

The ATP Group

# 2019

## ESG in unlisted assets

Part of ATP's responsibility



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# ATP's ESG activities in relation to unlisted assets

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

## Basis

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

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

ATP complies with the OECD Guidelines for Multinational Enterprises.

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

## Processes

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

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

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

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

## Activities

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

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

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

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

## ATP's ESG principles and illiquid assets

#1

ESG as an investment belief

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

#2

Strong tailored processes

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

#3

Development of ATP's ESG competencies

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

#4

Preference for capital stewardship

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

# ATP has an ESG focus for long-term illiquid investments

In recent years, ATP has strengthened the processes regarding ESG integration for the illiquid component of our investment universe. This is partly a consequence of increased focus on illiquid investments such as infrastructure and private equity and partly a consequence of ATP's continuing focus on integrating ESG in all investment processes.

ATP's Supervisory Board determines the framework for ATP's work on social responsibility in the shape of ATP's Policy for Social Responsibility, Policy for Stewardship and ATP's Tax Policy for Private Equity.

ATP views ESG risks in line with other investment risks, including market risks. As is the case with other investment risks, ATP strives to identify ESG related risk sources and assess to which degree ATP is compensated.

As a natural extension of the Supervisory Board's policies, ESG is an investment belief for ATP. This means that ATP incorporates ESG issues in our investment analyses and ensures that we both identify and analyse potential risks, but also that we exploit the opportunities for realising potential value creation that an ESG focus can also bring about.

As a general rule, ATP has the same focus on ESG in illiquid investments as in liquid investments. The difference relates in part to the shareholding and partly in the different types of ownership and investment methods available in the illiquid investment universe which provide other and often better opportunities for working with ESG.

As a consequence, ATP strives to standardise the ESG processes in respect of the different investment processes applying to various types of alternative investments. Both in terms of direct investments and fund investments in real estate, infrastructure and private equity, ATP's focus has been to tailor the processes to the specific investment process. ATP believes that this will enable the most efficient integration of

ESG in investment decisions and ensure that ESG is integrated in the entire investment process.

Because of the long-term nature of illiquid investments, it is important that ESG aspects that might have an impact during ATP's period of ownership form an integral part of ATP's investment process. This prevents unexpected surprises for ATP during the period of ownership and thus protects ATP against unwanted risks.

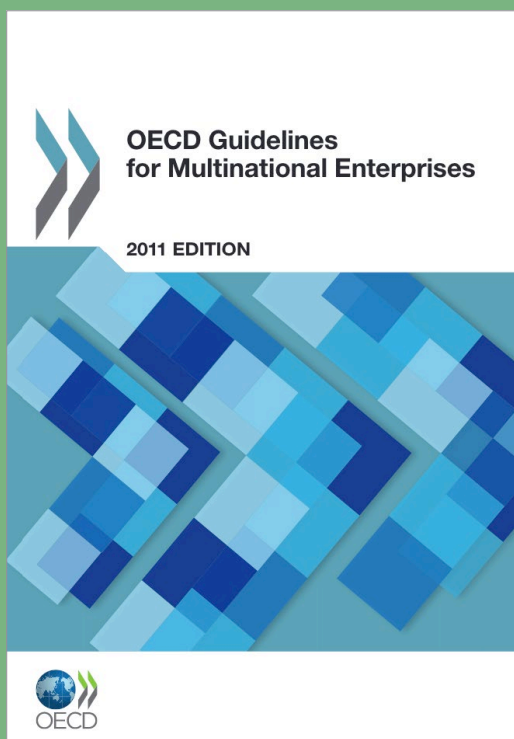
ATP often holds a larger shareholding in a fund or an infrastructure project, meaning that we have a better chance of influencing the structure and management of a specific investment. This higher degree of influence also increases ATP's responsibility for ensuring that we are not in breach of the OECD Guidelines for Multinational Enterprises. ATP lives up to this responsibility by ensuring that ESG issues are integrated into strong processes for our illiquid investments.

