The ATP Group

Responsibility 2018

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Introduction

RESPONSIBILITY IN THE ATP GROUP

ATP plays a significant role in society as a pension fund with more than 5 million members in Denmark and as the authority responsible for disbursing a number of welfare benefits. ATP also manages one of the largest pension asset holdings in Europe, which imposes on us a special obligation to invest responsibly and fulfil our responsibility to society.

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

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

ATP's 5 million members, Danish and international NGOs and other stakeholders have – often diverging – expectations with regard to how ATP should exercise responsibility. At the same time, institutional investors are faced with constant dilemmas in terms of responsibility in investments, including in their assessments of specific companies. ATP takes this responsibility seriously and does its best to navigate in an area characterised by diverse expectations, dilemmas and complex issues within the framework of ATP's policies on responsibility in investments and active ownership activities.

As an important social institution, ATP also participates in the public debate, contributing facts, analyses and views on topics such as pension policy, rule simplification, responsible investment and tax, for example by making ourselves available to the media, NGOs and legislators.

ABOUT THIS REPORT

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

However, all parts of the Group leave a footprint on society, which is why ATP also reports on fase+, employee satisfaction, carbon emissions and water use at the ATP Group's own offices on page 70.

The report is ATP's statutory report on responsibility and covers the period 1 January 2018 to 31 December 2018. The report also constitutes ATP's Communication on Progress to the UN Global Compact, describing ATP's progress in terms of incorporating the ten principles of the Global Compact into processes and business procedures. As part of its responsibility, ATP continues to support the ten principles of the Global Compact, covering the areas of human rights, labour, environment and anti-corruption and we are currently integrating them into our processes. See appendix 1 for a complete overview of ATP's commitment to the individual principles.

The report also includes ATP's statutory report on the status of compliance with the target figures set for the underrepresented gender. The report can be found on page 73.

ATP complies with the Stewardship Code of the Committee on Corporate Governance. The report can be found at https://www.atp.dk/en/results-and-reports/annual-and-interim-reports.

ATP AS A RESPONSIBLE INVESTOR

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

ATP considers analysis of companies' and countries' ESG issues to be an important and relevant element in ATP's risk management work, and ATP's experience is that investment opportunities can also be identified on the basis of this work. Experience has shown that we make better investment decisions by integrating ESG information with knowledge of other business aspects into the decision-making basis. ESG information is an umbrella term for knowledge and data about companies' work on environmental, social and governance issues.

By entering into a constructive and patient dialogue with portfolio companies, ATP is able to gain an understanding of the challenges facing the companies, which, in turn, can be used to make better and more informed investment decisions. Dialogue and active capital ownership activities also allow us to encourage the companies to introduce change where appropriate, thereby minimising risks and promoting the companies' long-term value creation. Faced with the choice between dialogue and exclusion, ATP will always choose dialogue, as long as we see a potential for improvement.

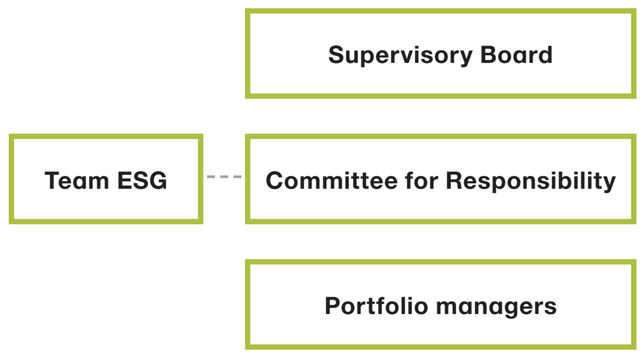
To ensure management ownership of responsibility in ATP's investment decisions, the responsibility efforts are coordinated by a dedicated Committee for Responsibility. The Committee is chaired by the ATP CEO and other members are the CIO (Chief Investment Officer) and the CRO (Chief Risk Officer) as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

ATP's Policy of Responsibility in Investments

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

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

Governance and responsibility



In ATP's Policy of Responsibility in Investments, ATP's Supervisory Board sets out a number of basic principles and minimum criteria for the portfolio companies' conduct. Among other things, the policy states that ATP does not invest in companies that deliberately and repeatedly violate the rules and regulations of the countries in which they operate. The policy also states that the portfolio companies must act in accordance with the standards that follow from the international conventions adopted by Denmark.

ESG strategy ensures continuous development of processes

In 2017, ATP's Policy on Responsibility in Investments was updated by the Supervisory Board to cover all asset classes. In order to manage the work on developing and expanding strong ESG processes for all asset classes, each year the Supervisory Board sets out an ESG strategy which determines the focus for the year ahead.

ATP's ESG strategy is rooted in four fundamental and overall principles:

1. ESG as an investment belief.

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

2. Effective integration of ESG is achieved through strong processes tailored to concrete investment processes.

The ingredients in strong ESG processes are – just like strong investment processes – professional substance, knowledge sharing, documentation, thorough implementation along with ongoing evaluation and control. ESG processes must be specifically designed to suit the investment process in question.

3. True ESG integration requires building and developing the investment organisation's ESG competencies.

Analyses of themes and companies, among other things, due diligence of potential investments and dialogue with companies in the portfolio and external managers are handled by ATP's own employees, which helps to increase the professional substance and knowledge sharing internally in ATP, ensures thorough implementation and facilitates ongoing evaluation and control.

4. Preference for active capital ownership.

Active capital ownership is both a tool for increasing ATP's knowledge of companies and for influencing companies in the desired direction. In ATP's experience, active capital ownership is usually the most effective instrument for achieving the desired results and we are therefore working to expand the application of active capital ownership to as many asset classes as possible.

ATP's Policy of Responsibility in Investments as well as an updated list of excluded companies are available at atp.dk.

ATP's Policy of Active Ownership

ATP's Policy of Active Ownership describes the principles and processes that guide ATP's active ownership activities. As a responsible long-term investor, ATP has an interest in investors as owners of listed companies being able to understand and control the companies' overall actions, thereby promoting the companies' long-term value creation. The complete policy is available at atp.dk.

ATP's Tax Policy on Unlisted Investments

ATP's Tax Policy on Unlisted Investments describes ATP's approach to tax in relation to ATP's illiquid investments. In late 2018, ATP's Supervisory Board decided to undertake a minor revision of ATP's tax policy in order to further clarify and specify ATP's tax requirements in connection with unlisted investments.

Aggressive tax planning represents an investment risk for ATP, including a reputational risk. In the policy, ATP's Supervisory Board points out that ATP opposes and must take measures to avoid contributing to aggressive tax planning. See page 35 for more information about ATP's tax policy and its efforts to implement the policy.

Memberships of international organisations and partnerships

ATP is a member of a number of international organisations and partnerships in the ESG area. An overview of memberships can be found on page 7.

ATP has a special focus on keeping abreast of international standards in the area, for example the guidance for institutional investors concerning the OECD Guidelines for Multinational Enterprises and the TCFD recommendations on climate-related financial disclosures. Read more about the OECD guidelines on page 65 and TCFD on page 17.

ATP's views and practices are challenged through its dialogue with stakeholders, experts and peers, which helps to ensure that the organisation continues to develop its processes to meet the highest standards.

Increased transparency

In 2018, ATP implemented a range of transparency initiatives, which included the publication of its portfolio of corporate bonds for the first time ever. In this connection, ATP also calculated the carbon footprint of the corporate bond portfolio on page 24.

In appendix 5, ATP has, for the first time, published the names of the companies contacted by ATP in connection with the 'thematic engagements' dialogues. ATP has also published the names of the companies that have received

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

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

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

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

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

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

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

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

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

voting intentions. When ATP issues a voting intention, it basically means that ATP wants to explain to the companies how our vote should be interpreted. If, on one or more voting items, ATP intends to vote against the Supervisory Board and the company's own recommendations, ATP will seek to inform the company of ATP's intentions and motivation ahead of the general meeting.

Finally, in Appendix 4, ATP also publishes the names of the concrete projects which are funded by money from ATP's green bonds from the issuer reporting at project level.

Structure of the report
The report is structured such that the first part deals with ATP's ESG efforts seen through two thematic lenses, the sustainable development goals and climate. ATP then describes its efforts to integrate responsibility in its many investments and in different investment processes.

Torben Andersen
Chairman of the Supervisory Board

Bo Foged
Acting CEO

ATP’s business model

PENSIONS & INVESTMENTS:

Management of ATP Livslang Pension

Pension & Investments is responsible for ATP’s pension product. The goal of the management of ATP Livslang Pension is to deliver good, stable pensions in the form of a lifelong guarantee of which we strive to preserve the real value. ATP Livslang Pension is a statutory, mandatory labour market pension scheme which covers practically all Danes. ATP is also a collective pension scheme with risk sharing across generations which constitutes a lifelong supplement to the state-funded old-age pension.

ATP Livslang Pension and the state-funded old-age pension constitute the basic financial support provided in the Danish pension system (pillar 1). In addition, the pension system is based on labour market pensions regulated by collective agreements (pillar 2) and voluntary private pensions (pillar 3). ATP’s special role means that we have to provide lifelong guarantees and undertake moderate risk investments.

PROCESSING BUSINESS:

Processing of welfare benefits

ATP’s Processing Business helps to ensure efficient welfare for the Danish population. Specifically, our task is to provide technical and administrative assistance to a large number of independent institutions with independent Supervisory Boards as well as to schemes where the two sides of industry, municipalities or the Danish State is the client. Depending on the scheme, the technical and administrative assistance covers everything from customer service, case handling, decisions and collection to payments. In the Processing Business, the business model is based on the clients to which ATP devotes special attention. Generally, our clients are demanding solutions from ATP’s Processing Business which can contribute to more cost-effective operations. As such, value is primarily created by ensuring high efficiency levels. Factors other than improved efficiency are also important, for example improved customer experience. Our business model encompasses, among other things, economies of scale, a customer-oriented approach to citizens, effective IT solutions as well as targeted operational control and follow-up.

The market in which the Processing Business operates can best be described as the market for regulated benefits. And benefits with a high degree of objectivity in the regulatory framework, and where the case handling can be based on registry data without the need for face-to-face contact with the citizen who has applied for a specific type of benefit, for example, is where we can make a real difference.

Themes

ATP and the UN's Sustainable Development Goals

In 2015, heads of government from the UN's 192 member states agreed on 17 ambitious sustainable development goals – and 169 targets – for sustainable global development. The sustainable development goals (SDGs) provide the framework and direction for how to tackle the biggest problems facing the planet by 2030. Among other things, the goals aim at eradicating poverty, hunger and inequality, promoting and protecting sustainable ecosystems, including biodiversity on land and in the oceans, as well as mitigating man-made climate change and environmental pollution.

ATP fully supports the UN's 17 Sustainable Development Goals. As a long-term investor whose purpose it is to provide good pensions to its members, ATP has a strong interest in the sustainable social and environmental development of the planet and the economy.

If the global economy does not develop sustainably, and if the world does not achieve the goals set, there may be a risk of growing unrest, conflicts, increased global warming and thus increasingly uncertain conditions for growth and future returns. As a result, ATP also has an inherent interest in and a responsibility for – through its investment processes – to support the long-term value creation in companies and thereby contribute to sustainable development and growth.

ATP pursues active ownership and ESG integration in order to promote an increased focus on long-term value creation in the companies in its portfolio and influence them to minimise any negative impact they may have on society and the planet, as well as working towards a more sustainable business development.

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

ATP finds that companies and investors are increasingly highlighting their respective contributions to the SDGs. Some select specific goals and indicators in their strategy and reporting which are directly supported by the company's business model. Others measure more broadly their specific contribution to the SDGs.

For some years, ATP has been considering how it can best support the SDGs. As a global investor with a diversified portfolio, ATP is broadly exposed to the 17 SDGs. If you look at, for example, ATP's portfolio of Danish equities, these companies are exposed to a number of SDGs and indicators in different ways.

A DIVERSIFIED PORTFOLIO REQUIRES BROAD COVERAGE OF ESG ISSUES

For companies it may be relevant to focus on those SDGs to which they are particularly exposed due to their business model. It would make sense to identify the SDGs which are affected by a given business activity, or for whose fulfilment solutions are provided by the business. But as a global and diversified investor which is exposed to many different industries and geographies, ATP believes that it is crucial to take a holistic approach to its responsibility, ensuring broad coverage of the SDGs in its work.

As a result, ATP does not focus on a specific set of goals while ignoring others. ATP is using the SDGs as a reporting tool and a reference framework for evaluating its efforts to integrate responsibility in its investment processes. The fact that the SDGs highlight the biggest global challenges enables ATP to continuously measure its work on responsibility in investments against the SDGs. This ensures that ATP addresses all relevant and material issues. Page 14 contains an overview of how ATP in some of its ESG processes has addressed each individual SDG. The overview focuses on thematic engagements and fact-findings which can also be explored further on pages 53 and 60.

Focus on business opportunities and risks

The SDGs present numerous challenges and dilemmas to companies and investors. For ATP, this means that ATP's many portfolio companies are exposed to a very wide variety of risks and opportunities in relation to the SDGs.

At the same time, the portfolio companies sometimes want to contribute positively to one goal and negatively to another. As a responsible investor in the companies, ATP actively addresses these dilemmas.

ATP welcomes focus on business opportunities and new business cases
The SDGs address the biggest challenges facing the world. In order to achieve the goals, companies, governments, civil societies and investors must work together to come

CASE: Focus on Danish companies' reporting on contributions to the SDGs

In 2018, ATP analysed 41 Danish companies' efforts to incorporate the SDGs in their reporting. The aim was to increase ATP's understanding of the companies' work on and contribution to the SDGs, among other things. Going forward, ATP can also use the analysis as a baseline to ensure that Danish companies maintain good and adequate reporting of risks and opportunities in relation to the SDGs.

Overall, ATP's analysis showed that many companies have embraced the SDGs. Of the 41 companies analysed, just over half report on their positive or negative contribution to the SDGs. The companies vary greatly in size, and differences in the companies' level of ambition with regard to reporting are therefore to be expected. Looking exclusively at C25 companies reveals an altogether different picture with more than 70 per cent of the companies reporting on their contribution to the SDGs.

The analysis was based on the companies' websites, annual reports and CSR reports. Focus was also on examining how the companies address the SDGs, and which of the 17 goals the companies are focusing their energy and reporting on. Furthermore, ATP considered whether the companies also report on specific targets, and on whether the work is based on qualitative descriptions or quantitative indicators.

Most companies focus on positive impacts
Danish companies continue to report primarily on their positive impacts on the SDGs, for example how their products can tackle certain challenges facing society. However, some companies also describe how some parts of the business may risk contributing negatively to certain SDGs. Reporting is primarily qualitative, but quantitative data is also available on for instance environmental performance, including carbon emissions, water consumption etc., as well as data on the number of women on Supervisory Boards and in management.

Some SDGs are more popular than others. The analysis shows that most companies report on their contribution to goal 8 (decent work and economic growth), goal 12 (responsible production and consumption), goal 3 (good health and well-being), goal 13 (climate action) and goal 17 (partnerships for the goals).

Conversely, fewest companies report on their positive or negative contribution to goal 1 (no poverty), goal 14 (life below water), goal 15 (life on land), goal 10 (reduced inequalities), goal 6 (clean water and sanitation) and goal 11 (sustainable cities and communities).

Goal		Thematic engagements	Fact-findings
1	**No poverty**	Living wage, target 1.1	1 fact-finding regarding target 1.2
2	**Zero hunger**	Rights of indigenous peoples, target 2.3	
3	**Good health and well-being**		3 fact-findings regarding target 3.9
4	**Quality education**	Rights of indigenous peoples target 4.5	
5	**Gender equality**	Diversity on boards and in management, target 5.5	
6	**Clean water and sanitation**	Circular economy, target 2.3	1 fact-finding regarding target 6.3
7	**Sustainable energy**	TCFD, targets 7.1, 7.2	
8	**Decent work and economic growth**	Living wage, targets 8.5 and 8.8	4 fact-findings regarding target 8.8 2 fact-findings regarding target 8.7 2 fact-findings regarding target 8.5
9	**Industry, innovation and infrastructure**	Circular economy, target 9.4	
10	**Reduced inequalities**	Living wage, target 10.2	1 fact-finding regarding target 10.3
11	**Sustainable cities and communities**	Circular economy, target 11.6	
12	**Responsible production and consumption**	Circular economy, targets 12.2, 12.3, 12.4 and 12.5	
13	**Climate action**	Climate and transport TCFD	
14	**Life below water**		1 fact-finding regarding target 14.1
15	**Life on land**		1 fact-finding regarding target 15.5
16	**Peace, justice and strong institutions**	Fighting corruption in the pharmaceutical industry, target 16.5	4 fact-findings regarding target 16.5
17	**Partnerships for the goals**	Memberships and participation in various forums such as PRI, CDP and more	1 fact-finding regarding target 17.1 Memberships and participation in various forums such as PRI, CDP and more

Read more about the individual thematic engagements on page 53 and fact-findings on page 60.

up with solutions to these challenges. An increased focus on the SDGs may also mean that companies identify new business opportunities. For investors in these companies, it may potentially lead to increased growth and long-term value creation.

In the SDG dialogues that ATP has had with companies, focus has initially been on stepping up awareness of the inherent business opportunities. ATP finds that many companies have a firm focus on the goals and how current and future business operations can be positively integrated with the SDGs.

However, ATP has also pointed out that companies should also focus on the parts of their business that contribute negatively to the achievement of the SDGs. A natural progression in companies' reporting activities will therefore be to be mindful of any negative contributions, and how negative impacts on the SDGs can be reduced.

The Danish shipping company A.P. Møller-Mærsk addresses both their positive and negative contributions to the SDGs in their reporting, landing them an award for the best CSR report in 2018. ATP welcomes similar efforts by companies working with business opportunities and risks once they have reached the required level of maturity.

Targeted funding

All ATP's investments have a greater or lesser degree of impact on one or more of the 17 SDGs. Some of ATP's investments, however, have a very clear link to the SDGs as a whole or to selected SDGs.

ATP has invested in IFU's SDG Investment Fund together with a number of other Danish pension funds. The aim of the SDG Investment Fund is to contribute to achieving the UN's SDGs through investments in the private sector in developing countries. ATP's commitment to the SDG Investment Fund amounts to DKK 400 million. The investment will contribute

CASE: Inherent dilemmas of the SDGs

As an institutional investor, ATP is faced with certain dilemmas in its work on responsibility – also when it comes to companies' positive and negative contribution to the SDGs.

For example, ATP often finds that a portfolio company contributes positively to one goal, but negatively to another. A company that constructs hydroelectric power plants contributes to achieving SDG 7 on stable and sustainable energy. However, hydroelectric power stations – especially in developing countries – are known to present challenges in terms of contributing to the protection of the rights of indigenous peoples and biodiversity (goal 15) and to ensuring decent working conditions for workers (goal 8).

ATP actively addresses these dilemmas in its efforts to integrate ESG into its investment processes and in its active ownership activities within the framework of the Supervisory Board's Policies of Responsibility in Investments and Active Ownership.

Dialogue is ATP's preferred tool. By entering into a constructive and patient dialogue with the companies ATP invests in, we are able to gain an understanding of the challenges facing the companies, which, in turn, can be used to make better and more informed investment decisions. Dialogue also allows us to encourage the companies to introduce change where appropriate, thereby minimising risks and promoting their long-term value creation. Faced with the choice between dialogue and exclusion, ATP will always choose dialogue, as long as we see a potential for improvement.

to the generation of financial returns for the benefit of ATP's members, but it may also contribute to ATP's understanding of the SDGs, among other things through ongoing measurements and reporting from the SDG Investment Fund about how it contributes to the achievement of the SDGs.

Another indicator of the clear link between ATP's investments and the SDGs is ATP's investments in green bonds. In 2018, ATP stepped up its investments in green bonds, bringing the value of ATP's portfolio of green bonds at the end of the year to almost DKK 10 billion. The green bonds are earmarked for funding for projects and activities that contribute to sustainable development. The green bonds specifically target goal 7 (sustainable energy), goal 11 (sustainable cities and communities), goal 13 (climate action) and goal 15 (life on land). Read more about ATP's investments in green bonds and the initiatives introduced by ATP to improve the transparency of the bond issuers on page 20.

Climate

Physical changes in the climate and weather systems, new and stricter climate regulations, technological advances and changed consumer behaviour are some of the climate-related financial risks that may potentially affect the global economy, the preconditions for future growth and thereby also the long-term potential returns for investors.

There is a consensus that climate change has the potential to affect the economy, but it is difficult to predict exactly how and when different markets and economies will be affected.

This is because it is not only difficult to predict the impact on different markets and regions, but also the timing and the force of the impact. In some markets, the climate-related risks manifest themselves early, for example through changed precipitation levels and patterns, while other markets experience sudden technological disruptions which lead to sudden changes in the conditions for specific sectors' source of revenue – and the potential returns for investors.

Climate change affects companies' long-term value creation capabilities, but the companies' actions also have a direct impact on the climate.

ATP'S CLIMATE EFFORTS

ATP is working on many fronts to incorporate climate considerations into its investment processes.

In its Responsibility Report 2017, ATP gave a detailed description of the TCFD's recommendations which ATP takes an in-depth, two-pronged approach to.

Firstly, ATP has adopted the supplemental guidance for investors in order to better understand ATP's own climate-related financial risks. In 2018, ATP continued its work on all the TCFD's four main recommendations (Governance, Strategy, Risk Management and Metrics), focusing particularly on climate scenarios.

Secondly, ATP also encourages companies that ATP invests in to adopt climate-related financial disclosures, including the recommendations of the TCFD.

Read about ATP's work in this area in 2018 on the following pages.

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

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

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

In light of the TCFD's recommendations, ATP has made efforts to strengthen its organisational processes, developing a governance model that ensures clearer management ownership and knowledge sharing across ATP's investment teams.

As a result, ATP appointed a climate officer (deputy director) in 2017, who is responsible for ensuring that climate issues are integrated into investment processes across the investment area.

In 2018, ATP continued its governance efforts in the area. ATP's ESG team is anchored in the Investment department rather than the Risk department, and it has also been decided to relegate responsibility for climate issues to the CIO.

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

Active ownership as a tool for knowing and minimising risks
ATP has a strong track record of exercising active ownership in relation to climate issues.

Generally, active ownership is used to gain an understanding of a company's challenges and company-specific risks through dialogue with the company. ATP can then use this understanding to make better and more informed investment decisions. On the other hand, ATP can help to minimise risks and promote companies' long-term value creation by influencing change.

In 2018, ATP, along with other investors, helped put pressure on Shell. A shareholder proposal at Shell's general meeting in May 2018 demanded that, going forward, Shell set specific targets for its greenhouse gas emissions. Shell had already announced ambitions for its emissions, but no firm targets. Following a concrete assessment of the proposal and Shell's reporting, ATP decided to back the proposal.
ATP also took the opportunity to enter into a dialogue with Shell. The proposal was rejected, but in December 2018 Royal Dutch Shell announced a change of direction on the climate agenda. Read more about this case on page 50.

ATP influences companies to report on their carbon emissions
As part of its active ownership, ATP encourages companies that do not report on their carbon emissions to take action to monitor its climate risks through reporting.

