of the SDGs.

A substantial effort has been made by the manager of the fund in question to systematically examine and describe – for all 17 goals – how three specific assets contribute to achieving the goals. The fund manager's reporting has made it clear to ATP that providing adequate reporting on the SDGs is a monumental and complex task.

For businesses and investors, the SDGs represent both business opportunities and risks, and an investment in a specific company can contribute to promoting one goal while at the same time hampering another. In 2018, ATP will focus on integrating the SDGs into our work on responsibility in investments.

Climate

For several years, ATP has been integrating climate considerations into its investment processes. ATP believes that climate change affects companies' long-term value creation and investor returns in ways that are both complex and sometimes conflicting.

In order to overcome this complexity, ATP has historically chosen to focus on climate risks and opportunities at asset level, for example in concrete real estate investments, infrastructure investments or in listed equity investments. Similarly, ATP's external reporting of its efforts to integrate climate considerations into investments has focused on concrete investments and investment considerations.

ATP has lacked a broad and holistic framework for understanding and addressing climate opportunities and climate risks across its investments. Therefore, ATP also welcomes recommendations and guidelines such as the Task Force on Climate-related Financial Disclosures (TCFD) presented at the G20 meeting in Hamburg in June 2017.

ATP will use the TCFD's recommendations as a general framework for verifying, challenging and further developing our approach to and understanding of climate risks. Further details on ATP's support of the TCFD's recommendations can be found on page 42 and 44.

ATP's method of integrating climate risks and opportunities into its investments

ATP has several years of experience with the integration of climate considerations into its investments. This is done by focusing on companies' commercial opportunities in the necessary transition to a low-carbon economy and the risks that climate change poses to the companies' results. In order to overcome this complexity, ATP has had a broad approach to and understanding of climate risks and opportunities and has primarily applied this to unlisted investments. In addition, ATP has continuously encouraged listed companies to improve their reporting in order to strengthen ATP's own understanding of ESG risks in investments.

Climate, climate change and climate-political trends may affect ATP's investments in different ways. Historically, ATP has regarded climate risks as both tangible, physical risks as well as regulatory risks.

Climate change can pose a tangible risk of material damage to ATP's assets, for example through an increase in cloudbursts, elevated water levels, forest fires, storms, changing temperatures or drought. Consequently, ATP considers cloudburst protection during property development and the physical location or construction of real estate with respect to protecting it against increased water levels in future. In a concrete forestry investment, ATP reduced its return outlook because ATP expects an increase in cyclone frequency. On page 12-13 you can read about how ATP continuously strives to integrate and improve the understanding of climate risks in its investments by reporting to GRESB Real Estate and GRESB Infrastructure.

Climate-related regulatory risks may also have a direct impact on ATP's returns. In 2006, ATP invested a considerable amount of money in Spanish PV panels. The potential for generating an attractive return on the investment

Climate-related risks and opportunities in ATP's investment decisions

Risks and opportunities for the individual company in the transition to a low-carbon economy:

- Individual company carbon footprint and strategy for reducing emissions

Regulatory risks:

- Changes in subsidies
- Introduction of regulation that affects certain business models

Tangible risks of material damage:

- Physical location of assets
- Business models affected by physical changes in sorroundings

ATP's investments in green bonds

ATP is an important global investor in traditional bonds.

ATP has followed the developments in the market for green bonds for several years. The market for green bonds still represents a relatively small share of the bond market, although the market has seen strong growth in recent years. This means that liquidity remains relatively low, resulting in limited options for using green bonds as collateral. However, given the challenges that the world is facing with respect to funding the transition to a low-carbon economy, ATP sees future potential in green bonds. In light of the above, ATP decided to enter the green bonds market in 2017 with an initial investment of approx. DKK 1.5 billion.

ATP's focused on buying green bonds with a credit rating equivalent to that of the existing bonds in ATP's investment portfolio. In addition to a high credit rating, ATP will also only buy green bonds from issuers that comply with the Green Bond Principles.

ATP will monitor the green bond market closely in 2018 in order to remain at the forefront of developments.

What are green bonds?
Green bonds are special in that the issuer of the bond uses the proceeds to fund climate-friendly investments. A climate-friendly investment could for instance be an investment in increased energy efficiency. In order for a bond to be considered green, it is expected that the climate or environmental benefits are clear and quantifiable. However, it is not certain that the initiatives that are granted funding through the issue of green bonds would not have been completed without the issue, and the climate impact of the existence of the green bond market is therefore difficult to verify. ATP believes, however, that the development of the market may have the desired effect in the long term and therefore supports green bonds.

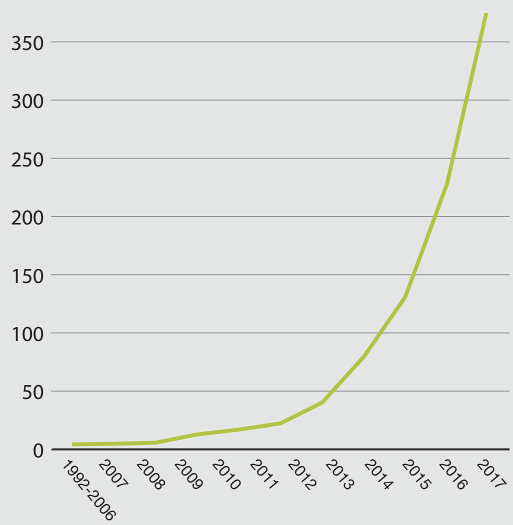
In recent years, the market for green bonds has undergone considerable development as illustrated in the figure below.

Green Bond Principles
Attempts are already being made to regulate the market for green bonds. The International Capital Market Association (ICMA) is a membership organisation for financial sector representatives which has formulated four Green Bond Principles. The principles are not legally binding. They include:

1. nefits must be clear and preferably quantifiable.
2. The issuer has established a clear process for selection and evaluation of projects – preferably with external verification of compliance with the Green Bond Principles.
3. The proceeds must be segregated from other funding by the auditor.
4. The issuer's use of the proceeds must be disclosed publicly and updated at least once a year.

In addition, ATP expects the European Commission to strengthen the regulation of the area in 2018 in connection with its Sustainable Finance Strategy.

Total cumulative issuance (USDbn)



Source: SEB analysis based on Bloomberg (BNEF) and SEB data took a hit, when the Spanish authorities suddenly changed the legal framework for the investment. The introduction of a carbon tax or stricter regulation of polluting industries may also change the potential for attractive returns on ATP's investments.

ATP seeks to minimise regulatory risks which may stand in the way of increased investments in companies contributing to the green transformation. ATP has therefore joined the IIGCC which is a forum for international investors, providing a collaborative platform to encourage political decision-makers to implement policies that address long-term risks associated with climate change. Through IIGCC, ATP has contributed to raising political awareness of the need for a clear, credible and predictable policy framework at national and regional level for the transition to a low-carbon economy. Read more about ATP's IIGCC membership on page 44.

ATP has also focused on the commercial opportunities and risks that climate change and the necessary transition to a low-carbon economy pose to companies. ATP has been a long-term investor in Ørsted (formerly DONG Energy), Vestas and Rockwool, among others, providing ATP with solid returns on the business opportunities offered by the green transformation, while at the same time keeping the companies' capital costs lower than they would otherwise have been. On the other hand, certain sectors are exposed to significant disruptions in connection with the transition to a low-carbon economy. It is important that the companies are aware of these and adapt accordingly if they are to remain relevant and competitive.

For a number of years, ATP has sought to obtain better data and increase the quality of climate data from companies, for example through continuous dialogue, ESG dialogue with our Danish investments, thematic dialogue and dialogue through the PRI.

For the past two years, ATP has exercised its voting rights in respect of its international listed equities. Here, climate-related proposals are sometimes put forward by shareholders – proposals which ATP takes very seriously. At Occidental Petroleum's annual general meetings in 2016 and 2017, ATP voted in favour of shareholder proposals for increased climate reporting and preparation of scenario analyses. Quite extraordinarily, the climate proposals were adopted at Occidental Petroleum's annual general meeting in 2017, a decision which was warmly welcomed by ATP. At the same time, ATP has also had a very constructive dialogue with Occidental Petroleum through thematic engagement.

ATP's work on the TCFD's recommendations

Even though ATP has worked on climate and climate risks in its investment processes for several years and on several fronts, ATP has lacked a general framework to guide its work and reporting.

The TCFD's recommendations are holistic, focus on climate-related financial risks and are therefore well aligned with ATP's views on climate risk. The fundamental idea behind the TCFD's recommendations is that company disclosures should focus on the company's financial risks and opportunities in the transition to a low-carbon economy. In the transition to a low-carbon economy, changes in policy, technology and customer behaviour may impact companies' results and value. New taxes on climate-damaging behaviour may be introduced, consumption habits may change or a technological disruption may occur. Moreover, the TCFD also points out that there is a risk that climate change leads to physical changes, such as extreme weather and increased water levels which may affect the company's results, assets and liabilities.

The TCFD's recommendations were drafted by a wide range of international experts with special knowledge of

ATP is cosignatory to Climate Action 100+

ATP is one of the founding signatories to Climate Action 100+, which was launched in December 2017. Climate Action 100+ is a global investor-led initiative designed to put a consistent pressure on the world's 100 biggest polluting companies. ATP and other investors engage with the largest global emitters of carbon and other greenhouse gases. The purpose is to persuade them to reduce emissions, strengthen climate-related financial disclosures and improve governance on climate change.

financial disclosures and climate. The recommendations were the result of an open process with public consultation, and ATP has followed the development of the recommendations closely.

The recommendations are broad in scope and apply to companies in all sectors. The expert group is aware, however, that climate risks and opportunities do not affect all industries in the same way, and has therefore drawn up supplemental guidance for certain industries.

ATP is taking a two-pronged approach to the recommendations. Firstly, ATP has adopted the supplemental guidance for asset owners in order to better understand ATP's own climate-related financial risks. Secondly, as a responsible investor, ATP also encourages companies that ATP invests in to adopt climate-related financial disclosures.

In order to cover all aspects of climate risk, the recommendations are structured around four overall categories: Governance, strategy, risk management, and metrics and targets. Implementing all the recommendations would

TCFD's recommendations

Governance	Strategy	Risk management	Metrics & Targets
Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the actual and potential impacts of climate-rlated risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	**Recommended Disclosures**	**Recommended Disclosures**	**Recommended Disclosures**
A. Describe the board's oversight of climate-related risks and opportunities.	A. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	A. Describe the organization's processes for identifying and assessing climate-related risks.	A. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. Asset owners should describe metrics used to assess climate-related risks and opportunities in each fund or investment strategy. Where relevant, asset owners should also describe how these metrics have changed over time. Where appropriate, asset owners should provide metrics considered in investment decisions and monitoring.
B. Describe management's role in assessing and managing climate-related risks and opportunities	B. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. Asset owners should describe how climate-related risks and opportunities are factored into relevant investment strategies. This could be described from the perspective of the total fund or investment strategy or individual investment strategies for various asset classes.	B. Describe the organization's processes for managing climate-related risks.	B. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

be a monumental task, and ATP has therefore decided to initially focus on the recommendations on governance, metrics and targets in 2017 (see pillar 1 and pillar 4 in the table). The remaining recommendations will be addressed in the coming years. An overview of the recommendations for asset owners is provided on page 17.

ATP's work on governance for climate-related financial risks

The TCFD recommends that businesses describe their governance for climate-related financial risks, including how the Supervisory Board and management will be involved.

ATP's Supervisory Board has adopted the Policy of Responsibility in Investments, which lays down the overall framework for ATP's climate efforts. ATP's responsibility reports are approved by the Supervisory Board, and the Supervisory Board also receives regular reporting on ATP's responsibility efforts, including the work on climate-related risks.

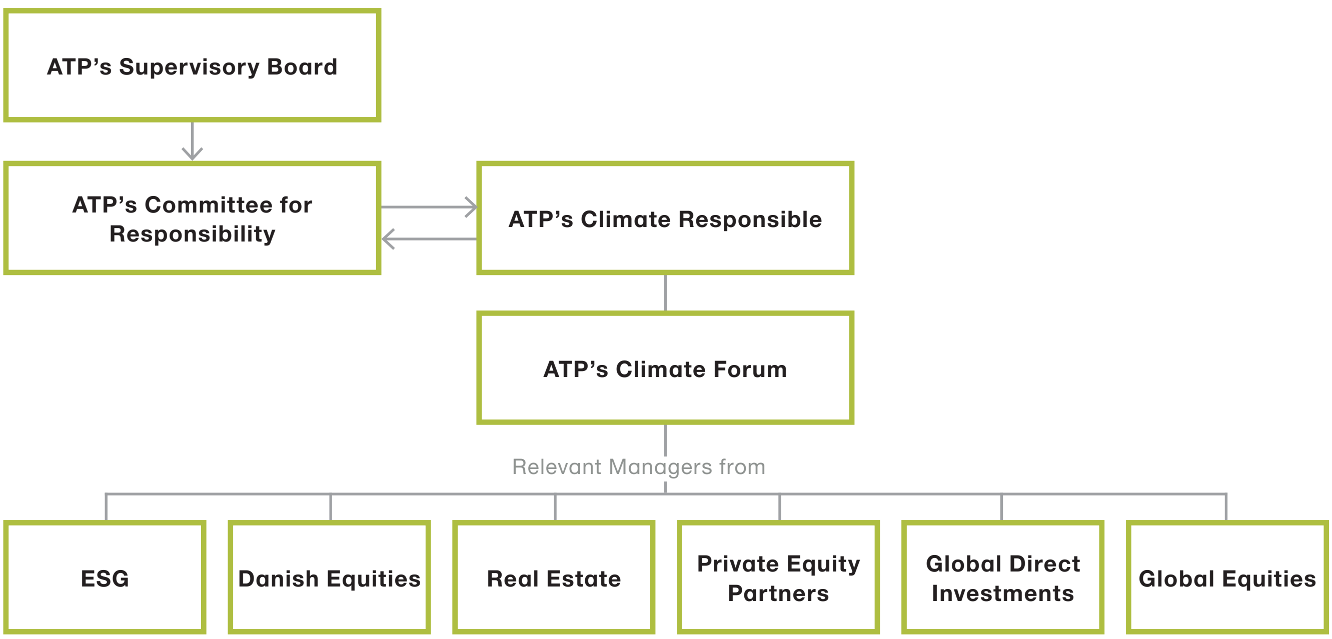
Climate considerations are included in ATP's risk management on an equal footing with other business-related risks. Because ATP has historically dealt with climate issues at asset level, the actual work on integrating climate risks and opportunities has been handled decentrally by the different investment teams.

In light of the TCFD's recommendations, ATP has made efforts to strengthen its organisational processes, re-assessing its governance model to ensure clearer management ownership and knowledge sharing across ATP's investment teams.

Consequently, ATP has appointed a climate responsible investment manager, who is responsible for ensuring that climate issues are integrated into investment processes across the investment area. The rationale behind appointing a dedicated climate responsible is to constantly challenge the investment organisation on climate issues.

ATP's climate responsible collects knowledge, conducts climate-related analyses as needed and reports on the work of ATP's Climate Forum to the Committee for Responsibility. The climate responsible ensures that knowledge of climate risks and opportunities is available across ATP's various investment teams and subsidiaries in ATP's Climate Forum.

Climate in ATP



The Climate Forum consists of six executives, including five investment managers and the head of ESG. They constitute ATP's Climate Forum where the climate responsible and the executives meet to initiate relevant development projects. The Climate Forum also serves as a forum for discussing and exchanging experiences with climate-related financial risks across the investment business. Even if the assets and the strategies are very different, learning about other professionals' approaches and experiences can provide valuable input and inspiration.

ATP's work on metrics for climate-related financial risks

In 2017, ATP decided to follow the TCFD's recommendations on metrics, despite the fact that the recommendations for asset owners are much debated among investors.

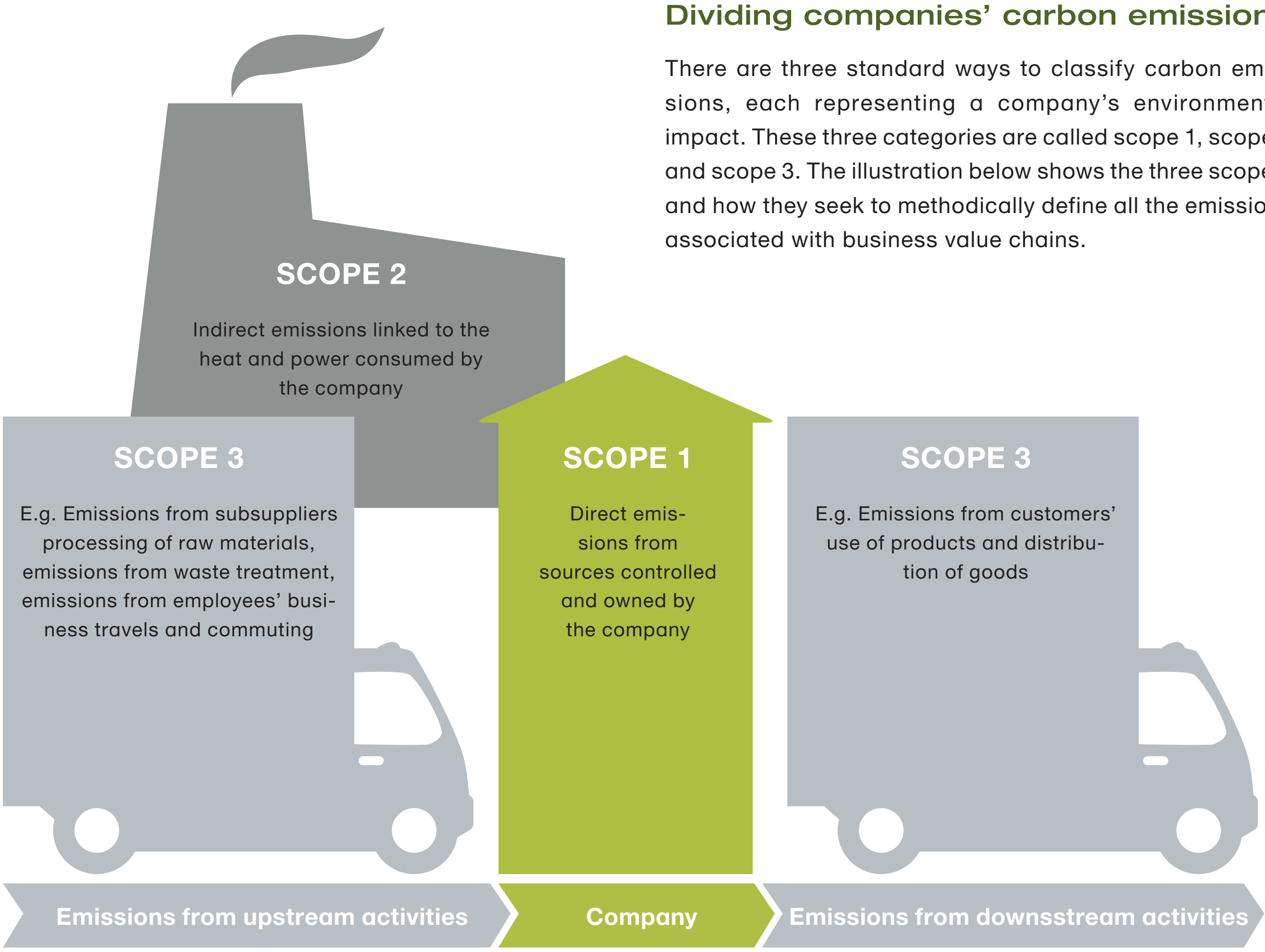
ATP does not believe that information about investors' carbon footprint at portfolio level provides greater clarity on investors' work on climate and climate risks in the investment processes. From ATP's perspective, nor are measurements of the total carbon footprint of any use in ATP's own work on climate-related financial risks. This is for example due to concerns about data quality, methodological weaknesses and the general focus of the measurements.