## WHAT IS AN ILLIQUID INVESTMENT?

While an investment in listed equities can usually be traded via the established markets, investors cannot always expect to be able to sell their private equity. They are illiquid and the investor has to spend time on identifying a buyer willing to pay the correct price for the equity.

In ATP, illiquid assets include elements such as unlisted equities, infrastructure, real estate, forested lands and certain types of credit. As the buying and selling processes are much more extensive than for listed equities, a deeper analysis is required of several issues, such as legal, financial and ESG issues, etc., when ATP acquires this type of asset.





ATP's Policy for Social Responsibility – and its implementation in our investment processes – was designed, among other reasons, to ensure that ATP complies with the OECD Guidelines for Multinational Enterprises.

The OECD Guidelines are an international, authoritative set of expectations for the behaviour of companies in relation to issues such as human rights, environment and corruption.

For investors such as ATP, which primarily affect society via the companies in which we are shareholders, the OECD has published the guideline Responsible Business Conduct For Institutional Investors, condensed by the Danish Business Authority in its 2018 Guide-line on Responsible Investments (Vejledning om Ansvarlige Investeringer).

# ESG due diligence exercise for direct investments and funds

## WHAT IS DUE DILIGENCE?

Due diligence is the investigation of a company or an asset prior to final signature on a contract to acquire a company. It is essentially about providing ATP with the strongest possible knowledge basis for entering into an investment. ATP continuously screens a number of investment opportunities, and when an investment is deemed to be interesting to ATP, due diligence is initiated, during which a range of issues related to finances, legal matters and tax are investigated. ESG issues which may be of importance to the company and ATP as an owner are also investigated.

ATP has a significant share of the portfolio placed in illiquid investments. This means that ATP co-owns, e.g., airports, motorways, wind farms, forested lands and several other assets. When ATP enters new investment areas, however, this generates greater demands on our knowledge, competence and investment analyses. This has led ATP to significantly strengthen the processes for illiquid investments in recent years – including our work with ESG issues.

For global, direct investments, ATP has defined an ESG process which is tailored to the well-defined investment process used for such investments. As these are usually single assets, we can narrow down the relevant areas relative to industry, geography, business model, etc., and concentrate the dialogue accordingly.

Direct investment typically also involves a larger shareholding, thus providing different opportunities relative to posting

demands regarding ESG and the work with same when ATP becomes a co-owner.

The purpose of the ESG due diligence exercise is, initially, to secure information and knowledge about relevant ESG issues before ATP decides whether to go forward with a given investment. An ESG due diligence exercise can identify problematic ESG issues of such a nature that ATP does not wish to proceed with the investment in the same way that commercial, legal and tax issues can stop a potential investment.

An ESG due diligence exercise can also lead to ATP demanding a specific handling of problematic ESG issues in order for ATP to go through with the investment. The due diligence process can also identify issues which ATP, together with the asset or the fund, wishes to improve in order to create a more valuable investment in the long term. ATP closely follows the development of such issues during the ownership period.

