

# Corporate Governance in the ATP Group

ATP's activities are regulated by statute. ATP is thus an independent, statutory institution, the aim of which is to manage the ATP pension scheme. Alongside the management of the ATP scheme, ATP has also been assigned by the Danish Parliament to manage the Supplementary Labour Market Pension Scheme for Disability Pensioners (SUPP).

On top of that, ATP manages a number of other statutory schemes associated with the Danish labour market on a cost-recovery basis. ATP also provides technical and business processing services, including payment of a number of public benefits, to UDK – Public Benefits Administration on a cost-recovery basis. ATP sells business processing services on an arm's length basis in Denmark through a fully owned subsidiary.

## Corporate governance

### **Appointment and composition of the ATP Board of Representatives and the Supervisory and Executive Boards**

The Danish ATP Act (*ATP-loven*) sets objectives and establishes regulatory frameworks for the administration of ATP, including the ATP management. ATP is managed by a Board of Representatives, a Supervisory Board and a Chief Executive Officer (CEO), and the composition of the ATP Board of Representatives and Supervisory Board is prescribed by statute. The CEO is appointed by the Supervisory Board.

The Board of Representatives comprises 15 employer representatives, 15 employee representatives and a Chairman appointed by the Board of Representatives. The Chairman may not be affiliated with any employee or employer's organisations.

The Supervisory Board is composed of members of the Board of Representatives and comprises six employer representatives, six employee representatives and the Chairman of the Board of Representatives. Pursuant to the Danish ATP Act, ATP has no deputy chairman, and ATP staff members are not eligible to serve on the Supervisory Board.

The members of the Board of Representatives and the Supervisory Board are appointed by the Minister for Employment upon the recommendation of the social partners. The Chairman and the other members of the Supervisory Board and the Board of Representatives are appointed for three-year terms, the aim being to achieve a balanced composition of men and women on the boards. The members are eligible for reappointment. No age limit applies.

An overview of the recommended employer and employee organisations and of the members of the Board of Representatives and the Supervisory Board can be seen in ATP's annual report and on ATP's website at [www.atp.dk/en](http://www.atp.dk/en). Information on when individual Supervisory Board members were appointed to the Supervisory Board, when their current terms expire and on other directorships held by Supervisory Board members.

The composition of the Board of Representatives and the Supervisory and Executive Boards reflects the Danish model under which the social partners have a say in the political process. ATP is governed by the social partners in the form of employee and employer representatives, with equal representation, under an independent Chairman. The issue of Supervisory Board member independence thus does not have the same significance in relation to ATP as it does in relation to listed companies.

### **Duties of the Supervisory Board and the Board of Representatives**

The Board of Representatives, convening ordinarily once a year, approves ATP's annual report, the pay policy for the Supervisory and Executive Boards, significant risk takers etc. at ATP and establishes the fees for the members of the Board of Representatives, the Supervisory Board and the Supervisory Board committees. The Board of Representatives also transacts matters of business presented to it by the Supervisory Board and elects the ATP Chairman and auditors.

In all other respects, the Supervisory Board has the overall responsibility for ATP. The Supervisory Board convenes six times a year. The work of the Supervisory Board and the Board of Representatives is subject – in addition to statutory provisions – to Rules of Procedure, which are reviewed each year to identify any required amendments.

### **Duties of the Supervisory Board**

The Supervisory Board has the overall responsibility for ATP's operations. The Supervisory Board identifies, quantifies and assesses significant risks faced by ATP and determines ATP's desired risk profile, including the nature and size of risks ATP may undertake. The Supervisory Board establishes written policies for the management of all of ATP's significant activities and their associated risks and makes decisions on items, transactions or events of a material or unusual nature. Furthermore, the Supervisory Board provides written guidelines for the CEO.

The Supervisory Board sets overall objectives and strategies and follows up on these, based, for example, on business plans reviewed as part of the annual budget approval process.

The Supervisory Board approves ATP's pension and provision basis and establishes the framework for ATP's investments each year.

The Supervisory Board approves proposed amendments to the Danish ATP Act to serve as the basis for requesting the Danish Government and Parliament to implement these amendments. The Supervisory Board also approves principles for inter-company transactions and makes decisions on the possible outsourcing of significant activities.

### **Supervisory Board committees**

The ATP Supervisory Board has established two standing Supervisory Board committees in the form of an Executive Committee and an Audit Committee as well as a subcommittee of the Audit Committee. The Executive Committee also performs the duties assigned to the Remuneration Committee.

The Executive Committee has three members: the Chairman of the Supervisory Board, who is also the Chairman of the Executive Committee, and two members of the Supervisory Board, appointed by the employer and employee representatives, respectively, on the Supervisory Board.

