

2021

ESG Asset management

Part of ATP's responsibility



ATP's work with asset management

ATP will influence our investments in the right direction for the benefit of ATP's members and the wider community. In our illiquid investments, we have a special focus on ESG data to ensure that we invest in the right place and that our efforts have an impact.

Basis

When ATP becomes a co-owner of a company or a fund, it does so with the ambition that ATP will help to increase the value of the investment in collaboration with the other owners and the company's management.

Here, it is our belief that companies that have a convincing ESG performance over time will be more attractive, and thus also create a better return for the benefit of ATP's members.

ATP is therefore working to implement an ESG transformation during ATP's ownership period, which can improve the

company's opportunities for being sustainable and limit ESG risks. We see this as a formula for value creation.

Companies that focus on improving their ESG performance also improve in relation to society's expectations, thereby strengthening their "license-to-operate".

Processes

In 2021, ATP has launched a new process for ESG asset management, which ensures an annual ESG dialogue involving all of ATP's direct investments. This is based on ATP's questionnaire survey, which allows for a benchmarking of all companies.

This year, we have seen a doubling in the number of responses from our portfolio companies on our ESG questionnaire. We appreciate that as it gives us knowledge and several companies also tell us that the questionnaire has helped to focus their work. Thus, ATP's work with ESG data is a benefit for both

the companies and ourselves. The companies can benchmark themselves with other companies, and we as an investor can see where there is a need to make an extra effort.

ESG data also plays a major role in our real estate investments. Here we focus on incorporating sustainability in our ongoing work to maintain our properties and in the dialogues we have with our customers. In 2021, ATP Ejendomme has developed a tool for rating the properties on a number of the most important ESG parameters, which will be rolled out in 2022.

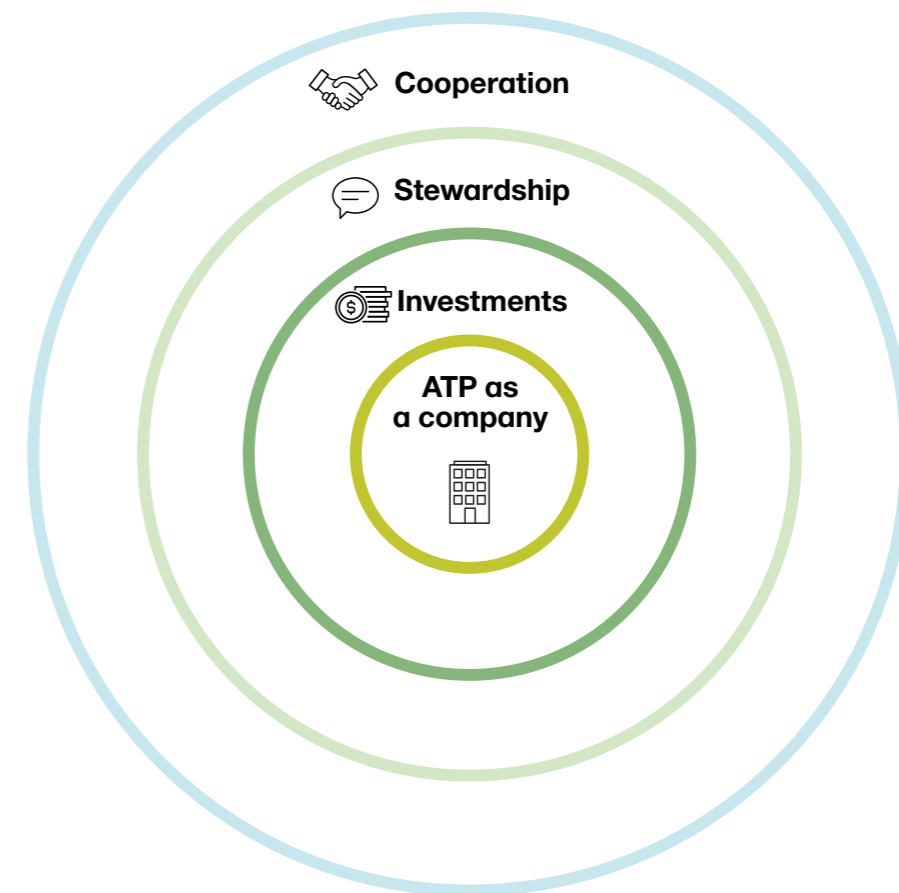
Activities

In our work with asset management, the green transition plays a major role. In 2021, ATP has set new targets for our existing properties, which will reduce CO₂ emissions by 85 per cent per square metre in 2030. For new construction projects, we will set a target in 2022.