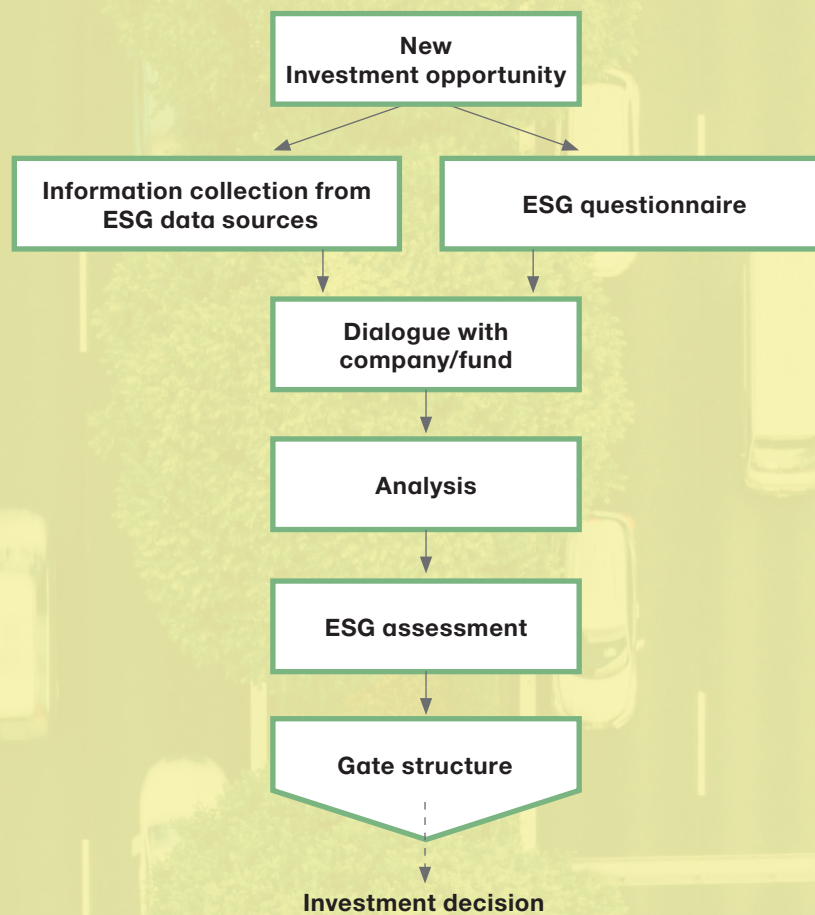
In the years to come, ATP will strengthen its focus on ESG in the management of our investments. We will focus on developing processes and knowledge collection to secure the advancement and control of integration of ESG in our investments.

## ESG QUESTION BANK

ATP has developed its own question bank with a view to targeting ESG questions for potential investments to the relevant sector. ESG questions are introduced early in the due diligence process in order to identify focus areas to be managed or whether there are ESG issues that mean that the investment cannot be completed.



## HOW ESG IS INTEGRATED IN THE INVESTMENT PROCESS



The investment process for global direct investments is based on a gate structure in which pre-defined conditions must be in place for the individual gates.

The individual gates are stop/go meetings intended to clarify the future progression of the investment. This also includes ESG issues, meaning that it is often an iterative process in which additional issues must be illuminated relative to the investment before this is processed in the next gate.

Ultimately, issues may have been uncovered during due diligence which may stop the investment.

# Integration of ESG in fund investments

For private equity and other fund investments, ATP provides an 'indication' to the fund manager of being willing to invest a sum over a given investment period. This means the specific assets that co-ownership will result in by investing in the fund are not known, but only the sectors, geography and size of the companies that the fund plans to invest in.

An ESG due diligence therefore focuses on assessing the fund's competences relative to working with ESG when the fund starts to place investments on behalf of ATP.

ATP invests in 'private equity funds' primarily via ATP's subsidiary ATP Private Equity Partners. Previously, ESG was not an integral part of the investment process, but since 2018 ATP has applied substantial resources to developing and implementing integrated ESG processes in connection with new investments. ATP is now beginning to see the results of our work in relation to the funds.

ATP has prepared an ESG questionnaire which is submitted to a new potential fund. The purpose is to uncover the thinking held by the fund regarding ESG and how ESG is considered relative to the companies invested in. We do this to ensure that the potential funds understand and have processes in place to manage ESG issues in their investments. ATP prefers to see that the fund has processes approximating ATP's own approach to due diligence in illiquid investments.

## WHAT ARE PRIVATE EQUITY FUNDS?

Private equity funds are also called equity funds. Equity funds typically buy all or controlling shareholdings of companies which during their ownership period they restructure and improve in order to generate a return on the investment. As equity funds most often hold controlling shareholdings, this provides greater opportunity to apply ESG parameters during the ownership period. ATP applies a so-called funds-of-funds in which ATP's own private equity fund acquires shares of other funds. This enables ATP to require that other funds focus on ESG in their portfolio companies.

In addition to the ESG questionnaire, ATP also always enters into a dialogue with the fund with the purpose of creating greater clarity about and insight into its ESG-related thoughts and processes. The assessment of the fund also includes knowledge of the context in which the fund operates, e.g., sectors and countries, climate-related issues and other issues of potential relevance.