The Executive Committee prepares Supervisory Board decisions and has the power, in selected areas, to make decisions as authorised by the Supervisory Board – these decisions are subsequently approved by the Supervisory Board. The Executive Committee convenes ordinarily once a month. The work of the Executive Committee is subject to Rules of Procedure, which are reviewed each year to identify any required amendments.

The main duties of the Remuneration Committee are to prepare Supervisory Board decisions on remuneration, including pay policy and other related decisions that may influence the company's risk management.

The Chairman and other members of the Audit Committee are appointed by the Supervisory Board from among its members. The Audit Committee currently comprises three members in the form of the Chairman of the Supervisory Board, who also serves as the Chairman of the Audit Committee, and the two other members of the Executive Committee.

The Audit Committee has been appointed to assist the Supervisory Board in fulfilling its oversight responsibilities for the financial reporting process, with particular focus on ensuring reliability, integrity and transparency in financial reports.

The Audit Committee ensures that ATP's financial reporting process, internal control system, internal audit and risk management systems are effective. The statutory auditing of annual reports and the auditor's independence are also checked, in particular with respect to the provision of additional services to the company. Another Audit Committee duty is the submission of proposals for election of auditors. Finally, the Audit Committee may perform duties subject to specific decisions made by the ATP Supervisory Board.

The Audit Committee's Terms of Reference are determined by the Supervisory Board. The Audit Committee convenes ordinarily five times a year.

With effect from 2015, the Supervisory Board has appointed a technical advisory committee under the Audit Committee, called the ORSA Committee, consisting of the Chairman of the Supervisory Board and three members of the Supervisory Board with operational experience and expertise within relevant specialist fields as well as ATP's Chief Risk Officer and ATP's Chief General Counsel, and also ATP's CFO as required. The ORSA Committee has no decision-making power, but may offer advice and guidance on the issues to be considered by the Audit Committee.

### **Duties of the Chief Executive Officer**

The ATP CEO is responsible for day-to-day operations and for implementing resolutions made by the Board of Representatives, the Supervisory Board and the Supervisory Board committees.

The CEO must keep the Supervisory Board informed, on an ongoing basis, of developments in ATP and ATP's subsidiaries. In practice, this is done through periodic reporting to the Supervisory Board:

- The Supervisory Board receives a monthly investment and risk report, showing the status of returns and compliance with the investment limits set by the Supervisory Board and as otherwise provided by statute. This also includes reporting on ATP's subsidiaries.
- Every quarter, the Supervisory Board receives the following reports:
  - An administration report containing figures for the operations of the three-month period in question and a report on issues extending beyond day-to-day operations, with elements of a more fundamental nature, including the status of outsourcing of significant activities.
  - Report on changes in the internal model.
  - Quarterly financial statements.
- Every six months, the Supervisory Board also receives follow-up reports on the budget and strategic focus targets, respectively.

The CEO and other senior executives may not, without the authorisation of the Supervisory Board, own, operate or participate in the management of a business other than ATP. Accordingly, they may not participate in the management or operation of a business other than ATP as supervisory board members, salaried employees or otherwise. Information on duties in other businesses approved by the Supervisory Board is provided on ATP's website at [www.atp.dk/en](http://www.atp.dk/en) as supplementary information to the annual report.

### **Risk management**

ATP's Supervisory Board has adopted a risk policy which defines ATP's desired risk profile for the risk areas which are deemed to be significant. These are:

- Investment risks, including market risks, counterparty risks, concentration risks and liquidity risks.
- Pension-related risks, which almost exclusively consist of longevity risks.
- Operational risks, which consist of the risk of losses resulting from inexpedient or inadequate internal procedures, human errors and system errors or as a consequence of external events, including risks related to the use of information.

When laying down the risk policy, the Supervisory Board has taken into account the fact that ATP is a statutory financial institution charged with the task of managing compulsory pension funds, that ATP is subject to limitations and instructions in relation to investments under the Danish ATP Act and that ATP manages other statutory schemes and is responsible to a number of authorities.

The desired risk profile for ATP determined by the Supervisory Board is an expression of the fact that ATP prioritises high security in respect of pensions, high credibility and a good reputation. Endeavours are made to ensure that the management of other statutory schemes poses the least possible financial risk for ATP. Services are thus provided on a cost-recovery basis, and in the event of any errors in management, the schemes bear the financial liability, including ATP's work to limit the scheme's losses and to rectify the error.

The desired risk profile and the desired risk levels appear from the risk policy adopted. In addition to this, the ATP Supervisory Board has adopted a number of policies/guidelines for specific areas, e.g. for outsourcing and confidentiality, gifts and conflicts of interest. The policies are revised at least once a year. Based on the most significant activities, the organisation, resources and market conditions, the Supervisory Board assesses ATP's risks at least once a year.