Based on an analysis of 85 companies business ethics policies and processes, we have formulated a number of expectations for our companies' Codes of Conduct, which we have subsequently used in our stewardship activities in the illiquid portfolio. Specifically, we have entered into dialogues with

companies which, on the basis of their responses to our ESG questionnaire, have opportunities for improvement in relation to living up to our expectations.

In 2021, ATP has added questions to the questionnaire concerning issues that negatively impact sustainability and which match the requirements that ATP will presumably be subject to in the technical legislation related to the EU's disclosure regulation. The responses reveal that it will be challenging for many companies to provide the necessary data, particularly those companies outside of the EU.



ATP's responsibility is about what we do ourselves, how we invest, how we manage our stewardship activities and the way we work with others.



For ATP, ESG is about moving companies in a better direction so as to benefit society at large, the company itself and, finally, ATP as an investor. Some companies have made more progress than others, but for us, it is about ensuring that they take their part of the responsibility for the ESG transformation.

In 2021, ATP received responses to the ESG questionnaire from **133** unlisted companies. This is **65** more companies than in 2020.

The average response rate was **71 per cent** among companies who participated in the survey.

The average proportion of women in the labour force and management roles are, respectively, 36 per cent and 23 per cent.

17 per cent of companies have been hit by a cyber attack or experienced breaches of data security.

There are **117** questions in ATP's ESG questionnaire. They cover the following topics: General matters, Environmental matters, Social matters, Management and SFDR.

The companies that have responded to ATP's ESG questionnaire are distributed across **24** countries and **47** industries.

The goal is value creation - and ESG data are the means

When ATP steps in as a co-owner of a company or fund, it is keen to increase the value of the company during ATP's period of ownership - both in terms of the profits generated on an ongoing basis and the sales price if ATP should want to sell its ownership stake. This applies both to companies where ATP has a very long-term investment, such as in infrastructure projects, but also in funds where the ownership period is typically shorter.

When it comes to value creation, ATP strongly believes that a sharp focus on the company's ESG performance helps to increase the value of the companies while also providing ATP with a better image of the company's risks.

ATP participates in the market for corporate acquisitions and divestments both directly and indirectly. In our direct investments, there is a special focus on the markets close to Denmark. Here, we buy shares of unlisted companies such as, for example, the Swedish Northvolt, and our new department for Long-term Danish Growth Capital will be active in the danish market for companies. We are participating indirectly via both our investments in shares and our investments such as capital and infrastructure funds.

We have spotted a trend in the past few years. When companies are being sold, their ESG performance is increasingly being factored into the sales price. In other words, the market seems to be 'punishing' those companies that do not take sustainability seriously and rewarding those that do. This is a trend that we expect to grow even stronger in the coming years, and thus it will become a much more critical part of a company's value creation.

ATP is therefore working to implement an ESG transformation during ATP's ownership period, which can improve the company's opportunities in sustainability and limit ESG

risks. The first step for an ESG transformation is to set up a baseline for the company's ESG performance via our in-house developed ESG questionnaire. Without knowledge of a company's specific ESG challenges, ATP cannot be a partner for an ESG transformation.

The desire to carry out ESG transformations does not depend on what kind of ownership there is. There can be different ways for ATP to wield its influence, but in the end, the approach is the same whether it is a direct investment, a real estate investment or a fund investment.

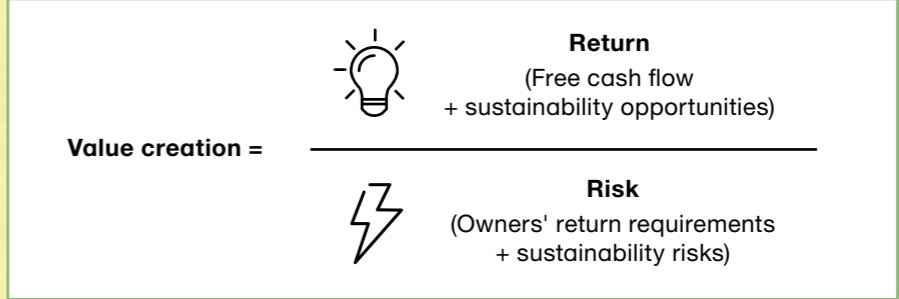
A knock-on effect of this focus is that the company will also be preparing to address the expectations of society and therefore strengthening its "licence-to-operate". If, on the other hand, a company does not want to address the changed expectations from the world around it, it may increase the company's ESG risks and potential buyers will factor this into the price during a future sales process.