ESG data is important input in ATP's risk management and investment analyses. But the quality of the data on companies' carbon emissions varies quite considerably. This is because external data suppliers estimate the companies' emissions if the companies do not report on them, leading to considerable uncertainty about the data quality. ATP has a firm focus on quality assurance of data to ensure it can be used in the investment decision-making process in line with financial data.

In 2018, ATP therefore reached out to 68 companies in order to influence them to monitor climate risks and report data

ATP's use of crude oil futures

ATP's objective for investment of the assets is to maintain their real value. This is achieved by placing some of ATP's investments in assets which are expected to increase in value in a situation of rapidly rising inflation. To this end, ATP uses a variety of investment assets and risk management instruments, including crude oil futures.

In ATP's view, a portfolio that includes crude oil futures is better able to maintain its real value than a portfolio without crude oil futures. This is because inflation is measured as price changes on a representative basket of goods, where the price of crude oil directly and indirectly affects the price of many of the goods in the basket.

When ATP invests in crude oil future, the investment is always settled in cash before the future expires. ATP does not take delivery of the crude oil and therefore does not achieve physical ownership of the crude oil, and nor does ATP consume oil through its use of crude oil futures. ATP's trade in crude oil futures takes place solely with financial institutions.

In step with the green transformation which seeks to lessen the dependence of the world economy on fossil energy and thereby reduce its relevance, ATP continually assesses whether other instruments are better suited to maintaining the real value of the portfolio.

CASE: ATP calls for electricity producers to prepare for a green future

Based on an analysis of its portfolio, in 2018 ATP engaged in a dialogue about sustainability and green transformation with electricity producers that rely on coal for more than half of their electricity production. As a result of the dialogues, ATP chose to sell its investments in a number of companies that had not prepared themselves or wanted to engage in a dialogue about the transition from black to green energy. Any future investments by ATP in new electricity producers will be preceded by a dialogue with the company about strategies and plans.

Electricity producers are currently some of the largest emitters of greenhouse gases into the atmosphere. Electricity producers supplying energy to citizens and companies have relatively high emissions which is to be expected. The level of carbon and other greenhouse gas emissions depends on the energy mix, i.e. the share of energy that the different sources represent. Companies usually base their energy production on a mix of energy sources. This is referred to as the company's energy mix. The energy needed for the production of power can come from many different sources, including solar, wind, gas, oil and coal. Companies that rely solely on coal for its energy production emit the most CO_2 in relative terms.

Consequently, the actions of electricity producers are also key to successfully halting global warming and moving the global economy in a green direction.

In its latest World Energy Outlook 2018, the International Energy Agency predicts an ever-increasing demand for electricity, including electricity produced by coal. A complete phase-out of coal in the global electricity production will therefore make it impossible to meet the global demand for electricity. In addition, the technology available to store energy from solar panels and wind turbines is not fully developed, and as a result we will be dependent on other energy sources for several years to come.

Nevertheless, ATP believes that, going forward, energy production must be based on sustainable energy sources if we are to reach the targets set out in the Paris Agreement. This also means that companies seeking to adopt a business model that is sustainable in the long term should adapt to this new reality. ATP believes that companies with a high coal share and no plans for reducing its share have high climate-related, financial risks. Consequently, ATP calls for electricity producers to prepare for a green future, for example by having plans in place for a reduction of the coal consumption.

In early 2018, ATP reviewed its entire equity portfolio in order to select companies for dialogue about the green transformation and carbon emission reductions. Using historical data about the energy mix of specific companies, ATP identified a number of companies that rely on coal for more than half of their energy production.

One of ATP's primary goals of the dialogues was to learn about the companies' plans for a future reduction of the share of coal in the energy mix. ATP focuses on energy producers reducing the share of coal in their energy mix, because it is the most realistic way to cut carbon emissions in the short and medium-long term. If the companies did not have any plans in place for a green transformation, ATP would enter into a dialogue with the companies on introducing initiatives or strategies in this area.
The dialogues suggested that a majority of the companies had initiated concrete activities and plans which seemed to indicate to ATP that they were in the process of adapting to a future with greener energy production.

However, the dialogues also showed that a small group of utility companies were more risky seen from a climate perspective. They either did not wish to enter into a dialogue on the subject, or they seemed unwilling to start the process of preparing for a green transformation. ATP sold these companies for commercial reasons.

However, during the dialogues, ATP also became aware that the historical data was inconsistent with the companies' own figures and calculations. ATP presented these findings to its data provider which subsequently changed its calculations.

on their carbon emissions. Good quality data is a prerequisite for ATP's ability to make good investment decisions.

As part of its active ownership model, ATP always strives to provide detailed information to companies if it votes against the Supervisory Board at the general meeting. In such exchanges, ATP always includes its views on good climate reporting if the companies do not yet report on carbon emissions as scope 1 and scope 2 emissions. Read more about ATP's active ownership and voting intentions on page 45.

Investor cooperation to influence the largest emitters of greenhouse gases

ATP also tries to influence companies through the Climate Action 100+ investor initiative. Over a five-year period, ATP will team up with other investors to influence the top 100 global carbon emitters to embrace the green transformation. ATP participates in 53 dialogues with European companies in different sectors, among others, as well as a number of global oil and gas companies. The initiative is coordinated by the Climate Action 100+ organisation, which ATP helped found in 2017.

ATP INCREASES INVESTMENTS IN GREEN BONDS

In 2018, ATP stepped up its investments in green bonds, bringing the total value of ATP's portfolio of green bonds to almost DKK 10 billion. At the same time, ATP has entered into a dialogue with the issuers to increase transparency, so that investors and other stakeholders know exactly which projects are funded by the bonds.

In 2017, green bonds were a brand-new area of investment for ATP. In 2017, after having followed the developments in the market for green bonds for several years, ATP decided to buy green bonds for DKK 1.5 billion.

Green bonds are special in that the issuer of the bond uses the proceeds to fund climate-friendly investments. A climate-friendly investment is for instance an investment in increased energy efficiency. ATP invests in green bonds of a credit rating that matches that of the bonds which ATP is already investing in. In addition to a high credit rating, ATP requires that the issuers adhere to the Green Bond Principles as a minimum.

Unclear terms

There are no fixed definitions of many of the terms used in sustainable finance, including green bonds. An ambitious project is ongoing in the EU to develop a common standard and language of sustainable finance. The EU has set up a High-Level Expert Group on Sustainable Finance which has developed a number of recommendations which form the basis for the EU action plan on sustainable finance which was adopted by the European Commission in March 2018. ATP closely monitors the progress of the work being done in the EU and welcomes a greater level of clarity on terms and standards, also when it comes to green bonds.

The Green Bond Principles, which have been developed by the International Capital Market Association (ICMA), is a set of international guidelines designed to promote integrity and better reporting. The principles are very broadly formulated and are not legally binding. ATP has been engaged in the interpretation of the principles, because we want to help influence market participants to adopt better practices that respect the Green Bond Principles.

ATP enters into dialogue on transparency with issuers

Transparency is important to ATP which is why we engage in an ongoing dialogue with green bond issuers. Specifically, ATP wants to enhance the quality and volume of data from bond issuers to provide investors with detailed information about the projects and climate and environmental improvements financed by the bond. In the world of finance, the term 'use of proceeds' is used to describe how the proceeds from the individual issue have been used. In 2018, ATP focused particularly on improving transparency in the issuers' reporting. ATP therefore held a series of meetings with issuers to gain an understanding of their reporting and the level of transparency in their reporting and systems. Further to this, ATP has entered into a dialogue with green bond issuers with the aim of increasing transparency and traceability.

Mapping issuer transparency

ATP has mapped the reporting, including the degree of transparency, of those issuers from which ATP has purchased bonds. The mapping will form the basis for ATP's ongoing dialogue with issuers on issues such as improved data quality in their reporting.

The quality and volume of data from the various issuers vary considerably. The European Investment Bank (EIB) is among the most transparent bond issuers. EIB's reporting includes specifics about the projects financed by each bond issue, among other things. This allows ATP to be transparent about the projects financed by our investments in green bonds. Appendix 4 contains a complete list of the green investments and projects which ATP has helped finance through the EIB's bond issues.

Nordic Investment Bank (NIB) and the International Bank for Reconstruction and Development (IBRD) also maintain a high degree of transparency about all the projects financed by them, including the name, expected positive environmental impact and geographical location of the projects. It is not possible to track the individual projects financed by each bond at the present time.

The Danish government credit institution KommuneKredit, from which ATP purchased bonds in 2018, is transparent about the projects financed by green bonds. However, KommuneKredit anonymises the projects which means that the names of the projects are not disclosed. Instead, the reporting provides a detailed description of the sector and subsector for each individual project financed by the institution.

ATP has also invested in Belgian and French green government bonds and in KfW, a German bank for development financing. These three issuers are the least transparent in ATP's green bond portfolio when it comes to transparency about the projects financed by their bond issues. These bond issuers do not provide a complete list of the projects financed by the proceeds of the green bond issues. Instead they report at sector level. Belgium has not issued its first report yet, but says in its Green Bond Framework that this allocation will be reported on six sectors. France has reported this allocation on seven sectors, while KfW has reported this allocation on three sectors. None of the three have used the Climate Bonds Initiative's (CBI) taxonomy for project sectors in connection with the reporting of green bonds, which is one of the most recognised and detailed, international taxonomies used by the market pending the EU taxonomy to be published by the European Commission.

CLIMATE-RELATED METRICS – CARBON FOOTPRINT AT PORTFOLIO LEVEL

In 2018, as part of the work on TCFD's recommendations, ATP also published carbon footprint calculations made using a variety of methods. In 2018, ATP was able to publish its corporate bond positions. As a consequence of the increased transparency about company names, ATP is able to report on its carbon footprint from three different portfolios: *Nordic equities, international equities* and *corporate bonds.*

ATP is of the opinion that portfolio carbon footprint as a metric to understanding investors' climate-related financial risks has limited application. ATP believes that companies should take action to curb carbon emissions. But if investors follow the same logic and sell off companies with high carbon emissions, it will not necessarily contribute to a more sustainable transformation. Selling shares in a company will not lead to a drop in actual carbon emissions. Instead, less climate-conscious investors may be able to influence the company's strategy to a much greater extent.

In addition, there are significant challenges associated with data quality, as a lot of data are not based on actual emissions but are estimated by data providers. At the same time, data from data providers is based on historical emissions and can therefore not be used to understand the companies' current position and future strategy. There are also significant inherent challenges associated with portfolio carbon footprint. One challenge is that the compa-

nies' emissions are chiefly allocated between shareholders and not bond holders and debt holders. Another challenge of portfolio carbon footprint measurements is double counting. The challenges were described in greater detail in ATP's Responsibility Report 2017.
TCFD also acknowledges that the metrics leave much to be desired, but still recommends investors to publish their portfolio carbon footprint.

ATP believes that transparency is important and publishes the metrics in the continued hope that this will lead to better metrics in the area through a more balanced debate at company level.

Methods for calculating carbon footprint
In 2017, ATP calculated and published the carbon footprint of its equity portfolio according to the four methods listed by the TCFD in its recommendations for investors.[1] The four methods are called 'Total Carbon Emissions', 'Carbon Footprint', 'Carbon Intensity', 'Weighted Average Carbon Intensity' (WACI).[2]

ATP will also publish the carbon footprint of its equity portfolio according to the four methods in 2018, but because ATP also calculates the carbon footprint of its corporate bond portfolio, it is necessary to adjust one of the parameters in the calculation methods.

Without these adjustments, only the WACI method can be used to meaningfully calculate the carbon footprint of the corporate bonds. The 'Total Carbon Emissions', 'Carbon Footprint' and 'Carbon Intensity' metrics distribute the portfolio companies' total carbon emissions on the basis of the companies' market cap. It is a metric that only makes sense when examining listed companies.

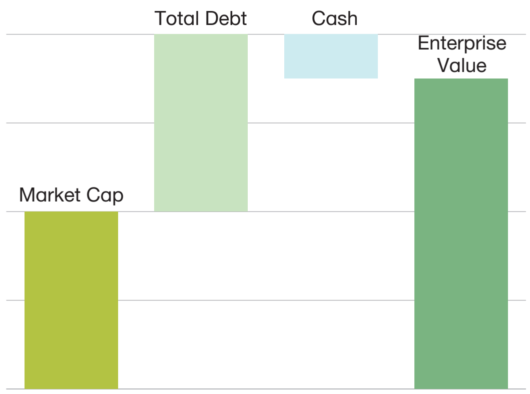
Market cap is the market value of a company's total share capital and is calculated by multiplying the market price by the number of outstanding equities. There are substantial challenges associated with the distribution of the portfolio

CASE: Enterprise Value

A company's enterprise value is basically calculated as the company's market cap plus its total debt minus its total cash and cash equivalents.[1]

In most cases, the companies' enterprise value will be positive and larger than the market cap and the total debt as illustrated in the figure. However, this does not have to be the case, as companies whose cash and cash equivalents are higher than their total debt will have a larger market cap. In some isolated cases, the companies' enterprise value may even be negative, which cannot meaningfully be used to categorise emissions.[2]

The deduction of the company's cash and cash equivalents is particularly problematic, as it gives rise to some degree of double counting.



1 The calculation of the enterprise value incorporates other key figures, so the above is slightly simplified.

2 ATP's calculation of its carbon footprint is adjusted for such abnormalities, and nor is the enterprise value used for companies in which it cannot meaningfully be calculated. This applies to banks, among others, where the calculation is instead made using the companies' market cap.

1 The TCFD recommends that investors as a minimum calculate the carbon footprint according to the 'Weighted Average Carbon Intensity' method.

2 A more detailed description and discussion of the four methods can be found in ATP's Responsibility Report 2017 from page 22. More information can also be found about the methods for calculating carbon emissions (including scope 1, scope 2 and scope 3).

CASE: Overestimation of exposure to climate-related risks at market cap

As at 31 December 2017, ATP had a shareholding of approx. DKK 90 million in the Japanese utility company Tokyo Electric Power Company. As a utility company that mainly operates power stations in Japan, the company had relatively high emissions measured according to scope 1 and scope 2.

Key figures – Tokyo Electric Power Co.	
Market Cap (MC):	DKK 39,422 million
Enterprise Value (EV):	DKK 374,589 million
Revenue:	DKK 336,288 million
Scope 1+2:	91,598,591 tonnes of CO_2e

As at 31 December 2017, Tokyo Electric Power Company had an enterprise value that was more than nine times higher than the company's market cap. This is due to the company's capital structure, where the company is primarily financed through debt issues.

In 2017, ATP calculated its carbon footprint based on the market cap. As a result, ATP's share of the company's carbon emissions was significantly higher than if the enterprise value had been used as the allocation key.

Corporate capital structures vary considerably. Some companies have a high debt ratio, while others are primarily financed through equity issues. In most cases, the companies' enterprise value exceeds their market cap, which indicates that the companies have a considerable amount of debt. When the carbon footprint is calculated on the basis of the enterprise value, some of the company's emissions will be allocated to debt holders, while the shareholders' ownership of emissions will fall. However, only relatively few companies have such high levels of debt financing relative to their share capital as Tokyo Electric Power Company.

Although ATP's position in Tokyo Electric Power Company was relatively modest at the end of 2017 (around 0.1 per cent of ATP's total equity portfolio), this position accounted for more than 11 per cent of ATP's total carbon emissions in the calculation for 2017. This example shows that the challenge with the metrics is that they do not provide an accurate picture of an investor's exposure to climate-related financial risks.

companies' carbon emissions on the basis of the companies' market cap when corporate bonds are included in the calculation of an investor's carbon footprint.

Market cap to be replaced by enterprise value
Pollution and greenhouse gas emissions are caused by the companies' assets and business activities. The companies' assets are financed in different ways, some by equity issues, others, such as corporate bonds, by debt issues. Investors, both as bond holders and shareholders, are therefore helping to finance company activities that produce carbon emissions and other greenhouse gases. The purpose of investors calculating their portfolio carbon footprint is to show how big a share of the companies' emissions investors are helping to finance.

In a calculation of carbon footprint which is based on the market cap, the company's total emissions are distributed among its shareholders according to their respective ownership share of the outstanding equities.

ATP believes that distributing the portfolio companies' carbon emissions among both debt holders and shareholders yields a more accurate result. If emissions are distributed among shareholders as well as bond holders on the basis of the market cap, the same total emissions will

Carbon footprint at portfolio level, Nordic equities, international equities and corporate bonds for 2018 (Enterprise Value)

	Carbon Footprint (tonnes CO_2e/DKKm)	Carbon Intensity (tonnes CO_2e/DKKm)	WACI (tonnes CO_2e/DKKm)
Nordic equities	**20.79**	**39.68**	**29.07**
Scope 1	19.43	37.07	25.94
Scope 2	1.37	2.61	3.13
International equities	**20.08**	**27.35**	**36.49**
Scope 1	16.95	23.09	30.89
Scope 2	3.13	4.26	5.60
Corporate bonds	**10.39**	**14.01**	**22.39**
Scope 1	7.20	9.71	16.44
Scope 2	3.19	4.30	5.95

be 'distributed' among the investors multiple times (double counting).

One way to get around this problem is by using the metric enterprise value. The enterprise value is a way to estimate the total value of a portfolio company and is a more accurate measure of a company's total equity and liabilities. Although the enterprise value has some advantages compared to the market cap, it is a far from perfect estimate of the portfolio companies' total value.

ATP therefore adjusts its calculation method, so it distributes emissions based on a company's enterprise value rather than its market cap. However, in order to ensure transparency about the development from 2017 to 2018, ATP has also chosen to calculate the equity portfolios' carbon footprint according to last year's method with the market cap as the allocation key. This can be found in Appendix 2.

CALCULATIONS OF PORTFOLIO CARBON FOOTPRINT

The calculated carbon footprint appears from the table.

Here, it can be seen that the carbon footprint (calculated using the Carbon Footprint method) of Nordic equities and international equities is very similar. In 2017, when ATP calculated its metrics based on the market cap, the footprint from international equities far exceeded that of Nordic equities. The table in Appendix 2 also shows a calculation based on the market cap.

One of the reasons for the decline in the carbon footprint of international equities when introducing the enterprise value is that the quantitative selection method for international equities includes a value factor, among other things. Companies that are selected on the basis of a value factor will often be characterised by a higher degree of debt financing, which means that the equities will tend to have a higher enterprise value relative to the market cap.

The underlying companies in ATP's corporate bond portfolio are distinguished by their lower emission levels – when adjusted for differences in the size of the companies' enterprise value – relative to the companies in ATP's two equity portfolios.

It is important to keep in mind that the calculations are based on data material with limited coverage of companies and emissions. ATP's data provider, which has broad global coverage, does not have data on all ATP's portfolio companies. Consequently, holdings on which ATP does not have any data have been omitted in the final reporting.

This presents a special challenge for ATP's corporate bonds, where the data provider only covers just under 41 per cent of the holdings. For equity holdings, the provider covers 88 per cent of the underlying companies, although with a lower coverage of Nordic equities. ATP continues its efforts to improve the coverage and quality of data by engaging in a constructive dialogue with our data provider and with ATP's portfolio companies.

Data providers focus on first covering companies that are likely to have high emission levels, such as utility and energy companies. Companies in industries with lower emission levels, for example financial, consultancy and research companies, are included later.

For investors it may mean that the carbon footprint at portfolio level is overstated, because portfolio companies with relatively low emission levels are not included in the analysis. The problem is particularly pronounced in cases where coverage is low, for example in ATP's corporate bond portfolio.

ATP usually uses emission data at company level, and in this respect the data providers' priorities are absolutely

Physical risks and transition risks

Physical risks:

Acute risks

- More extreme weather events, such as storms, hurricanes, flooding etc.

Chronic risks

- Changed weather conditions, more/less precipitation, sun, snow etc.
- Changed average temperatures
- Rising sea levels

Transition risks:

Regulatory risks

- Arrangements regarding prices of greenhouse gas emissions
- Change in mandates and regulation of existing products or services, for example energy efficiency requirements
- Potential claims for compensation

Technological risks

- Disruption
- Alternatives with a lower climate footprint
- Costs associated with replacement/upgrade to low-emission technology

Market risks

- Rising prices of raw materials, products or services
- Changed consumption patterns

Reputational risks

- Stigmatisation of a product, service or sector
- Changed stakeholder perception – not part of the transition

Source: 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures', June 2017, see table A1.

right. This is because it makes most sense for ATP to have data on those companies for whom this is relevant.

CLIMATE SCENARIO ANALYSES AS A TOOL FOR INFORMING INVESTMENT DECISIONS

In 2018, as part of its work on implementing the TCFD recommendations on climate-related financial risk disclosures, ATP began examining how climate scenario analyses can provide input and new insights for the investment processes. In line with the ESG strategy's third principle which states that real ESG integration requires strengthening the ESG competencies of the investment organisation, ATP has devoted considerable internal resources to increasing the technical knowledge of climate scenarios in order to understand how they can be used to inform ATP's investment decisions.

It is evident that the development in the concentration of greenhouse gases in the atmosphere affects the climate through the greenhouse effect, thereby causing significant climate change. It is also clear that climate change may influence the global economy. Temperature increases, rising sea levels and more extreme weather are some of the expected physical consequences of a more powerful greenhouse effect, which may affect the financial performance of companies and investors. In addition to the physical risks that may be caused by climate change, there are also other types of climate-related financial risks, such as regulatory and technological risks. These are listed in the box below.

The future climate development largely depends on future greenhouse gas emissions and the concentration of greenhouse gases in the atmosphere, which, in turn, depends on the active and passive choices made by decision-makers as well as population growth etc. It is therefore impossible to predict the most likely climate development scenario. Since it is not possible to draw up probability-based analyses of the future climate development, the TCFD and several leading institutions (see the box on the following page) recommend that companies and investors undertake climate scenario analyses.

Why use climate scenario analysis?

What is scenario analysis?
Scenario analysis is a method of analysing possible future events by considering a number of possible outcomes for the global development to assess its impact on the climate, for example. The UN Climate Panel has developed four scenarios for the global development, which each impacts greenhouse gas emissions in different ways. When examining a scenario, it is not possible to predict the likelihood of the scenario, as it depends on political decisions, among other things, which are difficult to predict. Scenario analysis is therefore merely a tool for projecting possible outcomes for the global development.

What can scenario analysis be used for?
Scenario analysis is a tool for projecting possible outcomes for the global development. The scenarios can be used to identify significant challenges and risks associated with climate change.

Who recommends that investors perform scenario analysis?
Many key players recommend that companies and investors adopt scenario analysis as a tool for informing their business decisions. In its 2017 report, the TCFD recommended that investors take steps to implement scenario analysis, which is a relevant tool for highlighting the possible implications of the risks and opportunities regarding climate change that an organisation is facing. At the beginning of 2018, the EU High Level Expert Group (HLEG) published its long-awaited report on sustainable finance. The HLEG recommends, among other things, that investors adopt scenario analysis. The European Commission also recommends that investors use scenario analysis. The UN Environment Programme Finance Initiative (UNEP FI) has launched a pilot project to examine how investors can use scenario analysis. A project report is expected to be published in early 2019.