Although the TCFD widely acknowledges ATP's and other investors' criticism of the application and usefulness of these metrics, the TCFD nevertheless decided to recommend investors to disclose the carbon footprint of their portfolios. One of the reasons for this recommendation was that, in the long term, investor disclosure may lead to better metrics in this area, as it will foster more nuanced discussions at company level.

In 2017, ATP therefore decided to follow the TCFD's recommendations by disclosing the carbon footprint of its listed equities.

Dividing companies' carbon emissions

There are three standard ways to classify carbon emissions, each representing a company's environmental impact. These three categories are called scope 1, scope 2 and scope 3. The illustration below shows the three scopes, and how they seek to methodically define all the emissions associated with business value chains.



Scope 1 emissions are direct emissions from sources controlled and owned by the company, for example emissions relating to the burning of fossil fuels at production sites and transport vehicles owned or leased by the company.

Scope 2 emissions cover indirect emissions linked to the heat and power consumed by the company. This could for example be the power consumed by the company for cooling, or steam to keep the production facilities up and running.

Scope 3 emissions are more complex, but also cover indirect emissions. Here, a distinction is often made between emissions linked to upstream activities and emissions linked to downstream activities. Scope 3 upstream emissions include emissions from subsuppliers' processing of raw materials and production, emissions from waste treatment, emissions from employees' business travel and transport to the workplace. Scope 3 downstream emissions include emissions from customers' use of products and distribution of goods.

The data quality and data uncertainty vary greatly between the three scopes. Even though scope 3 has the most information on a company's actual climate footprint and exposure, only a handful of companies report on their scope 3 emissions. This is partly because it is very difficult for a company to estimate how their products are being used and subsequently handled.

EXAMPLE: Double reporting of carbon footprint

When calculating the carbon footprint to assess a company's climate footprint, including scope 1, scope 2 and scope 3 provides a more accurate picture. When assessing a portfolio's exposure, there is a risk of double reporting if you both own equities in a company and its direct or indirect subsuppliers.

A company's scope 3 emissions are another company's scope 1 and scope 2 emissions. Therefore, the inclusion of scope 3 emissions in calculations of portfolio carbon footprint provides an incorrect picture.

By including scope 3 emissions in their carbon footprint, investors also risk that emissions are counted several times, if, for example, the investor owns equities in companies as well as their subsuppliers. Knowledge of scope 3 emissions is, however, relevant to investors when assessing individual companies and their exposure to climate-related financial risks. Investors can also use knowledge of carbon footprint in the company's value chains (including scope 3 emissions) to engage in a dialogue with the company.

Many companies have begun to report on their carbon emissions according to scope 1 and scope 2. There is still some way to go, though. As mentioned earlier, ATP continuously strives to influence companies to report on their emissions according to scope 1 and scope 2. When companies do not report on their emissions, data providers are forced to estimate emissions. The estimation methods are becoming ever more sophisticated, but it is a difficult task and the methods vary from data provider to data provider. Different investors can thus use different estimated data on the same company, making comparison difficult. In their estimates, data providers tend to overestimate the companies' emissions.

ATP wants to give a fair picture of the 'actual' footprint of its investments and exposure to climate risks. Including scope 3 emissions provides a more adequate picture of a company's climate footprint, but ATP believes that the data quality and estimation models are still not good enough. Therefore, ATP chooses to use companies' scope 1 and scope 2 emissions to calculate its total carbon footprint. However, in order to illustrate the significance of scope 3 emissions, ATP also includes scope 3 upstream emissions in one of its calculations.

Challenges associated with interpreting investors' carbon footprint

An investor's carbon footprint can offer perspectives on the carbon emissions of investment portfolios and thereby the underlying portfolio companies. However, carbon emissions do not provide a full and accurate picture of neither climate footprint nor exposure to climate-related financial risks.

There are many different methods for measuring investments' climate footprint and exposure to climate-related financial risks. Each method has different strengths and weaknesses and sheds light on various aspects of climate risk exposure. The results obtained using the individual methods are therefore not directly comparable.

The TCFD recommended in its final draft that investors disclose their carbon footprint according to a model named 'Weighted Average Carbon Intensity'. It should be noted that the TCFD only encourages investors to disclose according to this one method, but ATP has chosen to increase transparency and illustrate the challenges of climate metrics by also calculating the footprint according to the three other models which appear from the TCFD's preparatory work.

Before interpreting the results of the footprint of listed equity investments according to the four methods, it is important to be aware of the challenges inherent in interpreting investors' calculations of their carbon footprint.

ATP believes that it is very relevant for companies to work on their carbon footprint by limiting carbon emissions to the atmosphere. If investors reduce their footprint by for example selling equities in high-emission companies, it will not lead to a decline in the actual emissions, however. In fact, there is a risk that the equities are instead purchased by less climate-responsible investors, who do not want to influence companies to reduce their emissions.

If an investor has a narrow focus on its carbon footprint, it may also prompt the investor to invest in companies with low carbon emissions calculated according to scope 1 and scope 2, without looking at the companies' value chains and thereby its actual exposure to climate-related financial risks.

Carbon footprint calculations use data about companies' market capitalisation and earnings. At the end of 2017, ATP used market data on its current portfolios, but emissions data from the same companies is compiled at different times and the most recent data are from 2016.

The delay is due, among other things, to the fact that our data provider verifies and harmonises the companies' reported data before ATP gains access to data on its portfolio companies.

Data on the companies' emissions says nothing about the companies' strategy and progress in terms of limiting their emissions. If an investor wants to invest in a way that reduces the investor's exposure to climate-related financial risks, the company's strategy and progress seem to be much more relevant parameters.

Investors with a narrow focus on the carbon footprint of their investment portfolios and thus the carbon emissions of the underlying portfolio companies may choose not to

EXAMPLE: Limitations resulting from a narrow focus on carbon footprint

Looking exclusively at the carbon footprint of portfolios and companies involves a risk of overestimating or underestimating a company's climate risks and opportunities. A company with high carbon emissions (scope 1 and 2) may at the same time contribute to reducing carbon emissions elsewhere in the value chain.

A manufacturer of wind turbine blades, PV panels or an insulating product uses energy and emits carbon during production, while also providing key input in the transition to a low-carbon economy. Vestas and Rockwool are examples of companies with relatively high carbon emissions that contribute considerably with vital solutions to the green tranformation.

A company with limited carbon emissions from its own production (low emissions according to scope 1 and scope 2) may have high emissions under scope 3 if it uses materials from high-emission subsuppliers in its production. The company's climate footprint and exposure to climate-related financial risks and opportunities can thus be larger than what is immediately apparent from its carbon accounts. One could imagine a situation where a carbon tax affects the company's production costs and earnings by increasing the price of materials purchased from subsuppliers.

invest in a company like Ørsted (formerly DONG Energy) due to its high emissions, until Ørsted, as announced, has completely phased out coal in 2023. As an energy company with strong climate ambitions, Ørsted has transformed itself from a company with high carbon emissions (from coal, oil and gas) to a company whose energy production is largely based on wind power and sustainable biomass. Investors with a too narrow focus on reporting a low carbon footprint will deny themselves the opportunity of contributing to the green transformation of energy production.

Calculating the carbon footprint of ATP's investments in listed equities

ATP invests in listed equities both in Denmark and abroad. ATP uses different strategies for investments in Nordic listed companies and international listed companies, respectively.

ATP often invests in Nordic equities based on in-depth analyses of individual companies. ATP also often has large holdings of Nordic equities in individual companies.

ATP's investments in international equities are based on a quantitative equity strategy. A quantitative equity strategy means that ATP selects equities from a pool of several thousand companies based on proven, factor-based market data analyses. Read more about ATP's quantitative equity strategies and efforts to integrate ESG data into its equity selection on page 11. In its quantitative strategies, ATP invests in many companies, but has often invested lower amounts in the individual companies.

Due to the dissimilarity of the investment strategies, reporting is carried out separately for the Nordic and international listed equities.

ATP uses climate data and a calculation platform from a data provider to calculate the carbon footprint of its equity investments. The data provider is one of the leading providers of climate data, and yet ATP experiences challenges in procuring data on all its investments. The data provider only recently began to cover the Nordic market, and we therefore lack carbon emissions data on Nordic companies in particular.

Work is continuously being done to extend coverage. The data provider's strategy is to start by including carbon-intensive industries in the database. The calculation platform calculates the carbon footprint of the companies which are covered by data. There is thus a risk that the calculated carbon footprint does not correspond to the 'actual' footprint.

First metric: Total Carbon Emissions

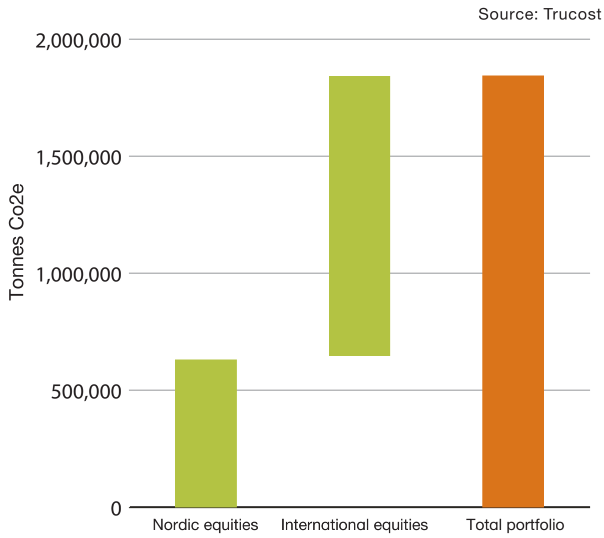
Total Carbon Emissions

$$\sum_{i=1}^{n}\left(\frac{Value\ of\ Investment_i}{Issuer's\ Market\ Cap_i} \times Issuer's\ Scope\ 1\ and\ Scope\ 2\ GHG\ emissions_i\right)$$

This metric for calculating the carbon footprint of investments is the simplest and shows the portfolio's total volume of carbon emissions (measured in so-called CO_2 equivalents – CO_2e).

This metric uses the value of the amount invested in the company, the company's market capitalisation and the company's carbon emissions to calculate the carbon footprint. The assumption is that ATP 'owns' some of the company's emissions, corresponding to ATP's ownership interest in the company. If ATP has investments in a company corresponding to 5 per cent of its market capitalisation, ATP 'owns' 5 per cent of the company's emissions. ATP's share of all portfolio companies' emissions is added up to determine the total footprint under this method.

Total Carbon Emissions



The invested amount is crucial to the result, and because the metric does not normalise based on size, there is no point in making comparisons with portfolios that do not have the same market value.

The total carbon footprint of ATP's listed equities under this method is calculated by adding up the carbon footprint of the Nordic portfolio and the international portfolio.
Decomposing the calculation to see which companies contribute the most to the total carbon footprint using this metric, two companies stand out in particular: ATP's considerable investments in A.P. Møller Mærsk and Ørsted have by far the largest impact on the overall footprint. Together they represent more than 25 per cent of total emissions from ATP's listed equities.

If you focus on the investments in the international equity portfolio, ATP's investments in Japanese and US utility companies have the biggest impact.

Normalising metrics: Carbon Footprint and Carbon Intensity

Carbon Footprint

$$\frac{\sum_{i=1}^{n}\left(\frac{Value\ of\ Investment_i}{Issuer's\ Market\ Cap_i}\times Issuer's\ Scope\ 1\ and\ Scope\ 2\ GHG\ emissions_i\right)}{Portfolio\ Value\ (DKK\ mio.)}$$

Carbon Intensity

$$\frac{\sum_{i=1}^{n}\left(\frac{Value\ of\ Investment_i}{Issuer's\ Market\ Cap_i}\times Issuer's\ Scope\ 1\ and\ Scope\ 2\ GHG\ emissions_i\right)}{\sum_{i=1}^{n}\left(\frac{Value\ of\ Investment_i}{Issuer's\ Market\ Cap_i}\times Issuer's\ Revenue_i\ (DKK\ mio.)\right)}$$

The TCFD's preliminary work describes two metrics that can be used to compare portfolios: Carbon Footprint and Carbon Intensity. These metrics build on the first metric (Total Carbon Emissions), but the carbon footprint is normalised. The Carbon Footprint calculation normalises based on the total size of the portfolio, and the Carbon Intensity calculation normalises based on the company's earnings.

When the TCFD submitted its first draft for consultation, they recommended that investors report using the Carbon Footprint metric. The metric builds on the formula from the first metric, but normalises the footprint on the basis of the total portfolio size. This enables a meaningful comparison of portfolios with different market values.

One of the typical criticisms of this metric is that changes in the underlying companies' market capitalisation has a significant impact on the result, even when the emissions remain unchanged. If the price of an equity goes up, so does the market capitalisation, and an investor will still own the same share of emissions.

If the company's emissions remain unchanged, ATP is responsible for the same volume of emissions, but because the metric normalises from a higher market capitalisation, ATP will appear more climate-friendly, compared to before the increase in market capitalisation.

Another point of criticism is that this calculation does not take into account the companies' efficiency, but considers only the amount of carbon emitted.

The Carbon Intensity metric focuses on the company's carbon efficiency, as this might be normalised on the basis of the portfolio companies' earnings. Where, in popular terms, the first two metrics describe the volume of the carbon emissions 'owned' by the investor, the Carbon Intensity metric describes how efficiently the portfolio generates earnings relative to the carbon emissions.

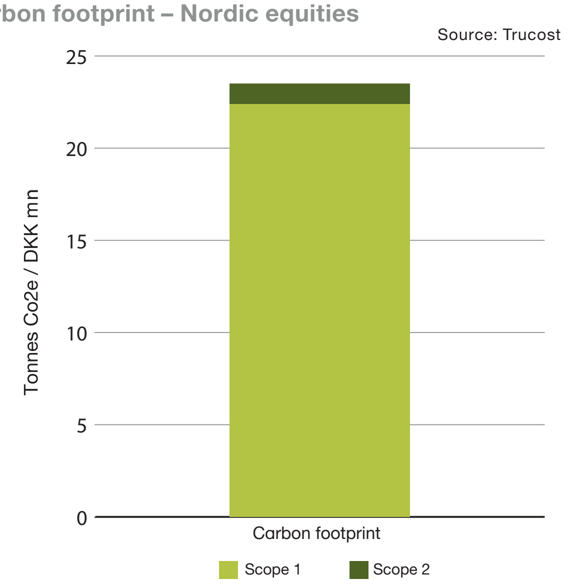
The metric has the advantage of not being sensitive to changes in the market capitalisation of the equities. On the other hand, the metric may be criticised for being too sensitive to other factors which may change a company's earnings, such as higher or lower prices of input factors. The portfolio and the portfolio companies may, for example, appear more or less climate-efficient without this having anything to do with climate efforts.

Consequently, this metric is better suited to providing a snapshot of the company's efficiency, being careful about comparing the year-on-year result without knowing the underlying reasons for the change in performance.

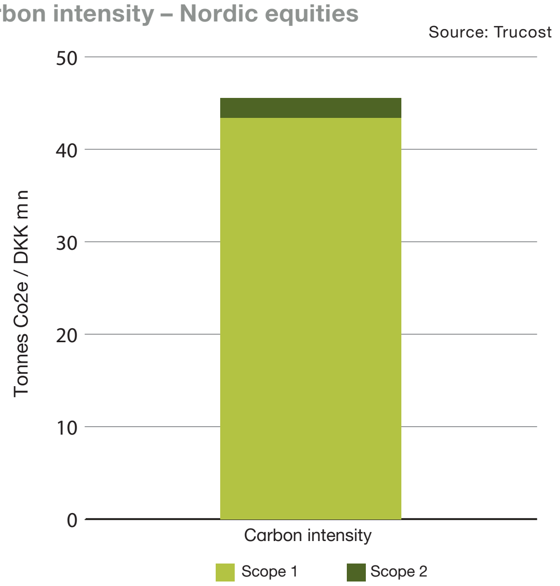
Nordic equities

ATP lacks data on around 33 per cent of the company names currently in our Nordic portfolio. These companies are therefore not included in this calculation. Investments in these companies total approx. 13 per cent of the portfolio's total value. ATP is engaged in a dialogue with the data provider on including more of ATP's portfolio companies.