WHAT IS ASSET MANAGEMENT

Asset management is focused on two things: increasing the value of an investment and reducing risks. Therefore, ATP's asset management work has a broad focus. The investment's financial ratios must continuously be monitored in order to ensure that things are developing as expected. When it comes to direct investments, we also monitor the managerial situation to ensure that there is always the right management competences in play. The same applies to other ESG issues. Here, solid ESG data points are an important parameter for assessing progress.

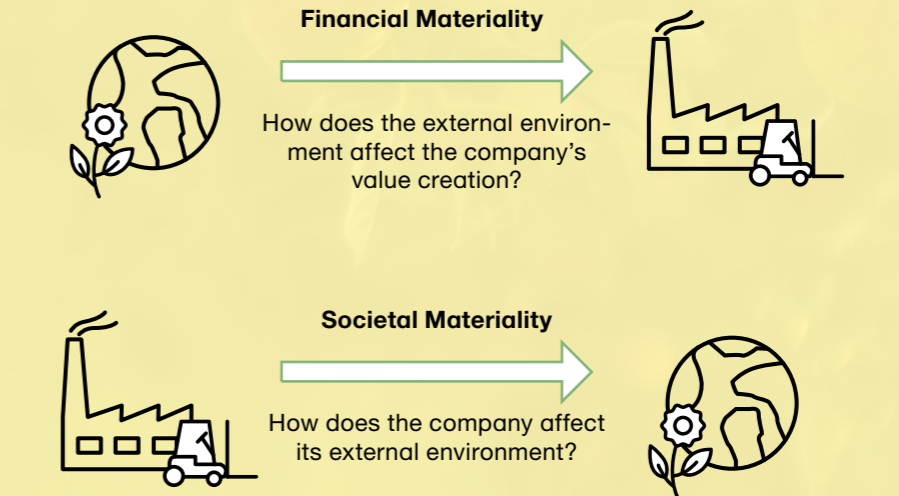
VALUE CREATION FORMULA

Value creation can be a complex issue, but in essence, ATP's approach is simple. It is about nurturing the opportunities that exist to strengthen one's business via, for example, sustainability initiatives and business opportunities. At the same time, one needs to mitigate the risks that can challenge your position. There may also be risks from, for example, sustainability issues such as climate matters or human rights.



TWO TYPES OF ESG MATERIALITY

At ATP, we incorporate both financial and societal materiality into our investment processes. This reflects the fact that there may be differences between what drives value in a company and what society in general values. Ultimately, a company can suffer negative financial consequences if it fails to consider societal materiality.



The ESG questionnaire is developed by ATP and the companies

When working with asset management, data is a prerequisite for knowing where we need to take action and for measuring whether the effort has an effect. However, as ESG data, especially in the unlisted field, are not standardised, it can be difficult to measure and compare across companies.

Therefore, in 2020, ATP took the initiative to develop a questionnaire, which we ask our portfolio companies to answer every year. We are pleased that there is increasing support from our portfolio companies - this year, for example, the number of responses doubled.

Our view is that the companies have generally responded well to the questionnaire. This is confirmed by the fact that several companies tell us that the questionnaire has helped to shift their development processes, for example, in relation to developing committees and policies.



“ Our build-up of ESG data for illiquid assets allows us to have a more data-oriented and thus focused dialogue with companies and funds. It creates much more value for us, and not least it also creates more value for our investments that we focus on the most relevant areas.

Susanne Røge Lund, ESG Director

The questionnaire is an integral part of ATP's work with asset management. We gain insight into how the companies in our direct investment portfolio and funds integrate ESG into their business and how they work with the risks and opportunities that sustainability provides.