In short, climate scenario analysis is an analytical process which is used to project how the world and the climate may develop in future. TCFD argues that organisations can use climate scenario analyses to assess the potential commercial, strategic and financial aspects of the climate-related risks and opportunities that the organisation is facing in relation to climate change. The area is still very immature, and there are still no guidelines or instructions available to investors on how the analyses should be designed. The UN Environment Programme (UNEP), however, has launched a pilot project together with 20 international investors, which will form the basis for guidelines on the subject. The project is expected to be published in early 2019.

ATP's work on climate scenario analysis

ATP has chosen to launch its own project to provide more insight into how climate scenario analysis can be used to inform investment decisions. This is a large and very complex task that requires insight into climate research and climate modelling, among other topics.

Carrying out a climate scenario analysis for specific investments, such as a forest, requires completing two separate analytical processes. First, a number of specific future scenarios for the global development must be defined, including population growth and climate policy, to determine the volume of greenhouse gas emissions. Once the scenarios have been selected, greenhouse gas concentration data is needed as input for a climate model. The climate models are used to project future climate in a specific scenario, for example the sea level or temperature. There are many assumptions, model limitations and uncertainties associated with climate scenario analysis.

As a result, the project spanned several phases, each with their own targets. First, ATP wanted to fully understand the four scenarios of the UN Intergovernmental Panel on Climate Change (IPCC or Climate Panel for short), and how they were selected. ATP therefore studied the scenarios and their underlying assumptions in order to use them as input for the ongoing work on climate models.

Second, ATP delved into the large volumes of data from many of the climate models on which the Climate Panel has based its recent Assessment Report.[3] A climate model is basically a computer model that can be used to project how the climate may change in the long term. The models are based on the laws of physics and relevant climate parameters and are a complex mathematical description of the interaction of the many elements of the climate system. Future greenhouse gas concentrations in the atmosphere are the most important input of the climate models. The Climate Panel's conclusions are based on research and data from many international research groups which provide data from their climate models. Both scenarios and the climate models are described in more detail in Appendix 3.

ATP's project has attempted to apply climate scenario analysis, including data from the climate models described, to specific forest investments, among other things. ATP owns five forests through its subsidiary ATP Timberland Invest K/S – four in the USA and one in Queensland, Australia. The project focuses on the average temperature increase in the Climate Panel's four scenarios for each of these forests.
Forests are an important part of the global ecosystem and are assumed to be relatively easily affected by both acute and chronic physical risks. For example, an increased frequency of storms, droughts, wildfires, greater rainfall and rising temperatures could have a positive as well as a negative impact on the economic conditions for forest investments. It is therefore highly relevant to examine how they are affected by physical risks in different scenarios.

The UN Climate Panel has developed four scenarios for future greenhouse gas concentrations

ATP bases its climate analysis on the four scientifically recognised and developed scenarios for future greenhouse gas concentrations which were used by the UN Climate Panel in its recent Assessment Report (AR5).

Around every seven years, the Climate Panel publishes a report summarising major international research into climate change and its implications. The Climate Panel

3 Data from the international research programme 'Coupled Model Intercomparison Project Phase 5' (CMIP5) which was used by the UN Climate Panel in its Fifth Assessment Report (AR5).

CASE: ATP's forest investments

ATP has been investing in forests for a number of years. In addition to investments through ATP Timberland Invest K/S, which cover an area of approx. 1,400 square kilometres, ATP increased its forest investments in 2018 by acquiring a stake in Red Mountain Timberlands which owns eight forests in the south-eastern USA. The forests cover a total area of more than 8,000 square kilometres. ATP has an ownership interest in the fund of approx. 18 per cent, equivalent to around 1,400 square kilometres.

As a forest investor, it makes sense to include climate considerations in our investment decisions. Climate change can have a positive or negative impact on the economic conditions for a forest investment. Changed climatic conditions may for instance cause certain of types of wood to grow faster or make them more susceptible to disease or fungal attacks. In addition, wetter forest soils may also hamper the use of machinery in the forest. Climate change can lead to an increased frequency of storms, droughts, wildfires, greater rainfall and rising temperatures, all of which have the potential to change the economic conditions and thereby the return on the forest investment.

ATP includes climate considerations in its assessment of potential forest investments. It may seem difficult to predict whether a specific forest area will experience more droughts, higher temperatures etc. in the future, which is why climate considerations are also taken into account in other ways. One of the ways in which ATP assesses its exposure to climate risks is to examine the robustness of common types of wood at different temperature levels, including by looking at their geographical distribution.

Furthermore, it is widely recognised internationally that responsible and sustainable forestry can contribute to achieving the global climate goals. Trees absorb CO_2 from the air through photosynthesis and store it as carbon. Forestry may be part of the solution, for example by planting additional woodlands as well as increasing the existing tree stock in a forest. In addition, wood could increasingly be used in construction, and for energy and other products instead of alternatives that require a large amount of fossil fuel to produce.

also describes the four possible Representative Concentration Pathways (RCP), which set out four different scenarios for greenhouse gas concentrations. The four selected scenarios represent the breadth of academic research into greenhouse gas concentrations and range from virtually no climate effort to highly ambitious global climate action. Three of these scenarios (RCP2.6, RCP4.5 and RCP6.0) describe a future with efforts to combat climate change with different levels of ambition, while the fourth and most ambitious scenario (RCP8.5) represents a future where no special measures are taken to further curb greenhouse gas emissions.

Many factors have to be taken into account in order to understand climate change. Greenhouse gas emissions are the main cause of climate change, which has many direct and indirect components. These include contributory factors such as energy consumption, population growth, land use, regional economic development, technological advances, lifestyle and many more. The four scenarios are based on socio-economic models and integrated assessment models, and have very different assumptions about economic growth, population growth etc.

It is important to emphasise that the four scenarios are not predictions, and that there are many different socio-economic pathways for a specific level of greenhouse gas concentrations. The RCP scenarios each represent one possible pathway for a specific concentration level.[4]

Structure of climate models

Modern climate models are highly complex and comprise an enormous variety of factors. This complexity is due to a desire to enable very accurate modelling of the Earth's climate and be able to describe geographical variations in many different scenarios. The greenhouse effect is one of the most important climate factors.

However, a climate model also has to include other impacts and factors to more accurately calculate changes in temperature. However, a climate model also has to include other impacts and factors such as cloudiness, snow and ice cover and a description of the global oceans to more accurately calculate changes in temperature. In addition, climate models also include descriptions of temperature, humidity, precipitation, atmospheric particles, ocean currents and many other factors. The various factors also interact, and these complex relationships must also be addressed in the climate model.

The most commonly used climate models, known as general circulation models, cover all these factors as accurately as possible.

The climate models can be used to examine the implications of external influences. These may be man-made changes in the atmospheric content of greenhouse gases. Different scenarios, for example the four RCP scenarios, can be used as input and serve as a starting point for greenhouse gas concentrations. It can also be examined how 'natural' impacts such as major volcanic eruptions may affect the climate. External influences, both man-made and natural, may give rise to positive or negative feedback mechanisms.

A more detailed description of the greenhouse effect and the modern climate models is provided in Appendix 3.

Future temperature increases in five of ATP's forest investments

Based on data from many of the climate models on which the Climate Panel has based its recent Assessment Report (AR5),[5] ATP has examined temperature increases in five forestry investments in the four different RCP scenarios.

The temperature increases were determined by calculating the average of all available data from the climate models via the CMIP5 database. Appendix 3 contains a complete list of the model data used in the calculations. The appendix also shows an example of the method used (specifically the forest in Queensland in RCP8.5).

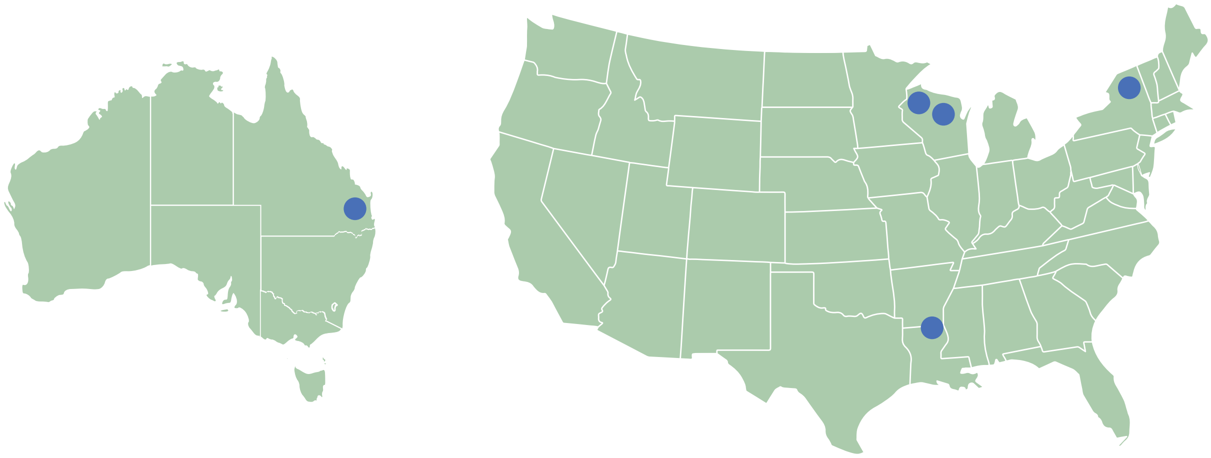
The table shows the temperature increases in the four different RCP scenarios in the geographical locations of ATP's forest investments through ATP Timberland Invest K/S. Due to lack of historical data on forest temperatures, the temperature increase from 2006 to 2100 is shown and not for the period 1986-2005, which is the reference period commonly used in the Climate Panel's recent Assessment Report (AR5). The temperatures will rise in all four scenarios. The increase is most pronounced in RCP8.5, however.

The temperature increases show that the forests Northwoods, Wolf River and Upper Hudson are located in regions that are likely to see greater increases in temperature in the future and may even be more climate-sensitive regions than, say, the forest in Queensland, Australia. This confirms to ATP the relevance of including climate considerations when assessing forestry investment opportunities and our forest management.

4 The RCP scenarios are named after the level of radiative forcing that each scenario produces which is a measure of the total greenhouse effect in the scenario. Technically, radiative forcing describes how the balance between incoming solar energy and outgoing energy from Earth is altered. If radiative forcing is positive, it will lead to surplus energy on Earth and cause warming. In the RPC scenarios, the value is calculated as the change in Watts per square metre (W/m2) from 1750 to 2100. A more detailed review of the RCP scenarios is provided in Appendix 3.

5 Data from the international research programme 'Coupled Model Intercomparison Project Phase 5' (CMIP5) which was used by the UN Climate Panel in its Fifth Assessment Report (AR5).

Forest investments in Australia and the USA which are included in the climate scenario analysis



Temperature increase from 2006 to 2100 in the RPC scenarios (C)

	RCP2.6	RCP4.5	RCP6.0	RCP8.5	Latitude	Longitude
Northwoods, Wisconsin, USA	1.4	2.9	3.9	6.2	45.8	269.0
Ouachita, Louisiana, USA	1.0	2.2	3.1	4.9	32.9	268.0
Hancock Queensland Plantations, Australia	0.8	1.9	2.5	4.5	-26.8	151.3
Wolf River, Wisconsin, USA	1.3	2.9	3.9	6.1	45.2	271.2
Upper Hudson, New York State, USA	1.4	2.7	3.7	6.0	44.0	285.6
Earth as a whole	0.7	1.6	2.2	3.8		

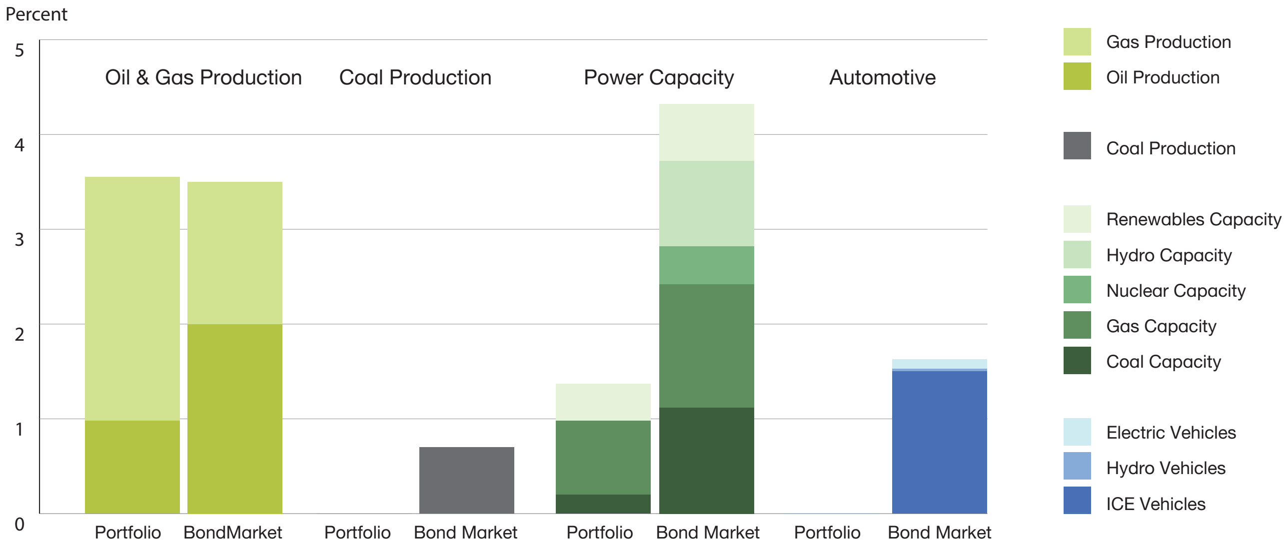
The temperature increases were determined by calculating the average of all available data from the climate models via the CMIP5 database. Appendix 3 contains a complete list of the model data used in the calculations. The appendix also shows an example of the method used (specifically the forest in Queensland in RCP8.5).

The average temperature increase for Earth as a whole from 2006 to 2100 in the RPC scenarios can also be seen from the table. However, the ability of the oceans to absorb energy hampers the average global temperature increase and, consequently, they heat up slower than land. They are therefore not the best point of reference.

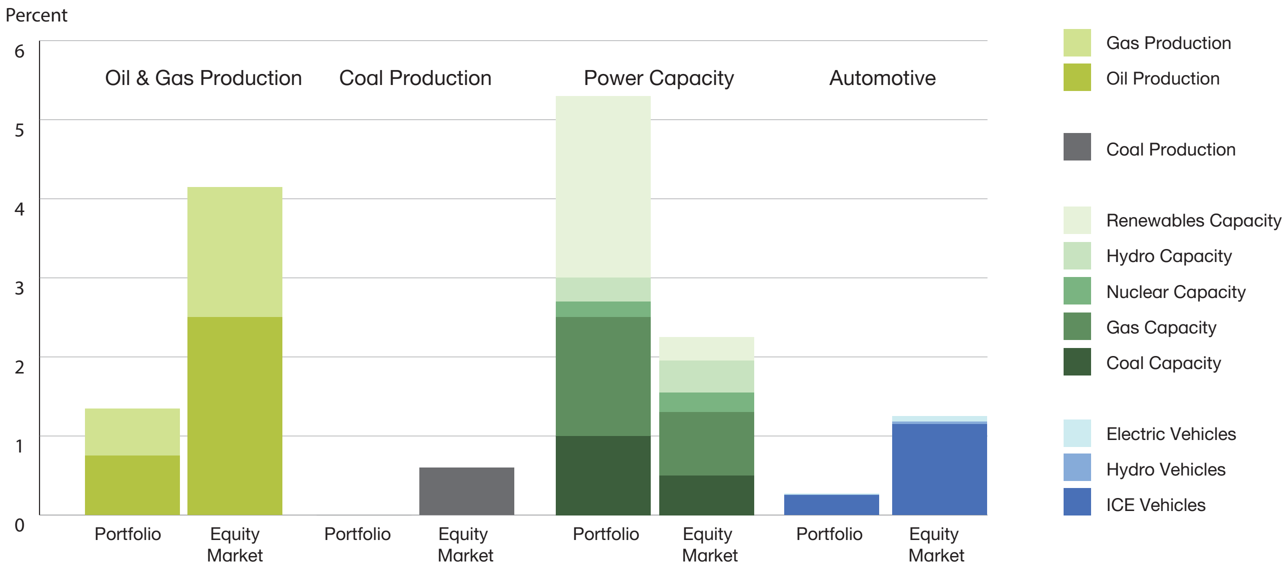
PARIS AGREEMENT CAPITAL TRANSITION ASSESSMENT (PACTA)

Several organisations have chosen to launch various web-based tools that allow investors to perform climate scenario analyses. ATP fundamentally believes that scenario analyses can be useful for investors when assessing the robustness of their strategic plans. Scenario analyses can be based on a number of different assumptions concerning future technological, regulatory and economic development etc. In order to use the analyses to inform investment decisions, ATP believes that it is important to understand the significance and consequences of the methodologies used and not used in the concrete scenario analysis. Unfortunately, it is ATP's general experience that several web-based scenario analyses to some extent lack transparency in terms of the specific choice of methodology,

PACTA analysis: Corporate bond exposure to climate risks as a percentage of the portfolio relative to the benchmark



PACTA analysis: Equity exposure to climate risks as a percentage of the portfolio relative to the benchmark



The above figures are reproduced from the original PACTA analysis, which can be found at atp.dk/responsibility under ‘Climate’.

which makes it difficult to determine how we can use the information in the ongoing portfolio management.

A concrete example of a web-based tool that was launched in the past year is the Paris Agreement Capital Transition Assessment (PACTA) which was developed by the 2 investing Initiative (2dii) and supported by PRI. Investors have the opportunity to upload their portfolio holdings (listed equities and corporate bonds). The tool analyses the holdings for specially selected transition risks and opportunities.

The PACTA analysis focuses only on a small section of the total portfolio, primarily companies engaged in the recovery of fossil fuels, and the automotive and utility industries. The portfolio companies' exposure to specific transition technologies is identified using data concerning the portfolio companies' production of coal, oil, gas, cars etc. and ownership of power stations, for example. The scenario analysis itself also uses estimates of the companies' future production levels within the aforementioned areas, which are compared with different scenarios presented by the International Energy Agency (IEA).

The data used are prepared at aggregate portfolio level which makes it difficult to assess the quality at company level. The companies' capabilities in relation to the green transformation are also excluded from the analysis. This means that it is not possible to identify the individual companies or to use the information as a basis for active ownership.

Finally, the PACTA analysis is based on assumptions about static portfolios and a five-year time period. ATPs quantitative investment strategy in global equities means that ATP regularly buys or sells equities in the underlying portfolio companies. Consequently, the assumptions do not match ATP's investment strategy, and ATP fundamentally believes that the five-year period and the related estimates are subject to considerable uncertainty.

In spite of the above challenges associated with the PACTA analysis, ATP wants to maintain a high level of transparency and is therefore publishing the results of the PACTA tool on its website atp.dk/responsibility under 'Climate'. The analysis is based on a manual extract of ATP's portfolio at 31 December 2018. As a result, there may be slight discrepancies between the extract and the published holding lists.

Below is an excerpt of the analysis which shows ATP's exposure to different sectors compared to a benchmark for corporate bonds and equities, respectively.
Among other things, the figure shows that ATP's corporate bonds are less exposed to oil and coal production than the benchmark. However, corporate bonds are more exposed to gas production. Corporate bonds are also less exposed to utility companies than the benchmark. ATP's equities are less exposed to coal, oil and gas production than the benchmark, but more exposed to utility companies.

Responsibility in unlisted investments

Tax

Tax is a key parameter in investments, especially when it comes to cross-border investments. The globalised economy has created impressive worldwide growth and prosperity, but this has also resulted in complex legal structures that allow taxable returns and earnings to be moved across borders.

In many cases, this is a fully legitimate practice aimed at preventing double taxation, but in other cases it collides with the intention of the tax laws. National tax laws and regulations are not yet adequately adapted to a globalised world, and as a result aggressive tax planning has become a global challenge.

ATP has decided to go further than the law prescribes to counter aggressive tax planning.

In its tax policy on unlisted investments, ATP sets out strict requirements to ensure that ATP pays the correct amount of tax – neither too much, nor too little. The aim is to throw ATP's weight into the fight against aggressive tax planning, while also retaining some degree of realism, since ATP does not always have a decisive mandate, nor can we impose our tax policy on co-investors. ATP cannot change the world on its own. If aggressive tax planning is to be prevented entirely, it requires enhanced international cooperation, improved legislation and improved standards.

In ATP's experience, it is not easy to get everyone on board with ATP's hard stance against aggressive tax planning. In some cases, this has meant that ATP has had to reject certain investments. On the other hand, ATP has also encountered willingness to contribute to ensuring good tax practices and increased transparency.

As an investor, ATP has no mandate to oversee co-investors and external managers – this is a job for the proper authorities. Though, ATP can work to ensure that the money invested by ATP is invested within the framework of ATP's tax policy, and that the correct amount of tax is paid on the Danes' contributions to ATP. ATP is also focising on selecting external managers whose practices are consistent with the intentions of the tax policy, knowing that this is no guarantee that it will be followed.

Consequently, ATP carries out regular spot checks of the structures put in place by ATP's external managers. The aim of the spot checks is to provide assurance that the investments made continue to comply with ATP's tax policy.

PREDOMINANTLY POSITIVE EXPERIENCE WITH THE IMPLEMENTATION OF ATP'S TAX POLICY

For all new unlisted direct investments, ATP has engaged in a dialogue on the tax structure to be used and has managed to impact structures that were not in line with ATP's tax policy.

For example, in one case ATP managed to change the company and tax structure of an investment from an original setup where an intermediate country had been interposed between the location where the investment was made and Denmark, to a structure where ATP invested directly in the country – all with aim of preventing treaty shopping.

ATP has also seen successes in its dialogue with funds: In one case, ATP successfully transferred the jurisdiction of an entire fund from one country to another.

ATP has also imposed investment restrictions and disclosure obligations on all new funds ATP invests in.

Furthermore, ATP has conducted spot checks in four of the funds ATP has invested in. The spot checks have provided ATP with insight into the structures used by the funds, which have not led to comments in relation to ATP's tax policy.

Finally, ATP has found that the funds are generally sympathetic to ATP's desire for dialogue and investment structures as well as ATP's negative list.

ONGOING CHALLENGES

Particularly in the case of fund investments, such as private equity funds, where ATP invests together with other investors, ATP generally has less bargaining power, making it more difficult to get funds to commit to ATP's tax policy.
US funds, in particular, have been sceptical in their dialogue with ATP, as they are reluctant to commit to the OECD guidelines (BEPS), as long as it is not contractually specified what

ATP cannot solve the world's tax problems on its own

In its work on tax in unlisted investments, ATP has put a new topic on the agenda, which is quite new to many external managers. ATP is only one among many investors, so in order to achieve a greater impact it is necessary to get more investors involved in the tax agenda.

In 2018, ATP's actions in the tax area drew considerable attention from investors, consultants and the general public alike.

In Denmark, ATP entered into a dialogue with other pension funds and the funds' organisation DVCA. It is ATP's experience that all these players are interested in ATP's work and experience with the tax policy and are considering how they can make a positive contribution to this important agenda.

ATP's tax policy has also been met with considerable public interest and ATP has attended conferences in the Danish Parliament, at the People's Meeting on the Danish island of Bornholm and in small forums to share its experience in this area.