It is also important that the fund is able to improve the conditions in the companies it invests in where this is necessary.

## Examples of questions to potential fund investments

<b>Policy and processes</b>	Are there relevant ESG policies in place? Who is responsible for ESG? Which ESG initiatives are in progress?
<b>ESG integration</b>	How is ESG assessed, and with which competences? What is the role of ESG in assessing investments? In which fora are ESG issues considered?
<b>Management</b>	Is ESG a part of the action plan after investment? How is ESG managed in portfolio companies? Is ESG a part of preparation for sale of companies?
<b>Monitoring and reporting</b>	How is ESG reported? How are investors notified of unintended events? Are there fixed KPI's for ESG in reporting?



ATP likes to see that funds have wide knowledge of ESG in order to be able to work in a way that is believable and responsible with individual portfolio companies.

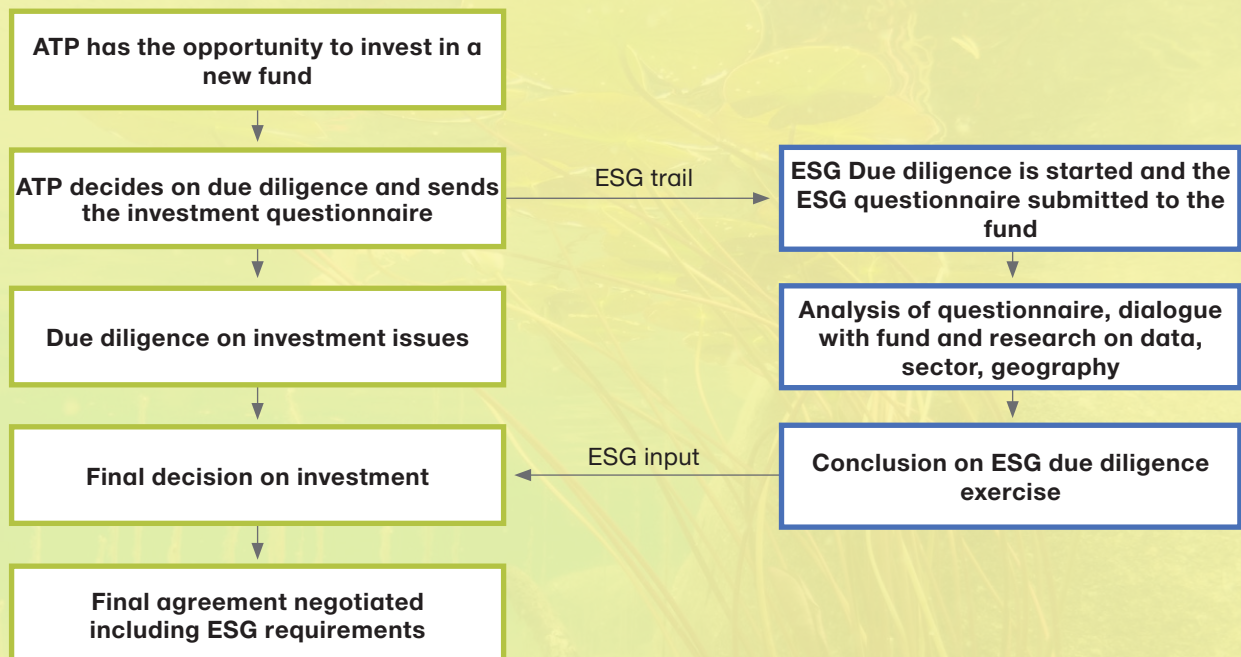
Based on the analysis, ATP determines if the fund's processes and policies satisfy ATP's requirements and expectations. This is an important parameter in the analysis of a fund when ATP has no advance knowledge of the companies that the fund will eventually invest in.

If it is a fund in which ATP has previously invested, previous investments can be used as a guideline, but this does not

necessarily say anything about the future investments made by the fund.