However, it is important to us that the companies do not perceive the questionnaire as a rating from ATP. We know that companies can be at different stages of development when it comes to ESG issues, for example, due to their industry or geographical location. And we can see that reflected in the questionnaire data. Some can answer all questions and have policies and processes in place, while others can only present basic policies and individual data points.

Therefore, the intention of the questionnaire is not to highlight the best or to point out the worst. For ATP, it is more important and value-creating that we give a boost to those who need to start an ESG transformation than it is for us to praise those who are already well on their way. Therefore, we have a special focus on providing feedback to the companies so that they can compare their development with the other companies in ATP's portfolio.

NEW ESG ASSET MANAGEMENT PROCESS

In 2021, ATP has implemented a new process which ensures that ESG dialogue with all of ATP's direct investments on several levels. The starting point is ATP's questionnaire survey, which enables a benchmarking of all companies and thereby the opportunity to designate specific focus areas for each of the companies. This analysis is handled by ATP's ESG team while the investment team handles the individual dialogues with each portfolio company in relation to monitoring progress for the focus areas. At the same time, the investment team makes an assessment of the more business-related ESG matters in relation to the portfolio companies in order to assess whether the company has significant ESG risks or ESG opportunities that need to be uncovered. ATP's ESG team contributes to these analyses, which form the basis for company-specific ESG initiatives where the benefits are assessed as being the greatest.

TWO COMPANIES IN THE SAME INDUSTRY WITH DIFFERENT APPROACHES TO ESG

	Company X		Company Y	
	2020	2019	2020	2019
How much manufacturing waste is sent to recycling? (no longer included in 2021)		27%		64%
Does the company use recycled water?	Yes	Yes	No	No
Does the company's manufacturing processes entail the use of hazardous materials?	No	No	Yes	Yes
What is the voluntary staff turnover?	18.7%	8%	4.2%	4.2%
How large a share of the employees are covered by a collective agreement?	100%	66%	50%	50%
How often does the company carry out a satisfaction survey among its employees?	Every year	Every year	Less often than every other year	Every third year
What is your LTIFR? (Lost Time Injury Frequency Rate)	5.4	8	0	No data
Do you keep a record of near-miss accidents?	Yes	No	Yes	Yes
Does the company have a strategy in place for communications with its local area?	No	No	Yes	Yes
Who holds overall responsibility for ESG within the company?	Communications Director	No answer	Director of Corporate Services	Director of Corporate Services
Who has the overall answer for cybersecurity?	Head of Cyber & Information Security	No answer	Director of Information Technology	Director of Information Technology
Does the company perform audits on its suppliers?	Yes	No	Yes	Yes

With the questionnaire, we can see how developments progress over the years. We have noted some improvements this year in the two companies that we used as cases in last year's report.

Asset management close to customers

ATP's subsidiary, ATP Ejendomme, is one of Denmark's largest investors in real estate and thus has a major role in many sustainability contexts. ATP owns buildings in some of the most central locations in Denmark, and thus we have a major role in how many of our common urban spaces develop. We also own listed buildings, where respect for the existing architecture must be combined with new requirements for energy consumption.

different characteristics and potentials. Newer properties with modern installations must, for example, be able to deliver a lower carbon footprint and a better indoor climate than older properties, which in turn may have a greater potential for improvements in connection with ongoing maintenance and upgrades. ATP Ejendomme has developed a tool for rating the properties on a number of the most important ESG parameters. The tool will be rolled out on the Danish portfolio in 2022.

Properties and construction account for approximately 40 per cent of our total energy consumption in Denmark, as both the daily use and the construction of properties entail a lot of CO₂ emissions. Real estate also impacts our health and well-being directly on a daily basis, as in our latitudes, we spent up to 90 per cent of our time indoors. In other words, properties have a wide range of impacts on ESG matters.



“ At ATP Ejendomme, we work closely on the individual properties across the various internal functions - from asset management, ESG and finance to operation, construction and maintenance. This is a prerequisite for being able to deliver a good customer experience and for finding the solutions that best contribute to ensuring the long-term value development in our portfolio.

Peter Hebin Bruun, Head of ESG at ATP Ejendomme

Therefore, sustainability must be considered in all business processes to ensure that our properties help to push things in the right direction. Asset management plays a key role in this context.