Internationally, ATP has also experienced some interest from peers and ATP has actively participated in roundtable discussions at several top international tax conferences in order to inspire other investors to put tax on the agenda.

Although ATP's tax policy only applies to unlisted investments, ATP also continued its international collaboration through the PRI organisation in order to increase awareness of the problems of aggressive tax planning among large multinational corporations, particularly in the tech industry.

While there is very significant national interest in ATP's work in this area, ATP believes that it will require a sustained effort to increase awareness among international investors and investment funds of the risks and problems that aggressive tax planning poses to investors and society at large.

they can and cannot do. On the other hand, ATP has found Danish and European funds to be more cooperative.

In certain concrete cases, the tax policy has led to ATP rejecting investments that were inconsistent with ATP's tax policy, and where ATP's external managers were not willing to modify the structures.

In one case, the problem was that a fund wanted to move a large share of a company's earnings to Bermuda to avoid paying tax, which was unacceptable to ATP.
In another case, a US fund maintained its plans to use the structures for their underlying portfolio companies whose substance and form were not compatible with ATP's tax policy.

LEARNINGS FROM THE YEAR'S PRACTICES PROMPTED REVISION OF ATP'S TAX POLICY BY THE SUPERVISORY BOARD

During the year, ATP learned that a dialogue with the at an early stage in the investment process is important to align expectations for the tax planning and structure of the investment.

ATP has found that the increased focus on tax has given ATP an even deeper understanding of the risk aspects of potential investments – both commercially and in terms of tax.

A key learning during the year was that the dialogue as well as negotiations with potential external managers might be hampered by the fact that ATP's tax policy in some respects was not clear and concrete enough for ATP's counterparties to clearly understand what ATP demands from them.

Thus, in late 2018, ATP's Supervisory Board decided to undertake a review of ATP's tax policy in order to clarify and specify ATP's tax requirements in connection with unlisted investments.

It is ATP's hope that a more detailed tax policy will provide even better opportunities for ATP to promote its progressive tax policy in 2019.

CASE: Critical dialogue with Macquarie

In autumn 2018, several European media uncovered a number of cases involving major alleged dividend tax fraud across large parts of Europe, and the Australian Macquarie Bank was mentioned as a participant in the tax speculation setup.

In spring 2018, ATP invested in TDC through a consortium with two other Danish pension providers (PFA and PKA) and MIRA (Macquarie Infrastructure and Real Assets). MIRA is a entity of Macquarie Group, which is separate from Macquarie Bank. MIRA manages infrastructure investments for a wide range of international pension and insurance providers.

In light of the new information about Macquarie Bank, ATP, along with the Danish pension providers PFA and PKA, entered into a critical dialogue with the Macquarie Group in an effort to understand the extent of the company's involvement in trades motivated by dividend tax refunds.

Macquarie has announced that the bank has participated in so-called CumEx trades in Germany on three occasions. There are currently no outstanding amounts in any of the three cases, as all dividend tax refunds have been paid back to the German tax authorities. Macquarie has stated that their Danish company has not been engaging in trade in Danish equities at any time, and that Macquarie has not requested payment of dividend tax in Denmark at any time. Moreover, Macquarie has no knowledge of having lent money to funds that have subsequently claimed a refund of dividend tax in Denmark.

A critical dialogue with Macquarie is ongoing, as ATP awaits more detailed documentation from Macquarie, to the extent such can be procured. ATP has demanded that Macquarie implement an adequate self-cleaning process, including documentation that any compensation ordered has been granted, documentation for active cooperation with the authorities and the implementation of appropriate and adequate measures to prevent further breaches, such measures to be certified by a third party. ATP has decided not to engage in new business dealings with Macquarie before the critical dialogue and self-cleaning process at Macquarie has been completed to our satisfaction.

The TDC consortium has entered into an agreement under which all dividend and interest rate payments to the owners must, de facto, be approved by the three Danish pension providers. When dividends are paid to the owners, the consortium's holding company generally withholds the full amount of Danish withholding tax, unless MIRA obtains a binding pre-approval from SKAT (the Danish Customs and Tax Administration), confirming that MIRA is entitled to reduced tax payments. The investment in TDC is ATP's only investment in a company in the Macquarie Group.

ESG integration in alternative investments

One of the focus areas for 2018 was the development and expansion of strong ESG processes for all asset classes.

For ATP, integrating ESG in real estate investments and direct investments is nothing new. ESG has been part of the investment process for a number of years. However, ATP has found that there is a need for developing and standardising its processes with an increased focus on data and documentation.

ATP invests in private equity funds through ATP Private Equity Partners. ESG did not use to be an integral part of the investment process, but in 2018 ATP devoted considerable resources to developing and applying integrated investment processes in connection with new investments.

The work on standardising the ESG processes was carried out with due regard for the diverse nature of the investment processes that are used in alternative investment. ATP's focus was on tailoring the processes to the individual investment processes, both in terms of direct investments and fund investments in real estate, infrastructure and private equity funds. In ATP's view, this is the most effective way of incorporating ESG in investment decisions.

ESG can be incorporated at different stages before and after an investment is made. In 2018, the standardisation work focused particularly on strengthening the ESG processes that precede ATP's investment decisions – a process that ATP refers to as ESG due diligence.

STANDARDISATION AND DEVELOPMENT OF ESG DUE DILIGENCE PROCESSES

The purpose of ESG due diligence is first and foremost to gather information and knowledge about relevant ESG issues etc. before ATP decides whether to go ahead with a given investment.

If the ESG due diligence process identifies problematic ESG issues, ATP may decide not to go ahead with the investment. A potential investment may also be hampered by commercial, legal and tax problems.

In other cases, ATP may instead exercise active capital ownership, demanding that ESG issues be dealt with in a specified manner if ATP is to invest in the specific asset or fund.

Finally, the ESG due diligence process may also identify issues that ATP finds should be explored further in close cooperation with the asset or the fund.

In 2019, closer integration between the ESG process that precedes any new alternative investment by ATP and the ESG efforts undertaken by ATP as owner of the asset (referred to by ATP as ESG asset management) will be the focus of ATP's continued build-out of the ESG area in relation to alternative investments.

BETTER DATA REMAINS A KEY FOCUS AREA

The lack of adequate ESG data is a challenge to ATP's ESG integration in alternative investments and complicates the ESG due diligence process.

ESG question database
An important part of the standardisation of ESG processes in alternative investments and efficient ESG due diligence is the ability to gather adequate information that can help you to assess the ESG aspects of a potential new investment. ATP is working to improve the quality of relevant ESG information we receive from our alternative investments. Among other things, ATP is in the process of developing an internal question database, which makes it possible to streamline and standardise the work on ESG due diligence.

ESG information is often not immediately accessible when ATP is considering a new alternative investment. Furthermore, the process preceding ATP's decision whether to buy the asset or not is often short.

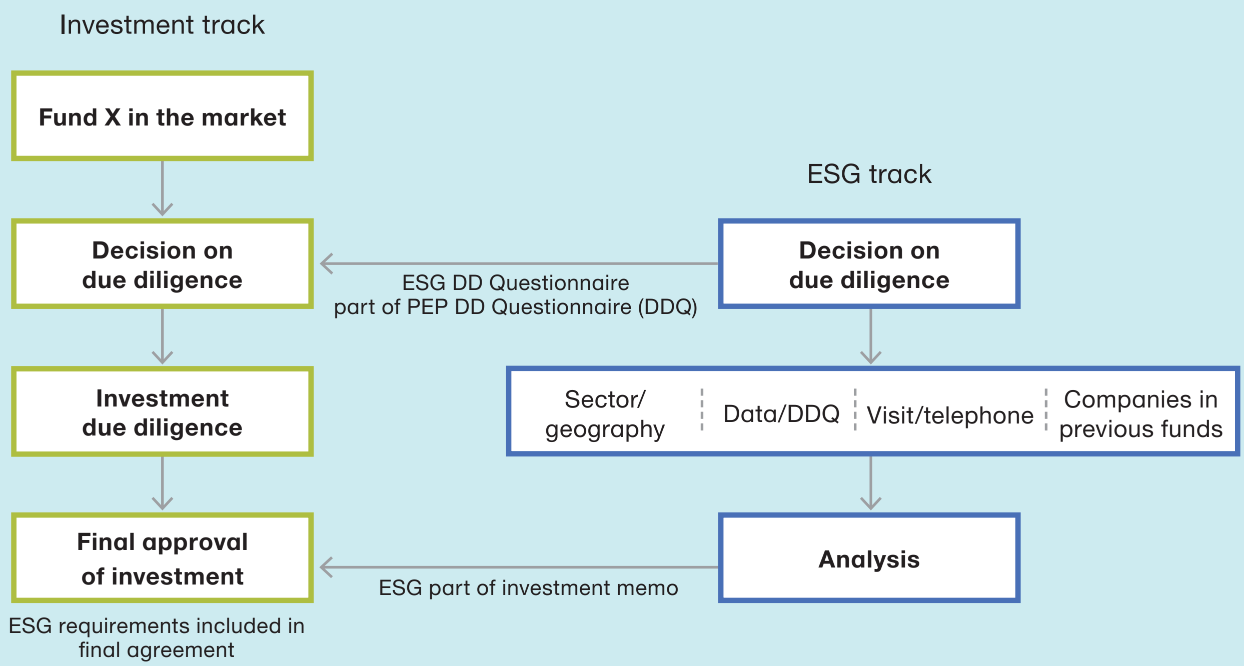
The question database allows ATP to quickly request (more) information about the aspects that ATP considers to be particularly important to its ability to examine ESG issues in the potential investment.

Insight into the process concerning private equity funds

ESG due diligence within private equity funds is performed of the prospective fund for investment. Due diligence is performed prior to entering into an investment agreement, and before the fund makes any investments. ATP makes a commitment to invest DKK X million over a given investment period. In ESG due diligence, focus is on assessing the fund's ability to work with ESG in the companies the fund invests in.

ATP has drawn up an ESG questionnaire, which is sent to all new prospective funds. The aim is to establish the fund's views on ESG, and how to ensure that the companies we invest in are focusing on relevant ESG issues. In the absence of such focus, initiatives will be launched to rectify the situation. Background information and the questions are described in more detail on page 40.

In addition to the questionnaire, ATP also engages in a dialogue with the fund to learn more and obtain more information. In its ESG assessment of the fund, ATP also incorporates knowledge of the environment in which the fund operates, for example sectors and countries, climate-related matters and other relevant matters. Against this background, it is concluded whether ATP is confident that the fund manages ESG in the investments undertaken on behalf of ATP.



The figure illustrates the ESG due diligence process in ATP Private Equity Partners. The ESG process is tailored to the highly developed investment process that has been used for several years. This ensures that ESG is part of the overall due diligence that precedes an investment, where ESG is included as a parameter in line with other factors.

Examples of questions for prospective private equity funds

Policy and processes	ESG integration	Management	Monitoring and reporting
• Are relevant ESG policies in place? • Who is responsible for ESG? • Which ESG initiatives are ongoing?	• How is ESG assessed, and what expertise is used? • What is the role of ESG in the assessment of investments? • In which forums are ESG issues discussed?	• Is ESG integrated into the post-investment action plan? • How is ESG managed in portfolio companies? • Is ESG part of the exit preparations?	• How is ESG reporting conducted? • How are investors informed of unexpected incidents? • Are there key performance indicators (KPIs) for ESG in reporting?

The question database also contains an ESG questionnaire which ATP sends to private equity funds in connection with its fund investments. The figure above shows some of the topics addressed in the questionnaire.

GRESB

ATP is also working with other investors to secure better ESG data in alternative investments. The organisations GRESB Real Estate and GRESB Infrastructure are working systematically with ESG reporting in order to increase the level of ESG information in alternative investments.

GRESB Real Estate

GRESB Real Estate was founded almost a decade ago, and is today one of the most ambitious reporting standards for ESG in real estate investments. The standard has been adopted by the largest global real estate investors, and a growing number of investors are reporting on their ESG work to GRESB Real Estate. Real estate investor performance is assessed based on a number of factors, including stakeholder involvement, management, building certificates, risk and opportunities as well as general performance.

The fact that so many large global players in the market for real estate investments have adopted the standard makes GRESB data a strong and ambitious tool for investors for assessing their own performance. ATP uses the assessments as an internal work tool to systematically understand, assess and benchmark its real estate investments' ESG performance against that of the largest global players. ATP has and will continue to use GRESB's ESG assessments to identify the potential for improvement and step up its efforts to integrate ESG into its investment decisions.

The following page shows two figures that benchmark ATP's performance in GRESB Real Estate against that of a defined peer group of northern European investors in 2017 and 2018, respectively.

GRESB is based on dynamic assessments with a growing number of requirements and benchmarking against a peer group. It should be noted that ATP's peer group improved from 2017 to 2018 on all aspects, with most areas showing significant improvement. ATP also improved its score on a total of four aspects: Policy & Disclosure, Risks & Opportunities, Monitoring & EMS, and Building Certifications. However, ATP's score fell on the Management, Performance Indicators and Stakeholder Engagement aspects. The overall progress of ATP's peer group means that ATP is lagging behind its peer group, although ATP has improved its performance – notably in Policy & Disclosures. ATP continues to lead its peer group on the Building Certifications and Risks & Opportunities parameters.

GRESB Infrastructure

ATP is a founding member of GRESB Infrastructure and a member of its advisory board. Infrastructure investments are typically made directly in an asset or through a fund. As a result, GRESB Infrastructure is divided into two types of reporting: one for funds and one for assets. This ensures that investors can use ESG data in their dialogue with and assessment of fund managers and companies.

The initiative is somewhat younger than GRESB Real Estate, as for example companies and funds began reporting to GRESB Infrastructure in 2016. This means that there is room for improvement in terms of increasing the number of reporting asset managers.

One of ATP's goals of serving on GRESB Infrastructure's advisory board is to increase awareness of the initiative, recruit more members and encourage more asset managers to report, so that GRESB Infrastructure can create value for both companies and investors. Increased reporting from different types of assets and funds will improve the relevance of GRESB data as it enables a more meaningful benchmarking of performance between assets and funds.

ATP is encouraging the infrastructure investments in which ATP exercises capital ownership to report to the initiative. ATP is also trying to influence companies and fund managers to report in cases where ATP does not have a controlling interest, for example through presentations at board meetings or in the dialogue with companies and fund managers. ATP is pleased that the majority of companies and funds are reporting to GRESB Infrastructure, and ATP focuses on ensuring that new investments do the same. In 2019, ATP will concentrate on getting the last investments on board.

In 2018, GRESB Infrastructure saw impressive growth, with a 75 per cent increase in the number of assets reporting to GRESB. Overall, 355 funds and assets reported on ESG issues through GRESB Infrastructure in 2018, improving the benchmark year after year.

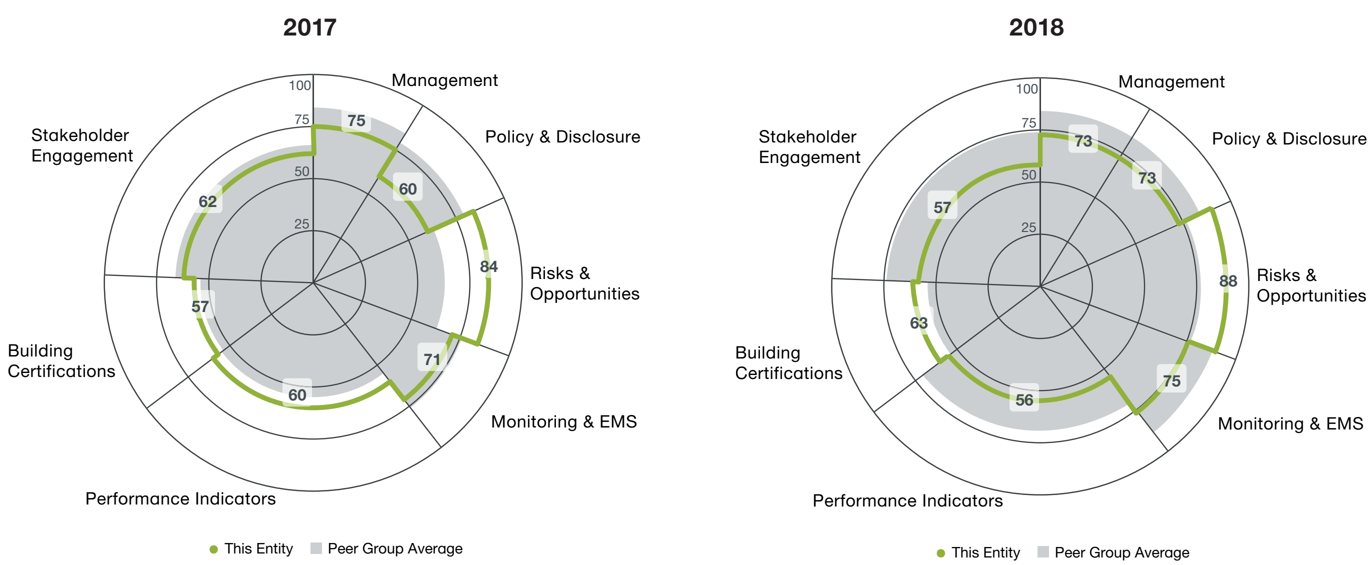
Concrete examples of
GRESB assessments of assets and funds

When funds and assets report to GRESB Infrastructure, their ESG performance is assessed on a number of relevant aspects. ATP uses this information in its assessment and ESG dialogue with its business partners. Funds as well as assets are able to benchmark their performance against that of a specified peer group.

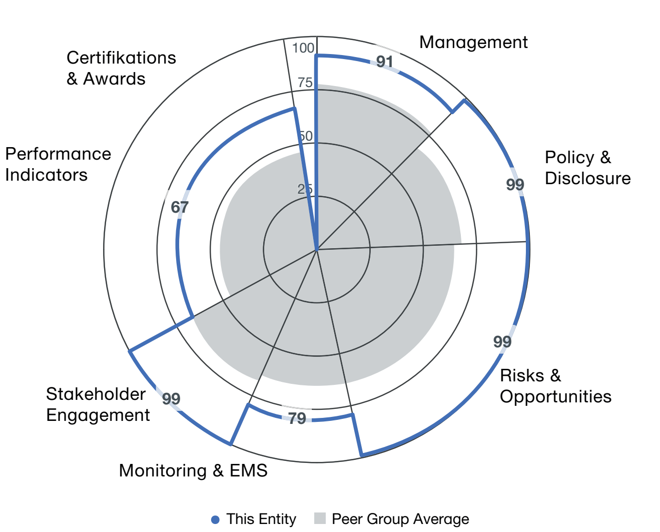
Concrete examples of assessments of an asset and a fund are shown below.

In the examples, both the asset's and the fund's performance exceeds that of their respective peer groups. However, this is not always the case. Some of ATP's investments have lower scores than those of their peer group. ATP uses the score and peer score as part of its ongoing dialogue with companies and funds.

ATP's GRESB Real Estate scores in 2017 and 2018



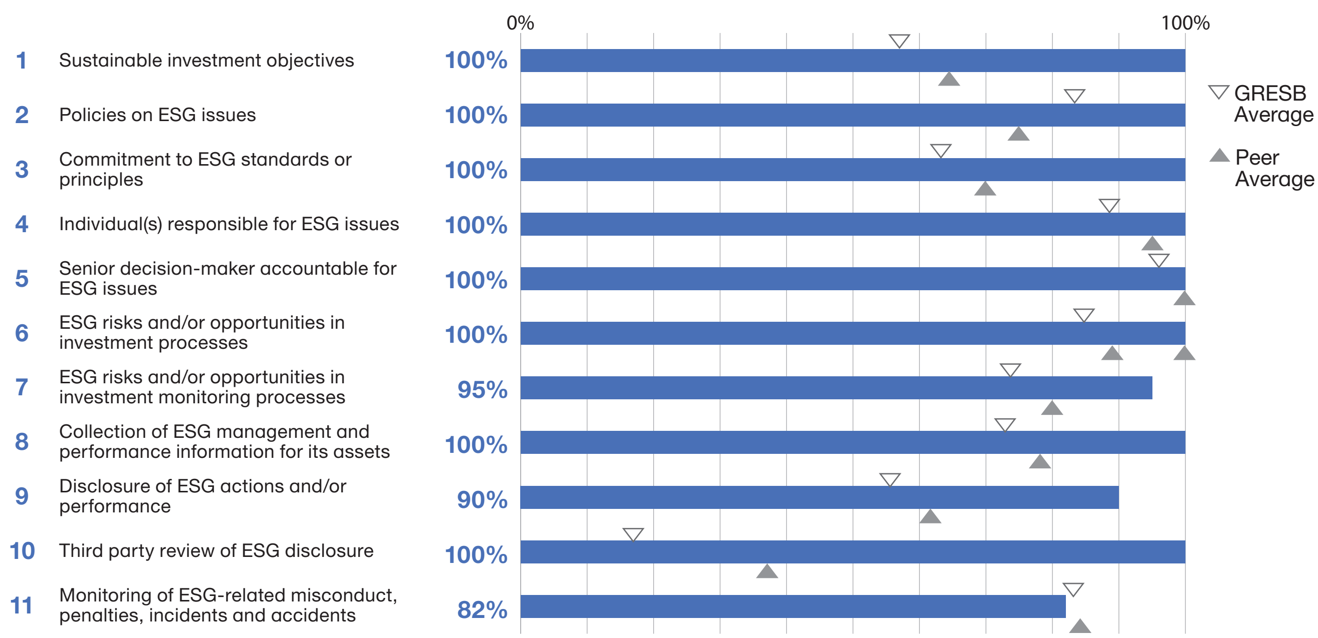
Example of a score for a concrete infrastructure asset



Sometimes the score is not indicative of the fund's or the asset's performance. This may be because the company structures its ESG efforts in a different way. This is a genuine challenge, which is why ATP and GRESB maintain a consistent focus on developing the reporting tool to ensure that the scores are always indicative of performance. However, 92 per cent of the funds and assets that report to GRESB Infrastructure are satisfied with the materiality-based scoring model.

Overall, all ATP's investments increased their performance in 2018. However, there is still room for improvement, and in 2019 ATP will continue to use GRESB Infrastructure as a tool for expanding its ESG asset management in relation to alternative investments.

Example of a score for a concrete fund



Active ownership and fact-finding

Active ownership – Continuous dialogue and voting

Active ownership is given high priority at ATP, and ATP devotes considerable resources to its implementation across its listed equities.

As a player in the market for listed companies, ATP has a responsibility for and interest in the efficient functioning of the markets to the highest standards. ATP believes that we create long-term value for our members by exercising active ownership and contributing to the optimum functioning of the markets. This is the cornerstone of the Policy of Active Ownership of ATP's Supervisory Board, which sets out a number of fundamental principles that guide the work on active ownership in listed companies.

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

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

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

ATP engages in two types of dialogue: continuous dialogue and dialogue through general meetings, which are described below. ATP applies a principle of proportionality in its active ownership activities, entailing that the scope of the dialogue

CASE: Active ownership in Danish companies

In Danish companies, ATP mostly exercises active ownership through continuous dialogue, where the annual general meeting is merely one among many venues for interaction throughout the year.