Just as in direct investments, ATP also focuses on active ownership in private equity. In relation to funds, the due diligence exercise identifies the areas in which ATP would like to see the fund working on improving its ESG performance. These will become part of the annual follow-up with the fund in which the investments made can be used to test the practical implementation of the fund's processes.

#### PROCESS FOR ESG IN ILLIQUID INVESTMENTS



The figure illustrates the ESG due diligence process in ATP Private Equity Partners. The ESG process is tailored for the well-established investment process which has been used for several years in ATP PEP. The ESG process runs parallel to the investment due diligence process, thereby ensuring that ESG is integrated into overall due diligence performed prior to making an investment and in which ESG is a parameter in line with other factors.

# ESG integration in real estate investments

ATP Ejendomme invests in existing real estate and development projects – primarily in Denmark, but also abroad. A small part of the investments are placed via funds with a real estate focus.

For investments in externally managed real estate portfolios, ESG is a fixed element in ATP Ejendomme's due diligence process: From initial dialogue regarding funds to the data-based analysis of risks and subsequent reporting and follow-up with the manager. This approach is similar to ESG due diligence for ATP's other fund investments, but with an eye for the characteristics applicable to real estate investments.

ATP Ejendomme only invests in funds in which the managers have a solid and well-documented ESG focus. The ESG focus of the funds must, for example, be aligned with ATP Ejendomme's ambition for reduced energy consumption, sustainability certification and good indoor climate in properties.

Certification is one of the specific tools which funds and other property investors use to document the sustainability of their portfolios, and the largest funds and investors often have a certification policy. ATP Ejendomme, for example, requires that all new-builds are certified, primarily DGNB.

” We consider sustainability an important precondition for us to be able to attract the right customers and to ensure long-term value growth in our portfolio. We apply a holistic view on sustainability in which both environment, indoor climate, health and safety and responsibility in the supplier link are included”.

*Martin Vang Hansen, CEO, ATP Ejendomme.*



## PROPERTY CERTIFICATION

There are several different, internationally recognised sustainability certifications for properties, including LEED, Breeam and DGNB. The Danish property sector has agreed to select the German DGNB standard as the basis for certifications in Denmark. Recognised certification allows investors to ensure the quality of the valuations and documentation for the sustainability of the properties.

In addition to property specific characteristics, such as certification, ATP Ejendomme places particularly great emphasis on the integration of ESG by the funds in their investment and monitoring processes – i.e. how policies and targets are translated into practical efforts. The documentation for this integration is a fixed element of the dialogue with the fund.





Axel Towers at Axeltorv is one of the most recognisable properties in the ATP Ejendomme portfolio, and has a strong sustainability focus.

The property is certified sustainable with DGBN Silver, meaning that it satisfies a number of requirements related, for example, to environmental load, social quality, technical performance and construction process – all of which requirements are in addition to the standard building regulations.

The five towers of the property, located across from the main entrance to Tivoli Gardens, were named the most beautiful property in Copenhagen in 2018.



# Future-proofing investments

ATP continuously screens new investment opportunities in a number of sectors of which only a few ultimately are invested in by ATP. As part of the process of assessing potential investments, specialists from ATP's ESG team participate with a view to clarifying any problems related to ESG issues. In case of problems concerning ESG, ATP will usually ensure that an action plan is prepared which becomes integrated in the investment agreement. In some instances, particular ESG issues can mean that ATP does not wish to acquire a certain asset, and in other instances critical issues need to be sorted before an agreement can be concluded.

ATP has a focus on ESG in the ongoing management of our investments. ATP is a long-term investor, and for this reason

we want, in consultation with management and other investors in our portfolio company, to have a dialogue about ESG issues which may affect the company's future earning potential.

As part of ATP's ongoing management of our investments, we also manage new issues which are relevant to our investments. We do this to ensure that the value of ATP's shareholding is also maintained and developed in the long term. ATP generally experiences that both the management of the companies owned by us and our co-investors are positive participants in this dialogue.