The daily dialogues with the customers in the properties is handled by ATP Ejendomme's asset management department, which is responsible for developing the individual properties for the customers' needs and for the properties' finances and long-term returns. The dialogue can either be directly with the customers or with ATP Ejendomme's business partners for the externally managed part of the portfolio. ATP Ejendomme's asset managers are thus also overall responsible for ensuring that the properties live up to the ambitions for sustainability that ATP Ejendomme has defined.

They work on this task in collaboration with ATP Ejendomme's ESG department and with the colleagues in ATP Ejendomme's operations and project organisation who take care of the operation of the properties on a daily basis and who carry out a large number of different construction projects each year - from maintenance of the climate shell and technical installations for conversions and interior design projects.

Each property and each segment of the portfolio must contribute to realising the sustainability ambitions based on their

Can property certification pay off?

In November 2021, the international commercial real estate broker CBRE published a report based on a review of 22,000 office leases from 12 European countries, including Denmark, in the 2016-2021 period. The main conclusions from CBRE's analysis are:

- New lettings of certified properties have increased from 24 per cent to 31 per cent. Sustainable buildings make up 20 per cent. of the supply, but in terms of leases, they amount to 31 per cent of all the new leases on the market. This shows that customers' interest in renting certified office properties is higher than for non-certified ones.
- The vacancy rate in Copenhagen was 3.5 per cent for certified office properties, whereas it was 10 per cent for other office buildings. The same trend is seen in the rest of Europe.
- The rent level for certified properties was on average 21 per cent higher than the market average and what it was non-certified properties. At the European level, the spread was 13 per cent to 29 per cent, with Copenhagen as the city with the biggest difference.

ATP's certified properties	Certification	Total M2	ATP's part of M2
Axel Towers	DGNB Silver	40,114	13,238
Pier47	DGNB Gold	19,499	19,499
Turbinehuset, Adelgade 12	DGNB Gold	7,342	7,342
AC Meyers Vænge	DGN BIU	15,731	15,731
UN City	LEED	49,830	22,822
Portland Towers	BREEAM	12,753	4,247
North Galaxy, Brussels	BREEAM	121,803	109,623
RAI. Amsterdam	LEED	33,958	16,979

Solid policies promote strong business ethics

Business ethics is a topic that ATP has had a special focus on in 2021. Expectations for companies' performance are shifting these days, and therefore the companies' management and employees must learn to navigate this new reality. Therefore, it is important that companies have a system that supports both managers and employees in making the right decisions.

A company's business ethics can be seen as the system of policies, processes and activities that the company has to act in accordance with laws, rules and norms regarding ethical business operations, for example, in relation to conflicts of interest, anti-corruption work, whistleblower functions and discrimination in the workplace.

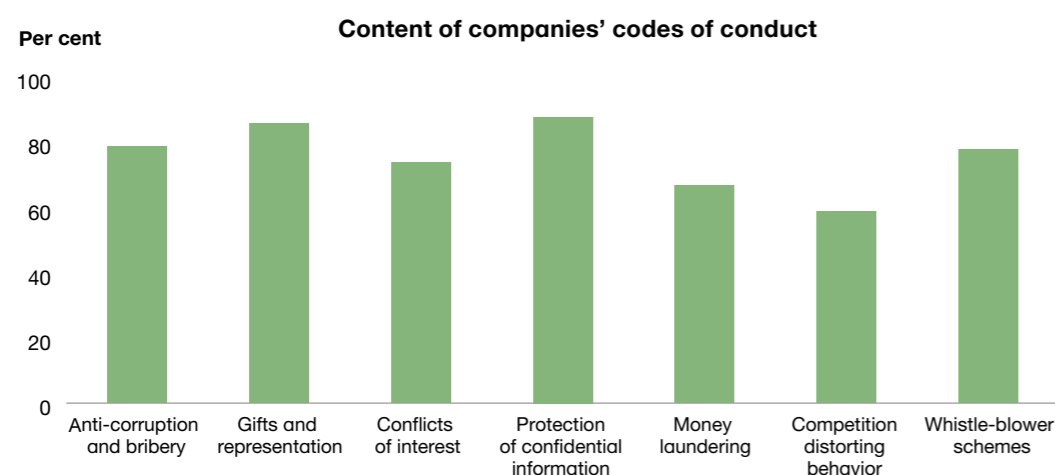
Within the field of ESG, business ethics is not a topic that investors have traditionally worked quite a lot with, because it is typically seen as a complicate topic with lots of regulations and as something that primarily takes place internally in companies without much room for investors to take action.