Carbon footprint – Nordic equities



Carbon intensity – Nordic equities



Decomposing the results

When calculating the carbon footprint of ATP's Nordic listed equities using the Carbon Footprint and Carbon Intensity metrics, four companies are having a negative impact on the overall result.

As one of the world's largest container shipping lines, A.P. Møller Mærsk is a crucial factor in ATP's carbon footprint, regardless of the metric used. Around 60 per cent of the Nordic portfolio's total carbon footprint can be attributed to ATP's investment in A.P. Møller Mærsk. One of the world's most energy-efficient shipping lines per container, the company continues to pursue an ambitious plan to reduce its carbon footprint per transported container and is also actively working towards increasing carbon regulation of global shipping.

Other companies in the portfolio with a significant impact on the overall footprint are Ørsted, Rockwool and DSV. They each contribute less than 10 per cent of the calculation, regardless of the metric used.

As a utility company, Ørsted will rank high in an emission calculation like this, but ATP does not consider the result of this calculation to be controversial. The energy mix plays an important role in ATP's assessment of a utility company. Ørsted has a clear ambition to phase out coal from its energy mix, and ATP expects that emissions will decline over time. Even though Ørsted ranks high in ATP's calculation, it is a utility company that has a clear strategy for adapting to a low-carbon economy.

Rockwool produces and sells stone wool which is used for building insulation, among other things. The durability of stone wool increases the lifetime of the insulation, leading to higher energy savings over time. Stone wool is produced at high temperatures, and the production process thus generates a certain volume of carbon emissions, which, however, are balanced by the optimised energy consumption in buildings insulated with stone wool and the product's lifetime.

DSV, like A.P. Møller Mærsk, is a transport solutions provider and therefore stands out in the carbon calculations. As part of its active ownership activities, ATP engages in an ongoing ESG dialogue with DSV on strategies in the area.

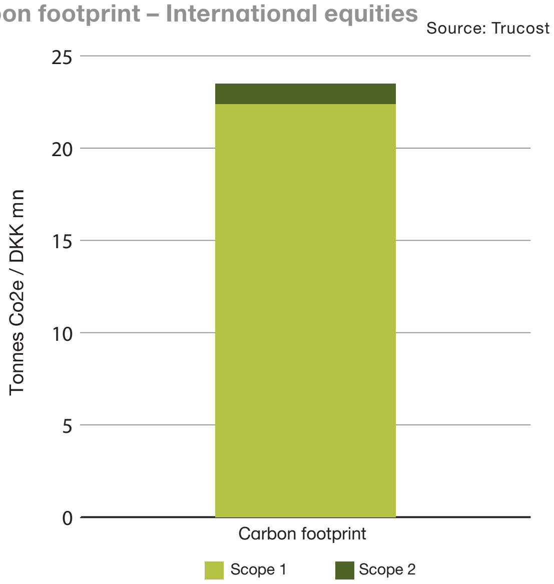
International equities

The international equity portfolio includes companies from the USA, Europe, Japan and Australia, and the equities are selected on the basis of a quantitative equity strategy. In this calculation, data is missing for approximately 6 per cent of the company names.

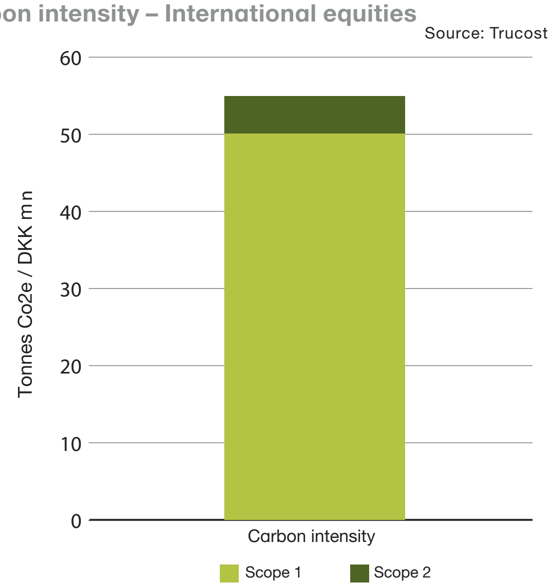
Decomposing the results

Climate risks resulting from carbon emissions are distributed among several companies in the international equity

Carbon footprint – International equities



Carbon intensity – International equities



portfolio. Here, we will therefore focus on industry distribution in the portfolio rather than specific company names.

Without comparison, the biggest contribution to the overall footprint of the international equity portfolio comes from the utility sector. The international equity portfolio contains a significant number of utility companies. This is primarily because the equity strategy favours stable equities, which often characterises companies in this sector.

To the extent that an investor has a one-sided focus on reducing the carbon footprint of its portfolio, the investor could remove emission-intensive sectors – in particular utility companies – from its portfolio.

ATP believes that utility companies play an important and necessary role in any society, including in relation to some of the 17 Sustainable Development Goals concerning security of supply, job creation and poverty eradication. ATP finds it neither appropriate nor responsible to refrain from investing in utility companies based on a desire to reduce the carbon footprint of one's equity portfolios.

Instead, ATP believes that investors should focus on helping to ensure that the utility companies, like other companies, contribute constructively to the transition to a low-carbon economy. ATP continuously monitors the energy mix of the utility companies we have in our portfolio and engages in a dialogue with companies, where relevant.

The TCFD's recommended metric: Weighted Average Carbon Intensity

Weighted Average Carbon Intensity

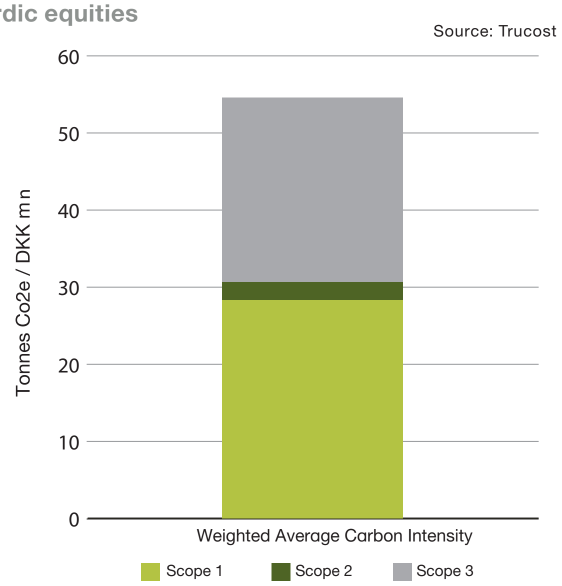
$$\sum_{i=1}^{n}\left(\frac{Value\ of\ Investment_i}{Portfolio\ Value} \times \frac{Issuer's\ Scope\ 1, Scope\ 2\ and\ Scope\ 3\ GHG\ emissions_i}{Issuer's\ Revenue_i\ (DKK\ mio.)}\right)$$

The TCFD recommends investors to report their carbon footprint according to this metric. Due to the lack of data for scope 3 emissions, the TCFD recommends only reporting these if deemed relevant. In spite of the data-related challenges, particularly in relation to scope 3 calculations, ATP, as described earlier, chooses to include these in this calculation.

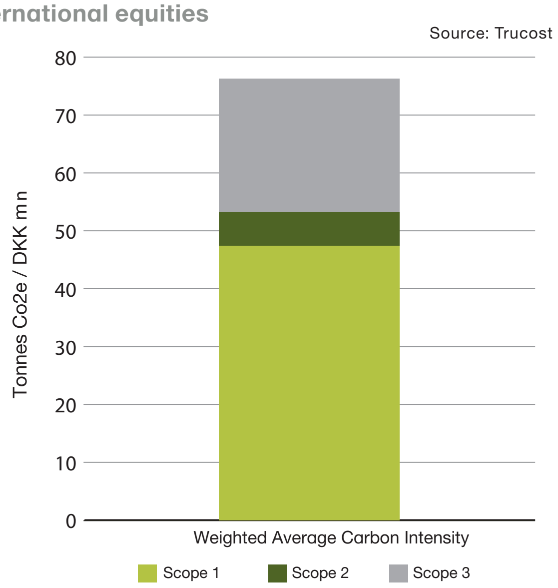
The metric shows a portfolio's exposure to climate risks, as it provides a measure for the average carbon intensity for all the companies in the portfolio weighted according to their respective size in the portfolio.

Put simply, this metric provides a measure for the portfolio's exposure to carbon-intensive companies, which indicates the portfolio's exposure to climate-related financial risks. It should be noted that this metric does not measure the portfolio's 'contribution' to climate change – neither in absolute figures nor normalised relative to the size of the investment.

Nordic equities



International equities



Decomposing the results

When decomposing the results, the footprint calculation using this metric is similar to the calculations using the other metrics. In the Nordic equity portfolio, A.P. Møller Mærsk once again has a substantial impact on the result. In the international portfolio, the concentration of utility companies is once again crucial for the result.

As can be seen from the figures, scope 3 constitutes a significant part of the portfolio's total carbon footprint according to this metric. In this calculation, the overall scope 3 footprint of the Nordic portfolio is marginally higher than the international equity portfolio's scope 3 footprint. Given the considerable data-related challenges of scope 3 calculations, ATP does not believe, however, that it is possible to reach a conclusion in terms of content.

Perspectives on carbon footprint as a metric

As shown above, the various metrics provide different perspectives on the carbon emissions of an investment portfolio. The calculations of the four different carbon footprints were based on ATP's investments in listed equities. Compared with other asset types, most carbon footprints have been done on listed equities, but even for these investments there are still considerable data-related and methodological challenges.

The actual interpretation of the results of the different calculation methods is, as illustrated, neither simple nor unambiguous.

As a metric to understanding and assessing climate-related financial risks, carbon footprinting is even more inadequate when it is applied across different assets in an investment portfolio.

Real estate investments are one of the asset types where climate-related financial risks are particularly relevant, but where carbon footprinting as a metric is inadequate. Carbon footprint measurements capture only a small part of a real estate portfolio's climate footprint or a real estate portfolio's significant climate-related financial risks.

For real estate investors, one of the key climate-related financial risks will be the physical location of the real estate in relation to future changes in climatic conditions. By focusing on the carbon footprint rather than other factors, the investor will overlook this component and risk owning real estate that may lose value in the event of climate change.

As real estate owner you are not responsible for carbon emissions from the buildings under the common methods. Instead, the emissions occurring from the property's consumption of electricity and similar will pass to the tenant. As the tenant is often responsible for operational issues of the property and the payment of energy bills, as owner you only have limited influence on the property's energy consumption and carbon footprint from operations. Even though carbon emissions are not allocated to investors by way of their property ownership, the property's construction affects the volume of emissions from the building, for example for energy consumed to heat and cool the building. Therefore, investors who only own less climate-efficient buildings will indirectly have a greater negative impact on the climate than investors who exclusively own climate-efficient buildings. Focusing on carbon footprint as a metric does not capture the actual climate footprint.

As a real estate investor, ATP focuses on constructing sustainable properties that provide the best possible environment for the property's tenants. ATP believes that highly energy-efficient buildings benefit both the tenants and society at large.

ATP addresses the TCFD's recommendations on carbon footprint reporting because we acknowledge the TCFD's desire to develop better metrics going forward. In light of our review of the different metrics and methodologies for calculating carbon footprints, ATP is of the opinion that considerable challenges must be overcome before carbon footprint calculations at portfolio level can be directly and meaningfully integrated into the investment process. ATP will therefore continue to focus on carbon footprinting at company level.

There does not seem to be any prospect of a swift solution to improve the metrics. In the coming year, ATP will therefore focus on addressing the TCFD's other recommendations on strategies and risk management.

ATP's continuing work with the TCFD recommendations for Asset Owners will have special focus on convincing companies that ATP invests in to use the recommendations in their own financial reporting to understand financial risks and opportunities in the green transformation.

ATP hopes that its work with the TCFD recommendations sends a clear signal to investee companies. By endorsing the recommendations ATP hopes to inspire other companies and thereby heighten support for the TCFD recommendations.

To manage climate related financial risks and opportunities across the investment portfolio ATP needs information and transparency from investee companies on climate related risks and opportunities and how they integrate these in strategy and operations.

CASE: Climate one among several global challenges

The challenges associated with climate change are complex – both for investors and for society as a whole. Climate change is one of several serious global challenges facing the world. The fight against climate change is one of the 17 Sustainable Development Goals (SDGs) that the global community has committed itself to implementing by 2030.

The global process towards completing the transition to a low-carbon economy is very important, but the world is already facing serious climate events that also need to be addressed.

In 2017, ATP gained first-hand experience with these challenges through its co-ownership of the company APR Energy. ATP owns one fifth of and sits on the Board of APR Energy which produces and drives generators and are specialists in setting up temporary power stations in emergency situations.

In autumn 2017, the island of Puerto Rico was hit by hurricane Maria, resulting in catastrophic devastation. The entire island's energy infrastructure was destroyed. Paradoxically, the PV panels and wind turbines which had been installed to counter man-made climate change also suffered extensive damage during this climate event. Four weeks after the hurricane, 90 per cent of the population still had no access to electricity, making the cooling of food and medicine or the use of telecommunications impossible.

Only after APR Energy had installed a temporary gas turbine-driven power station, could the rebuilding of the island begin in earnest.

Active Ownership
– Continuous dialogue and voting

Active ownership is given high priority at ATP, and ATP devotes considerable resources to its implementation across its listed equities. ATP exercises stewardship in all the listed companies we invest in. On the one hand, as an active owner, ATP may, through dialogue with the company, gain an understanding of the challenges facing the companies and the company-specific risks. ATP can then use this understanding to make better and more informed investment decisions. On the other hand, ATP can help to minimise risks and promote companies' long-term value creation by influencing change.

In 2017, ATP developed and consolidated its stewardship processes, following an update of its policy in 2016. ATP updated its policy in order to live up to the Committee on Corporate Governance's Stewardship Code, which was presented in November 2016 and apply to Danish listed equities. ATP has decided that the Policy of Active Ownership will apply to investments in Denmark and globally. ATP's CEO, Christian Hyldahl, sits on the Committee on Corporate Governance and has in this capacity also contributed to the development of the updated Recommendations on Corporate Governance, which were presented in December 2017.

Dialogue is the most important tool in ATP's active ownership activities. ATP's dialogue with the listed companies may concern any topic that may be important to the investment, for example strategy, results, risk, capital structure, corporate governance, corporate culture, management remuneration and general responsibility. The specific content of the dialogue with the companies is determined by the overall principles of ATP's Policy of Active Ownership and ATP's Policy of Responsibility in Investments. The policies can be found in Appendix 3 and 4.

ATP engages in two types of dialogue: continuous dialogue and dialogue through general meetings, which are described below. ATP applies a principle of proportionality in its active ownership, entailing that the scope of the dialogue with a specific company generally reflects the value of the investment and the size of ATP's ownership interest. This strategy is linked to ATP's possibility of effectively engaging in dialogue, which increases with the ownership interest. Because ATP often has substantial holdings in Danish listed equities, the 'continuous dialogue' often revolves around these companies. Other factors such as investment method and strategy may also guide the extent to which ATP carries out its active ownership activities.

ATP believes that handling investments and active ownership activities under one roof can ultimately lead to better investment decisions. At ATP, investments in listed equities are handled by internal portfolio managers, and all dialogue with the companies is handled internally by ATP. This ensures a consistent and high-quality investment process. Another advantage of this solution is that it can create synergies between processes, allowing information obtained during the dialogue to support the investments and vice versa.

Simultaneously with the publication of the annual report for 2017, ATP launched a website with data on all votes cast by ATP at general meetings. On the website, users can search for individual companies and see a breakdown of votes cast by ATP. In addition, the website contains aggregated statistics across multiple votes within a number of factors, for example a breakdown of ATP's votes for and against. The website also provides details on how often ATP's votes are aligned with the Supervisory Board and voting by country. The website will be updated every six months with new data on ATP's votes. Interested readers are therefore encouraged to visit the website atp.dk/voting.

ESG issues are integrated into dialogues

Important corporate governance issues, such as the composition of the Supervisory Board and pay packages, are naturally important topics at general meetings. The same goes for the continuous dialogues conducted by ATP. Responsibility is also on the agenda, but in order to ensure a firm and consistent focus on ESG risks across the portfolio, ATP has decided to develop supplementary processes to integrate responsibility into the dialogue with companies. Like other stewardship initiatives, the aim of the dialogues on responsibility is to ensure that ATP gains an understanding of the challenges faced by the companies, which can be used in the investment process. Moreover, ATP is hoping to minimise its financial risks and promote the companies' long-term value creation by influencing them to focus on improving their processes within responsibility when ATP sees this as a risk or an opportunity.

ATP's approach to the dialogues on responsibility is risk-based, data-driven and analytical, and, like other stewardship initiatives, the specific form depends on the value of the investment, the size of ATP's ownership interest and the investment method.

As a general rule, when ATP engages in a continuous dialogue with a company, the dialogue is followed by a supplementary annual dialogue on company-specific issues, such as human rights, labour and anti-corruption, or environmental and climate issues with the company's own experts. ATP calls this ESG dialogue. When ATP engages in dialogue at general meetings, ATP has now initiated thematic engagements. A thematic engagement is a risk-based, thematic dialogue with relevant companies. In 2017, ATP conducted five thematic engagements with a total of 58 companies. Read about thematic engagements on page 36.

Continuous dialogue

ATP is experienced in the practice of continuous dialogue facilitation with companies in which ATP is a major investor. In fact, active ownership through continuous dialogue is an integral part of the entire investment process in this type of investments.