ATP is therefore often able to to express its concerns and opinions at face-to-face meetings with companies, which may impact the company's final proposal to the general meeting. Hence, ATP rarely votes against the companies' recommendations.

However, this year ATP voted against Ambu A/S's new remuneration policy. ATP found it inappropriate that the scheme comprised two parallel option schemes.

ATP also voted against the election of the outgoing CEO to the Board as he was intended for the post of Chairman of the Board of Coloplast a/s. It is ATP's view, as stated in the Recommendations on Corporate Governance, that there should be a cooling-off period to ensure a clear separation of duties between the CEO and the Chairman of the Board and prevent a conflict of interest.

with a specific company generally reflects the value of the investment and the size of ATP's ownership interest. This strategy is linked to ATP's possibility of effectively engaging in dialogue, which increases with the ownership interest. Because ATP often has substantial holdings in Danish listed equities, the 'continuous dialogue' often revolves around these companies. Other factors such as investment method and strategy may also guide the extent to which ATP carries out its active ownership activities.

CONTINUOUS DIALOGUE

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

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

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

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

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

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

CASE: Implementing ATP's policy

The Policy of Active Ownership sets out 16 principles for the management of ATP's active ownership. In order to translate the principles into practice, ATP's Committee for Responsibility has been tasked with drawing up guidelines for ATP's general practice in the area.

A subcommittee of the Committee for Responsibility has been established, which will be responsible for the day-to-day operation of the policy, ensuring that the votes cast in the different companies are implemented in accordance with the intentions of the Committee and the Supervisory Board. The process of translating theory into practice is constantly evolving, with an ongoing dialogue about the interpretation and direction of the work. It is not possible to define guidelines in advance which take all outcomes in all companies into account.

During a voting season, issues will always come to light which were either not foreseen in the policy or which involve special circumstances which may affect ATP's vote. ATP is continuously working to improve and hone the practical implementation of the guidelines.

most constructive dialogue with companies, ATP always pledges confidentiality.

DIALOGUE THROUGH GENERAL MEETINGS

Voting at the general meetings of its portfolio companies is a key part of ATP's active ownership. Through active ownership and voting, investors are able to contribute to the optimum functioning of the markets for listed equities, while also promoting the companies' long-term value creation.

The exercise of the voting rights of investors plays a pivotal role in the forthcoming EU Shareholders' Rights Directive (SRD II). The exercise of investors' voting rights is also an integral part of the Committee on Corporate Governance's Stewardship Code.

Investors can fulfil these obligations in different ways, for example by attending general meetings or through proxy voting, where the entire voting process is handled by a third party.

ATP puts pay on the agenda

Executive pay is one of the areas in which ATP's voting practice has resulted in new and supporting ESG activities. ATP has focused on problematic pay packages in its voting policy, voting practice and by engaging in in-depth dialogues with a number of foreign companies on pay and problematic pay packages.

The dialogues took place through meetings, conference calls and by email, and were carried out in close collaboration with a number of major European investors. The investor group has agreed to enter into a dialogue with a number of European and US companies about the problematic composition of pay packages. The dialogues took place throughout 2018, and in several cases the investor group successfully engaged in a direct dialogue with board members of major US companies to explain ATP's position on pay and the composition of pay packages.

ALL ATP'S VOTING DECISIONS ARE MADE IN-HOUSE

Exercising its voting rights at general meetings is a natural part of ATP's ownership of listed equities. ATP makes use of both physical attendance and proxy voting, but has chosen an extended and hand-held proxy voting model where ATP actively considers each voting item based on its voting policy.

ATP often attends general meetings in Danish companies in person and also regularly gives speeches at the meetings. These speeches are available at atp.dk (in Danish only). ATP rarely and only on special occasions attends general meetings in foreign companies in person.

ATP uses the technical infrastructure of proxy voting to vote at most general meetings. Proxy voting simply means that votes are cast through a third party (proxy). The concept of proxy voting is wide-ranging and may cover everything from full outsourcing of the voting process, including concrete voting decisions, to the practical outsourcing of the physical voting. In order to comply with the Committee on Corporate Governance's Stewardship Code and the Shareholder Rights Directive, it is sufficient to make use of systematised proxy voting, where the decision-making authority is delegated to a third party.

ATP does not outsource its decision-making authority to a third party. Instead, ATP considers all votes cast based on a voting policy, focusing on the company's individual situation, challenges and risks. By making voting decisions in-house, ATP facilitates high-quality decision-making and synergies between investment processes and voting, allowing information from the dialogue to support the investments and vice versa.

Handling voting decisions in-house also ensures consistency in ATP's active ownership and its many ESG activities.

This means that voting decisions can be backed by knowledge and information gained from our dialogues with companies, including from fact-findings and thematic engagements. Read more about these processes on page 53. ATP may also choose to organise special ESG activities on the basis of the insight gained by following trends at general meetings.

ATP's physical voting process is managed by ISS which is one of the leading providers of proxy voting services.

ATP does not always vote in accordance with ISS's voting recommendations. The figure below shows that ATP, after an independent assessment, agreed with ISS's recommendations on 84 per cent of the voting items.

Follows ISS's recommendations

This is because ATP has particular views on issues such as pay where ATP actively considers the fairness and context of each individual pay package. Another reason for the divergence between the recommendations of ISS and ATP's voting practice is that ATP has a principles-based voting policy, which does not give special consideration to local customs in corporate governance.

ATP CONSIDERS EACH INDIVIDUAL PROPOSAL

ATP's views often differ from those of other attendees at general meetings. Such views concern decisions that cannot be put to a formula, but require continuous and specific consideration – for example decisions on executive pay.

Among other things, the voting policy requires that the pay is reasonable, that the pay is adapted to the special circumstances of the company, that the commonality of interests between the Executive Board and shareholders is strengthened, and that the company is able to attract qualified talent. In sum, it means that ATP considers each pay package and each company on an individual basis.

Depending on the specific circumstances of a given pay package, ATP may vote in favour of a pay package in one company, while at the same time voting against a similar pay package in another company under a different set of circumstances. For example, ATP may vote against a pay package in a European company, but vote in favour of a similar package in a US company.

However, as can be seen from the two figures below , ATP tends to vote against US pay packages more often than pay packages in general.

Votes on pay packages

Votes on pay packages, USA

The same is true for many other areas.

ATP'S VOTING POLICY IS GLOBAL AND PRINCIPLES-BASED

ATP's Policy of Active Ownership is based on a set of principles. This means that ATP's voting policy does not give special consideration to local conditions, but is based on the belief that ATP's approach to corporate governance creates value, no matter where in the world ATP choses to invest.

Specific attention is given to voting on the election of board members. Generally, ATP is of the opinion that efficient Supervisory Boards should be independent. The policy does not take account of local markets with corporate structures that differ from for instance Danish corporate struc-

ATP continues to develop its approach to corporate governance through knowledge of best practice and academic insights

As part of its day-to-day active ownership, ATP constantly seeks to improve its approach to the subject. ATP is therefore committed to back up our approach to active ownership by theoretical knowledge and practical experience.

One of the areas where ATP changed its practice in 2018 was its view on shareholder proposals relating to improved or more detailed company reporting. But whereas ATP previously focused more on whether it was information we would actively use ourselves, we now also focus on whether it would be of meaningful use to others. ATP now tends to vote in favour of proposals that accommodate other shareholders' requests for information. The new practice has been developed on the basis of research by Nobel Prize-winning economist Jean Tirole. The fundamental idea behind the new approach is that ATP wants to support other shareholders wishing to monitor companies in which ATP have an ownership interest. Monitoring may also potentially benefit ATP. This should be seen in light of the fact that ATP's active ownership activities in other cases also benefit the other shareholders. ATP always tries to understand the details of each proposal and place it in the right context, and ATP's support always depends on the specific circumstances.

tures, where the majority of board members are usually independent. This is for example the case in the Japanese market, where boards with a majority of independent members are rare. This means that ATP votes against a relatively large number of board members in Japan.

Votes on election of board members

Votes on election of board members, Japan

One could also choose an alternative approach with adjusted regional policies which take account of local best practice. However, ATP has decided against this solution as ATP believes that Supervisory Boards create the most value when they are independent – also on markets where this is not yet standard practice.

Although ATP has a principles-based approach, it is important to point out that ATP is not bound by its rules. ATP considers all proposals and voting items individually. This allows ATP to take account of the specific context and any special circumstances of a voting item. It also means that ATP may vote differently on the same proposal in different companies, if ATP deems it appropriate.

An example of this can be found by exploring ATP's past voting at the general meetings of the two Australian companies Qantas Airways and Woolworths Group. The shareholders of both companies put forward proposals which in different ways concerned the issue of human rights. A shareholder proposal to 'Approve Human Rights Due Diligence' was put forward at the general meeting of the airline Qantas Airways, while the retailer Woolworths Group faced a proposal to 'Approve Human Rights Reporting'. The proposals are not identical, but the topic is the same. Nevertheless, ATP decided to vote against the proposal at the general meeting of Qantas and in favour of the proposal at Woolworths.

In ATP's judgment, the proposal at Qantas' general meeting was to be seen in a domestic political context. The authors of the proposal believed that Qantas' involvement in the repatriation of unsuccessful asylum seekers from Australia is a violation of human rights, and that Qantas should therefore immediately cease its cooperation with Australian authorities. However, Qantas argued that it is the Australian government, not Qantas, which has the ability to assess the legal status of individuals and to make the decision on their potential repatriation. The Australian system is based on democratically decided, regulatory processes which Qantas adheres to. Furthermore, the United Nations Guiding Principles on Business and Human Rights point out that companies should seek to ensure that they do not undermine nationally established, legal processes in the field of human rights. As a result, ATP decided to vote against the proposal.

In the case of Woolworths, the proposal concerned human rights in the supply chain, specifically workers in the agricultural sector. ATP recognises that Woolworths year after year delivers progress in terms of improving worker conditions in their supply chains. However, ATP's investigations indicated that agricultural workers in Woolworths' supply chain had not experienced the same level of progress as for example workers in the clothing industry. Consequently, ATP indicated to Woolworths that we welcome better working conditions for the group of workers that the proposal focused on. During the voting process, ATP pointed out to Woolworths that ATP voted in favour of the proposal in order to ensure better working conditions for agricultural workers in Woolworths' supply chain.

ATP SENDS VOTING INTENTIONS TO COMPANIES

In 2018, ATP decided to publish the names of the companies to whom ATP sent voting intentions in order to ensure a greater level of transparency. The overview can be found in Appendix 5.

When ATP issues a voting intention, it basically means that ATP wants to explain to the companies how our vote should be interpreted. If, on one or more voting items, ATP intends

CASE: ATP puts pressure on Shell to advance on the climate agenda

In December 2018, following pressure from a number of investors, including ATP, Royal Dutch Shell announced a significant change of direction on the climate agenda. Starting next year, Shell will commit to setting specific targets for its greenhouse gas emissions, among other things.

In 2018, Shell faced pressure from ATP and other investors. A shareholder proposal at Shell's general meeting in May 2018 demanded that, going forward, Shell set specific targets for its greenhouse gas emissions. Shell had already announced ambitions for its emissions, but no firm targets.

Following a concrete assessment of the proposal and Shell's reporting, ATP decided to back the proposal. ATP also took the opportunity to enter into a dialogue with Shell to specify why we had backed the proposal.

The proposal was only backed by 5.5 per cent of the votes and hence was not adopted at the general meeting. However, after the general meeting a group of investors continued the work to influence Shell through active ownership through the ATP-backed investor partnerships Climate Action 100+ and Institutional Investors Group on Climate Change (IIGCC), among others.

In December, Shell announced a change of direction, committing themselves to setting specific emission targets in line with the proposal at the general meeting. This change of direction was brought about by pressure from investors exercising active ownership, as well as general pressure from Shell's stakeholders.

to vote against the Supervisory Board and the company's own recommendations, ATP will seek to inform the company of ATP's intentions and motivation ahead of the general meeting.

ATP also seeks to inform the company if we support the Supervisory Board in the concrete proposal, but find certain elements of the proposal to be of value. Such proposals may for example be those relating to discrimination. ATP may not necessarily support all proposals concerning the topic of discrimination, as they may relate to a process or implementation rather than discrimination per se. ATP of course opposes discrimination in all its forms and will point out its views to the company to make sure that a vote against a proposal cannot be misconstrued as opposition to the basic concept.

An example of such an enquiry to a company sent by ATP ahead of the vote is shown on the following page.

CASE: Dialogue with Danske Bank

In 2018, the Danske Bank money laundering case attracted a lot of attention – both in the media and among investors – and quite rightly so. Improper behaviour was revealed to have taken place in Danske Bank's Estonian branch in 2007-2015, and regulators from several countries are investigating whether the Bank violated anti-money laundering legislation by failing to have sufficient controls in place.

Money laundering is a clear violation of ATP's Policy of Responsibility in Investments, and from early on in the process, ATP exercised active ownership through dialogue. ATP's believes that ATP's interests are best served by putting pressure on Danske Bank to make improvements through dialogue rather than resorting to exclusion of Danske Bank from our investment universe.

Moreover, our dialogue with Danske Bank has convinced us that considerable efforts are being made to strengthen the Bank's compliance function going forward, and we believe that this clearly reduces the risk of similar violations in the future.

Our dialogue with Danske Bank has taken place at three levels. We have been in direct dialogue with the Bank's Board of Directors, the Bank's Executive Board and the Bank's Chief Compliance Officer. Last, but not least, we have been in dialogue with a few other investors. In parallel with the dialogue, we have raised public criticism of Danske Bank's handling of the case, both in the media and at the general meeting in March 2018.

The aim of the dialogue was to assert ATP's influence relative to the Bank in terms of making improvements in the handling of the actual case, but also to develop a better understanding of the specific case and the initiatives taken by Danske Bank to strengthen its compliance function going forward.

The case escalated over the summer/autumn of 2018. Due to the scope and severity of the case, it was clear to ATP that a major management reshuffle was required to move the Bank forward after the serious accusations. Consequently, our dialogue escalated to include other investors such as AP Møller Holding. As a result of this dialogue, in November 2018 ATP supported AP Møller Holding's initiative to convene an extraordinary general meeting. The purpose of the extraordinary general meeting was to replace the Chairman of the Board of Directors and the Chairman of the Audit Committee and to appoint Karsten Dybvad new Chairman of Danske Bank.

Dear Investor Relations,

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

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

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

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

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

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

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

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

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

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

On behalf of ATP,

Active ownership – Thematic engagements

ATP has a consistent focus on ESG risks in its investment portfolio and as a result exercises active ownership through thematic engagements. In 2018, ATP conducted seven thematic engagements with more than 200 companies.

Read more about the individual thematic engagements on page 54.

Structured series of dialogues

Thematic engagements are structured series of dialogues with groups of companies in the portfolio on responsibility-related topics, such as environment, human rights or corporate governance. The aim of the dialogues is to enable ATP to:

- understand the challenges, risks and opportunities of the portfolio companies
- identify ESG risks across its portfolio
- promote the long-term value creation of the companies.

The aim of the dialogues on responsibility, like other active ownership initiatives, is to improve ATP's understanding of the challenges facing companies. Knowing the risks and challenges facing companies and increasing its level of knowledge enables ATP to make better investment decisions.

The process also ensures that ATP proactively and systematically identifies ESG risks across its portfolio of listed equities.

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

ATP selects topics based on analysis and trends

The topics of the dialogue series are chosen by ATP's Committee for Responsibility. The methods employed for selecting topics vary.
ATP's Committee for Responsibility may decide on a focus area which it believes to be relevant to its risk management or the companies' long-term value creation.

Another method employed by ATP in the selection of topics is to look at some of the trends identified by ATP at general meetings, such as trends in shareholder proposals. If, for example, environment, climate, human rights or corporate governance is on the agenda at several of the season's general meetings, it may be relevant for ATP to seek out knowledge and robust input on best practice, on specific companies' performance and strategies etc. – knowledge which ATP can use to make more informed voting decisions.

In other cases, ATP may choose a topic, because our screening processes show that several companies are exposed to the same ESG risks, but we are unable to ascertain a concrete breach of ATP's Policy of Responsibility in Investments. In such situations, thematic engagements can give us more insight into the policies and processes introduced by the companies to counter the portfolio risk – knowledge which ATP can use in future company investigations.

Sometimes ATP also chooses a topic to obtain more and better information and data from the companies on specific ESG risks, so that ATP can make better decisions.

Circular economy	Diversity in management	Living wage	Climate and transport	Anti-corruption	Climate reporting	Indigenous peoples
25 companies	57 companies	7 companies	12 companies	6 companies	88 companies	5 companies

CIRCULAR ECONOMY

Circular economy is considered by many as an important means to achieving a more sustainable development, including promoting UN SDG 12 on sustainable consumption and production. The Danish government's announcement of its 'Strategy for the circular economy' in September 2018 is the latest in a series of key policy and private initiatives in the field, but the Nordic Council and the European Commission have also been dealing with the circular economy for a number of years.

One of the means to securing the green transformation and promoting a more sustainable development is to introduce circular principles in the economy. The basic concept of the circular economy is that companies should attempt to eliminate or minimise waste and instead integrate traditional waste products into the value chain by reusing, recycling and remaking resources and products. The environmental impact is reduced when companies increase recycling and reduce resource consumption in production. For companies there may also be advantages associated with the introduction of circular economy measures, such as savings resulting from efficient resource consumption or increased earnings from expanding their revenue base.

Plastics, food and electronics companies with the greatest potential

ATP is very keen to understand how companies can work with circular economy principles and has therefore engaged in a number of dialogues on circular economy with some of the Danish and foreign companies ATP invests in. In this thematic engagement, ATP focused on companies in three sectors: food, plastics and electronics. Danish and international experts suggest that these sectors have the greatest potential, and that they can benefit most from the implementation of circular economy measures. ATP selected a total of 25 companies from the three sectors for dialogue. Five of these companies either did not respond to ATP's enquiries or were unable to participate in a dialogue.

ATP committed to promoting circular economy measures

The motivation for conducting a thematic engagement on the circular economy is that ATP wants to promote circular economy measures among the companies in its portfolio. The aim of the thematic engagement is to learn more about the companies' efforts to reuse and recycle or remake resources and products. ATP can use this knowledge to encourage companies to adopt green and circular economy measures.

It also gives ATP more insight into the extent to which ATP's portfolio companies are prepared for possible new environmental regulation in the area.

European bias

Circular economy is a European concept, and the dialogues with Japanese and US companies were centred on recycling and remaking as well as sustainable production.

European food companies have a longer history of adopting circular economy measures than their US and Japanese counterparts. However, it was clear from the dialogues that the vast majority of the companies had taken measures to increase waste recycling, focus on residual products etc. Several companies mentioned regulation as a barrier to increased recycling due to the requirement for traceability, among other things.

ATP also engaged in a dialogue with a number of companies whose production relies primarily on plastic products. These included both US and European companies as well as a single Japanese company. European companies showed the best performance in this group, too. Several US companies mentioned that the sustainability agenda was primarily driven by consumer pressure, but that they still did not experience a lot of pressure from consumers.

ATP found it difficult to establish a dialogue with US electronics manufacturers. Only European and Japanese companies were interested in engaging in a dialogue on circular economy. The companies had experience with sustainable production and circular economy measures. Consumers and economic sustainability were mentioned as factors that drive the continued focus on the topic. Companies operating in the business-to-business market experienced a somewhat lower demand for that kind of measures.

Generally, ATP found that most companies focused on sustainable production and measures to increase recycling, for example. However, the companies' level of experience with this type of measures varied. Particularly northern European companies experienced a regulatory and political push for a transition to circular business models, and ATP generally found a considerable appetite for dialogue.

DIVERSITY IN MANAGEMENT

Gender equality is an essential part of the UN Universal Declaration of Human Rights and Sustainable Development Goals (SDG 5). In many contexts, there is a demonstrable gender imbalance in top management and in various decision-making bodies which is a key theme in the debate on gender equality and diversity.

Diversity is also a key theme for ATP and is incorporated into our dialogue with the companies. In this connection, ATP seeks to ensure that the companies take steps to prevent discrimination in all its form, including strengthen internal processes and policies that promote gender equality.

Whereas investors, in particular, have focused on the gender balance of company boards, ATP wants to extend the dialogue on diversity and gender equality to include other corporate management levels.

In 2018, ATP therefore decided to conduct a thematic engagement with a view to understanding and promoting portfolio companies' gender diversity in parts of their top decision-making bodies.

Selecting companies with low gender diversity
Consequently, 57 companies with particularly low gender diversity in one or more decision-making bodies were selected based on data on the individual portfolio companies' gender balance at management and board level. The companies were selected from different sectors, with a small overweight of industrials. Many of the companies were Japanese. Around 60 per cent of the companies responded to ATP's enquiries.

Companies must have policies, procedures and targets in place
During its dialogue with the selected companies, ATP called for more clarity on the companies' policies, procedures, plans and targets with a view to promoting gender diversity in decision-making bodies. ATP also emphasised that the topic is a priority for ATP and that we expect the companies to implement targeted action plans to promote gender diversity and reduce any barriers to gender equality.

Lack of focus on diversity may be a cultural issue
ATP found that the companies had already proposed measures and policies to promote gender diversity in the companies' top decision-making bodies. However, ATP also found that the majority of the companies' policies and ambitions in the area largely reflected geographical factors, including local legislation and cultural norms. Several of the companies said that they were seeing a growing interest in diversity issues from investors and other stakeholders. At the same time, several companies indicated that the topic was a priority for them, which was already reflected in the individual companies' policies and action plans.

The topic remains a priority for ATP and the knowledge gained in connection with this thematic engagement will be used in future dialogues and voting on the subject.

LIVING WAGE

ATP is acutely aware that the labour market in many countries around the world differs from the Danish labour market, and that working conditions vary considerably from one country to the next. The differences are especially pronounced on the issue of pay. In most countries, the minimum wage is set out in legislation or through collective agreements negotiated by the two sides of industry. In developing countries, however, the minimum wage may be so low that those with the lowest incomes experience very difficult living conditions. The UN, OECD, ILO etc. have therefore introduced the concept of living wage to emphasise that all workers are entitled to a minimum wage that is high enough to cover their basic needs.

According to the OECD Guidelines for Multinational Enterprises, among others, this means that a company which operates or has suppliers in developing countries should actively work to ensure that their workers at least receive a living wage for their work.

Focus on companies in primary industries

In light of the above, in 2018 ATP completed a thematic engagement on the topic of living wage. ATP analysed its portfolio and identified seven companies which were exposed to the issue – either because of their own activities, or because their suppliers were exposed. The analysis focused on the type of sectors the companies operated in, as research suggests that wages in especially primary industries (agriculture, fishing, mining, forestry and logging) are very low in developing countries. ATP also decided to focus on companies where the available data indicated a scope for improvement. One company did not respond to our enquiries.

Great responsiveness among companies

In the subsequent engagement, ATP found that the companies' awareness of the concept of living wage was relatively high, and that several of the companies already had a sensible approach to the topic. For instance, two of the companies already had established supplier criteria which directly or indirectly require their suppliers to pay workers a living wage. ATP used the dialogue with these companies to encourage them to continue to further strengthen their efforts, and they were also asked to elaborate on their plans for future initiatives in this area.