#### **Audit and risk management in relation to financial reporting**

The Danish ATP Act contains provisions on financial reporting and auditing. In addition, the Danish Financial Supervisory Authority has issued an executive order on financial reporting by ATP. ATP prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS).

The external auditor is appointed by the Board of Representatives, after the audit assignment has been the subject of an EU tender. The Supervisory Board approves an annual audit plan.

ATP's Audit Committee reviews and discusses ATP's annual report and interim report with a focus on significant circumstances relating to the financial reporting process and accounting practice. The Audit Committee is also provided with accounts of analyses performed by management, describing significant aspects of ATP's financial reporting and estimates made in the preparation of the annual report and interim reports, with particular focus on investment conditions, pension provisions, budgets and cost allocation.

ATP's risk management in connection with financial reporting is based on the internal control system and includes clearly defined organisational areas of responsibility, requirements for business processes, approval procedures and reporting requirements in connection with the financial reporting process.

The most significant elements in ATP's financial reporting are the calculation of pension provisions and the calculation of financial assets and financial liabilities. These items and their calculation are considered to be the key elements in the financial reporting process. Other major focus areas in the financial reporting process are compliance with accounting legislation, calculation of items subject to estimates, unusual transactions and completeness of information.

ATP has an internal auditor who cooperates with the external auditor and reports directly to the Supervisory Board. The external and internal auditors both participate in the consideration of ATP's annual reports in the Audit Committee and on the Supervisory Board. The external auditor meets with the Audit Committee once a year – without the presence of the CEO – with particular focus on checking whether ATP's financial reporting, internal control environment and risk management are effective and on assessing audit procedures and the auditor's independence and objectivity.

#### **Transparency and openness**

The Supervisory Board has established a policy for internal and external communications.

ATP publishes quarterly reports for the ATP Group. These reports are posted on ATP's website and are also published via the media and in stock exchange announcements.

ATP publishes an annual report, describing all aspects of the Group's activities. The annual report includes a separate account of risk management. Annual and quarterly reports are published in English and Danish.

In addition to the annual reports, further information is made available to the public on ATP's website providing details, together with the information in the annual reports, on ATP's investments.

ATP has also produced further information in the form of a report on ATP's compliance with the recommendations issued by the Committee on Corporate Governance, an account of remuneration, as well as the Terms of Reference of the Audit Committee and the Rules of Procedure of the Executive Committee. ATP also publishes a report on social responsibility in investments which, among other things, deals with the Supervisory Board's guidelines on active ownership and responsible investments.

### **Interaction with ATP's stakeholders**

ATP's stakeholders include members, employers, the social partners, the central administration and companies in which ATP is a shareholder.

The premise of ATP's communication with customers – citizens and companies alike – is that ATP works within the framework of a cost-effective administrator, which means that its communication activities underpin a simple and cost-effective administration. ATP constantly strives to create a good customer experience by making information available and developing quick and easy self-online service options. The ATP Group's administrative websites are the joint public portals [www.borger.dk](http://www.borger.dk) and [www.virk.dk](http://www.virk.dk).

[www.atp.dk/en](http://www.atp.dk/en) is where we present ATP as a company to the surrounding world. ATP also engages in an ongoing dialogue with its customers at [www.pensionforalle.dk](http://www.pensionforalle.dk), an Internet forum where ATP publishes monthly newsletters and carries out pension and finance surveys and awareness campaigns for the mutual purpose of bringing new knowledge to both parties.

In its capacity as an investor, ATP, as a principal rule, attends the general meetings of all listed Danish companies in which ATP is a shareholder. ATP sets great store by being an active and visible investor with a clearly defined Policy of Corporate Governance. In addition, the Policy of Social Responsibility in Investments governs ATP's dialogue and interaction with companies. This applies in relation to companies that are – or are suspected of being – in non-compliance with ATP's policies.

ATP is a statutory institution and, consequently, adaptations to the ATP scheme often entail amendments or adjustments to the Danish ATP Act. Over time, Danish lawmakers have ensured that the ATP scheme and the ATP framework are aligned with developments in society; accordingly, Danish lawmakers have been closely involved in the ongoing development of ATP. This applies both to pensions and to the financial area. ATP engages in regular, constructive collaboration with the central administration in connection with legislative amendments.

Once a month, ATP publishes the electronic newsletter 'faktum', featuring articles based on ATP's accumulated knowledge, analyses and figures concerning the Danish population, pensions and pensioners and developments in Denmark. The purpose of the newsletter is to help ensure that the debate on pensions, provisions for pensioners and social issues – now and in future – is based on the best possible knowledge and documentation.