When ATP is a major shareholder of a company, ATP conduct an in-depth, long-term analysis of the company, covering issues such as corporate strategy, performance, governance power, governance, market position and responsibility. The analysis is based on meetings with the company, among other things, to establish a dialogue with the Executive Board and Supervisory Board about these issues.

Active ownership is initiated even before the investment is made and is followed up by regular meetings with the management for the duration of ATP's investment.

In ATP's experience, companies can often be influenced through continuous dialogue, and, conversely, ATP is influenced by sound arguments. Furthermore, it is ATP's view that this form of active ownership activities has generated added value in the companies ATP invests in, ultimately contributing to high returns on these investments.

ATP's degree of involvement in individual companies depends on several factors, including ATP's ownership interest, the size of the investment and required changes. Another factor could be, in ATP's assessment, an unfavourable turn of events for the company.

In its continuous dialogue with companies, ATP seeks to build a relationship based on trust – for discussion of problems as well as challenges. In order to have the

CASE: Dialogue with banks on compliance risks

Politicians and authorities in Denmark and the EU have a firm focus on preventing money laundering through European banks, as evidenced by the adoption of a new Anti-Money Laundering directive (AML). In recent years, the media have reported several instances of unacceptable banking conduct, both in Denmark and globally. The Panama Papers prompted a Danish debate on how banks address the risk of being used for money laundering or tax evasion.

There have been examples of banks' ability to address compliance risks affecting the operational risk and thus the expected returns.

From a financial perspective, banks with a weak compliance function are more at risk than banks with strong compliance functions. In its continuous dialogues ATP for example asks how the banks address compliance risks, including their strategy and what processes they have implemented to ensure compliance with stricter regulatory requirements in the area.

In order to understand the financial risks of its investment in Danske Bank, ATP engages in an ongoing dialogue with the management and the bank's compliance officers. Focus has been on understanding the organisational and procedural steps taken by the bank to minimise future compliance risks.

most constructive dialogue with companies, ATP always pledges confidentiality.

Dialogue through general meetings

ATP votes at annual general meetings in all listed companies in our portfolio. Here we account for ATP's voting practice in relation to ATP's listed international equities. In 2017, ATP exercised its voting rights at general meetings in 21 different countries. Issues and proposals at general meetings tend to be company-specific, varying from one country to another. From an investor's perspective, it is positive that the proposals are company-specific, because this allows investors to better form an opinion of the challenges and risk profile of the individual company. ATP always considers and decides on each proposal and voting item and seeks to understand the details of each proposal and place it in the context of the circumstances of the specific company.
ATP's active ownership and voting policy are governed by the Supervisory Board's Policy of Active Ownership.

If, on one or more voting items, ATP intends to vote against the Supervisory Board and the company's own recommendations, ATP will seek to inform the company of ATP's intentions and motivation ahead of the general meeting. ATP also seeks to inform the company if we support the Supervisory Board in the concrete proposal, but find certain elements of the proposal to be of value. Such proposals may for example be those relating to discrimination. ATP may not necessarily support all proposals concerning the topic of discrimination, as they may relate to a process or implementation rather than discrimination per se. ATP of course opposes discrimination in all its forms and will point out its views to the company to make sure that a vote against a proposal cannot be misconstrued as opposition to the basic concept. On page 31 is an example of such an enquiry to a company sent by ATP ahead of the vote.

Because the proposals are company-specific, comparison between voting items does not always make sense. This is why ATP chooses to report on three main items featuring at several general meetings.

Supervisory Board

The election of members to a company's Supervisory Board is essential to the company's long-term ability to generate a profit and value for its owners. Consequently, this issue features relatively prominently in ATP's Policy of Active Ownership. As such, five out of the sixteen principles in the policy concern the election of members to the Supervisory Board (see principles 2, 3, 4, 5 and 6). Seen from ATP's perspective, a Supervisory Board must act in the long-term interests of all shareholders and serve as an independent control function in respect of the company's Executive Board. These are the principles guiding ATP's decisions and positions on specific voting items.

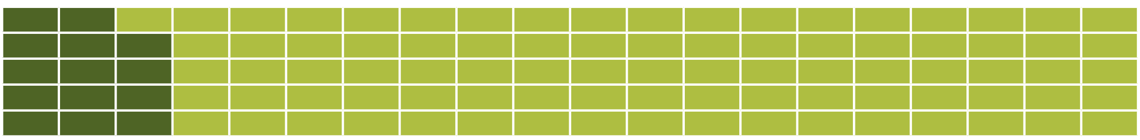
In 2017, ATP voted in favour of 80 per cent of the proposals for the election of members to Supervisory Boards and against the remaining 20 per cent of the proposals.

Voting statistics for the election of members to the Supervisory Board

One of the main reasons why ATP voted against proposals for the election of members to Supervisory Boards is that the duration of the term is too long. ATP believes that, in order to be held accountable to the shareholders, Supervisory Board members should be up for election regularly. Another reason is that the Supervisory Board is not sufficiently independent of the company. ATP believes that the Supervisory Board should generally be independent of the company. Among other things, this means that ATP votes against the same

Example from votingsite

13%
Against



87%
For

The above example from the website shows ATP's level of agreement with the supervisory boards of our portfolio companies during 2017.

Dear Investor Relations,

We wish to inform you on the reasoning behind our votes, at your upcoming annual general meeting.

At ATP we believe that the roles of Chairman and CEO are best fulfilled separately. Because we believe this to be best practice, we have a voting policy of opposing setups where the roles are combined. Based on this policy we will be voting against the election of the CEO to the board of directors.

At ATP we believe that the Chairman of the board should not receive performance dependent remuneration. This policy also applies to combined Chairman/CEO setups, as it underlines the inability of the Chairman to independently act as a control function above the executive management. Because your remuneration policy does not live up to our best practice standards, we will be voting against the say-on-pay proposal.

It follows from the above policy that we will be voting in favor of the shareholder proposal requiring an independent board chairman.

Additionally we will be voting in favor of item [redacted] on board oversight of product safety and quality. This vote is again linked to our policy of separating the roles of chairman and CEO, as part of the proposal concerns the merits of adopting independent chair leadership at [redacted]

While we will be supporting management regarding the shareholder proposal regarding “Holy Land Principles”, we want to stress that we still find it important that the company lives up to the highest ethical standards regarding equal employment opportunity in all areas of operation. However we have no desire for the company to submit to the specific principles proposed, although we expect you to live up to the underlying idea of equal opportunity.

We will also be supporting management regarding the shareholder proposal regarding reporting of risk of doing business in conflict-affected areas. Again we expect you to live up to best practice and act responsibly especially with regards to potential violations of human rights. We believe that the current responsibility lies safely with the audit committee. We urge you to continuously evaluate whether the company’s Human Rights Policy and Code of Business Conduct lives up to the requirements. We trust that this responsibility is met to a satisfactory level in the current setup.

On the remaining points up for election, our votes are in line with the management recommendations.

At ATP we believe it to be best practice to inform companies of our voting intentions before an AGM, when our voting differs from the management recommendations. We adhere to this practice regardless of the size of our holdings in a specific stock.

We hope that you will take our policy into consideration at future elections.

On behalf of ATP,

person occupying the role of chairman of the Supervisory Board and CEO. ATP believes that the roles of chairman of the Supervisory Board and CEO are fundamentally different and should be occupied by two separate individuals to avoid undermining the Supervisory Board's control function in respect of the Executive Board. ATP believes that this creates value for the shareholders.

However, producing statistics of and reporting on election of members to the Supervisory Board is not simple. In most of the markets ATP votes in, the standard is for Supervisory Board members to be elected individually for a specific term, which makes transparent reporting easier. However, there are exceptions to this rule. For instance, in Italy, voting is not for individual members of the Supervisory Board but for a list of individuals. Consequently, we cannot vote in favour of or against individuals, and one vote in favour of or against a voting item entails that we have voted for, say, ten Supervisory Board members. ATP finds it appropriate to decide on each member of the Supervisory Board individually, and hence advocates individual voting for Supervisory Board members.

Pay

The remuneration of the Executive Board and Supervisory Board can be a topic of contention. Votes on pay packages for executives at general meetings are based on ATP's Policy of Active Ownership. ATP's general pay policy is set out in principles 10, 11 and 12. ATP basically finds that a company's pay policy should be structured with the company's long-term value creation in mind. The pay policy should also ensure that the company is able to attract qualified labour, and the pay packages should strengthen the commonality of interests between the shareholders and the Executive Board. However, the pay packages must also be reasonable. If ATP finds the pay level inappropriate, we will vote against the package.

In 2017, ATP voted in favour of 70 per cent of the proposals relating to the remuneration of the Executive Board and Supervisory Board and against the remaining 30 per cent.

Voting statistics on pay

ATP's primary reasons for voting against remuneration proposals have been that ATP has found that the absolute pay level was too high – for instance compared with comparable companies – or that there was a mismatch between remuneration and company performance.

One of the challenges of reporting collectively on pay policy is that the scope of these proposals varies substantially. A number of countries have specific rules for the items to be put to the vote and how the voting items should be structured. The general rule in the election of members to the Supervisory Board is: one person, one vote. This does not apply to remuneration. The USA has a statutory requirement for pay to be put to the vote at the general meeting at least every three years. These 'say-on-pay' votes apply to the company's CEO and the four highest paid executives, the 'Named Executive Officers' (NEOs). Under US law, the votes are advisory rather than binding on the Supervisory Board. Votes on the pay package of the five NEOs of a US company are included in the statistics only once. Under Swiss law, the pay ceiling (cap) for both the Supervisory Board and Executive Board must be approved. For members of the Executive Board, the cap on both fixed and variable pay components are usually approved, entailing that each Swiss company typically has three votes on pay.

ATP's distribution of votes regarding remuneration varies across regions. In some markets ATP finds the pay level inappropriate and here we will be more inclined to vote against the packages. Another reason for ATP to vote against pay packages concerns the technical aspects of the packages. For example, ATP has voted against more than 50 percent of the 'say on pay' resolutions in the US.

Voting statistics on pay in the USA

In 2017, ATP voted against a larger share of pay packages in its portfolio companies than in 2016. ATP has taken a tougher stance on pay packages, but because the companies in the portfolio were not the same in 2016 and 2017, a direct comparison is not possible.

Information

In general, ATP wants to receive all relevant information from the companies. Relevant information is information that contributes to highlighting the companies' long-term value creation. Either via concrete contributions or by 'documenting' to stakeholders that risks are considered or that progress in relation to a strategy is explained.

Lack of or inadequate information may occasionally prompt ATP to vote against a proposal. This may be a lack of information about the conditions for obtaining a pay package, an equity buyback programme or a candidate for the Supervisory Board.

Another aspect of information relates to various proposals for companies' reporting on a variety of topics. Typically, such proposals are made by shareholders who are in favour of reporting. It is not unusual for US companies to be asked to report on their political donations and contributions to lobbying organisations. This also includes proposals for increased ESG reporting, reporting on environmental footprint or policy of equal treatment in a number of areas – typically gender and ethnicity.

As shareholder proposals often involve a request for information of some kind, we explain below how ATP generally addresses shareholder proposals.

Shareholder proposals may cover a variety of topics, depending on the focus areas of the market in question. Some proposals are very company-specific, while others address more general trends because organisations have put issues and proposals on the agenda at the general meetings of several companies. This means that ATP needs to understand the details of each proposal and place it in the context of the conditions of the specific company. ATP believes that our active ownership should be implemented to ensure that well-functioning Supervisory Boards are given the space and room to carry out the task they have been entrusted with, obviously provided that the members work in the long-term interests of the shareholders. Many shareholder proposals are guided by good intentions – intentions that ATP often sympathise with. A vote against a proposal does not necessarily mean that ATP does not share the proponents' concern about an issue. ATP may choose to vote against a proposal because we find the proposal too restrictive – for instance because it relies on very specific reporting templates. If ATP votes against a shareholder proposal, but supports its intention, we contact the company directly. ATP points out to the company that they should decide whether they are willing to accommodate our concerns by implementing specific initiatives.

While shareholder proposals are common in the USA, Denmark has much less of a tradition of such proposals at general meetings. Sweden is another example of a market with a relatively large number of shareholder proposals – typically very specific in nature. An overall view of ATP's voting practice in terms of shareholder proposals shows that, in 2016, ATP voted in favour of 33 per cent of the shareholder proposals and against the remaining 67 per cent.

Voting statistics for shareholder proposals

Proxy access is a frequent issue at general meetings of US companies. Proxy access provides better access for shareholders to nominate members for the Supervisory Board – essentially giving them the same access to nominate candidates as the Supervisory Board. ATP generally supports these proposals, as we find that the shareholders should have real access to nominate members for the Supervisory Board.

One of the cases which attracted a great deal of attention in 2017 was a proposal from Wells Fargo shareholders who called on the bank to adopt a global policy regarding the rights of indigenous peoples in connection with lending and project financing. ATP was contacted by stakeholders who wanted to know our position on the issue. ATP voted in favour of the proposal, partly because Wells Fargo's existing policies had proved inadequate.

ATP has also received questions about our position on shareholder proposals at Facebook's annual general meeting calling for an independent chairman of the Board. ATP supports shareholder proposals to separate the two roles, because we want an independent chairman. ATP therefore voted in favour of the proposal at Facebook's annual general meeting.

In 2017, ATP received questions about reporting of diversity policy and practice in a number of companies. ATP's vote depends on the company in question and the company's existing reporting and situation. ATP voted in favour of increased diversity reporting on three occasions. Some companies are already collecting the necessary data, and in these cases it will not lead to increased reporting costs, which, all else being equal, makes the proposal less restrictive. On one occasion, ATP voted against the proposal, as we believed that the company was already adequately reporting on their diversity policy and practice.

Proposals concerning the equity structure are also frequently put forward at annual general meetings. The wording of the proposal typically depends on the company's existing structure, so it does not necessarily make sense only to consider your position for or against the issue – you have to consider the proposal itself and the direction in which the proposal seeks to move the structure. Where possible, ATP has voted in favour of an equity structure that embraces the 'one share, one vote' principle.

Compared to 2016, ATP has called for increased disclosure by companies. The limit of materiality with respect to ATP supporting a proposal on information to shareholders has shifted. ATP considers to some extent whether the information is of direct relevance for ATP's investment, but also considers the fact that the information may be relevant for other shareholders. The resulting monitoring of a business by another shareholder also benefits ATP, as we (typically) hold identical equities that cannot or should not be treated differently by the companies. The same is true the other way around – ATP's monitoring of portfolio companies in other contexts also benefits the other shareholders.

ATP on Management Remuneration

ATP's active ownership activities are driven by a desire to provide the best conditions for long-term value creation.

Management remuneration is an important tool in this context, but it is also a complex issue, which in addition to the fixed remuneration level involves considerations on fixed versus variable pay, short-term versus long-term benchmarks for the variable pay and how it should be paid over time, possibly through equity-based instruments.

Therefore, ATP is seeking in various ways to influence companies to consider and explain the composition of their own pay packages, providing the management with the right incentives to make decisions with the shareholders' long-term interests in mind. Furthermore, there must be transparency with regard to the relationship between the remuneration and the value created for shareholders in the individual company, both historically and going forward. It is precisely for this reason that it is necessary to assess any pay package separately and consider the company and the market in question.

ATP opposes ratchet effect in executive pay – also in Denmark

ATP's Policy on Active Ownership points out that several considerations must be taken into account when assessing pay packages. An important consideration when designing pay packages is that the companies must be able to attract the most talented candidates for top management positions. However, the companies' pay policy must also be fair. Excessive pay levels reduce the value created for shareholders and may also alienate stakeholders, which may harm the company's legitimacy.

ATP is concerned about ratchet effects in executive pay. Ratchet effects in executive pay occur because only few companies want to identify themselves with the bottom half of a target group. This means that each company raises the level above the median, thereby expanding it further. Consequently, there is a risk that increases in pay will spread like ripples in a pool, whether they are justified or not. ATP strives to counter these negative consequences in the market through its active ownership and urges company boards to show leadership by not letting themselves get carried away by irrelevant benchmarking.

In recent years, top executive pay in the USA, in particular, has reached very high levels. In 2017, ATP voted against pay packages in more than half of the US companies in our portfolio, but we also voted against several European pay packages, for example at Carlsberg's annual general meeting in Denmark in spring 2017.

Carlsberg's Board of Directors presented a proposal for a new pay package for Carlsberg's management where the variable pay was four times the fixed salary, which amounted to DKK 12 million in 2016. ATP voted against the Board of Directors on this issue because the total potential pay level was found to be unreasonably high by ATP, the incentive programme structure was too complex and the balance between the fixed and variable pay was incompatible with ATP's expectations for a company like Carlsberg. Prior to the annual general meeting, ATP had clearly expressed its views on the topic in the continuous dialogue with Carlsberg.

ATP participates in public debate on pay

While ATP votes against pay packages that do not meet ATP's requirements, ATP's CEO, Christian Hyldahl, participates in the public debate, presenting his views on pay issues. In the course of 2017, Christian Hyldahl spoke out in several national and international media on pay-related issues. "It is ATP's experience that truly talented top executives are motivated by much more than pay", Christian Hyldahl said in an interview with the Danish newspaper Berlingske in December, calling on boards to focus on more parameters than pay when trying to attract candidates for top-level positions.

Christian Hyldahl has also argued that Danish and Nordic companies should protect their corporate culture. A dramatic increase in management remuneration can make it difficult to attract employees, because talented Danish/Nordic employees want to work in an organisation with less hierarchy, more equality, and where their opinions will be heard.

"Historically, Danish companies have had a culture with a flat organisation and short distance between top management and employees. This culture gives companies in the Nordic region a positive advantage compared to global companies, which is also demonstrated by their commercial success. If executive pay levels become too excessive and out of line with the pay offered to lower-level employees, this culture may disappear."

ATP also participates in relevant forums where the management remuneration is discussed. Christian Hyldahl sits on the Committee on Corporate Governance, where management remuneration and reporting have been high on the agenda in 2017 with the updated Recommendations on Corporate Governance.