## IMPROVEMENT PLANS

In 2018, ATP invested in an American company which develops solutions to optimise the manufacture of products, primarily in the electronics industry. ATP's due diligence showed that the company achieved fast growth over a short number of years and that it was therefore catching up in a number of organisational and administrative areas.

ATP concluded that there was a lack of basic policies and processes for ensuring satisfactory management of ESG issues in the company's operations.

In collaboration with the company, ATP defined three action areas in the final agreement which the company committed to bringing up to standard with in a fixed time frame.

The agreement included the determining of action areas for Health & Safety, Environment & Waste and Suppliers & Responsible Sourcing. The company has now hired an employee who is responsible for putting necessary policies and processes in place and ATP is in continuous dialogue with the company to follow up on the agreement concluded.

“ It is important for to ATP have clarity on all issues before we place an investment and that there are clear plans for what should be done to rectify any shortcomings when ATP becomes an owner”.

*Sabine Calmer Braad*  
Director, Global Direct Investments





## Focus on future transition in Spanish gas company

Since 2010, ATP has invested in the Spanish gas distribution company Redexis, and we have increased our shareholding on an ongoing basis. In 2018, ATP increased its shareholding in the company to 33.3 per cent, and ATP owns the company together with three other investors.

Redexis owns 1643 km of transmission grid and 8855 km of distribution grid in Spain. Redexis continuously expands its distribution grid which supplies gas to consumers. Gas offers a range of advantages as an energy type. It is a cheap energy type for consumers which also does not result in nuisances such as smoke or smell in connection with combustion. Gas also has a relatively low CO<sub>2</sub> footprint relative to other fossil fuels, meaning that it can replace, e.g., oil furnaces and the like. For this reason, Redexis continues to construct new distribution grids to enable more consumers to connect.

At the same time, the management and ownership of Redexis is readily aware that gas may be replaced as an energy type in the future by other, more environmentally friendly energy types.

As a member of the board of directors, ATP has been in close dialogue with the company's management and the other investors about the potential for transitioning the company's core assets, the gas distribution grid, to other energy types.

This has led to Redexis adopting a strategy that includes two new objectives for the business:

- In the short term, Redexis can contribute to the green transition in Spain by offering gas for transportation. The company's board of directors has therefore decided to construct fuel stations where gas-powered vehicles can fill up with gas. Redexis now owns 28 fuel stations, with the intention of expanding this to 87 in 2021, for both heavy goods vehicles and passenger vehicles. This will enable Spanish motorists to swap to gas-powered cars which have a lower CO<sub>2</sub> footprint than diesel and petrol.
- In the long term, Redexis works on future-securing its infrastructure to enable it to be used also for, e.g., biogas and hydrogen. This way, value will not be lost when Spanish consumers likely will no longer have to be supplied with gas in 15-20 years' time.

In this year's GRESB benchmark, Redexis was highlighted as a best practice example. With a score of 74/100, Redexis is one of the highest scoring infrastructure assets in the annual comparison performed by GRESB. This reflects the strategic ESG focus pursued by the company for several years.



# Funds must focus on ESG as part of value creation

When ATP assesses funds from an ESG perspective, we look at the integration of ESG into the fund's investment processes. ATP has funds which are far ahead and best in class, but also funds which have barely started their ESG journey yet. As a part of ATP's focus on ESG in fund investments, we will have clearly future expectations for the ESG effort in new funds.

The funds have a significant advantage in their work with investments relative to, e.g., active ownership of listed investments. Often, the fund owns the entire company or is a majority shareholder, allowing for the swift and efficient implementation of solutions in collaboration with the portfolio company. Equity funds also perform company transformations in order to increase the value of the company, for example by changing processes or the focus of the business. This means that sustainability can be integrated into solutions that the fund already has to spend a lot of resources on. Relative to ESG issues, it is more often seen that ESG is considered as part of value creation for the portfolio companies. Here, it is an important part of the process that the fund indicates a direction, but the portfolio companies themselves have to implement the initiatives that are relevant to them.