On the basis of their dialogue with ATP, three other companies also decided to look into the possibilities of requiring suppliers to pay their workers a living wage. Prior to the dialogue, the companies were requiring that their suppliers pay their workers the minimum wage, but did not consider whether the minimum wage is always enough.

However, some companies also emphasised the business challenges associated with going beyond the requirements of the law, but ATP believes that in this case the dialogue also made the companies realise that their stakeholders expect more of them than just legal compliance. Finally, ATP also engaged in a constructive dialogue with the companies about their exposure to the issue and new initiatives and opportunities.

TCFD RECOMMENDATIONS ON IMPROVED CLIMATE REPORTING

In June 2017, the Task Force on Climate-related Financial Disclosures (TCFD) presented their recommendations for companies and investors on climate-related financial disclosures.

The TCFD is a task force which was set up by the Financial Stability Board (FSB) on behalf of the G20 countries in continuation of the Paris Agreement. The fundamental idea behind their recommendations is that company disclosures should focus on the companies' financial risks and opportunities in the transition to a low-carbon economy.

As an asset owner, ATP is working with the recommendations on two fronts. ATP follows the recommendations, but, as active owners, we also try to influence our portfolio companies to adopt the recommendations. The TCFD recommendations for pension funds stress the importance of organisations such as ATP not only implementing the recommendations themselves, but, in order to ensure the success of the initiative, also use their influence to raise awareness of the recommendations among the companies they invest in.

Dialogue across sectors and countries

In 2018, ATP decided to launch a thematic engagement on the TCFC recommendations. ATP is keen to enter into a dialogue with some of its portfolio companies to raise awareness of the recommendations by encouraging the companies to incorporate the recommendations into their disclosures.

The TCFD has prepared sector-specific recommendations for a range of sectors, including energy companies, banks, construction companies, food companies etc. On the basis of these sector-specific recommendations, ATP selected 88 primarily foreign companies. Around half of the companies responded to ATP's enquiries.

Widespread awareness among companies

Many companies were already familiar with the TCFD recommendations, and only very few companies were not familiar with them.

Considerable interest in the recommendations was seen among the companies that were familiar with them, but not all of them had taken steps towards implementing the recommendations. In the course of the dialogue, ATP learned of only a few companies which were still in the process of deciding whether to follow the recommendations or not.

Some of the companies have been reporting on their climate risks for years, but are now aligning their reporting with the TCFD methodology, while others are now approaching climate risks from a new angle. In ATP's view, one of the strengths of the recommendations is that they allow companies and organisations to take different approaches to the recommendations.

ATP finds it positive that so many companies are embracing the recommendations. ATP can use this knowledge in its future dialogue with other companies.

ATP is also working with other investors on TCFD

In addition to this thematic engagement, ATP is also working actively with other investors in PRI (Principles for Responsible Investment) with a view to entering into a dialogue with several companies on the promotion of the TCFD recommendations and their implementation. In these forums, focus tends to be on the biggest international corporations.

View on the recommendations

ANTI-CORRUPTION IN PHARMACEUTICAL COMPANIES

In recent years, there have been several examples of investors facing concrete financial risks when portfolio companies fail to manage compliance – for example by lacking controls to prevent money laundering or corruption.

One of the industries which is particularly exposed to corruption risks is the pharmaceutical industry. This is because pharmaceutical companies deal extensively with public authorities and institutions throughout the value chain. Historically, there have also been many cases of corruption in the industry. In this thematic engagement, ATP focuses on how pharmaceutical companies design their compliance programmes to prevent corruption. ATP selected six pharmaceutical companies for dialogue. Five companies participated in the dialogue, some through conference calls and others in writing. One company was unable to participate. ATP found it difficult to get through to US pharmaceutical companies, and as a result this thematic engagement primarily comprises European and Japanese companies.

Adequate processes may lead to reduced penalties

Corruption, defined as bribery of politicians or public officials, is illegal and contravenes several conventions and laws, including the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the OECD Anti-Bribery Convention), the US Foreign Corrupt Practices Act (FCPA), the UK Bribery Act and section 122 of the Danish Criminal Code.

The UK and US authorities may prosecute foreign companies bribing public officials in a third country, if they also have operations in the UK and USA, respectively. A Danish company which has engaged in bribery in Nigeria, for example, may also be prosecuted in Denmark, the USA, the UK and Nigeria and incur very substantial penalties. In other words, companies and their investors face very tangible financial risks when companies fail to effectively manage compliance.

Companies may also have their punishment reduced or escape punishment altogether under the FCPA and the UK Bribery Act, if they can prove that they have implemented adequate procedures and processes.

It is therefore relevant to examine the companies' compliance functions and processes, not only to prevent corruption, but also to reduce the risk of penalties as a result of morally questionable activity in an organisation.

On the one hand, ATP wanted to influence the companies to manage corruption-related risks, including ensuring the continued development of their efforts to establish efficient compliance functions and processes. On the other hand, ATP also wanted to learn more about the companies' thoughts on the design of their compliance processes with a view to managing corruption-related risks, including concrete steps to prevent bribery of public officials or politicians by employees or agents.

Culture and processes

The dialogues showed that all the companies had a firm focus on preventing corruption and were able to demonstrate comprehensive anti-corruption policies and processes. The companies referred to their codes of conduct and separate anti-corruption policies. Several companies also described how remuneration models, including the level of commission for sales personnel, had been modified to create better incentives for good conduct. Many companies were also introducing training and e-learning, teaching and testing relevant employees in business ethics and anti-corruption practices. Furthermore, all the companies had actively considered the many different regulatory requirements and adapted their programmes to the requirements of for instance the UK Bribery Act on adequate procedures, and processes for keeping up-to-date on new regulations and statutory interpretation were also in place. From ATP's point of view, it is reassuring to know that the companies are making a structured effort to incorporate the principles into their compliance processes. In addition to specific compliance processes, all the companies' mentioned having 'the right culture' as the most effective means of preventing corruption – a culture which is lived from the top down through the different levels of management.

RIGHTS OF INDIGENOUS PEOPLES

The responsibility of companies and investors in relation to protecting the rights of indigenous peoples has been the subject of growing attention in recent years. ATP expects that companies with a potential impact on the rights of indigenous peoples, e.g. through projects and activities in proximity to areas inhabited by indigenous peoples, recognise their responsibility to protect the human rights and fundamental freedoms of these peoples.

A Danish focus area

There are several conventions and standards designed to protect the rights of indigenous peoples, among them the UN Declaration of the Rights of Indigenous Peoples (UNDRIP) and ILO Convention No. 169 concerning Indigenous and Tribal Peoples (ILO). Furthermore, the UN Sustainable Development Goals specifically mention the rights of indigenous peoples in goals 2 and 4. The rights of indigenous peoples are one of the priorities in Denmark's international work on human rights. In October 2018, Denmark was elected to the UN Human Rights Council (UNHRC) for the period 2019-2021, where the rights of indigenous peoples were announced as one of Denmark's four focus areas. The UN Permanent Forum on Indigenous Issues (UNPFII) was established in 2000 at Denmark's initiative. There is no universal definition of indigenous peoples, but the definition proposed by the ILO, UNDRIP and the UN is commonly used.

ATP wants that the companies we invest in respect and consider UNDRIP and ILO, making sure that local populations have been consulted in connection with the establishment of projects, and that free, prior and informed consent has been obtained before initiating a project.

Selection of companies
Extraction and recovery (including mining, oil and gas pipelines), agriculture (particularly palm oil and soya production), forestry and renewable energy (wind turbines and hydroelectric power plants) companies are among those that are most likely to have a negative impact on the rights of indigenous peoples.

ATP contacted five companies: three energy companies and two forestry companies. The five selected companies or the companies' business partners are, or have been, involved in disputes with indigenous peoples in Latin America, Malaysia, the USA and Sweden. ATP's data provider does not have a separate data point for the rights of indigenous peoples, and the companies were therefore identified by reviewing numerous reports from companies in risk-exposed industries.

The dialogues
The dialogues showed ATP that the companies do not have the same range of experience in relation to operating in areas where they may have a negative impact on the rights of indigenous peoples. Human rights are addressed in the companies' sustainability or responsibility policies, and the companies state that they have a strong focus on the issue. Some companies mention the rights of indigenous peoples in the policies (including UNDRIP and ILO), while others focus on national laws which also include principles on consultation and consent.

All five companies are aware of the special rights of indigenous peoples, and companies with direct dealings with indigenous people go to great lengths to comply with national or international standards and conventions. The companies maintain an ongoing dialogue with indigenous peoples and assign employees with extensive knowledge of the local community and its indigenous people to a given project. The employees attend local meetings and generally make themselves available to the local population.

Some of the companies are also seeing a greater focus on indigenous peoples and hence a call for respect for their rights from the banks financing the projects, just as some of the companies are receiving more enquiries from investors on the subject.

CLIMATE AND TRANSPORT

The transport sector accounts for a significant share of the world's total carbon emissions. At the same time, there is a growing demand for transport solutions, such as increased freight due to increased cross-border trade, travel and private transport. ATP holds significant positions in transport companies, and it is therefore relevant to engage in a dialogue with the portfolio companies about the inherent climate-related risks and opportunities in the transport sector, including transport by aircraft, car, truck, train and ship.

In its dialogue with companies in the industry, ATP generally focuses on learning more about each individual company's plans and strategies for cutting its carbon emissions, while also focusing on other climate-related financial risks.

For example, carmakers are facing a number of regulatory changes, as several countries, including Norway, Germany, Belgium and Denmark, have announced concrete plans to ban petrol and diesel cars.

For air and sea transport, which accounts for a relatively large share of global emissions, changed consumer patterns, new regulations and revised tariff structures may present a challenge to companies that are not working proactively with climate strategies.

Start-up of dialogue
ATP's thematic engagement on climate and transport is still ongoing. So far, ATP has contacted 12 transport companies. ATP successfully established a dialogue with eight of these companies. As the dialogue is still ongoing, it is still too early to draw any conclusions across industries, etc. However, ATP has continual focus on climate-related financial risks, including in the transport sector and other climate-intensive industries.

Fact-finding

In ATP's Policy of Responsibility in Investments, ATP's Supervisory Board sets out a number of basic principles and minimum criteria for the portfolio companies' conduct. Among other things, the policy states that ATP does not invest in companies that deliberately and repeatedly violate the rules and regulations of the countries in which they operate. The policy also states that the portfolio companies must act in accordance with the standards that follow from the international conventions adopted by Denmark.

If a thorough investigation finds a company to be in breach of ATP's Policy of Responsibility in Investments, the company may be excluded from ATP's investment portfolio, although ATP prefers to influence its portfolio companies through critical dialogue.

FACT-FINDING – AN OPEN, IN-DEPTH INVESTIGATION

Fact-finding is the approach most commonly used by ATP to determine whether a company has violated ATP's Policy of Responsibility. A fact-finding is an open investigation, based on a variety of sources. These may include legal documents, open sources, reports from NGOs or company websites. Among other things, ATP analysts assess whether the allegations are well-founded and often engage in a dialogue with the companies to hear their views and assessment of the allegations. In cases where the investigation indicates unacceptable conduct, the company is also given the opportunity to explain what organisational or operational measures it has taken to rectify the situation and prevent recurrences. The dialogue will often be in writing, but in many cases ATP will also engage in a verbal dialogue with the companies. A fact-finding may therefore span several months.

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

If a fact-finding indicates that the company's conduct is in keeping with ATP's Policy of Responsibility in Investments, the fact-finding is concluded.

ATP's screening efforts are based on the severity of the specific allegation, not by the size of the investment in the specific company.

BREACH OF ATP'S POLICY OF RESPONSIBILITY IN INVESTMENTS

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

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

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

However, in line with the OECD guidelines and the Danish Business Authority's Guide to Responsible Investment, ATP views exclusion as a last resort only to be used when all other options for influencing a company have been exhausted. ATP finds that investors usually have a better chance of influencing their portfolio companies through active and critical ownership than by selling their assets

TOPICS OF ATP'S FACT-FINDINGS IN 2018

In 2018, ATP carried out 19 fact-findings of companies in its portfolio. Most of these fact-findings were initiated and carried out according to the general screening processes for ATP's equities and corporate bonds, but some of the fact-findings were initiated as a result of external enquiries or media reports.

As already described, ATP prioritises its screening and fact-finding according to the seriousness of the individual allegation and ATP's perceived likelihood of it being true. Furthermore, ATP strives to carry out fact-findings if there is believed to be evidence that the company has intentionally and repeatedly violated laws or international conventions. The overall topics and themes addressed in a fact-finding therefore vary from one year to the next.

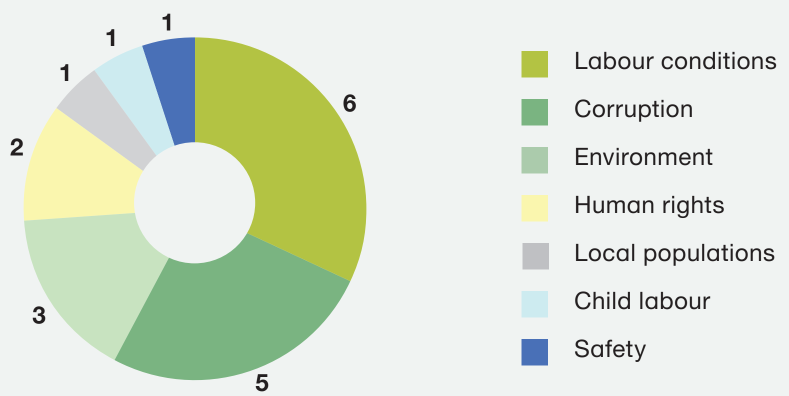
Labour rights were the overriding theme of the year's fact-findings. In 2018, ATP carried out six fact-findings of companies which had been accused of having disregarded labour rights in different ways.
In addition, ATP carried out a fact-finding of alleged child labour in a company's supply chain and a fact-finding of the safety conditions in a company's own operations.

Another recurring issue in several fact-findings carried out in 2018 was corruption and cartel behaviour. Five times during the year, ATP investigated companies accused of facilitating corruption, for example by bribing public officials, or which had been accused of having participated in illegal cartel-like activity with other companies.

Environment and climate were also a recurring theme, which was investigated in three of ATP's fact-findings in 2018. ATP investigated a case in which a company had been accused of deliberately discharging pollutants into the sea, harming marine biodiversity. In another case, ATP investigated a company which had been accused of being complicit in pollutants from one of the company's production facilities contaminating nearby drinking water supplies, which are a vital natural resource for the local population.

Read more about some of the fact-findings which ended in exclusion or targeted dialogue on page 66.

Topics of ATP's fact-finding in 2017



to other investors who may not be too concerned about what impact their portfolio companies have on the local community.

Tailored solutions for selecting fact-finding cases
In order to ensure efficient ESG integration, ATP tailors its ESG processes to suit the relevant investment processes. This also applies to methods for identifying companies that may be in violation of ATP's policies.

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

SCREENING AS A SELECTION METHOD IN THE LIQUID PORTFOLIO

Over the years, ATP has developed systematic and efficient screening processes for liquid assets, such as listed equities and corporate bonds, to enable ATP to continuously monitor whether companies in the portfolio violate the basic principles set out in ATP's Policy of Responsibility in Investments. The purpose of the screening process is to efficiently and analytically screen out information and allegations against companies to allow ATP to focus its resources on the most serious allegations and possible breaches of ATP's Policy of Responsibility in Investments.

Screening is an efficient selection method for listed companies, as there are relatively large amounts of data on the conduct of listed companies, both from the media, NGOs, court documents and from the companies' own reporting. Because the data volumes and the level of information are so high, it is possible to design systematic screening processes based on data from external data suppliers. As many of the companies in the corporate bond portfolio are listed, the data coverage is so comprehensive that ATP has also introduced an ongoing screening process of its corporate bonds.

In 2018, ATP developed risk-based screening methods to monitor its global equity pool. When investing in global listed equities, ATP selects equities from a pool of several thousand companies based on proven, factor-based market data analyses. Because the portfolio is relatively dynamic, ATP has adjusted its processes to include a continuous screening of the specific investments as well as a risk-based screening of the entire pool, which can help to identify companies which should be subject to further investigation.

SCREENING OF ATP'S INVESTMENTS

The screening is based on information provided by external data providers who continuously monitor and assess the conduct of thousands of Danish and international companies on a number of parameters with both quantitative and qualitative elements. The data providers' monitoring is based on media reports, NGO reports, court decisions, regulatory investigations, company disclosures and other material in the public domain.

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

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

Structure of ATP's screenings

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

Three stages

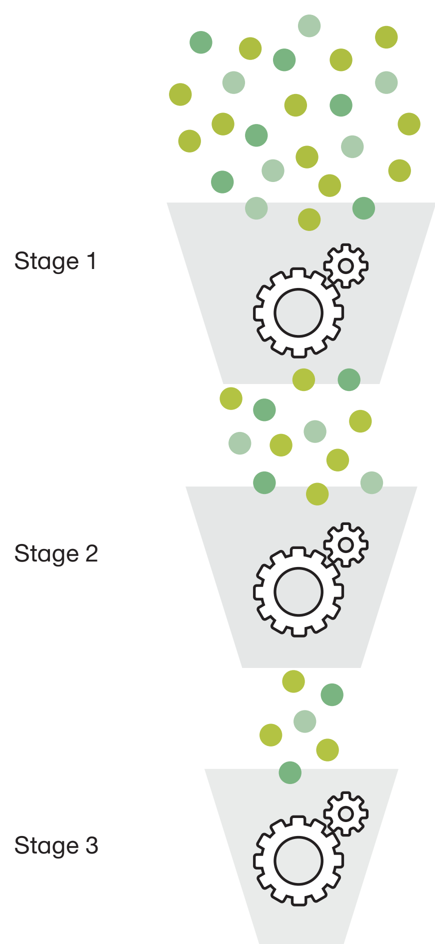
Stage 1 – Quantitative screening

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

Stage 2 – Qualitative assessment and prioritisation

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

Screening process



Stage 3 – Selecting companies for fact-finding
If the allegations are believed to be serious and constitute a potential breach of ATP's Policy of Responsibility in Investments, the company is subjected to a more thorough investigation known as a fact-finding.

SCREENING ATP'S EQUITY POOL

When investing in global listed equities, ATP selects equities from a pool of several thousand companies based on proven, factor-based market data analyses. Companies quickly enter the portfolio and may just as quickly be removed from the portfolio. As a result, in 2018 ATP devised a risk-based screening process, which can help to identify companies in the pool which should be subject to further investigation. However, ATP will, of course, still devote most of its resources to its existing investments.

The pool consists of several thousand companies, and ATP may not necessarily invest in all of them. ATP has therefore decided to conduct so-called risk-based screenings, which are designed to identify companies in the equity pool which ATP needs to know more about before making an investment.

This screening method is based on a specific problem or topic which ATP is keen to know its potential level of exposure to. The topic may be selected on the basis of previous fact-findings or a recent news story. ATP then analyses the extent of the problem on the basis of the equity pool. If ATP identifies companies in the pool which may be in breach of ATP's Policy of Responsibility in Investments, the companies will be subjected to a fact-finding.

The risk-based screening is designed to clarify the extent of possible future exposure to a given ESG topic.

OTHER SCREENING METHODS

Finally, there are many listed companies which ATP is not invested in, nor is considering investing in. Consequently, the risk of ATP being associated with any problematic conduct by such companies is minimal, and therefore ATP generally does not initiate investigations of such companies on its own accord. However, there are certain types of company conduct which ATP does not want to be associated with under any circumstances, and for this purpose ATP relies on a number of external sources of information.

Specifically, there are three types of input. Firstly, ATP works with an external weapons expert to ensure that ATP does not invest in producers of cluster bombs or landmines which would be a violation of international conventions. Nor does ATP invest in companies involved in the production of nuclear weapons in violation of the Treaty on the Non-Proliferation of Nuclear Weapons. Secondly, ATP receives data and research from an external provider to ensure that ATP does not invest in companies that violate international trade sanctions. If, in a factual and professional manner, a leading investor has documented issues and conduct by a specific company that could also constitute a breach of ATP's Policy of Responsibility in Investments, ATP may also decide to use this material as the basis for its own fact-finding of the company.

Screening of government bonds

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

OECD guidelines are incorporated into our processes – also for equities

ATP has established a number of fact-finding and screening processes in order to minimise the risk of ATP investing in companies that violate the fundamental principles and minimum criteria of the conduct of portfolio companies set out in ATP's Policy of Responsibility in Investments. At the same time, these processes are an important part of ATP's efforts to exercise responsibility as an investor in line with the recommendations of the OECD and others. According to the OECD Guidelines for Multinational Enterprises and Guidance for Institutional Investors, investors should take a risk-based approach to their investments to ensure that they focus their resources where the risk of being associated with a serious violation is greatest, and where they can best assert their influence.

CASE: Targeted dialogue with company on improved safety for workers

Since December 2016, ATP has been carrying out a fact-finding of the Mexican oil and gas company Petroleos Mexicanos (Pemex) with a focus on safety measures for workers. A large number of fatal accidents at work sparked an investigation of whether the company had failed to take appropriate safety measures to protect its workers and partners.

After a preliminary investigation, ATP was able to conclude that Pemex' safety measures were inadequate. Among other things, the company had chosen not to obtain international certification of its safety measures, which is common practice in the industry. Nor was Pemex sufficiently transparent about its challenges and initiatives in the area, which makes it difficult for third parties to assess the real efforts made by the company.

In summer 2017, ATP chose to escalate the fact-finding process to a targeted dialogue, stressing that the company should improve its safety efforts, for example through certifications. The dialogue spanned more than a year. In the process, ATP has also worked with a major global investment manager which also has substantial interests in the company to discuss the problem and possible solutions. Through a joint effort, we managed to get in touch with the company's management.

During the dialogue, Pemex gradually became more sympathetic to ATP's views and is now in the process of upgrading their safety systems. In autumn 2018, ATP was informed that the company will initiate a process to obtain international safety certification. In light of the work now being done by the company, ATP decided to close the case in November 2018.

CASE: Exclusion of JBS S.A. and sale of corporate bonds in Pilgrim's Pride Corporation

In summer 2018, ATP became aware that a leading global investor had excluded the Brazilian food company JBS S.A. due to the risk of involvement in systematic corruption. ATP was not invested directly in the company, but owned corporate bonds in JBS S.A.'s subsidiary Pilgrim's Pride Corporation. As a result, ATP made the decision to conduct an internal investigation of the allegations against JBS S.A.

ATP's fact-finding revealed that a number of settlements and lawsuits in recent years has proved that JBS S.A. has been involved in extensive, longstanding bribery of politicians and authorities in Brazil, and that the company's senior management has been deeply and systematically involved in the bribery. By all accounts, the bribery took the form of illegal facilitation payments and bribes to obtain an undue competitive advantage.

ATP also finds that the company has not shown the necessary willingness to rectify the situation. On the contrary, there are several indications that some members of the company's then senior management abused their knowledge of an impending settlement with the authorities on the company's bribery to engage in illegal insider trading and in this way profit from the settlement.

Although the company has implemented certain mitigating measures, ATP does not find them to be adequate or sufficiently removed from the practices of the former management. As a result, ATP decided to exclude JBS S.A. from its investment portfolio and subsequently sell its investment in the subsidiary Pilgrim's Pride Corporation.