Furthermore, ATP has joined the International Corporate Governance Network, where pay is a recurring item on the agenda. In 2017, ATP attended meetings in Kuala Lumpur and Paris, engaging with other shareholders, asset managers, data providers and companies and helping to shape developments in corporate governance – including pay policies.

ATP qualifies its votes with pay data

ATP analyses pay packages based on specific pay data from external providers. Data can qualify ATP's decisions and help to place the individual company in the right context. It does not mean, however, that ATP makes decisions based on simple algorithms when it comes to an issue as complex as pay. ATP actively assesses the individual pay packages on a case-by-case basis.

Active Ownership
– Thematic engagement

In order to ensure a firm and consistent focus on ESG risks in the investment portfolio, ATP's Committee for Responsibility launched a supplementary stewardship process in 2017, which we refer to as thematic engagements.

Thematic engagements are structured series of dialogues with groups of companies in the portfolio on responsibility-related topics. The aim of the dialogues on responsibility, like the other active ownership activities, is to enable ATP to better understand the challenges facing the companies and ensure that ATP proactively and systematically identifies ESG risks across its listed equities portfolio. ATP is always seeking to increase its knowledge and awareness of the companies' risks and challenges so that we can make better investment decisions.

ATP may also seek to promote the companies' long-term value creation by influencing them to focus on improving reporting, formulating policies or establishing more robust processes for responsibility and thereby minimising their financial risks.

The Committee for Responsibility selects themes based on analyses

The themes of the dialogue series are determined by ATP's Committee for Responsibility every six months. In 2017, ATP conducted five thematic engagements with 58 companies.

Themes are chosen by ATP's Committee for Responsibility for a variety of reasons. If ATP spots a particular trend at an annual general meeting, which means that a proposal on responsibility is put to the vote at multiple general meetings, ATP may choose to address the theme in a thematic engagement. This provides ATP with knowledge and robust input for voting at the companies' general meetings.

Other times ATP discovers during the screening and fact-finding process that several companies are exposed to the same ESG risks without us being able to document a concrete breach of ATP's Policy of Responsibility in Investments. In such situations, thematic engagements can give us more insight into the policies and processes introduced by the companies to counter the portfolio risk. ATP can use this insight in future when examining companies that are exposed to the same risks.

Themes may also be selected on the basis of concrete investment considerations which call for more company information and data on specific ESG risks.

ATP's Committee for Responsibility may also decide on a focus area which it believes to be relevant to ATP's risk management or the companies' long-term value creation.

ATP focuses on the most exposed companies

Thematic engagements are a time-consuming and resource-intensive process, and ATP therefore focuses its dialogues on companies that have the greatest exposure to the selected theme. Companies which are selected for thematic engagement share the challenge of being exposed to the same ESG risks, for example due to their industry or geography.

When ATP has selected a topic for a series of dialogues, the entire portfolio is analysed with a view to selecting the companies to be included. ATP has a risk-based approach to its thematic engagements and analyses its portfolio of companies to select the relevant and most exposed companies for the dialogue.

Thematic engagements : Themes and number of companies

One of the methods currently used by ATP to select companies for thematic engagement is described below.

By comparing the companies' management skills with their exposure within a specific ESG theme, ATP is able to select the companies which, in our opinion, are the most risky.

The method is attractive, because it provides a comprehensive picture of the risk related to a large number of companies and makes it possible to select companies for thematic engagement with a well-defined risk profile. ATP often selects companies with a high exposure, but where the management capacity has been assessed by the data provider as low.

One example of ATP's application of this method is the issue of companies' carbon emissions.

Here, ATP contacted the companies in the portfolio that do not report their carbon emissions. ATP has had a particularly strong focus on companies with high expected emissions.

This method also makes it possible to identify companies with the same high exposure, but where the companies are assessed by the data provider to have appropriate control processes in place. By examining the companies with the best performance, ATP may gain insight and experience which can be used in the dialogue with other companies.

The method is very useful for selecting companies for thematic dialogue, but it is important to emphasise that data does not always provide a full and true picture of the companies' performance in the area. That is why ATP's subsequent dialogue with the company is so important. Here, ATP conducts an independent assessment of the relationship between the exposure and the resources devoted by a selected company to addressing the given ESG risks.

ATP may also use other methods to identify and select high-exposure companies for thematic engagements.

The number and position of items illustrates the method used in the assessment.

Carbon emissions reporting

In 2017, ATP conducted thematic engagements on carbon emission reporting. The companies were selected on the basis of a risk analysis, where ATP first identified companies which, according to our data provider, do not report their carbon emissions. ATP then looked at whether some of these companies operate in industries with high emission levels.

The analysis identified 22 companies. ATP encouraged all 22 companies to report on their direct emissions (scope 1) from production, and indirect emissions, for example from their power and heat consumption (scope 2). The different types of climate and emission reporting are explained in more detail on page 19.

However, the strategy was to put the heaviest pressure on companies operating in industries with a high carbon footprint, while companies with a smaller climate footprint were merely encouraged to report their emissions.

ATP supports the TCFD, which recommends companies to report climate-related financial disclosures.

For ATP, it is crucial that companies understand their risks and exposure to climate and climate change. In the transition to a low-carbon economy, changes in policy, technology and customer behaviour may impact companies' results and value. Some have mentioned the possibility of introducing a carbon tax, which may affect the companies' financial results.

Transparency from the companies about their carbon emissions is important to ATP in terms of understanding our own climate risks. In 2017, ATP calculated the carbon footprint of its equity portfolio for the first time based on the recommendations of the TCFD. Data quality remains a challenge in this respect. If companies do not report their emissions, they are instead estimated by data providers. Estimation methods are continuously being developed, but tend to overestimate the companies' emissions. ATP's work on carbon footprinting is described on page 22.

With the thematic engagement, ATP has engaged in a dialogue with the companies, advocating better and more reliable data. ATP's decision to support a shareholder proposal on climate reporting at a specific company was based on experience gained from this thematic engagement.

Child labour

Child labour is a very controversial issue and is contrary to the UN Convention on the Rights of the Child and ILO conventions on child labour. If companies use child labour in their production or supply chain, it may be contrary to the conventions, and the companies may also risk considerable damage to their reputation.

In our efforts to ensure that the companies in the portfolio respect ATP's Policy of Responsibility in Investments, ATP has often encountered allegations of child labour in the companies' supply chains. ATP takes such allegations very seriously, and we conduct thorough investigations during our fact-finding process. In 2017, we completed two fact-findings to investigate allegations of child labour. Read about them on page 48.

However, these investigations have often shown that the problems with child labour are systemic, and, consequently, ATP has wanted to learn more about which organisational initiatives and processes have already or may be put in place by exposed companies. To that end, ATP's Committee for Responsibility initiated a thematic engagement on child labour.

On the basis of a risk-based analysis of its equity portfolio ATP selected six companies for a thematic engagement. The companies were selected because they have previously been involved in critical stories, and because they operate in countries and industries that are known to have a high risk of child labour. The companies in ATP's thematic engagement on child labour predominantly operate in the agricultural and food industries.

In its dialogue with the companies, ATP has requested more insight into the companies' policies for subsuppliers, processes for monitoring child labour, and how the companies liaise with relevant authorities, organisations and stakeholders to prevent child labour in their supply chains. In our dialogue with the companies we emphasised that ATP gives priority to the topic and expects companies operating in exposed industries to make continuous efforts to reduce the risk of subsuppliers making use of child labour.

This thematic engagement showed that the selected companies have already launched initiatives and devised processes to minimise the risk of child labour. The area remains a high priority for ATP, however, and future dialogues will have a consistent focus on the challenge of child labour in companies' supply chains.

ESG reporting

At general meetings in 2017, ATP encountered many shareholder proposals which called for more ESG reporting from the companies. Good data is important for understanding investment opportunities and risks, and therefore ATP generally welcomes proposals on better reporting. ATP has an interest in good and adequate ESG reporting across the companies in its portfolio in order to be able to integrate ESG data into investment processes and strategies. However, the proposals put forward at the companies' general meetings are often very specific in nature with a focus on individual areas. ATP is worried that many individual cases take focus and resources away from the companies' efforts to improve their general reporting.

ATP's Committee for Responsibility therefore launched a thematic engagement on general ESG reporting with 19 companies. The purpose of the dialogues was to gain insight into the processes of the companies where shareholder proposals had been made for increased ESG reporting in order to provide a better platform for voting at next year's general meetings.

ATP wanted to understand how the companies prioritise their reporting and why they choose not to report on some issues and data points. If the dialogue shows that a company fails to provide adequate reporting and has no plan for improving its reporting, ATP will look more favourably on shareholder proposals on better reporting going forward. Conversely, ATP will not necessarily vote in favour of more specific reporting if the dialogue shows that the companies' choices are well informed, or if the companies have formulated a plan for developing their reporting in the future. This thematic engagement has thus provided ATP with a solid foundation for voting at general meetings in 2018.

Tax

As a responsible investor, it is very important for ATP that companies pay the taxes they are required to pay. Consequently, ATP has also previously engaged in a dialogue with Danish companies on tax in its recurring ESG dialogue.

Being a highly complex issue, corporate tax payments are also a difficult topic to address in thematic engagements. Despite their complexity, ATP's Committee for Responsibility has decided to initiate a thematic engagement with international companies in ATP's portfolio of listed equities. The companies were selected on the basis of risk analyses, which showed that the selected companies have major reputational challenges in relation to their tax practices.

In order to understand ATP's work on thematic engagement on tax, it is important to keep in mind that understanding the companies' tax payments is difficult and requires in-depth knowledge of national tax laws, relevant double taxation agreements and the company's specific circumstances. Although ATP is able to gain insight into the underlying tax structures of its own direct investments, the same is not the case when ATP invests in listed equities.

ATP is aware that companies have to balance their tax payments in order to ensure long-term value creation. On the one hand, there is a risk that companies with aggressive tax practices may violate applicable tax laws. It is a legal risk, which may have financial implications and which may also pose a risk to ATP as an investor. In addition, aggressive tax practices also constitute a reputational risk for companies and their investors.

On the other hand, companies have a legitimate right not to pay more tax than they are required to by law. In cases where companies achieve more favourable conditions than competing companies by intentionally paying more tax than they are required to by law, it will be considered a clear indicator of corruption in many jurisdictions.

ATP's dialogue therefore takes a broad and holistic approach to the issue of taxation.

Among other things, ATP has asked the companies about their tax policy, and how they involve their supervisory board in issues relating to tax transactions. ATP has also asked the companies how they balance the obligation to pay taxes under applicable law against their desire to minimise business costs.

ATP is also aware that damage to the companies' reputation may have financial implications, and ATP therefore asked how they liaise with authorities, organisations and stakeholders on tax issues.

Unfortunately, ATP found that the companies only to a very limited extent were willing to engage in a substantive dialogue with ATP on these issues. This was a key factor in ATP's decision to participate in the PRI's common engagement on tax. Read more about this on page 41.

Water

There is a growing international focus on people's access to and impact on global water reserves, including water pollution, drought-related problems and general water scarcity. Goal 6 of the internationally adopted Sustainable Development Goals (SDGs) deals specifically with water. Water is a focus area for ATP, as water shortages and water pollution pose a risk to local populations in the affected areas, and to companies and investors. To that end, ATP's Committee for Responsibility initiated a thematic engagement focusing on water.

ATP's thematic engagement on water is based on UN estimates of a growing demand for water as the freshwater reserves in many countries and regions are being depleted. The UN estimates that by 2030 the global water demand will exceed supply by 40 per cent in a business-as-usual scenario. Businesses are increasingly demanding and consuming large amounts of water. In industrialised countries, half of the available water resources are consumed by businesses. Water scarcity is a local challenge that places considerable demands on companies operating in areas affected by drought and limited freshwater reserves. Therefore, ATP had a special focus on companies operating in areas affected by water scarcity.

ATP selected six companies for dialogue from its portfolio. The companies are exposed to water stress by way of their business activities, for example because they operate in industries with high water use or in areas affected by water scarcity. ATP selected companies, which, according to our data provider, have limited management capabilities in relation to managing water and water risks.

Among other things, the thematic engagement focused on the companies' water management processes, for example how they ensure responsible water use and discharge with the lowest possible impact on the surrounding stakeholders. ATP also asked how the companies deal with potentially increased demands and stricter regulations regarding water use and discharge.

The companies replied that they are seeing a growing focus on water management among their investors and other stakeholders. Whereas recent years' international sustainability debate focused on climate change and emissions, it has now increasingly shifted to other topics such as water.

ATP found that the companies in this series of dialogues were taking water risks very seriously and were taking steps to minimise water use. The companies' communication on water measures and initiatives has been inadequate, however, leading to critical assessments from our data providers. In its dialogue with the companies, ATP emphasised that we have an interest in better data and reporting on water use and water risk management. Based on this engagement, one of the companies decided to engage in a dialogue with the data provider on its assessments of the company. Another company decided to resume its reporting on water risks.

Cooperation and knowledge sharing

ATP still focuses on developing its knowledge on and strengthening the integration of responsibility in investments. ATP aims to develop its knowledge on responsibility through its membership of various organisations and networks. You can read more about ATP's membership organisations on page 44.

Cooperation and knowledge sharing are key terms in many of the organisations and networks of which ATP is a member. ATP finds that knowledge sharing between investors in organisations and networks contributes to the continued consolidation of ATP's work on responsibility in investments.

By being active in organisations and networks on responsible investment, ATP can also enter into specific partnerships with other investors on relevant and current issues where common ground can be found. In ATP's experience, such partnerships between investors can bring clout and influence.

ATP partners with international investors on engagements through the PRI

In addition to its active ownership, ATP partners with other investors to influence companies to act responsibly and with long-term value creation in mind. In 2017, ATP therefore began to participate in collective engagements through the PRI organisation. Read more about the PRI on page 44.

ATP participates in PRI engagements when it makes sense, and whenever common ground can be found. ATP partners with other investors where relevant, because it can bring clout and influence. The PRI also provides ATP with a unique opportunity to exchange experience with our international peers, for example on procedures and opinions on various topics. In 2017, ATP was actively involved in devising, planning and carrying out collective engagements through the PRI.

ATP plays an important role in setting the direction for the PRI's collective engagements through its seat on the PRI's ESG Engagement Advisory Committee, which is a committee of investor representatives which advise the PRI's management on the ideas, priorities, goals and direction for the PRI's collective engagements on responsibility and ESG. ATP thus has some influence on which engagements are initiated by the PRI.

In 2017, ATP decided to participate in three collective engagements. The topics of the three engagements were aggressive tax practices, the OECD Guidelines for Multinational Enterprises and the TCFD's recommendations for companies to report on climate-related financial risks and opportunities.

The PRI's engagement on tax is still in the initial stages. ATP monitors the work closely and participated in several coordination meetings in 2017. Tax is a very important topic for ATP, and we have conducted our own thematic engagements with companies on tax and tax practices, although ATP experienced a considerable degree of secrecy on the part of the companies. One of the reasons why ATP chose to participate in the PRI's collective engagement on tax is that ATP hopes that the companies respond to the growing pressure from several international investors.

The OECD Guidelines for Multinational Enterprises play a key role in ATP's responsibility in investments, and ATP is working on several fronts to integrate them into its daily work. Read more about this work on page 46. ATP therefore found it meaningful to pursue a collective engagement on the OECD Guidelines, which is headed by a large European asset manager under the auspices of the PRI. Planning is still ongoing, and ATP has participated in the preliminary meetings.

In addition to its own work on the TCFD's recommendations, ATP is involved in the planning of engagements concerning the implementation of the TCFD's recommendations in the PRI. ATP sits on the PRI's Advisory Committee on the implementation of the TCFD's recommendations. ATP helps to decide the focus, methodology and purpose of the dialogues, and ATP is also taking the lead in some of the dialogues.

There is a lot of debate among investors about how to approach the 17 Sustainable Development Goals (SDGs). ATP follows these debates with great interest and has decided to participate as a member of the PRI's 'Working Group – SDGs in Active Ownership'. Here, ATP discusses upcoming dialogues on SDG efforts with businesses.

ATP participates in discussions of long-term value creation in international fora

For a pension fund with long-term liabilities, thinking and acting with a long-term perspective is essential. One of the purposes of ATP's active ownership and responsibility in investments is to ensure long-term value creation and attractive pensions for ATP's members.

In addition to its work on responsibility and active ownership activities in relation to ATP's investments and portfolio companies, ATP also participates in international debates and efforts to influence businesses and investors to think and act with a focus on long-term value creation. One of the ways in which ATP is trying to encourage long-term thinking is through its active membership of the organisation Focusing Capital on the Long Term (FCLTGlobal). FCLTGlobal works to encourage a focus on long-term value creation in business and investment strategies and decision-making. Several times a year, ATP's CEO attends meetings and debates with representatives from major global investors and companies.

World Economic Forum (WEF) is another important international forum in which ATP is actively involved. The WEF's annual meeting in Davos brings together world leaders, political decision-makers, global business executives and representatives from civil society to discuss important political and economic issues, for example how companies can act responsibly with a focus on long-term value creation.

ATP keeps abreast of latest corporate governance trends

Corporate governance is key to companies' ability to generate value in the long term. ATP's CEO, Christian Hyldahl, sits on the Committee on Corporate Governance, which drafts recommendations on corporate governance for companies and investors on stewardship activities. In December 2017, the Committee on Corporate Governance published updated Recommendations on Corporate Governance.

ATP also follows international debates on corporate governance and stewardship activities, primarily through its membership of the International Corporate Governance Network (ICGN). An investor-led organisation, ICGN's mission is to promote effective standards of corporate governance and stewardship activities. ATP participates in the organisation's general discussions and is kept up-to-date on new knowledge of new trends in international corporate governance. In 2017, ATP participated in the annual meeting where current corporate governance issues were discussed. ATP seeks to exercise stewardship and active ownership activities according to the highest international standards, and, consequently, we have a great interest in staying abreast of the latest knowledge and international trends and standards through ICGN. ATP has also used the network for bilateral discussions with relevant individuals and organisations with insights on international and national standards of stewardship activities. Furthermore, the organisation gives ATP the opportunity to interact with stakeholders that are market leaders in their respective regions. International organisations are used by ATP to share knowledge with investors and companies about topics and issues relating to responsibility and long-term value creation.