However, if one does not put resources into assessing the portfolio companies' work with business ethics, this may end up being a costly mistake for the individual company since,

for example, being involved in fraud can lead to large financial sanctions and mistrust in the population, but there can also be a societal impact. For example, it is estimated that corruption costs more than 5 per cent of global GDP in lost value each year.

This year, we have carried out a qualitative analysis of 85 companies' business ethics setups, where we looked into the quality and contents of these companies' codes of conducts in order to use them to put the focus on how these companies' general approach to business ethics has been a factor in evaluation the companies' performance across our portfolios. Codes of conduct are general policies that companies have and which employees are committed to following in order to act in line with the rules and norms governing business ethics.

Based on the analysis, we have formulated a number of expectations for our companies' codes of conduct, which we have subsequently used in our stewardship activities in the illiquid portfolio. Specifically, we have entered into dialogues with companies which, on the basis of their responses to our EGS questionnaire, have opportunities for improvement in relation to living up to our expectations.



In its questionnaire, ATP has asked our portfolio companies in the illiquid portfolio and private equity funds about the contents of their code of conduct. From this, we can note that there remains room for developing these codes of conduct in many companies. Our underlying data show that it is especially the portfolio companies of private equity funds that need to improve their policies.

ATP's expectations of companies' codes of conduct

How a code of conduct is shaped

- A clear "tone from the top" in the form of, for example, starting with a message from the CEO and preferably also having a clear board approval.
- Indication of date and also ideally a version number - and relatively frequent updating (preferably annually).
- Easy-to-locate section on whistleblower options - located in a prime location (i.e., first or last) and preferably referred in the CEO's foreword.
- Clear indication of the desired recipient. The structure, lix number, etc. of the document must reflect this.
- Help for the reader - navigation questions, cases, referrals - must match the recipient.
- The length of the document is not what is important - the important thing is that the right topics are addressed, that the document hits its target group in terms of structure and content and that it signals seriousness, etc.
- Further information is provided on an ongoing basis (and, if relevant, also at the end of the document) if the company, for example, has separate policies regarding one or more topics.

The contents of a code of conduct

- All companies should consider including the 10 most common topics in their CoC (or in separate policies). These topics are: Conflict of Interest, Anti-Corruption, Whistleblower Issues, Gifts / Entertainment, Personal Data Protection, Anti-Discrimination and Harassment, Distortion of Competition, Confidential Information, Relationships with Suppliers and Health and Safety.
- In addition, only those topics that are actually relevant should be included in the context of the company's industry and geography.
- Less relevant topics should not be included "just in case". A possible guideline for determining whether something is relevant may be whether a realistic case example (scenario) can be formulated for the topic to help the employees. If not, the section should be dropped.

Real energy savings require insight into the properties

ATP Ejendomme works continuously to reduce resource consumption in the property portfolio and since 2019 it has had a specific goal of reducing operational energy consumption by 10-20 per cent in 2025 in relation to 2018 consumption levels.

The overall goal in terms of CO₂ emissions is to achieve carbon neutrality pursuant to the objectives of the Paris Agreement. According to the Global Alliance of Buildings and Construction, buildings account for 35 per cent of the world's energy consumption and 38 per cent of all CO₂ emissions, so there is no doubt that buildings are a big part of the solution.

At the same time, energy consumption is also one of the areas where we as an investor can optimise our buildings and make sure they are managed properly, ultimately ensuring lower operating expenses.

GREEN POWER THAT MAKES A DIFFERENCE

ATP Ejendomme has entered into a partnership with Better Energy and Energi Danmark to purchase electricity from a new, Danish solar park via a so-called PPA (Power Purchasing Agreement). We will commit ourselves to buying power from the solar park and thus contribute to securing financing for it. Our purchase matches the consumption from our offices and all common areas in the real estate that we own.

With this agreement, we are making a direct contribution to ensuring completely new green energy is added to the Danish electric grid without government subsidies. The solution thus has a much bigger impact on the green transition than the traditional 'origin guarantees' that are typically based on already existing sources of green power or projects that, with government subsidies behind them, would have been realised anyways.