CASE: Fact-finding of alleged food production near Chernobyl

In 2018, ATP investigated a Ukrainian food company which was being accused of operating risky chicken farms and factories in a former Chernobyl exclusion zone in the Ukraine, and of harassing and attacking local activists protesting against the company's activities due to their alleged negative impact on the local community.

ATP's investigation showed, however, that the farm was several hundred kilometres from the exclusion zone around Chernobyl – much further away from the exclusion zone than the capital Kiev and located in an ordinary agricultural and residential area. It is true that the farm is located in the vicinity of an area where 30 years ago slightly elevated levels of radioactivity were measured, but there was nothing in ATP's fact-finding to suggest that the farm's location would pose a genuine risk today. The company also successfully sued the media which made the allegations for publishing unsubstantiated claims.

Furthermore, ATP was not able to find any evidence that the company had harassed or attacked the protestors, although there is evidence to suggest that the company's management has a track record of failing to involve the local community in connection with expansion projects etc.

In the end, ATP concluded that the evidence against the company was insufficient, and the fact-finding process was brought to an end.

CASE: Fact-finding of alleged cartel activity

The screening process revealed allegations of cartel activity in one of ATP's portfolio companies. The company operates in the pharmaceutical industry, and the activities allegedly took place in the USA.

Cartels are illegal and in violation of antitrust laws, including US law. In some cases, companies which are involved in cartels may be in breach of ATP's Policy of Responsibility.

The allegations were serious and suggested that the company had been engaging with competing pharmaceutical companies in order to coordinate market share and restrict competition. Several pharmaceutical companies had allegedly been involved in such coordination of market share to raise the prices of their products. The cases are currently pending at the courts.

ATP's preliminary investigation found that the company generally had the necessary anti-cartel policies and procedures in place. The investigation also found that the allegations were generally not properly substantiated, and that the company's involvement in the case had not been examined in sufficient depth. As a result, ATP decided to engage in a dialogue with the company in order to hear the company's views on the case and shed further light on the case.

On the basis of the preliminary investigation and the subsequent dialogue with the company, ATP assessed that there was no reason to exclude the company from ATP's investment portfolio. ATP continues to monitor developments in the legal battles the company is involved in, however. ATP has no reason to believe that these battles will result in the company being excluded from the investment portfolio.

Resource consumption and diversity in the ATP Group

Resource consumption and diversity

Employees in the ATP Group
In 2018, the ATP Group employed a total of 2,948 full-time staff (avg), based primarily at locations in Vordingborg, Holstebro, Haderslev, Allerød, Lillerød, Frederikshavn and Copenhagen and at the head office in Hillerød.

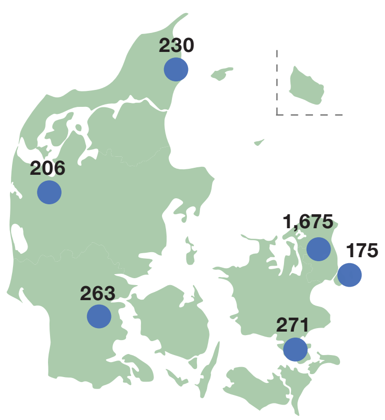
As a large employer with many offices, the ATP Group leaves its 'footprint' on society, for example in the form of environmental, climate and employee impacts.

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

Employee satisfaction is measured annually against the following three targets: job satisfaction, satisfaction and motivation. For 2018, the indices for all three targets were at 75, 74 and 75, respectively.

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

Employees in Denmark

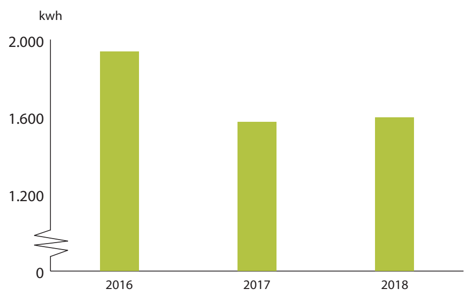


Note: Average number of full-time employees in 2018 in Denmark.

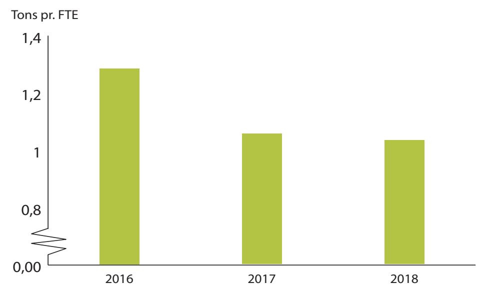
Employee satisfaction

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

Power consumption per employee



Carbon emission per employee



Environmental impacts through carbon emissions, electricity, heat and water consumption etc.

	2018	2017	2016
ATP facts			
Number of locations	10	9	8
Number of sq. m.	76,654	73,933	60,714
Number of full-time employees (FTE) [1]	2,948	2,966	2,445
Consumption data			
Power consumption (MWh)	4,420	4,198	3,864
Heat consumption (MWh) [2]	6,355	5,667	4,943
Heating degree day-adjusted heat consumption (MWh)	6,959	6,703	5,687
Water consumption (m^3) [3]	18,747	15,710	15,593
KPIs			
Area per employee (sq. m.)	27	27	30
Power consumption per employee (kWh)	1,567	1,545	1,893
Power consumption per sq. m. (kWh)	58	57	64
Heating degree day-adjusted heat consumption per employee (kWh)	2,467	2,466	2,793
Heating degree day-adjusted heat consumption per sq. m. (kWh)	91	91	94
Water consumption per employee (m^3)	7.02	5.78	7.66
Water consumption per sq. m. (M^3)	0.25	0.21	0.26
Carbon emission [4]			
Carbon emission, water consumption (tons)	1,076	1,057	910
Carbon emission, power consumption (tons)	982	1,189	926
Carbon emission, transport (own vehicles, taxis and aircraft travel) (tons)	552	479	447
Total carbon emission (tons)	2,610	2,725	2,283
Carbon emission per employee (tons per FTE)	0.92	1.00	1.12

[1] Number of employees is determined as the average number of full-time employees in Denmark.
[2] Consumption figures for Lillerød are calculated using the most recent figures and an estimate to obtain the estimated annual consumption.
[3] Water consumption figures for Lillerød were not available. To determine the environmental impact, this figure is adjusted to account for the consumption in Lillerød to proportionally reflect total carbon emissions.
[4] The calculated carbon emission includes scope 4 (emission factors for fossil fuels), scope 1 (emission factors for power and district heating) and scope 2 (emission factors for derived transport, power and district heating), calculated using the climate compass 'Klimakompasset.dk'.

Initiatives in 2018, focusing on ATP's responsibility

Energy-saving initiatives
ATP is constantly seeking to improve its environmental performance and reduce carbon emissions from consumption. When ATP's buildings are reconstructed, it is assessed whether it would be beneficial to install new LED lighting fixtures to save energy. At the same time, quality is assessed to ensure optimum lighting with the least environmental impact.

To ensure streamlined transition to more energy-friendly lighting, the plan is to install LED fixtures throughout the Hillerød location in 2019. This is expected to generate savings on both kWh consumption and carbon emissions of more than 50 per cent.

Foodwin campaign
In 2018, ATP completed a foodwin campaign which focused on food waste. In the spring, all canteen employees learned how to make the most of ingredients and surplus food. The initiative increased the range of available meal options in the canteen, enhancing customer satisfaction and reducing food waste by more than 20 per cent. The savings generated by the initiative were used to increase the amount of organic products on offer in the canteens.

As part of its ongoing efforts to increase employee satisfaction, ATP stepped up its focus on nutrition, exercise and job satisfaction. The aim is to measure the effectiveness of the Group's job satisfaction survey going forward by including questions about the canteen's contribution to mental and nutritional health at ATP.

Working environment
ATP is aware of its social impact and has a firm focus on its responsibility. ATP also keeps this in mind when negotiating new agreements. In 2018, a new cleaning agreement was signed which included a commitment to a healthy working environment. Night shifts have been changed to afternoon and evening shifts, which is better for employee health. In addition, the use of cleaning machines will be increased to minimise the strain of repetitive movements experienced by cleaning staff. The contract complies with ATP's policy of avoiding chemicals in cleaning products to reduce the environmental impact and protect the employees handling the products. The aim of the new contract is to improve the working environment for the cleaning staff, while also improving the cleaning standards in ATP and reducing the environmental impact.

Smoke-free workplace
Effective from 2018, ATP has introduced smoke-free working hours. This decision is in continuation of a number of initiatives implemented to ensure a healthy working environment and generally encourage a healthy lifestyle among employees – for instance through a focus on nutrition, exercise and alcohol. Before the decision was made, positive experience was obtained from municipalities and other private workplaces, among others. In connection with the designation of ATP as a smoke-free workplace, employees were offered stop-smoking programmes.

The management is aware that the strategic decision to introduce a smoke-free workplace can be regarded as incompatible with investments in tobacco companies. ATP cannot, on the basis of its own employee policies, deviate from the fundamental principles underlying its investment activities.

Diversity and inclusion
ATP has a strong track record of commitment to diversity and inclusion, and back in 2010 this led to the establishment of the FASE+ department. One thing all FASE+ employees have in common is that, for various reasons, they need support in order to facilitate their return to the labour market. Moreover, they face other challenges in addition to being unemployed. The employees currently associated with FASE+ include non-Western men and women, vulnerable youths and employees with mental disorders. The aim of FASE+ is to help the employees become self-supporting and thus able to manage a job or education on standard or special terms. In return, the FASE+ employees carry out a number of ATP's service and administrative tasks, relieving other employees of some of their workload. In 2018 alone, a total of 70 employees were associated with FASE+. Of these, seven employees have entered a basic integration programme, three employees have entered a vocational

ATP's Diversity Policy

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

Follow-up on target figures for the underrepresented gender

		2018	2017	2016
Gender distribution among all employees	Women	64%	65%	67%
	Men	36%	35%	33%
Gender distribution on the Supervisory Board and the Board of Representatives	Women	32%	34%	34%
	Men	68	66%	66%
Gender distribution among managers, including CEOs	Women	51%	52%	51%
	Men	49%	48%	49%

training programme, while one has begun a traineeship. At year-end 2018, 19 employees previously associated with FASE+ were employed at ATP on standard or special terms.

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

ATP's Diversity Policy is adopted by the Supervisory Board and defines a target for the gender distribution of ATP's senior management. The target is to have at least one third of the underrepresented gender on ATP's Board of Representatives (at least 11) and on ATP's Supervisory Board (at least 5). This target must be achieved by 1 April 2019. The target for the Board of Representatives has not been achieved in full, as 10 women served on it in 2018 (32 per cent), nor has the target for the Supervisory Board been achieved, where the number of women remained unchanged at four in 2018 (31 per cent).

The members of ATP's Board of Representatives and Supervisory Board are appointed by the individual organisations. The election period applicable for members of the Board of Representatives and the Supervisory Board is three years, which means that one third of the members are appointed each year. We are still working towards the gender balance target, which was not achieved in 2018. The replacements made in 2018 have not altered the balance, as the individual organisations have decided that the most qualified candidates for the open vacancies were male. When filling new posts, the organisations are aware of the need for ensuring a gender-balanced Board of Representatives and Supervisory Board.

The gender balance target also applies to the Supervisory Boards of ATP's subsidiaries. This means that the underrepresented gender should make up at least one third of the Board, the same as the target for ATP's Supervisory Board and within the same time horizon. Specifically as regards the gender distribution on the Boards of ATP's subsidiaries, the target has been achieved for two out of 13 companies: Via Equity Fond I K/S and Via Equity Fond II K/S. The target has not been achieved for the companies ATP Timberland Invest K/S, Real Estate Partners I K/S, Real Estate Partners II K/S, ATP Ejendomme A/S, Private Equity K/S, Private Equity Partners I K/S, Private Equity Partners II K/S, Private Equity Partners III K/S, Private Equity Partners IV K/S, Private Equity Partners V K/S and Private Equity Partners VI K/S. This is primarily due to the fact that the Supervisory Boards of ATP's subsidiaries are made up of members of ATP's Group Management and that those with special skills in investment subsidiaries are male members of the Group Management.

Target figures for the underrepresented gender

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

At the Group's other management levels, ATP aims for a 60/40 per cent split which meets the gender balance requirements set out in the Danish Act on Gender Equality *(Ligestillingsloven).*

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

There is no gender underrepresentation at other management levels of the ATP Group. Overall, for all management levels, including executives, the distribution is equitable. The gender balance in management varies according to management level and area. Consequently, the development of managers in all areas will be given special attention in the coming years.

Appendices

Appendix 1:
Global Compact – references

	UN Global Compact	Page
Human rights	1. The business should support and respect the protection of internationally proclaimed human rights; and 2. make sure that they are not complicit in human rights abuses.	**14, 15, 55, 58, 61**
Labour	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4. the elimination of all forms of forced and compulsory labour; 5. the effective abolition of child labour; and 6. the elimination of discrimination in respect of employment and occupation.	**14, 15, 61, 65, 70**
Environment	7. Businesses should support a precautionary approach to environmental challenges; 8. undertake initiatives to promote greater environmental responsibility; and 9. encourage the development and diffusion of environmentally friendly technologies.	**14-16, 17-30, 50, 54, 56, 59, 61, 66, 71**
Anti-corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	**14, 51, 57, 61, 66, 67**

Appendix 2:

Carbon footprint at portfolio level, Nordic equities, international equities and corporate bonds for 2017 and 2018 (Market Cap)

(2018)	Carbon Footprint (tonnes CO_2e/DKKm)	Carbon Intensity (tonnes CO_2e/DKKm)	WACI (tonnes CO_2e/DKKm)
Nordic equities	**26.60**	**44.86**	**56.42**
Scope 1	24.88	41.96	25.94
Scope 2	1.72	2.90	3.13
Scope 3			27.35
International equities	**37.42**	**38.60**	**57.39**
Scope 1	33.34	34.39	30.89
Scope 2	4.08	4.21	5.60
Scope 3			20.90

(2017)	Carbon Footprint (tonnes CO_2e/DKKm)	Carbon Intensity (tonnes CO_2e/DKKm)	WACI (tonnes CO_2e/DKKm)
Nordic equities	**23.49**	**45.53**	**54.41**
Scope 1	22.39	43.40	28.13
Scope 2	1.10	2.13	2.35
Scope 3			23.93
International equities	**44.56**	**54.96**	**76.29**
Scope 1	40.64	50.12	47.45
Scope 2	3.92	4.84	5.74
Scope 3			23.1

Appendix 3:

Scenarios, climate models and climate model data

The UN Climate Panel (IPCC) has developed four scenarios for future greenhouse gas concentrations
ATP bases its climate analysis on the four scientifically recognised and developed scenarios for future greenhouse gas concentrations which were used by the UN Climate Panel in its recent Assessment Report (AR5).

Around every seven years, the Climate Panel publishes a report summarising major international research into climate change and its implications. The Climate Panel also describes the four possible Representative Concentration Pathways (RCP), which set out four different scenarios for greenhouse gas concentrations. The four selected scenarios represent the breadth of academic research into greenhouse gas concentrations and range from virtually no climate effort to highly ambitious global climate action. Three of these scenarios (RCP2.6, RCP4.5 and RCP6.0) describe a future with efforts to combat climate change with different levels of ambition, while the fourth scenario (RCP8.5) represents a future where no special measures are taken to further curb greenhouse gas emissions.

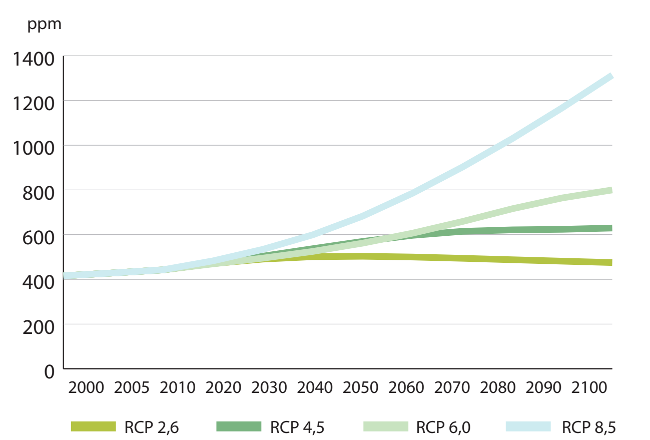
Many factors have to be taken into account in order to understand climate change. Greenhouse gas emissions are the main cause of climate change, which has many direct and indirect components. These include contributory factors such as energy consumption, population growth, land use, regional economic development, technological advances, lifestyle and many more. The four scenarios are based on socio-economic models and integrated assessment models, and have very different assumptions about economic growth, population growth etc.
It is important to emphasise that the four scenarios are not predictions, and that there are many different socio-economic pathways for a specific level of greenhouse gas concentrations. The RCP scenarios each represent one possible pathway for a specific concentration level. The four RCP scenarios represent the development in greenhouse gas concentrations among the scenarios that were described in research literature at the time of selection. This means that, unlike previous IPCC reports, they are not representative of various socio-economic developments. The IPCC scenarios have the advantage that they are based on research and that the socio-economic assumptions are logically consistent, which means that a scenario does not assume a major food crisis and notable population growth at the same time.

The development of internationally recognised standard scenarios ensures that researchers, decision-makers, companies and investors are able to use comparable data for climate modelling, among other things.

Climate literature uses the term ‘radiative forcing’ and the scenarios have indeed been named after their radiative forcing. In simple terms, this is a measure of the total impact of the greenhouse effect in the scenario. Technically, radiative forcing describes how the balance between incoming solar energy and outgoing energy from Earth is altered. If radiative forcing is positive, it will lead to surplus energy on Earth and cause warming. In the RPC scenarios, the value is calculated as the change in Watts per square metre (W/m2) from 1750 to 2100.

Development in greenhouse gas concentrations in the four scenarios
The development in greenhouse gas concentrations in the four scenarios is shown below The greenhouse gas concentration is calculated as CO_2 equivalents (CO_2e). These concentration levels are some of the most significant inputs in a climate model calculation to estimate future changes in temperature, sea levels etc.

CO_2-equivalent concentration in the four RCP scenarios



Assumptions in the four scenarios

RCP2.6
The RCP2.6 scenario is the most optimistic scenario of the four IPCC scenarios with the most dramatic reduction in greenhouse gas concentrations and the smallest change in the greenhouse effect. In the scenario, scientists assume that the global population will grow to 9 billion by 2100, a global income development in the median range, a growing demand for energy in developing countries, but also a small increase in the demand for energy in industrialised countries. The scenario also assumes the adoption of many new climate regulations. Achieving RCP 2.6 requires that all countries participate and a very rapid reduction in greenhouse gas emissions. Therefore, new solutions are needed to ensure energy efficiency, more renewable energy, more nuclear power and more biofuel. At the same time, a technological solution must be developed that can capture and store carbon. In fact, it is assumed that carbon capture will exceed carbon emissions in the last 20 years of the scenario, resulting in negative emissions. RCP2.6 was developed by a group of scientists from the Netherlands' Environmental Assessment Agency.

RCP4.5
IPCC scenario RCP4.5 is a so-called stabilisation scenario. Radiative forcing will increase towards 2080 and then stabilise. The scenario assumes that the global population will grow to 8.7 billion by 2100. The global economy – measured in terms of GDP – will grow about six-fold. Concurrently with this population growth and economic development, it is assumed that decision-makers will introduce a relatively large number of climate initiatives, resulting in the stabilisation of greenhouse gas concentrations and radiative forcing. Such initiatives include the introduction of a global GHG emission price (popularly referred to as a global carbon tax). In the scenario, scientists assume that the carbon tax will be implemented simultaneously and efficiently in all countries, so arbitrage is not possible. The price of greenhouse gas emissions will increase towards 2100 (without countries withdrawing or competing to lower the price). Global GDP will grow six-fold, global energy consumption will have tripled and an increasing share of energy consumption will be met by nuclear energy. The scenario also assumes an increase in consumption of renewable energy such as hydro, solar and wind energy. In order to stabilise radiation forcing, RCP4.5 also expects to see a rapid development in CSS technology. RCP4.5 was developed by a group of scientists from the Pacific Northwest National Laboratory's Joint Global Change Research Institute (JGCRI).

RCP6.0
RCP6.0 is a comparatively carbon-intensive scenario with fewer climate policy interventions. In this scenario, a steep drop in greenhouse gas emissions will not be seen until after 2060, while climate policy interventions will be picking up speed from around 2060. Among other things, it is assumed that a global carbon price will rise sharply from 2060 towards 2080. In the scenario, the world will remain dependent on fossil energy. This scenario assumes relatively high population growth, equivalent to 9 billion by 2100, but the lowest level of economic prosperity in 2100 of the four scenarios. The scenario was developed by a group of scientists from the National Institute for Environmental Studies (NIES) in Japan.

RCP8.5
RCP8.5 is the scenario with the greatest impact on the greenhouse effect. This scenario is the only scenario to assume that no new climate policy initiatives will be adopted and is thus a 'business as usual' scenario (BAU scenario) within climate research and policy. Due to a growing population, among other things, it is assumed that the total energy consumption will triple towards 2100. The growing demand for energy will be met by coal in particular, but renewable energy and nuclear energy consumption will increase, too. RCP8.5 assumes a global population of 12 billion by 2100. The scenario's assumptions about population growth thus come closest to the UN's latest 2017 forecast of a population of 11.2 billion by 2100. Due to an increased demand for food and resources, land use is expected to change to enable more land to be used for agriculture. Assumptions about the development in land use (e.g. in forestry, agriculture or cities) also has an impact on climate development. This scenario was developed by a group of Austrian

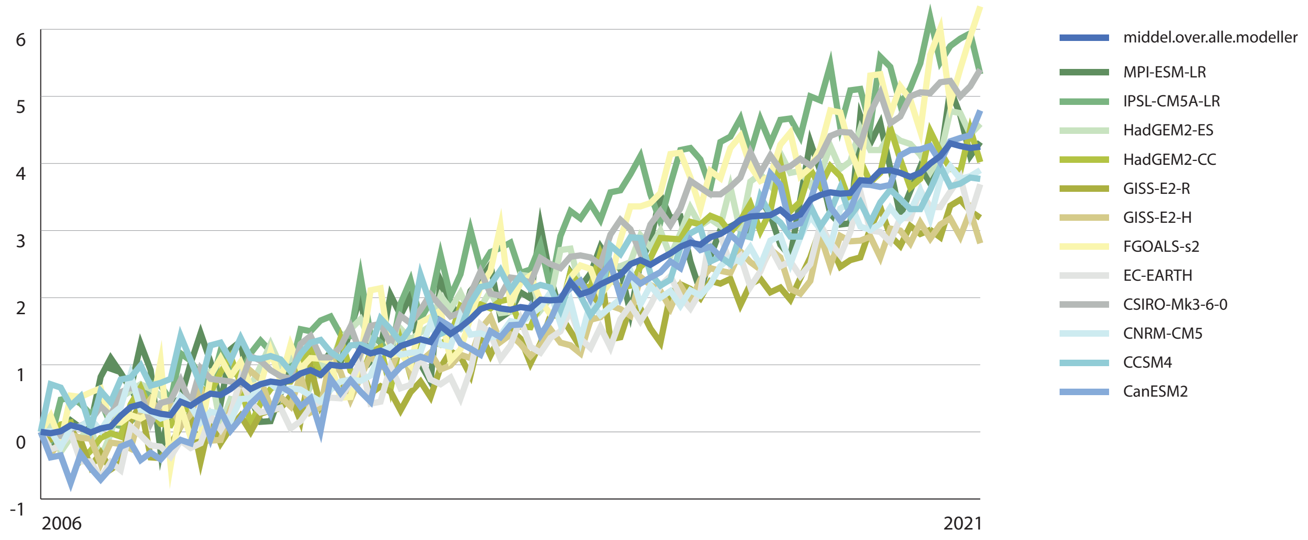
scientists at the Integrated Assessment Framework at the International Institute for Applied Systems Analysis (IIASA).