ATP prioritises climate partnership

ATP has worked with other investors on climate issues for many years, and due to the importance of the topic it remains a high priority for ATP.

ATP has been a member of the two international organisations CDP (formerly the Carbon Disclosure Project) and the Institutional Investors Group on Climate Change (IIGCC) for a number of years. In both organisations, knowledge and experience are exchanged between members, but the main objective of the organisations is to serve as forums for collaboration.

In CDP, ATP is a member and investor signatory of the Water Program, Climate Change Program and the Forests Program. CDP encourages both Danish and international companies to disclose greenhouse gas emissions on behalf of its members. In addition to the activities in CDP, ATP also engages in independent dialogue with selected companies which do not yet report or disclose their climate footprint.

IIGCC is a forum for collaboration on climate change for investors. The members agree that political and regulatory uncertainty is among the greatest barriers to green investment and that predictable, credible policy frameworks at international, regional and national level will increase institutional investors' investment in low-carbon energy and green transformation. IIGCC's task is to coordinate and deliver this message to political decision-makers. In 2017, through IIGCC, ATP cosigned a joint investor letter to EU energy ministers, urging them to implement predictable climate regulation to expand green investment.

ATP is one of the founding signatories to Climate Action 100+, which was launched in December 2017. Climate Action 100+ is a five-year initiative led by investors to engage with the world's 100 largest corporate greenhouse gas emitters to curb emissions, strengthen climate-related financial disclosures and improve governance on climate change.

Nordic exchange of experience with responsibility

In addition to international organisations and networks, ATP also participates in Danish and Nordic discussions on responsibility and responsible investments. Nordic companies and investors often have a very special approach to responsibility, and ATP finds knowledge sharing in Nordic networks to be rewarding.

ATP participates in the Danish and Nordic debates on responsible investments through its membership of Nordic SIF and Dansif. Dansif is a Danish network for professional investors, consultancy companies and other parties engaged in responsible investment in Denmark. Dansif's objective is to exchange experience among the members of the Society and facilitate a diversified debate on responsible investment. ATP has supported Dansif for several years and is also a member of the Society's Board of Directors.

Dansif was established at a time when ESG considerations were primarily handled by specialists in and outside the member companies. In 2017, given the recent years' trend towards the integration of ESG considerations into ordinary investment activities, ATP focused on building closer ties between Dansif and other Danish investment organisations to ensure that Dansif stays relevant to its members.

Nordic SIF is the Nordic network for responsible investors. ATP is active in the network and attended the annual meeting in Copenhagen where representatives of Nordic pension funds and other professional investors gathered to be updated on specific projects and experience gained from the responsible investment activities in the other Nordic networks.

ATP has also participated actively in the Danish and Nordic Global Compact. ATP supports the UN Global Compact and has submitted Communication on Progress to the UN Global Compact since 2012. ATP has spent several years integrating the ten principles into its work on responsible investments. The 17 Sustainable Development Goals are high on the UN Global Compact's agenda – both in the Danish and Nordic networks. In 2017, ATP attended the Nordic Global Compact Network meeting in Gothenburg. The focus was on the SDGs' significance to the role of business in society – including the role of the financial sector – and on the significance of the goals of sustainable cities and communities (Goal 11) and global partnerships (Goal 17). In 2017, ATP also attended the first general meeting of Global Compact Network Denmark, a new independent local network that works closely with the Global Compact headquarters in New York while at the same time serving as a point of contact for Danish members of the Global Compact.

UN Global Compact
ATP supports the UN Global Compact, a UN initiative establishing ten general principles for companies' responsibility efforts. These principles are based on international conventions on human rights, labour, environment and climate and anti-corruption. Global Compact also facilitates debates about companies' contribution to the UN's 17 Sustainable Development Goals.

Dansif
ATP is a member of Dansif, an impartial Danish network forum for professional investors, consultancy companies and other parties engaged in responsible investment in Denmark. Its objective is to exchange and disseminate experience among the members of the Society as well as facilitating a diversified debate on responsible investment.

International Corporate Governance Network
ATP is a member of the International Corporate Governance Network, an investor-led organisation, the mission of which is to promote effective standards in corporate governance and stewardship activities. ICGN provides recommended policies, coordinates working groups and points out broad trends in corporate governance and stewardship activities.

The Institutional Investors Group on Climate Change
ATP is a member of IIGCC. IIGCC is a forum for international investors, providing a collaborative platform to encourage political decision-makers to implement policies that address long-term risks associated with climate change.

CDP (tidligere Carbon Disclosure Project)
ATP is a member of CDP and a co-signatory of CDP's Climate Change Program, Water Program and Forests Program. CDP is a global climate organisation. Through CDP's Climate Change Program, members motivate companies and cities to measure, manage and disclose their greenhouse gas emissions.

Taskforce on Climate-related Financial Disclosures (TCFD)
ATP supports the TCFD and the recommendations on disclosure of climate-related financial risks. The TCFD is an expert task force set up by the FSB on behalf of the G20 countries. The idea behind the recommendations is that company disclosures should include the company's financial risks and opportunities in the transition to a low-carbon economy. ATP follows the recommendations in connection with the reporting of its own processes and in its active ownership activities.

Principles for Responsible Investment (PRI)
ATP is a member of the PRI organisation which is a proponent of the six UN-supported Principles for Responsible Investment. The aim of the principles is for investors to incorporate ESG issues into their investments. In the PRI, ATP works with other investors on collective engagements with companies concerning various issues and topics.

GRESB Real Estate
ATP is a member of GRESB Real Estate, which provides the basis for benchmarking the ESG performance of specific real estate assets or real estate funds on behalf of institutional investors. By aligning reporting, a benchmark is provided that may strengthen internal policies and processes in this area.

GRESB Infrastructure
ATP is a founding member of GRESB Infrastructure and a member of its advisory board. The purpose is to assess and benchmark the ESG performance of companies and funds engaged in infrastructure. Companies and funds reported to GRESB Infrastructure for the first time in 2016.

Fact-finding, targeted dialogue and exclusion

ATP's Policy of Responsibility in Investments commits ATP to not invest in companies that intentionally and repeatedly violate the laws and regulations in the countries they operate in, or norms, which can be inferred from the international conventions ratified by Denmark. This also applies even though the company's breach of ATP's Policy of Responsibility in Investments does not pose a financial risk to ATP.

Exclusion processes

ATP will not invest in companies that violate ATP's Policy of Responsibility in Investments. ATP therefore screens its investments in order to identify conduct that contravenes the policy. If a thorough investigation finds a company to be in breach of ATP's Policy of Responsibility in Investments, the company may be excluded from ATP's investment portfolio. It is important to emphasise that ATP's screening efforts are based on the severity of the specific allegation or conduct, not by the size of ATP's investment in the specific company.

The investigative processes vary and depend on the asset class and the investment strategy, among other things.

Different processes are needed to identify potential violations, depending on whether the investment is made in an infrastructure project in Southern Europe or in a US listed equity. While the availability of systematised data from an external data provider enables quantitative screening of listed equities, a more asset-specific approach is needed to identify ESG risks and potential violations in connection with an infrastructure investment. Even though the method of identifying potential violations will be different, ATP's internal ESG team will always conduct an independent, qualitative assessment of the allegation as well as a thorough fact-finding before the alleged violation is put before ATP's Committee for Responsibility.

The investigative methods employed by ATP in respect of listed equities and corporate bonds are described below. ATP first conducts a quantitative screening of ATP's investments to identify potential violations. ATP then launches a qualitative assessment of the allegations, followed by a thorough fact-finding to identify conduct which may potentially violate ATP's Policy of Responsibility in Investments.

Why does ATP screen equities and corporate bonds?

Rather than examining all potential equity or corporate bond investments, ATP has decided only to screen the companies ATP has investments in. This enables ATP to devote resources to examining the relevant companies thoroughly, seriously and with a focus on facts in the later stages of the examination. The purpose of the screening process is to analytically screen out information and allegations against companies to allow ATP to focus resources on the most serious allegations and possible breaches of ATP's Policy of Responsibility in Investments.

The screening is based on information provided by an external data provider who continuously monitors and assesses the conduct of thousands of international companies on a number of parameters with both quantitative and qualitative elements. The data provider's monitoring is based on media reports, NGO reports, court decisions, regulatory investigations, company disclosures and other material in the public domain. The data provider informs the companies of the allegations before publishing reports and data.

ATP sometimes also receives information from external sources about a company's possible breach of ATP's Policy of Responsibility in Investments. Such information and input are included in the screening process on an equal footing with other information from our data provider.

The screening process is conducted continuously, and ATP has decided to keep the process and the fact-finding in-house rather than delegate it to an external provider. In-house screening gives ATP insight into and knowledge of the companies' affairs which ATP can use in its investment processes and decisions. It also helps to ensure that screening and decisions about the fact-finding and any exclusion are objectively justified.

Structure of ATP's screenings

In the selection of quantitative indicators for the screening process, ATP incorporates a wide spectrum of ESG issues relating to international conventions and Global Compact principles. These indicators cover a wide range of environmental issues (such as biodiversity), human rights issues (such as civil liberties and protection of the rights of indigenous peoples), labour rights (such as the right to collective bargaining, anti-discrimination and child labour) and anti-corruption. By focusing on these issues and indicators, it is ensured that ATP concentrates on company conduct that can potentially constitute a breach of ATP's Policy of Responsibility in Investments. It is also one of the ways in which ATP works systematically to integrate the OECD Guidelines for Multinational Enterprises and Guidance for Institutional Investors into its investment processes. The Guidelines recommend that investors establish due diligence processes to identify and address situations where a portfolio company is having a negative impact on society.

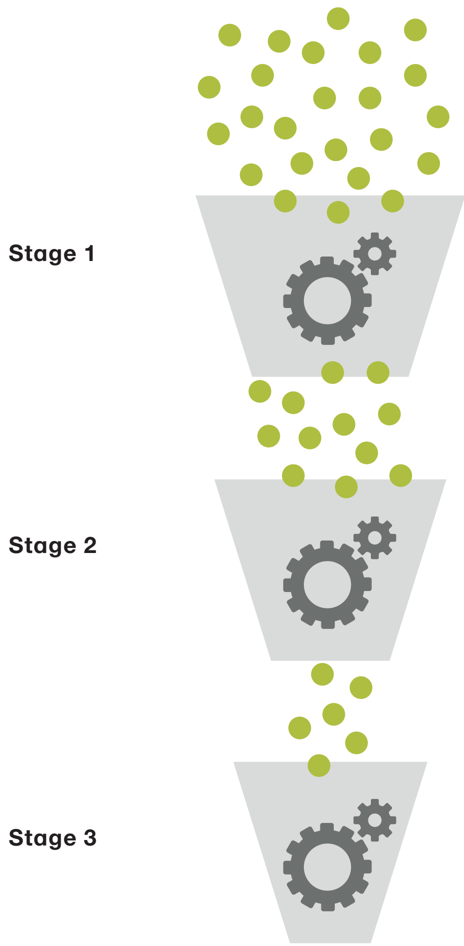
The three stages of the screening process

Stage 1 – Quantitative screening
The first step of the screening process is to select companies that potentially violate ATP's Policy of Responsibility in Investments. Based on the selected quantitative indicators, with reference to the methodology applied by the data provider, ATP has established threshold values which enable automatic selection of so-called focus companies. The focus companies' scores on the selected ESG indicators are significantly poorer than those of other companies in the portfolios – which indicates a risk of violating ATP's Policy of Responsibility in Investments.

Stage 2 – Qualitative assessment and prioritisation
If a company's score is below the threshold value, it is investigated whether conduct and allegations, if true, would also constitute a breach of ATP's Policy of Responsibility in Investments. This leads to the second step of the investigation process where the allegations against the focus companies are subjected to a qualitative examination by ATP's analysts to assess whether the individual allegation could constitute a breach of the policy. Specifically, ATP's ESG analysts assess – independently of each other – the allegations against each focus company, which is followed by a joint evaluation and selection procedure. In this process, ATP considers the requirements and recommendations for companies that follow from the Global Compact principles and the OECD Guidelines. The OECD Guidelines include detailed recommendations to help companies respect human rights.

If the allegations are believed to be serious and constitute a potential breach of ATP's Policy of Responsibility in Investments, they are subjected to a more thorough investigation known as a fact-finding.

The screening process



Stage 3 – Fact-finding
The fact-finding process is an open investigation, based on a variety of sources, for instance open sources, NGO reports and company websites. ATP's analysts assess if the allegations are well-founded. In this part of the screening process, ATP often initiates a dialogue with the companies to get their input and assessment of the allegations. In cases where the fact-finding indicates unacceptable conduct, the company is also given the opportunity to explain what organisational or operational measures it has taken to prevent recurrences. The dialogue will often be in writing, but in many cases ATP will also engage in a verbal dialogue with the companies. In many cases, a fact-finding takes several months. As the facts of the case are not yet sufficiently clarified, ATP does not disclose the allegations at this stage of the process.

If a fact-finding indicates a possible breach of ATP's Policy of Responsibility in Investments, Team ESG presents the findings of the investigation to the Committee for Responsibility with a recommendation to the Committee on engaging in targeted dialogue with the company or excluding it.

If a fact-finding indicates that the company's conduct is in keeping with ATP's Policy of Responsibility in Investments, the fact-finding is concluded. Throughout the ongoing screening process, it is ensured that any new allegations made and identified by our data provider are brought to our attention.

Breach of ATP's Policy of Responsibility in Investments: targeted dialogue or exclusion

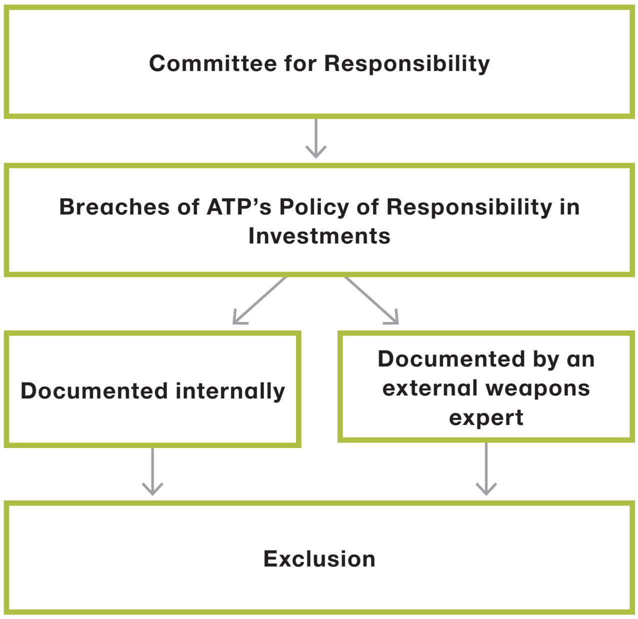
When ATP's Committee for Responsibility has decided that a company has violated ATP's Policy of Responsibility in Investments, it is decided if ATP will exclude or engage in a targeted dialogue with the company.

Targeted dialogue
ATP engages in targeted dialogue with a company in breach of ATP's Policy of Responsibility in Investments if there is deemed to be a reasonable expectation that ATP can persuade the company to change its conduct. In other words, the stated purpose of the dialogue is to change the specific conduct. This also means that ATP shows patience in the process of engaging in targeted dialogue, as long as ATP finds that the company has a cooperative attitude and is responsive towards ATP. If the company does not change its conduct, ATP will exclude the company.

Exclusion
ATP's Committee for Responsibility may also choose to exclude the company without first engaging in a dialogue with it. Exclusion entails selling ATP's equities or bonds in the company and removing the company from ATP's investment portfolio.

In some cases, ATP adds a company to its list of excluded companies although ATP does not have any investments in

Exclusion processes



the company at the given time. If, in a responsible, factual and professional manner, leading investors have documented issues and conduct by a named company that could constitute a breach of ATP's Policy of Responsibility in Investments, ATP may choose to use the material as the basis for its own fact-finding in respect of the company. If the company's conduct constitutes an obvious breach of ATP's Policy of Responsibility in Investments, ATP may choose to exclude the company.

In exceptional cases, ATP excludes companies without prior internal investigation. Such exclusions specifically relate to companies involved in the production of cluster bombs or landmines. In these cases, ATP bases its decisions on the assessment by an external weapons expert. Read ATP's 2016 report on responsibility for more information about this process.

ATP may exclude a company based on general sanctions as well as an assessment of specific company behaviour. Similarly, lifted exclusions may be grounded in lifted sanctions or that ATP assesses that a company has rectified its behaviour.

Actual fact-findings and topics

In 2017, ATP completed 19 fact-findings of companies in its portfolio. In addition, ATP is currently conducting three fact-findings. Most of these fact-findings have been initiated and conducted in accordance with the general screening processes for ATP's equities and corporate bonds.