In 2021, ATP Ejendomme worked on updating the company's ESG objectives, including specifying more precise targets for the carbon footprint. The CO₂ targets go hand in hand with the preparation of principles and methods for ATP Ejendomme's future CO₂ statements. The objectives for existing properties, which are presented here, are based on specific expectations for the development of the portfolio and on information about the expected development in the utility network from the Danish Energy Agency.

Precise objectives for new construction projects are included in the upcoming update of ATP Ejendomme's ESG guidelines for new construction projects, which will be done in the spring of 2022.

For existing properties, the objective is based on two basic elements:

1. The effect of active measures for CO₂ reductions in ATP Ejendomme, among other things, via reductions in energy consumption, the purchase of green energy and increased connectivity to the district heating network and use of heat pumps, etc.
2. The effect of the general transition of the utility sector towards using renewable energy, including in particular the developments related to district heating and electricity. 80-90 per cent of the CO₂ reduction stems from the general transition to green energy in the utility sector. The remaining 10-20 per cent are from energy savings and our own initiatives for setting up solar panels on the properties and purchasing green electricity. We buy green electricity through our partnership with Better Energy, which ensures that new renewable energy sources are built on the basis of ATP's demand rather than buying certificates for existing green electricity. In this way, we ensure that more green power comes into the grid.

ATP Ejendomme uses the Danish Energy Agency's climate projections for emission factors to estimate future emissions.



CO₂ reduction targets in the real estate portfolio:

ATP Ejendomme's Board of Directors specified new CO₂ targets in December 2021, which consist on an overall reduction target for the operations of existing real estate in the portfolio and another target for the carbon footprints of new construction projects.

For existing real estate, the target is a reduction of CO₂ emissions per m² compared to 2018 of:

- 65 per cent in 2025
- 85 per cent in 2030
- 100 per cent in 2050 (carbon neutrality)

For new construction projects, the targets will be specified in the spring of 2022.

Five questions for Torben Vangstrup, Head of ATP Private Equity Partners



development, as not all the funds have a systematic approach to data and data collection, but they are keen on having this and working on it. We are also finding that the resistance against getting specific ESG requirements put into contracts is not as strong as it was with the funds.

3. HOW CAN THE USE OF DATA IMPROVE ESG ISSUES IN PRIVATE EQUITY?

With solid data, we can target the ESG dialogues much more precisely and also support this with observations. Based on relevant sector-specific data, the capital funds will be able to identify initiatives for areas that may not have previously been focus areas for them. We have the advantage that our data basis is comprehensive, and thus we can segment knowledge for specific industry conditions and the applicability is notably increased for the capital funds in the context of our portfolio companies.

1. WHAT IS YOUR VIEW ON ESG DEVELOPMENTS FOR PRIVATE EQUITY FUNDS IN THE LAST THREE YEARS?

Basically, I would say that things have moved really fast. Three years ago, it was an unwanted chore for the funds to talk about ESG, and their perception of ESG issues back then is miles away from where it is today. Now the focus is on using resources on the ESG area optimally and ESG matters are also actively being used in incentive-based salary programmes. The funds are generally more proactive and are happy to come to us for advice and feedback. For example, one of our large capital funds arranged an ESG meeting with us and 10 people showed up - and these were senior management types. This would not have happened three years ago.

2. HOW ARE YOUR ESG REQUIREMENTS BEING RECEIVED BY THE FUNDS?

The funds generally have a positive view of our need for information, not least when they find out that we will also be delivering relevant data to them in return. This allows them to work more systematically with ESG matters together with the companies we have in common. However, there is still room for

4. WHAT HAS BEEN THE BEST AND WORST SURPRISE?

It has been great to see how ESG matters have gained general acceptance - and when the starting point is a positive investment case, motivation is rarely a problem. We have been fortunate to enter into a period where there is a growing focus on both ESG and data. We are therefore now in a better position in relation to the new requirements from the EU on ESG reporting. When it comes to negative issues, we need to work on our patience, meaning that we want to quickly build up a more comprehensive dataset, but realistically, it is going to take a couple of years.