It is a part of ATP's active ownership of funds to move them in a direction where they make decisions on as complete a basis as possible when managing ATP's funds. ESG should therefore be a natural part of the investment process and thereby the fund's value creation. ATP also likes for funds to report to us and other fund investors regarding the work with and value of ESG. This way, ATP can monitor whether the fund's ESG initiatives actually result in positive changes and create value for ATP as an investor.

A significant number of the funds in which we want to invest have, in recent years, increased their ESG focus, and at least have a policy for the area and some also have their own, thorough ESG processes. This is, however, mostly the case for European funds.

Some of the funds which have only just started their ESG journey seek input and inspiration from us as they wish to take the next step and formalise the ESG effort. In this respect, ATP has the advantage of being able to draw on examples from the best funds in our portfolio for other funds to learn from. There is also strong interest in ATP's tailored processes from other investors, as it is still a relatively new thing to have very detailed processes for ESG integration in illiquid assets.



“ ESG has become an integrated part of our investment process. We do not discount funds for which we have a low ESG assessment, but if the fund does not improve during our ownership, this will be a significant factor when the time comes to consider potential reinvestment in the fund”.

*Torben Vangstrup*  
*Managing Partner, ATP Private Equity Partners*



## Investindustrial – best in class

ATP PEP has invested in the PE fund Investindustrial which, from an ESG perspective, is best in class. Investindustrial has worked with ESG for the past 20 years and has a structured ESG approach. Investindustrial has a dedicated sustainability team working with ESG throughout the portfolio company cycle, from due diligence to divestment. ESG in portfolio managements relates to both risks and opportunities. ESG to them is not just



**Invest**industrial

about protecting value, but about creating value. The fund makes strong investment in educating its investment staff in ESG, using annual workshops and regular training.

The fund currently works on assessing the value of ESG via analysis of data from portfolio companies. Investindustrial has also added an extra dimension to their due diligence in which they closely observe culture and ethics of the companies that they aim to acquire, for which reason they have added a C (culture) to the ESG effort.

The fund has a structured approach to the work with portfolio companies, beginning with the due diligence stage. Upon take-over, the fund prepares a tailored three-year plan for each company, which is closely monitored and which the companies must report on regularly. The fund's ESG team provide advice and support to portfolio companies related to implementation of sustainability policies, processes and initiatives. The fund also supports portfolio companies in the development of their ESG practice at an annual two-day event called Sustainability Summit, last held in Copenhagen in September 2019.

An example of a portfolio company with which Investindustrial has had a collaboration is Artsana, an Italian manufacturer of products for infants and children. The company had a compliance approach to ESG with the most common policies and processes in place when Investindustrial acquired 60 per cent of the company in 2016.

After the take-over, a plan was prepared for allowing ESG to play a stronger role in product development, as they manufacture products for children primarily from plastics. Investindustrial has worked closely with the company which now integrates sustainability in its business model and value creation. Focus has been placed on areas such as climate change, sustainability in the supply chain, increased focus on employee development and circular economy.

Among other things, the company launched their first padded jacket for children made from 100% recycled PET plastic bottles. In addition to the fact no new plastics are used in the product, a cost advantage was realised from using recycled plastic. The company has also launched a spare parts website providing the possibility to repair prams, car seats or other products sold by the company rather than buying a replacement. This has generated an extra income stream for the company.

In terms of the climate issue, the company has installed a trigeneration plant in one of its factories, which is a combined cooling, heating and power plant. This is expected to reduce both energy consumption and CO<sub>2</sub> emissions substantially, and has a cost recovery period of only three years. It is expected that similar facilities will be installed at the company's remaining factories.

# ATP works for better data for private equity

High data quality is crucial to successful ESG integration. Especially if information about companies' ESG performance and social responsibility are to be part of the decision-making basis for ATP's investments.

This makes it a key focus area for ATP to continuously screen the market for ESG data and to influence companies directly or via investor groups to report data of high quality.

For some asset classes, the market for quality data on ESG performance is still immature. This is the case, for example, for private equity in, .e.g., infrastructure. For infrastructure investments, therefore, ATP has been part of creating the organisation GRESB Infrastructure which works on measuring

and comparing infrastructure funds and assets on a number of different parameters related to, for example, environment, social issues and governance.