As already mentioned, ATP prioritises its screening and fact-finding according to the severity of the allegations. This also means that ATP will conduct a fact-finding if it is assessed that there is strong evidence that the company intentionally and repeatedly has violated or contravened laws, international norms and conventions. The overall topics and themes addressed in a fact-finding therefore vary from year to year. Human rights are one of the topics that have received a lot of attention in this year's fact-findings. In 2017,

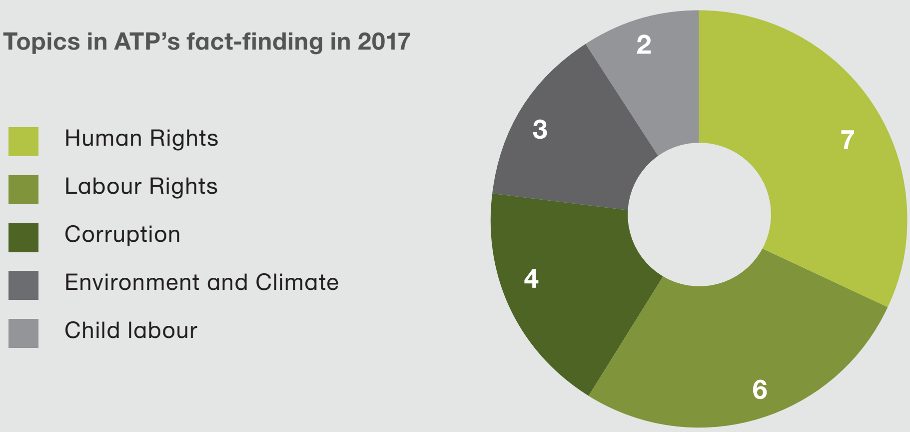
ATP conducted seven fact-findings of companies accused of human rights violations. In addition, ATP conducted two fact-findings of alleged child labour in corporate operations or value chains.

Another recurring topic in several fact-findings conducted in 2017 was labour rights. On six occasions ATP investigated companies accused of negatively influencing employees' or suppliers' labour rights.

Environment and climate was also a recurring topic in ATP's fact-findings. The topic was examined in three of ATP's fact-findings. ATP investigated cases where a company's activities were accused of harming the environment to the detriment of biodiversity or the local population's access to vital natural resources. Several companies in ATP's portfolio have been accused of corruption and bribery. On four occasions, ATP investigated allegations of corrupt business conduct.

On page 49-50 you can read more about some of the fact-findings which ended in exclusion.

Topics in ATP's fact-finding in 2017



ATP's investments in government bonds

ATP has separate processes for investments in government bonds. As a result, ATP does not invest in government bonds in countries against which the EU or UN has imposed targeted sanctions. ATP also includes the OECD's long-term country risk classification in its investment process for government bonds. Read ATP's 2014 report on responsible investments for more information about screening of government bonds.

CASE: Fact-finding of US prison corporations

During the screening process, ATP became aware of a number of allegations against two companies in the portfolio which are operating private prisons and detention centres in the USA. The allegations against the two companies were many and serious.

The companies were accused of not providing adequate healthcare and legal assistance to inmates and detainees and of providing unsafe conditions. Both companies were recommended for fact-finding due to potential breach of ATP's Policy of Responsibility in Investments. ATP subsequently conducted a thorough fact-finding of the companies, which were also consulted and presented with the allegations.

ATP's investigation found that the allegations against one company were generally unfounded, and that the company had the necessary policies and procedures in place to manage risks within the area, including in relation to the protection of the inmates' rights and access to filing a complaint.

However, the investigation also revealed that the other company, The GEO Group, Inc., did not live up to ATP's requirements. ATP found the company's implementation of own policies, procedures to prevent and deal with incidents and willingness to provide transparent information about the conditions on site to be unsatisfactory – not least for a company in that line of business. As the company did not appear willing to take the necessary action to rectify the problems pointed out, despite a lengthy dialogue with the company, ATP decided to exclude the company from its investment portfolio.

CASE: Fact-finding of Bharat Heavy Electricals Ltd.

In spring 2017, ATP learned that a leading global investor had excluded the Indian company Bharat Heavy Electricals due to the risk of serious environmental damage resulting from the company's operations. Even though ATP did not have any investments in the company, it was decided to carry out an internal investigation of the company due to the nature and severity of the allegations.

The problem was that the company had been awarded a contract for the construction of a coal-fired power plant in south-western Bangladesh. The coal-fired power plant will be built close to the protected mangrove forest Sundarbans which is home to two UNESCO World Heritage sites and a number of animal species, including the river dolphin and the Batagur turtle, which are both on the endangered species list. Experts say that the construction of the power plant will have a negative impact on the surrounding environment in the mangrove forest and increase the risk of accidents, which may potentially cause irreparable damage to the area's biodiversity. For this reason, UNESCO recommended the relocation of the power plant, which was opposed by the company and the company has also dragged its feet when it comes to minimising the environmental impact associated with the construction of the power plant. ATP therefore concluded that the company was unwilling to take the necessary steps to prevent harmful damage to the Sundarbans, even though concerns had also been raised by the UNESCO, among others. ATP ultimately decided to exclude the company from its portfolio.

CASE: Fact-finding of Africa Israel Investments Ltd. and Shikun & Binui Ltd.

ATP's fact-finding is typically based on input from ATP's own screening process. If ATP receives information from an external source, ATP may also decide to initiate a fact-finding.

In connection with a public debate on companies' involvement in the construction of the Israeli settlements, ATP was criticised for its investments in two companies in particular. However, after a preliminary investigation ATP found that none of these companies had any involvement in these activities that might justify further, in-depth investigations.

Allegations were also made against other companies which ATP had no investments in.

As a general rule, ATP focuses on conducting fact-findings of companies that ATP has investments in. In cases where leading investors have documented unacceptable conduct and subsequently excluded companies which ATP does not invest in, ATP may, however, choose to use such information as a basis for its own fact-finding. These considerations were the reason for ATP's decision to initiate a fact-finding of allegations against two Israeli companies operating in the construction industry.

ATP's investigation of the cases showed that the two companies were centrally involved in several construction projects in the Israeli settlements on the West Bank and eastern Jerusalem which are illegal under international law. Furthermore, the investigation showed that both companies are also likely to be involved in such projects in future and do not appear willing to change this practice. Overall, the nature and extent of the companies' involvement in the construction of the Israeli settlements prompted ATP to exclude Africa Israel Investments Ltd. and Shikun & Binui Ltd. from its investment universe.

ATP and tobacco

With around 5 million members, there are many different opinions as to how ATP should manage its responsibility. Tobacco is one of the topics which give rise to ethical discussions and differences in opinion among ATP's members.

ATP's Policy of Responsibility in Investments lays down a number of requirements to be met by the companies we invest in. Firstly, the companies must respect the law of the countries they operate in. Secondly, they must respect the rules, norms and standards that ensue from conventions and other international treaties ratified by Denmark. This applies irrespective of whether the country the company operates in has ratified those conventions. ATP does not invest in companies that intentionally and repeatedly violate such conventions. The policy refers to international rules and standards and is as such based on stringent criteria rather than moral assessments.

In Denmark it is still legal to produce, sell and smoke tobacco, and as long as the companies comply with Danish legislation and international conventions, ATP can invest in them.

Generally speaking, there is nothing to prevent ATP from investing in tobacco companies, but, like all other companies, tobacco companies must observe ATP's other requirements regarding the environment, human rights and corporate governance.

ATP has adopted a new tax policy for unlisted investments, which prevents investments in countries on the EU's tax haven blacklist

For international investors, tax and international tax payments is a topic they need to address. ATP drafted its first tax policy in 2015. But as the debate about tax payments has shifted in step with the changed demands of the outside world, ATP set about revising its Tax Policy on Unlisted Investments in early spring 2017. In December 2017, the policy was adopted by ATP's Supervisory Board. ATP's new tax policy is valid from 1 January 2018 and applies to all new unlisted investments. Read more on page 8.

In parallel with this work, ATP contributed to the public debate on companies' and pension companies' tax payments – particularly the debate about tax payments relating to investments made through international tax transparent funds. The Cayman Islands has been a particular focus of attention from the media and politicians. Reports on the so-called Paradise Papers also fuelled the debate on tax payments.

ATP has a desire and a responsibility to contribute information and ensure transparency about ATP's views and conduct in the field of tax. As a result, ATP's CEO and CFO together with ATP's Chairman have on several occasions engaged in dialogue with members of the Danish Parliament and NGOs, and ATP has also participated in press interviews on tax issues.

ATP's messages in the debate were:

- ATP pays the tax it is required to pay, i.e. tax on pension savings returns and return on capital as well as income tax. ATP discloses all income to the Danish tax authorities.
- When ATP invests in businesses or assets outside Denmark, income tax is paid on locally generated profits in accordance with applicable laws of the country where the profit was generated.
- ATP's focus is on ensuring that the highest possible portion of the returns on ATP's investments are taxed in Denmark. The tax liability for the return rests with ATP, irrespective of whether the investment is made directly or through a tax transparent fund on, say, the Cayman Islands, and the return will thus only be taxed in the country of activity and in Denmark.
- Investments via for example the Cayman Islands are not made for tax optimisation purpose, but solely to prevent the members' assets from being taxed twice.
- The reason why ATP invests via funds in the Cayman Islands is that there is a substantial number of external asset managers who bring together large global investors via these funds to invest in unlisted companies and infrastructure outside the islands, for example in OECD countries.
- ATP only invests in countries that have joined CRS/FATCA. This means that the income and assets of coinvestors is disclosed to the relevant authorities in their respective home countries, so that the authorities in the investors' home country are fully informed of the tax base.
- ATP does not invest in jurisdictions which at the time of investment are on the EU's blacklist (EU list of non-cooperative tax jurisdictions).

Resource consumption, staff and diversity at the ATP Group

Employees in the ATP Group
The ATP Group is a large employer. In 2017, the Group employed 2,966 full-time staff (avg), 2,800 of whom were based in locations across Denmark in Vordingborg, Holstebro, Haderslev, Allerød, Lillerød, Frederikshavn, Greater Copenhagen and at the head office in Hillerød.

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

Employee satisfaction surveys
ATP is constantly working to create an attractive workplace which is able to attract and retain motivated, dedicated and competent managers and employees.

ATP has defined three targets for the achievement of index 80 in employee satisfaction. With indices of 78, 78 and 79, respectively, the indices for happiness at work, job satisfaction and motivation are very close to the target.

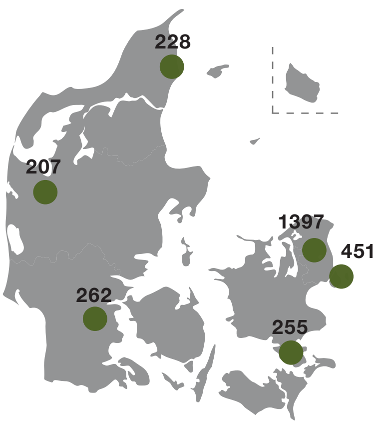
In the table overleaf, ATP accounts for environmental impacts, for instance through carbon emissions, electricity, heat and water consumption in ATP's Danish offices in Copenhagen, Haderslev, Holstebro, Vordingborg, Frederikshavn, Hillerød, Allerød and Østerbro and the offices of ATP's subsidiaries in Copenhagen.

ATP's Diversity Policy
At ATP, the working environment is strengthened through diversity. Diversity provides for a more dynamic, vibrant and inspirational working environment – for the benefit of both employees and customers. 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. Both managers and employees are expected to help to ensure that diversity flourishes and thrives in the workplace.

FASE+
ATP has a long tradition of commitment to diversity and inclusion, and in 2010 this led to the establishment of the FASE+ department. A common denominator of the employees in FASE+ is that, for various reasons, they need support to return to the labour market. In addition to being unemployed, they also face other challenges. The employees currently associated with FASE+ include non-ethnic men and women and employees with mental disorders. The aim of FASE+ is to help the 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 business processing tasks, relieving other employees of some of their workload. In 2017, 51 employees have been or are associated with FASE+, nine of whom have subsequently enrolled in the basic integration education programme. At year-end 2017, 13 employees previously associated with FASE+ were employed at ATP on standard or special terms.

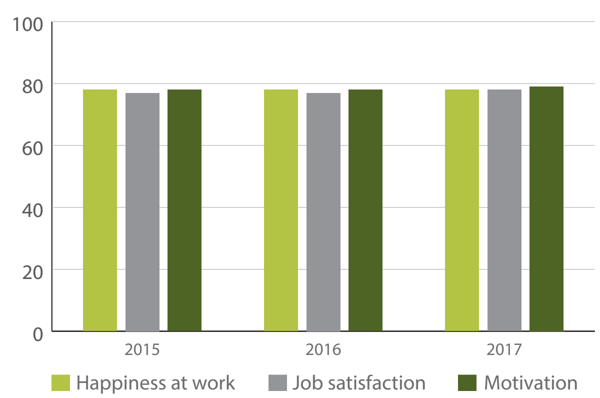
ATP smoke-free workplace in 2018
Effective from 2018, ATP has introduced smoke-free working hours. This decision is in continuation of a number of initiatives implemented by ATP to ensure a healthy working environment and to generally encourage a healthy lifestyle among its employees – for instance through a focus on nutrition, exer-

Employees, distributed in Denmark



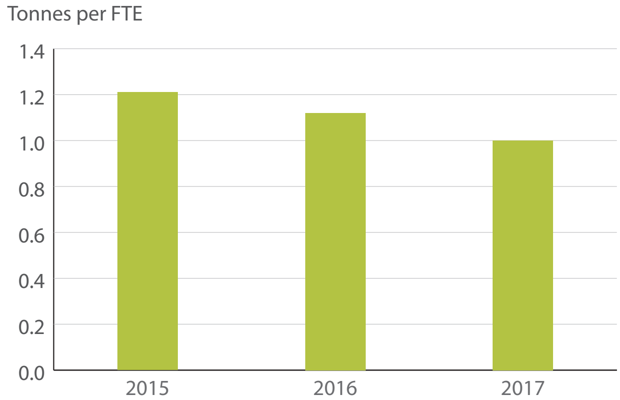
Note: Average number of full-time employees in 2017 in Denmark

Employee welfare

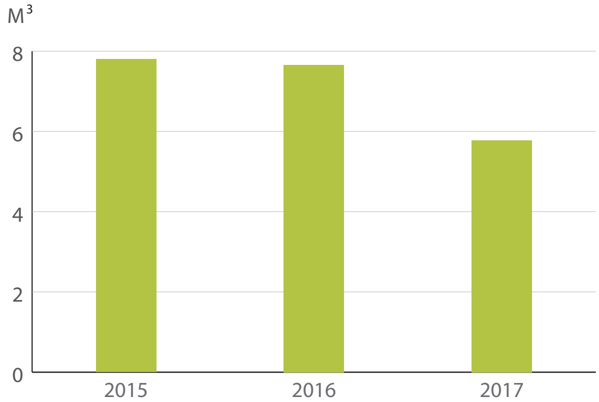


Note: Employee satisfaction survey data based on ATP employees' own ratings of happiness at work, job satisfaction and motivation on a scale from 0 to 100.

Carbon emissions per employee



Water consumption per employee



	2015	2016	2017
Facts about ATP [1]			
Number of locations	8	8	9
Number of sq. m.	60,545	60,714	73,933
Number of full-time employees (FTE) [2]	1,964	2,445	2,966
Consumption data [3]			
Power consumption (MWh)	3,757	3,864	4,198
Heat consumption (MWh)	5,028	4,943	5,667
Heating degree day-adjusted heat consumption (MWh)	6,414	5,687	6,703
Water consumption (m^3)	14,369	15,593	15,710
KPIs			
Area per employee (sq.m.)	33	30	27
Power consumption per employee (kWh)	2,038	1,893	1,545
Power consumption per sq.m. (kWh)	62	64	57
Heating degree day-adjusted heat consumption per employee (kWh)	3,480	2,793	2,466
Heating degree day-adjusted heat consumption per sq.m. (kWh)	106	94	91
Water consumption per employee (m^3)	7.80	7.66	5.78
Water consumption per sq.m. (m^3)	0.24	0.26	0.21
Carbon emissions [4]			
Carbon emissions, heat consumption (tonnes)	931	910	1,057
Carbon emissions, power consumption (tonnes)	899	926	1,189
Carbon emissions, transport (own vehicles, taxis and aircraft travel) (tonnes)	408	447	479
Total carbon emissions (tonnes)	2,237	2,283	2,725
Carbon emissions per employee (tonnes per FTE)	1.21	1.12	1.00

[1] On 1 June 2017, ATP entered into an agreement on a lease in Lillerød. This lease is not included in the report, given that consumption data for one year are not yet available.
[2] Number of employees is determined as the average number of full-time employees in Denmark. To determine the environmental impact, this figure is adjusted for employees in Lillerød to proportionally reflect total carbon emissions.
[3] In previous periods, consumption data for the water consumption at the Copenhagen location represented the entire property. This year, it was possible to break down water readings on a floor-by-floor basis, which is now reflected in the total water consumption (m^3) for ATP. Comparative figures and derived KPIs have been restated to reflect this breakdown.
[4] The calculated carbon emissions include Scope 1 (emission factors for fossil fuels), Scope 2 (emission factors for power and district heating) and Scope 3 (emission factors for derived transport, power and district heating), calculated using the climate compass 'Klimakompasset.dk'.

cise and alcohol. Before the decision was made, positive experience was obtained from municipalities and other private workplaces. In connection with the designation of ATP as a smoke-free workplace, employees are offered stop-smoking programmes.

The Supervisory and Executive Boards are aware that the strategic decision of designating ATP as a smoke-free workplace could be seen as a contrast to investing in tobacco companies. Based on its employee policies, ATP cannot deviate from the basic principles to which its investment activities are subject. For instance, although ATP is an alcohol-free workplace, ATP also invests in alcohol-producing companies.

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

ATP's Supervisory Board has adopted a Diversity Policy with a defined 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 must be achieved by 1 April 2019. The deadline has been set in view of the three-year election period applicable for members of the Board of Representatives and the Supervisory Board, which means that one third of the members are appointed each year. The target for the Board of Representatives was met with 11 women in 2017 (35 per cent), while the Supervisory Board continues to work towards its target and had four female members in 2017 (31 per cent), the same number as in 2016.