5. WHAT IMPACT DOES ESG HAVE ON RETURNS?

When ESG initiatives - based on a data analysis - are focused at where the greatest potential returns are, this will, all other things being equal, also result in higher overall returns for the investments made. Therefore, there is a strong need to measure the value of ESG initiatives and it is a good thing that we are well under way with this. Several of our funds tell us that having a sharp ESG profile is becoming an important parameter when selling companies.



Waterland Private Equity Investments

“ We have seen that the focus on ESG matters and ESG data in particular has been growing rapidly in the last few years. Investors are increasingly demanding data and more information about ESG issues. We view this as an advantage. After all, ESG data can help to show the value of ESG initiatives. We have focused on ESG issues for many years and from early on we saw the value of integrating ESG into our investment processes. ATP’s questionnaire is valuable to us, as it provides us with good insights into the development and how different sectors are doing. We also use ATP’s questionnaire as input to our own work with data collection.

Lex Douce, CIO and Chairman of Waterland’s ESG Committee

Waterland is a Dutch capital fund that was founded in 1999, and since then, the company has invested in more than 800 companies. They believe that companies that avoid ESG risks and embrace ESG opportunities will perform better in the long run. They are also very serious about their integration of ESG issues in the investment process and have been working with that for a number of years. In addition, they are signatories to the UN’s Principles for Responsible Investment (PRI). The ESG work is integrated into the investment process from the first initial signs of interest to the final step where a company is sold again. Waterland is an active investor that uses its ownership stakes to drive the change they want to see in companies - naturally, in partnership with the companies’ management teams. ATP has invested in Waterland since 2003.

EU requirements are a challenge for illiquid companies

Due to the EU's disclosure regulation, from 2023 investors will have to report on their adverse impacts on sustainability based on a number of fixed indicators that are expected to be specified and finalised in 2022. In 2021, we chose to add the questions that appeared in the draft versions of texts from European oversight authorities in the annual ESG questionnaire in order to make companies more aware of the coming need for more data on this area. As the responses from this year's survey indicate, there is still some way to go before there are comprehensive answers from the companies in our illiquid portfolio.

- Six questions and four sub-questions about adverse impacts on sustainability are about CO₂ emissions in the draft texts.** Less than 50 per cent of companies can respond to some of these questions - except the specific question about whether the company is active in the fossil fuels sector, which everyone can say yes or no to.
- Three of the questions are about other environmental factors.** Over 50 per cent of the companies can respond to the specific questions about biodiversity and

waste, but less than 50 per cent can answer questions about water.

- Five of the questions are about social and management-related factors.** More than 50 per cent of companies can respond to all questions, except the question regarding the non-adjusted salary gap between men and women.

ATP and other global investors have been challenged by the data available for reporting on adverse sustainability impacts and thus have to rely on what the portfolio companies report.

In 2021, we have managed to nearly double the number of companies that respond to the questionnaire. Thus, we are beginning to get a clearer picture of our investments and we are getting a broader selection of companies to compare the ESG performances of individual companies with. With the addition of the many new companies, the average response rate for individual questions has decreased, however. In 2020, on average companies responded to 80 per cent of our questions, and this had fallen to 71 per cent in 2021.

COMPANIES ARE FINDING IT DIFFICULT TO COMPLY WITH THE EU'S COMING REPORTING REQUIREMENTS

As part of the EU's work with sustainable finance, from now on companies will have to report on the so-called 'principal adverse impact indicators' (PAII). ATP has added these indicators to its questionnaire in 2021. The indicators for this year's questionnaire seem to suggest that there may be challenges for investors when it comes to reporting on this data. While the average company that completes ATP's questionnaire responds to 3 out of 4 questions on it, on average less than half of the questions are responded to when focusing on those specific questions that the EU will now demand be reported on.

Company domicile	Number of SFDR questions answered, average	Number of SFDR questions answered, median
EU	64 per cent	64 per cent
Non-EU	54 per cent	43 per cent

HOW ARE COMPANIES IN THE SURVEY DISTRIBUTED GEOGRAPHICALLY AND BY SECTORS?

The companies that have responded to ATP's questionnaire are from all over the world.



Companies that take part in ATP's illiquid questionnaire survey are distributed across many different sectors. Of those companies that have participated in our survey in 2021, industrial companies make up the largest proportion. ATP is continually working on getting more companies to participate in the questionnaire survey.

Participating companies, by industry