Particularly for the illiquid asset classes there is a need for systematic and consistent data in order that the ESG performance of investments can be compared across projects and funds. In recent years, this has motivated ATP to participate in the initiatives GRESB Real Estate and the newer initiative GRESG Infrastructure.

When data quality increases and investors receive data from more assets, it also becomes easier to work systematically with ESG integration across infrastructure investments.

## GRESB Real Estate

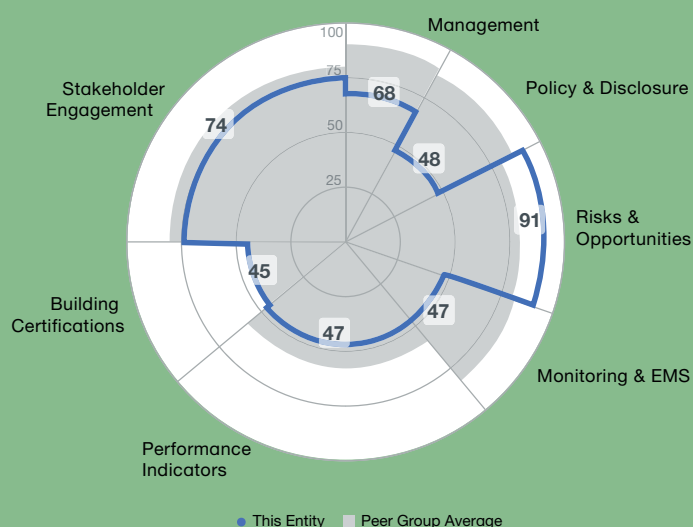
GRESB Real Estate is one of the most ambitious reporting standards for sustainability in real estate investments. The largest global real estate investors are taking part, and an increasing number of investors are reporting on their sustainability efforts to GRESB Real Estate.

Due to the participation of so many major real estate investors, the basis of comparison becomes better and more robust. The performance of real estate investors is assessed on a number of factors, including stakeholder engagement, management, building certification, risks and opportunities and general performance.

Policies and disclosure is one of the areas in which ATP Ejendomme is somewhat below the comparable peer group. ATP Ejendomme is subject to ATP's overarching Policy for Social Responsibility. In relation to GRESB, however, there is a great focus on their own policies and processes for integrating ESG in the work as asset manager for ATP. A major effort has been initiated in ATP Ejendomme relative to integrating ESG in the investment processes in order for it to contribute as much as possible to value creation in investments.

Another area where ATP Ejendomme is below the peer group level is performance indicators. ATP Ejendomme has access to ESG data, but there is a continued need for more and better data. For this reason, processes are being developed in order to structure this in a way such that data can to a higher degree be integrated as a basis for analyses in investment decision processes. Better data can also be used for ongoing improvements of ATP's real estate portfolio.

ATP's GRESB Real Estate results in 2019







## GRESB Infrastructure

ATP has previously primarily focused on encouraging co-investors and collaborating partners to support the initiative, such as by raising the topic in board meetings in the companies or consortia or to co-investors which are not yet members of GRESB Infrastructure. ATP also requires that reporting is made to GRESB in connection with the conclusion of investment agreements. The reason for doing this is that critical mass is important for the success of a project like GRESB Infrastructure.

Generally speaking, ATP's infrastructure investments are in line with the average for GRESB. Reporting of data is, however, below our peer group. Data is a focus area for ATP's illiquid investments as it is via data that the effect of good policies and processes can be demonstrated. In future, a focus on better data from our investments will be part of the active ownership in illiquid investments.

Better data can also be used to work more on understanding the risks and opportunities related to the investments. Generally speaking, the data component of GRESB is low compared with the other reporting areas. This indicates that this is a maturing process the entire industry must go through. Finally, we can state that the basis of comparison for GRESB Infrastructure is still very limited, but is expected to improve in the years to come.

## ATP's GRESB Infrastructure results in 2019