The gender distribution target also applies to the Supervisory Boards of ATP's subsidiaries. This means that the underrepresented gender should account for at least one third of the Board, the same as the target for ATP's Supervisory Board. Specifically as regards the gender distribution on the Boards of ATP's subsidiaries, the target has been achieved for three out of 12 companies: ATP Timberland Invest K/S, Via Equity Fond I K/S and Via Equity Fond II K/S. The target has not been achieved for the companies Real Estate Partners I K/S, Real Estate Partners II K/S, ATP Ejendomme A/S, Private Equity K/S, Private Equity Partners I K/S, Private Equity Partners II K/S, Private Equity Partners III K/S, Private Equity Partners IV K/S and Private Equity Partners V K/S. The primary reason is that members of ATP's Group Management are appointed to serve on the Boards of the subsidiaries, and in ATP's Group Management, the specialist skills required by the investment subsidiaries are held by men.

ATP is constantly striving to increase the share of women in management, given that the gender targets are part of ATP's Diversity Policy. Part of the strategy is to increase the focus and emphasis on diversity in the recruitment of new employees. Efforts are focused on recruiting broadly for the management and developing internal talents in ATP's talent programme as a way of encouraging more women to take the 'management path'.

There is no gender underrepresentation at other of the ATP Group's management levels. Overall, for all management levels, including executives, the distribution is equitable.

		2015	2016	2017
Gender distribution among all employees	Women	69%	67%	65%
	Men	31%	33%	35%
Gender distribution on the Supervisory Board and the Board of Representatives	Women	36%	34%	34%
	Men	64%	66%	66%
Gender distribution among executives (CEO, CIO, COO, CFO, CRO, Senior Vice Presidents and Vice Presidents)	Women	42%	42%	33%
	Men	58%	58%	67%
Gender composition among managers, excluding executives	Women	52%	52%	54%
	Men	48%	48%	46%

APPENDIX

Appendix 1:
Global Compact references

	UN Global Compact	Page
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights. 2. Make sure that they are not complicit in human rights abuses.	**6, 8, 9, 11, 27, 31, 33, 38, 41, 45, 48, 49, 50**
Labour Rights	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. 4. Elimination of all forms of forced and compulsory labour. 5. Effective abolition of child labour 6. Elimination of discrimination in respect of employment and occupation.	**6, 9, 11, 34, 45, 48**
Environment	7. Businesses should support a precautionary approach to environmental challenges. 8. Undertake initiatives to promote greater environmental responsibility 9. Encourage the development and diffusion of environmentally friendly technologies.	**6, 7, 8, 9, 11, 14-27, 37, 39, 41, 42, 44, 45, 48, 49, 53**
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	**6, 9, 11, 29, 46, 48**

Appendix 2:
List of excluded companies

Company	Reason for exclusion	Year	Exclusion repealed
Aerojet Rocketdyne Holdings (tidligere Gencorp)	Cluster weapons	2008	2016
Aerostar	Cluster weapons	2008	2015
Aeroteh	Cluster weapons	2015	
Africa-Israel Investments Ltd.	Human rights	2017	
Ashot Ashkelon	Cluster weapons	2015	
BAE Systems	Cluster weapons	2006	2015
Bharat Heavy Electricals Ltd.	Biodiversity	2017	
Chevron	Trade embargo, Myanmar	2007	2014
China Aerospace International Holdings	Cluster weapons	2015	
China National Offshore Oil Corp (CNOOC)	Human rights	2007	
China National Oil and Gas Exploration and Development co	Trade embargo, Myanmar	2008	2014
China National Petroleum (CNPC)	Trade embargo, Myanmar	2007	2014
China Oilfield Service Ltd.	Trade embargo, Myanmar	2008	2014
China Petrochemical Corp (Sinopec)	Trade embargo, Myanmar	2007	2014
China Spacesat	Cluster weapons	2015	
Daewoo International Corp	Trade embargo, Myanmar	2007	2014
Dongfeng Automotive	Weapon embargo, Sudan	2009	
Dongfeng Motor	Weapon embargo, Sudan	2009	
Essar Oil	Trade embargo, Myanmar	2008	2014
Esterline Technologies Corp.	Cluster weapons	2016	
Gail India Ltd.	Trade embargo, Myanmar	2007	2014
General Dynamics	Cluster weapons	2006	2016
Genting Berhad	Biodiversity	2015	
Goodrich	Cluster weapons	2008	
Hanwha Corp	Anti-personnel mines	2007	
Hanwha Techwin Co., Ltd.	Cluster weapons	2016	
Hyundai Motor	Corruption	2009	
IHI Corporation (tidl. Ishikawajima-Harima Heavy Industries)	Cluster weapons	2007	
IJM Corporation Bhd.	Biodiversity	2015	
Korea Gas Corporation	Trade embargo, Myanmar	2008	2014
L3 Communication Holdings	Cluster weapons	2006	
Larsen & Toubro Ltd.	Violation of NPT	2016	
Lockheed-Martin	Cluster weapons	2006	2016
Magellan Aerospace	Cluster weapons	2008	
Mangalore Refinery & Petrochemicals Ltd.	Trade embargo, Myanmar	2008	2014
Mitsubishi Oil Co.	Trade embargo, Myanmar	2008	2014
Motovilikha Plants JSC	Cluster weapons	2015	
Nippon Oil Corporation	Trade embargo, Myanmar	2008	2014

Nissan	Weapon embargo, Sudan	2009	
Norinco International Cooperation	Cluster weapons	2015	
Oil & Natural Gas Corp. (ONGC)	Trade embargo, Myanmar	2008	2014
Oil & Natural Gas Corp. Videsh	Trade embargo, Myanmar	2008	2014
Orbital ATK	Cluster weapons	2006	
Petrochina	Trade embargo, Myanmar	2007	2014
Petronas	Trade embargo, Myanmar	2007	2014
Petronas Daganga	Trade embargo, Myanmar	2007	2014
Petronas Gas	Trade embargo, Myanmar	2007	2014
Poonsan Corp	Cluster weapons	2007	
Posco	Biodiversity	2015	
PTT Aromatic	Trade embargo, Myanmar	2008	2014
PTT Chemical	Trade embargo, Myanmar	2008	2014
PTT Exploration and Production Comp.	Trade embargo, Myanmar	2007	2014
Raytheon	Cluster weapons	2006	2016
Rheinmetall	Cluster weapons	2008	2015
S&T Dynamics Co. Ltd.	Anti-personnel mines	2015	
Sears Canada	ILO	2008	
Sears Holdings Corp	ILO	2005	
Shikun & Binui Ltd.	Human rights	2017	
Singapore Technologies Engineering	Anti-personnel mines	2006	
Sinopec Shanghai Petrochemical Co Ltd.	Trade embargo, Myanmar	2007	2014
Saab	Cluster weapons	2008	2015
Ta Ann Holdings Bhd.	Biodiversity	2015	
Target	ILO	2005	
Textron	Anti-personnel mines	2006	
Thales	Cluster weapons	2006	2015
The GEO Group, Inc.	Human rights	2017	
Total	Trade embargo, Myanmar	2007	2014
Vedanta Resources	Human rights	2008	
Walchandnagar Industries Limited	Violation of NPT	2016	
Wal-Mart	ILO	2005	
Wal-mart de Mexico SA de CV	ILO	2007	
WTK Holdings Bhd.	Biodiversity	2015	
ZTE Corporation	Corruption	2016	

Appendix 3:
ATP's Policy of Active Ownership

Background
ATP has a considerable interest in the markets for listed companies working according to the best international standards, in the general actions of the listed companies being subject to overall management and control, and in the pricing on the markets being as effective as possible.

Purpose
The purpose of a Policy of Active Ownership is to promote the companies' long-term value creation and thus contribute to achieving the highest possible long-term return for ATP's investors. ATP's conduct in all situations will be guided by that principle. ATP's Policy of Active Ownership, together with ATP's Policy of Social Responsibility in Investments, make up ATP's overall ESG policy for listed equities.

Proces
The scope of ATP's Policy of Active Ownership in relation to a specific company generally reflects the value of ATP's investment and ownership interest.

Fundamentally, ATP has two ways of engaging with companies:

- Through continuous dialogue which involves an ongoing dialogue with companies and ATP making use of its right to vote at the companies' general meetings
- Through dialogue at general meetings where ATP makes use of its right to vote at the companies' general meetings.

The choice of method depends on a number of factors, for example factors related to ATP's ownership share and possibility of effectively engaging in an active dialogue. This is for instance reflected in ATP's active ownership in Denmark, where ATP typically has a higher exposure and therefore takes a more active approach through continuous dialogue. The dialogue with companies may, for example, concern strategy, results, risk, capital structure, corporate governance, corporate culture, remuneration of management and responsibility.

ATP handles all active ownership-related matters internally. We believe that by handling dialogue and corporate governance ourselves rather than hiring an external partner gives us 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.

ATP uses a proxy advisor (external partner), which provides ATP with information about companies and their general meetings. ATP handles the dialogue with companies on the voting and takes the actual decision of what to vote.

The ultimate responsibility for ATP's active ownership lies with ATP's CEO. The work is coordinated by ATP's Committee on Social Responsibility.

Recommendations on Active Ownership
ATP has contributed to and supports the development of the Recommendations on Active Ownership of the Danish Committee on Corporate Governance.

Like the Recommendations on Corporate Governance, the purpose of the Recommendations on Active Ownership is to promote the companies' long-term value creation and thus contribute to creating the highest possible long-term return for investors. The Recommendations on Corporate Governance and the Recommendations on Active Ownership are thus mutually reinforcing with regards to the common purpose.

ATP draws on the Recommendations on Active Ownership, and any deviations from the recommendations are explained as required in the recommendations.

As recommended by the Recommendations on Active Ownership, ATP prepares an annual statement on the individual recommendations in the Recommendations on Active Ownership according to the 'comply or explain' principle.

ATP Supervisory Board's Policy of Active Ownership

Active ownership

1. We are an active investor which includes making use of our voting rights.

Supervisory Board

2. The Supervisory Board must act in the long-term interests of all shareholders.
3. We work to ensure that the Supervisory Board is independent of the day-to-day management.
4. We believe that the Supervisory Board has a control function in respect of the Executive Board and should actively participate in the preparation of the company's strategy.
5. We believe that members of the Supervisory Board (except for any employee representatives) should be elected for a short term so that they are frequently held accountable to the shareholders. The election of members to the Supervisory Board should be a transparent process, and it should be reported how the members' performance is evaluated.
6. We seek to create the best working conditions to ensure a well-functioning Supervisory Board, provided that the members work in the long-term interests of the shareholders. We have an obligation to give the Supervisory Board room to carry out the task they have been entrusted with.

Value Creation

7. We support work of the Supervisory Board, wherever we expect this to increase shareholder value.
8. As a general rule, we support proposals made by the Supervisory Board, but we do not support proposals which we believe to be detrimental to the rights or financial interests of the shareholders. Where we have a continuous dialogue with a company, we will vote against the proposals made by the Supervisory Board only when we believe that other means of influence have been exhausted.
9. We believe that a business-oriented integration of ESG can contribute to increasing the value of our investments. Furthermore, we believe that companies' lack of focus on basic principles and standards on ESG matters constitutes a risk that ultimately threatens the value of our investments.

Compensation

10. We believe that companies should have a pay policy to ensure that they are able to attract qualified labour.
11. The remuneration of the Executive Board should be carefully adapted to the conditions of the company and include both variable and fixed pay elements which strengthen the commonality of interests between the Executive Board and the shareholders. Performance-related pay must contribute to ensuring the company's long-term value creation.
12. The remuneration of the Supervisory Board should be fixed, but we prefer a share of the remuneration to be invested in shares in the company. Variable remuneration of the Supervisory Board may undermine the control function in respect of the Executive Board.

Information

13. We work to ensure that companies make all relevant information available to the shareholders wherever possible, while taking into account the company's competitive environment and the confidentiality of the information.

This includes:

14. companies providing a comprehensive description of their strategy and detailing how it contributes to long-term value creation.
15. companies' executive remuneration, including incentive schemes, being described comprehensively in the financial statements.
16. companies reporting comprehensively on their ESG matters.

Recommendations on Active Ownership of the Committee on Corporate Governance

1. *The Committee recommends* that institutional investors publish a policy of active ownership in connection with equity investments in Danish listed companies.
2. *The Committee recommends* that institutional investors regularly monitor and engage in a dialogue with the companies they invest in, with due regard to the investment strategy and the principle of proportionality.
3. *The Committee recommends* that institutional investors as part of the policy of active ownership establish a policy for when and how they intend to increase their active ownership over and above the regular monitoring and dialogue.
4. *The Committee recommends* that institutional investors as part of the policy of active ownership establish a policy for their collaboration with other investors with a view to maximising effectiveness and impact.
5. *The Committee recommends* that institutional investors as part of the policy of active ownership adopt a voting policy and be willing to disclose if and how they voted.
6. *The Committee recommends* that the policy of active ownership describe how conflicts of interest in terms of active ownership are identified and handled.
7. *The Committee recommends* that institutional investors every year report on their active ownership activities, including voting activity.

Appendix 4:
ATP's Policy of Responsibility in Investments

Purpose
ATP acts as a responsible investor and must, within this framework, invest its assets in a manner which serves the members' best interests. The objective for investment of the assets is to maintain their real value.

Responsibility is usually a prerequisite for long-term, healthy earnings – and thus for the preservation of the real value of the investments.

The aim of ATP's Policy of Responsibility in Investments is to protect the value of ATP's investments and to contribute to ensuring that the companies have the lowest possible capital costs through focus on and act responsibly.

Combined with this, the aim is that ATP's work on responsibility in investments benefits the employees, businesses and local communities that are affected.

Integrating responsibility considerations constitute a central element in the tasks ATP handles on behalf of its members.

ATP's work on responsibility in investments covers a wide range of socially relevant issues in relation to environment and climate, social issues and governance – the so-called Environmental, Social and Governance (ESG) Issues.

ATP's Policy of Responsibility in Investments is implemented in close interaction with ATP's Policy of Active Ownership.

Assumptions
ATP's work on responsibility in investments is based on a number of general considerations:

- ATP's work on responsibility in investments must be characterised by consistency, predictability, seriousness and openness and must be based on facts rather than subjective assessments
- ATP performs its work with respect for the fact that conditions in other parts of the world may set different frameworks for corporate behaviour than those applicable in Denmark and Western Europe
- ATP's Policy of Responsibility in Investments is, to a great extent, based on stringent criteria, as it refers to politically adopted structures in the form of national legislation and international agreements.

Integration in the day-to-day investment practice
ATP works continuously to integrate ESG considerations in its day-to-day investment process in line with considerations for other business conditions and risks.

ATP considers analysis of companies' and countries' ESG issues to be an important and relevant element in ATP's risk management, and ATP's experience is that investment opportunities can also be identified on the basis of this work.

ATP does not invest in companies that intentionally and repeatedly violate rules laid down by national authorities on the markets on which the company operates or by international organisations endorsed by Denmark.

ATP does not invest in specific securities, including central government debt securities, which are covered by sanctions adopted by the EU or the United Nations.

Committee for Responsibility
ATP's work on responsibility in investments is coordinated in a special internal Committee for Responsibility chaired by ATP's CEO. The Committee for Responsibility holds six ordinary meetings a year as well as additional meetings as required.

The Committee is responsible for establishing processes which ensure compliance with ATP's Policy of Responsibility in Investments. The Committee must ensure that ESG assessments are made on a factual basis and that the assessments are as objective as possible.

As stipulated in the ATP's Supervisory Board's Policy of Active Ownership, the Committee also functions as the coordinator for ATP's active ownership activities.

In addition, the Committee is the coordinating point for ATP's internal discussions on the development in this area and in ATP's practice in individual areas, including, for example, ATP's inclusion of climate issues in the investment process.

Finally, the Committee is the coordinator of ATP's ongoing work to strengthen its initiatives and actions in this area. This applies, for example, in relation to decisions on further analyses of individual companies or special problem areas, approval of new processes which ensure compliance with the Supervisory Board's policy and in relation to the decisions to examine alternative methods and new focus areas.

Cooperation

To a great extent, responsibility issues extend across national borders. International collaboration is therefore of great importance to the development in this area. ATP continuously seeks to contribute to the development in the area through participation in relevant organisations, through specific collaboration with other investors as well as by contributing to and following the development of new, relevant standards.

Openness and information

ATP sets great store by a high degree of openness in relation to its activities to promote corporate responsibility. ATP therefore seeks continuously to increase transparency in its work on responsibilty in investments vis-à-vis its members.

ATP's Supervisory Board approves an annual responsibility report, which describes ATP's work and processes in this area and which is published together with ATP's Annual Report. ATP also participates regularly in the public dialogue on relevant responsibility issues, and ATP provides information about its work via ATP's website.

Dialogue with the companies

ATP engages in an ongoing dialogue with a number of the companies in which ATP has invested. As part of this dialogue, ATP also addresses responsibility issues, including the need for these companies to report adequately on this area.

Exclusion

Information that a given company has – or is suspected of having – exceeded ATP's policy forms the basis for an engagement process. This includes a further investigation of relevant accusations and, if these are confirmed, a dialogue is entered with the company on how the criticised matters can be solved or significantly improved.

Dialogue and focus on improvements are ATP's preferred tools, whereas exclusion is seen as a tool which can be used when all other options have been exhausted.

ATP updates its list of excluded companies at ATP's website every six months. ATP does not continuously update information about companies in which ATP does not invest, or which ATP has excluded. This means that ATP cannot publish an overall and exhaustive list of excluded companies.

In principle, there is nothing to prevent ATP from investing in a company that ATP has previously excluded. In such case, this will require a renewed analysis.

Overall management

ATP's Policy of Responsibility in Investments is laid down by ATP's Supervisory Board.

ATP's Executive Board handles ATP's investments within this framework and is responsible, together with the Committee for Responsibility, for ensuring compliance with the framework.

Matters relating to the policy which the CEO believes give rise to doubt are submitted to ATP's Executive Committee, and any deviations from or interpretations of the policy are approved by ATP's Executive Committee.

There is ongoing reporting on the work on responsibility in investments to ATP's Supervisory Board.

Adopted by the Supervisory Board on 13 December 2017.

On behalf of the Supervisory Board

Jørgen Søndergaard
Chairman