Structure of climate models

Modern climate models are highly complex and comprise an enormous variety of factors. This complexity is due to a desire to enable very accurate modelling of the Earth's climate and be able to describe geographical variations in many different scenarios. The greenhouse effect is one of the most important climate factors. Without the greenhouse effect, the average temperature of the entire surface of the Earth would be about -18 degrees Celsius compared to a current temperature of approx. +15 degrees Celsius. The sun heats the Earth using shortwave radiation, after which Earth radiates heat out to space. The greenhouse effect is caused by water vapours and other gases in the atmosphere absorbing and re-emitting the heat radiation from Earth. This means that some of the heat radiation is 'reused', which increases warming. The more greenhouse gas that absorbs and re-emits heat radiation, the warmer it gets. This is the essence of the greenhouse effect. However, a climate model also has to include other impacts and factors to more accurately calculate changes in temperature. For example, clouds reflect some of the radiation from the sun, which means that less sunlight is able to reach Earth and warm it up. That is why cloud cover is included in climate models. Ice and snow also reflect much of the sunlight which means that a description of the Earth's ice and snow cover should also be included. Water, such as sea water, is difficult to heat, but absorbs and stores heat well. Therefore, a description of the global oceans should also be included in climate models. In addition, climate models also include descriptions of temperature, humidity, precipitation, atmospheric particles, ocean currents and many other factors. The various factors also interact, and these complex relationships must also be addressed in the climate model.

The most commonly used climate models, known as general circulation models, cover all these factors as accurately as possible. But there are also differences between the different models, as details and processes are still being discussed in climate literature. Basically, a general circulation model divides the atmosphere, land and oceans into a series of boxes in order to track how the heat (energy), air masses, water vapours etc. move from one box to the next. The model projects these processes over time.

Temperature increase in RCP8.5 (Hancock Queensland Plantations)



The climate models can be used to examine the implications of external influences. These may be man-made changes in the atmospheric content of greenhouse gases. Different scenarios, for example the four RCP scenarios, can be used as input and serve as a starting point for greenhouse gas concentrations. It can also be examined how 'natural' impacts such as major volcanic eruptions may affect the climate. External influences, both man-made and natural, may give rise to positive or negative feedback mechanisms.

Illustration of the approach to climate scenario analysis

The figure on page 80 shows the calculation of the average temperature increase from 2006 to 2100 in the RCP8.5 scenario for ATP's forest investments in Hancock Plantations, Queensland, Australia. The calculation is thus based on data from the RCP8.5 scenario on for example greenhouse gas concentrations, and this data is used as input for the climate models. The temperature increases were determined by calculating the average of all available data from the climate models via the CMIP5 database. The applied climate model data are described below.

The average of all climate models is shown along with data from the individual climate models. Using the average of all models ensures that we follow the approach of the Climate Panel. Hence, ATP does not actively consider the scientific differences of the climate models. This figure only shows models with more than one available model run.

All models use their own grid of longitude and latitude, and therefore ATP uses data from the nearest existing points to identify the temperature increase at a given point. Climate model data for each model is a means for the model runs for the given model which was available to us via the CMIP5 database. Finally, the temperature of each model in relation to the year 2006 is such that, instead of using a specific period as a point of reference, we only show the increase in temperature from 2006 to 2100.

DATA USED IN CLIMATE SCENARIO ANALYSIS

We would like to acknowledge the World Climate Research Programme's Working Group on Coupled Modelling, which is responsible for CMIP, and we would like to thank the climate modelling groups (listed in table 1 of this document) for producing and making their model output available to us. The US Department of Energy's Program for Climate Model Diagnosis and Intercomparison provides coordinating support for CMIP and heads the development of software infrastructure in partnership with the Global Organization for Earth System Science Portals.

Table 1: CMIP5 research groups and climate model data used in ATP's climate scenario analysis

Modeling Center (or Group)	Model Name
Commonwealth Scientific and Industrial Research Organization (CSIRO) and Bureau of Meteorology (BOM), Australia	ACCESS1.0 ACCESS1.3
Canadian Centre for Climate Modelling and Analysis	CanESM2
National Center for Atmospheric Research	CCSM4
Centro Euro-Mediterraneo per I Cambiamenti Climatici	CMCC-CESM CMCC-CM CMCC-CMS
Centre National de Recherches Météorologiques / Centre Européen de Recherche et Formation Avancée en Calcul Scientifique	CNRM-CM5
Commonwealth Scientific and Industrial Research Organization in collaboration with Queensland Climate Change Centre of Excellence	CSIRO-Mk3.6.0
EC-EARTH consortium	EC-EARTH
LASG, Institute of Atmospheric Physics, Chinese Academy of Sciences	FGOALS-s2
NOAA Geophysical Fluid Dynamics Laboratory	GFDL-CM3 GFDL-ESM2G GFDL-ESM2M
NASA Goddard Institute for Space Studies	GISS-E2-H GISS-E2-H-CC GISS-E2-R GISS-E2-R-CC
Met Office Hadley Centre (additional HadGEM2-ES realizations contributed by Instituto Nacional de Pesquisas Espaciais)	HadGEM2-CC HadGEM2-ES HadGEM2-A
Institute for Numerical Mathematics	INM-CM4
Institut Pierre-Simon Laplace	IPSL-CM5A-LR IPSL-CM5A-MR IPSL-CM5B-LR
Max-Planck-Institut für Meteorologie (Max Planck Institute for Meteorology)	MPI-ESM-MR MPI-ESM-LR
Meteorological Research Institute	MRI-CGCM3 MRI-ESM1
Norwegian Climate Centre	NorESM1-M NorESM1-ME

Appendix 4:

Projects financed by ATP's green bonds

Project N°	Project Name	Location	Sector*	Sub-sector	CAB-eligible component cost (% of total project cost)	Allocation from CAB Portfolio in 2017 (EUR m)
EUR CAB due 13/11/2026						
20150263	FRANCE EFFICACITE ENERGETIQUE LOGEMENT	France	EE	Buildings	100%	249.49
20120677	Megalim Solar Thermal Plant	Israel	RE	Solar	100%	3.66
20150382	Galloper Offshore Wind	United Kingdom	RE	Offshore wind	100%	8.40
20100575	North Yorkshire and York Waste PPP	United Kingdom	RE	Municipal Waste Incineration	50%	0.38
20130557	COMBINED HEAT AND POWER PLANT KIEL	Germany	EE	CHP from gas	100%	6.76
20160642	DEGEWO WOHNUNGSBAU BERLIN	Germany	EE	Buildings	32%	48.00
20150314	BEATRICE OFFSHORE	United Kingdom	RE	Offshore wind	100%	1.22
EUR CAB due 13/11/2037						
20120442	France Energies Renouvelables	France	RE	Various RE	100%	2.68
20140251	Nobelwind Offshore Wind	Belgium	RE	Offshore wind	100%	33.06
20130060	Santander UK Renewable Energy	United Kingdom	RE & EE	Various RE & EE	100%	175.53
20130468	OUARZAZATE III (TOWER) (MAROC)	Morocco	RE	Solar	100%	7.86
20150382	Galloper Offshore Wind	United Kingdom	RE	Offshore wind	100%	31.42
20100575	North Yorkshire and York Waste PPP	United Kingdom	RE	Municipal Waste Incineration	50%	6.66
20130557	COMBINED HEAT AND POWER PLANT KIEL	Germany	EE	CHP** from gas	100%	15.17
20150314	BEATRICE OFFSHORE	United Kingdom	RE	Offshore wind	100%	109.50
20150619	RENTEL OFFSHORE WIND	Belgium	RE	Offshore wind	100%	40.86
20160288	VVO NEAR ZERO ENERGY BUILDINGS	Finland	EE	Buildings	100%	40.00
20090484	Lake Turkana Wind Power B	Kenya	RE	Offshore wind	100%	6.35
20110411	Netherlands Offshore Wind	Netherlands	RE	Offshore wind	100%	40.27
20070230	ETED Power Transmission	Dominican Republic	RE	Transmission***	39%	3.87
20100678	EDA Power VIII	Portugal	RE	Geothermal	43%	1.94
20150689	ENERGIEPARK BRUCK ONSHORE WIND	Austria	RE	Onshore wind	100%	0.90
20150825	HYDRO AND WIND POWER IN STYRIA	Austria	RE	Various RE	45%	25.65
20130640	Nordergruende Offshore Wind	Germany	RE	Offshore wind	100%	41.15
20140557	AANEKOSKI BIO-PRODUCT MILL	Finland	RE	CHP from renewable by-product	88%	35.20

Project N°	Project Name	Location	Sector*	Sub-sector	CAB-eligible component cost (% of total project cost)	Allocation from CAB Portfolio in 2017 (EUR m)
20140628	RTE - ELECTRICITY NETWORK PROGRAMME 2015-2019	France	RE	Transmission***	3%	0.34
20160321	GNF ELECTRICITY INFRASTRUCTURE DEVELOPMENT	Spain	RE	Onshore wind	7%	33.12
20160448	HOUSING CORPORATION TRUDO	Netherlands	EE	Buildings	66%	19.80
20150871	NORTHERN OFFSHORE WIND	Belgium	RE	Offshore wind	100%	29.31
20150174	Komercni Banka Energy Efficiency FL - PF4EE	Czech Republic	RE & EE	Solar - Buildings	100%	60.00
20100457	Transmission Line Kafue-Livingstone	Zambia	RE	Transmission***	50%	1.85
20160599	NEPAL POWER SYSTEM EXPANSION PROJECT	Nepal	RE	Transmission***	100%	2.11
20140600	KILPILAHTI CHP PLANT	Finland	EE	CHP	100%	15.00
20100203	PNESER – Renewable Energy Transmission	Nicaragua	RE	Transmission***	94%	9.62
20130342	Ouarzazate II (Parabolic)	Morocco	RE	Solar	100%	14.37
20140699	SAINSHAND ONSHORE WIND PROJECT	Mongolia	RE	Offshore wind	100%	11.45
20120677	Megalim Solar Thermal Plant	Israel	RE	Solar	100%	5.30
20140445	SWM SANDBANK OFFSHORE WINDPARK	Germany	RE	Offshore wind	100%	79.68
EUR CAB due 15/11/2047						
20160534	MEXICO CLIMATE ACTION FL	Mexico	RE	Wind and solar voltaic farms	100%	60.13
20140017	ENERGY EFFICIENCY ITALY FL	Italy	RE & EE	RE & EE	100%	19.50
20150382	Galloper Offshore Wind	United Kingdom	RE	Offshore wind	100%	2.60
20160848	ENEL GREEN POWER PERU	Peru	RE	Wind and solar voltaic farms	100%	84.40
20150314	BEATRICE OFFSHORE	United Kingdom	RE	Offshore wind	100%	59.24
20150871	NORTHERN OFFSHORE WIND	Belgium	RE	Offshore wind	100%	14.66

*RE = Renewable energy and EE = Energy efficiency
**CHP = Combined Heat and Power Plant
*** = Power transmission from the power production site to the end users

Appendix 5:

Company dialogue, voting intentions and thematic engagements

Company	Voting intentions	Anti-corruption	Circular economy	Diversity in manage-ment	Indigenous peoples	Climate and transport	Living wage	Climate reporting
3M Co	x							
ABB Ltd			x					
Abertis Infraestructuras SA	x			x				
Aegon NV	x							
AerCap Holdings NV	x			x				
Aeroports de Paris	x							
Aflac Inc	x							
Ageas	x							
Air Canada	x							
Aisin Seiki Co Ltd	x							
Alfresa Holdings Corp	x							
ALK-Abello A/S		x						
Alliant Energy Corp	x							
Allison Transmission Holdings Inc	x							
Allstate Corp/The	x							x
Ally Financial Inc								x
Alphabet Inc	x							
Amdocs Ltd	x			x				
Ameren Corp	x							
American Electric Power Co Inc	x							
American Financial Group Inc/OH	x							x
Ameriprise Financial Inc	x							x
AMETEK Inc			x					
Aon PLC	x							x
AP Moller-Maersk A/S						x		
Apple Inc	x							
Applied Materials Inc	x							
Aramark	x							x
Arthur J Gallagher & Co	x							x
Asahi Group Holdings Ltd	x		x	x				
ASR Nederland NV	x							
Assa Abloy AB								x
Assicurazioni Generali SpA	x			x				
Astellas Pharma Inc		x						
Atlantia SpA	x			x				
Atmos Energy Corp	x							x
Australia & New Zealand Banking Group Ltd								x
Avery Dennison Corp	x						x	

Company	Voting intentions	Anti-corruption	Circular economy	Diversity in manage-ment	Indigenous peoples	Climate and transport	Living wage	Climate reporting
Aviva PLC				x				
Axel Springer SE	x							
Azbil Corp	x			x				
Bank of Montreal								x
Bank of New York Mellon Corp/The	x							
Bank of Nova Scotia/The								x
BASF SE			x					
Baxter International Inc	x							
Bayerische Motoren Werke AG	x					x		
Berkshire Hathaway Inc	x							
Berry Global Group Inc	x							
BlackRock Inc	x							x
Bouygues SA	x							x
Broadridge Financial Solutions Inc	x							
Brown & Brown Inc	x							
CA Inc	x							
Cadence Design Systems Inc	x							
Caltex Australia Ltd								x
Canadian Imperial Bank of Commerce	x							x
Canon Inc			x	x				
Capgemini SE	x							
Carlsberg A/S			x					x
Cboe Global Markets Inc	x							
Celanese Corp	x							
CenterPoint Energy Inc	x							
Central Japan Railway Co				x				
Charles River Laboratories International Inc	x							
Chr Hansen Holding A/S			x					
Chubb Ltd	x							x
CI Financial Corp								x
CIE Automotive SA	x							
CIMIC Group Ltd								x
Citigroup Inc								x
Citrix Systems Inc	x							
CMS Energy Corp	x							x
CNA Financial Corp	x			x				
CNO Financial Group Inc	x							

Company	Voting intentions	Anti-corruption	Circular economy	Diversity in manage-ment	Indigenous peoples	Climate and transport	Living wage	Climate reporting
CNP Assurances	x							
Coca-Cola Bottlers Japan Holdings Inc				x				
Coca-Cola European Partners PLC			x					
Cognizant Technology Solutions Corp	x							
Coloplast A/S			x					
Commonwealth Bank of Australia								x
Computershare Ltd	x							
Consolidated Edison Inc	x							x
Constellation Brands Inc	x							x
Copart Inc				x				
Covivio	x							x
Crown Holdings Inc	x							
Cummins Inc	x							
Daimler AG	x							
Daiwa House Industry Co Ltd	x							
Dana Inc	x							
Danaher Corp	x							
Dassault Aviation SA	x							
Delta Air Lines Inc						x		
Denso Corp				x				
Deutsche Lufthansa AG	x					x		
Deutsche Post AG	x							
DNB ASA								x
DSV A/S						x		
Duke Realty Corp	x							
DXC Technology Co	x							
East Japan Railway Co				x				
Eastman Chemical Co	x		x					x
Eaton Corp PLC	x		x					
Ecolab Inc	x							
EDP Renovaveis SA	x							
Eiffage SA	x							x
Enagas SA	x				x			
Enel SpA			x		x			
Engie SA	x							
Eni SpA	x		x					x
Entergy Corp	x							x
Equity LifeStyle Properties Inc	x							

Company	Voting intentions	Anti-corruption	Circular economy	Diversity in manage-ment	Indigenous peoples	Climate and transport	Living wage	Climate reporting
Estee Lauder Cos Inc/The	x							
Eurazeo SA	x							
Eversource Energy	x							
Exelon Corp								x
Facebook Inc	x							
Fastighets AB Balder	x							
Fidelity National Information Services Inc	x							
Fifth Third Bancorp	x							x
First American Financial Corp								x
First Citizens BancShares Inc/NC	x							
Franklin Resources Inc	x							
FUJIFILM Holdings Corp				x				
Gaming and Leisure Properties Inc	x			x				
Gecina SA	x							x
Genpact Ltd	x							
Gilead Sciences Inc	x							
H&R Real Estate Investment Trust	x							x
Halma PLC				x				
Hankyu Hanshin Holdings Inc				x				
Haseko Corp				x				
Hawaiian Electric Industries Inc	x							
Heineken Holding NV	x		x					
Heineken NV	x							x
Hera SpA	x							
Hermes International	x							
Home Depot Inc/The	x							
Huntsman Corp	x		x					
ICA Gruppen AB	x							
ICADE	x							x
IDACORP Inc	x							
Idemitsu Kosan Co Ltd	x							
IGM Financial Inc	x							
ING Groep NV	x							
Ingredion Inc	x						x	
Intact Financial Corp	x							x
International Consolidated Airlines Group SA						x		
Intertek Group PLC	x							
Intesa Sanpaolo SpA	x							x

Company	Voting intentions	Anti-corruption	Circular economy	Diversity in manage-ment	Indigenous peoples	Climate and transport	Living wage	Climate reporting
Isuzu Motors Ltd				x				
JPMorgan Chase & Co	x							x
JXTG Holdings Inc								x
Kamigumi Co Ltd	x			x				
Kansai Electric Power Co Inc/The	x			x				
Kao Corp	x			x				
KDDI Corp	x							
Keisei Electric Railway Co Ltd				x				
Kinnevik AB	x							
Kintetsu Group Holdings Co Ltd	x			x				
Kirin Holdings Co Ltd	x		x					
Klepierre SA	x			x				
Koninklijke DSM NV								x
Koninklijke Philips NV	x		x					
L E Lundbergforetagen AB	x							
Laboratory Corp of America Holdings	x							
LEG Immobilien AG	x							
Legrand SA	x		x					
Leidos Holdings Inc	x							
Lennar Corp	x							
Liberty Property Trust	x							x
Lloyds Banking Group PLC								x
Loews Corp	x							x
Macquarie Group Ltd	x							x
Makita Corp				x				
Marriott International Inc/MD	x							
Marsh & McLennan Cos Inc								x
Marubeni Corp	x							
Mastercard Inc	x							
Mazda Motor Corp				x				
McDonald's Corp	x							x
McDonald's Holdings Co Japan Ltd			x					
Medical Properties Trust Inc	x							
Mediobanca Banca di Credito Finanziario SpA				x				
Merck KGaA		x		x				
Merlin Properties Socimi SA	x							x
MGIC Investment Corp								x
Mitsubishi Chemical Holdings Corp	x		x					

Company	Voting intentions	Anti-corruption	Circular economy	Diversity in manage-ment	Indigenous peoples	Climate and transport	Living wage	Climate reporting
Mitsubishi UFJ Lease & Finance Co Ltd				x				
Mitsui Chemicals Inc	x							
Monsanto Co								x
Nasdaq Inc								x
National Bank of Canada								x
NetApp Inc	x							
NextEra Energy Inc	x							x
Nifco Inc/Japan				x				
Nikon Corp				x				
Nippon Express Co Ltd	x							
Nippon Telegraph & Telephone Corp	x			x				
Nisshin Seifun Group Inc				x				
NN Group NV	x							
Nordea Bank AB								x
Novartis AG		x						
Novo Nordisk A/S		x						
NTT DOCOMO Inc	x							
Obayashi Corp	x			x				
Oji Holdings Corp				x			x	
Open House Co Ltd				x				
Oracle Corp	x							
Orange SA	x							
Orkla ASA	x							x
Osaka Gas Co Ltd				x				
Owens Corning	x							
Pargesa Holding SA	x							
PepsiCo Inc	x		x					x
PerkinElmer Inc	x							
Pernod Ricard SA	x							x
Persimmon PLC	x			x				
Pilgrim's Pride Corp	x							
Portland General Electric Co								x
Poste Italiane SpA	x							
Principal Financial Group Inc	x							
Progressive Corp/The								x
Prologis Inc	x							
Prudential Financial Inc	x							
Public Service Enterprise Group Inc	x							

Company	Voting intentions	Anti-corruption	Circular economy	Diversity in manage-ment	Indigenous peoples	Climate and transport	Living wage	Climate reporting
PulteGroup Inc								x
Qantas Airways Ltd						x		
Raiffeisen Bank International AG	x							
Rheinmetall AG				x				
Rinnai Corp				x				
RioCan Real Estate Investment Trust	x							x
Roper Technologies Inc	x							
Royal Bank of Canada								x
Royal Caribbean Cruises Ltd	x							
Royal Dutch Shell PLC	x							x
Royal Mail PLC	x					x		
Sampo Oyj								x
Sankyu Inc						x		
Sanofi	x							
Schroders PLC								x
Segro PLC								x
SEI Investments Co								x
Sekisui Chemical Co Ltd	x							
Sekisui House Ltd	x			x				
Service Corp International/US	x							
Seven & i Holdings Co Ltd				x			x	
Shikoku Electric Power Co Inc	x							
Shimizu Corp	x							
Signify NV	x							
Skandinaviska Enskilda Banken AB								x
SmartCentres Real Estate Investment Trust	x			x				
Snam SpA								x
Sofina SA	x							
SoftBank Group Corp				x				
Sojitz Corp	x							
Sonic Healthcare Ltd	x							
SS&C Technologies Holdings Inc	x							
Stanley Electric Co Ltd	x			x				
Stars Group Inc/The	x							
State Street Corp	x							x
STERIS PLC	x							
Stockland								x
Stryker Corp	x							

Company	Voting intentions	Anti-corruption	Circular economy	Diversity in management	Indigenous peoples	Climate and transport	Living wage	Climate reporting
Subaru Corp				x				
Sumitomo Chemical Co Ltd			x					
Sumitomo Corp	x							
Suzuken Co Ltd/Aichi Japan				x				
Svenska Cellulosa AB SCA	x		x		x			
Swedbank AB								x
Swiss Prime Site AG								x
Swisscom AG				x				
Synopsys Inc	x							
T Rowe Price Group Inc	x							x
Taisei Corp					x			
Taisho Pharmaceutical Holdings Co Ltd		x						
Talanx AG	x							
TE Connectivity Ltd	x							
Teijin Ltd				x				
Telekom Austria AG	x							
Teleperformance	x							
Terna Rete Elettrica Nazionale SpA	x							
Terumo Corp	x			x				
Thermo Fisher Scientific Inc	x							
Tokyo Century Corp	x			x				
Tokyo Electric Power Co Holdings Inc	x							x
Tokyu Fudosan Holdings Corp	x			x				
Toll Brothers Inc	x							x
Torchmark Corp	x							
Toronto-Dominion Bank/The								x
TOTAL SA	x							x
Toyota Industries Corp				x				
Toyota Motor Corp						x		
Toyota Tsusho Corp	x							
Travelers Cos Inc/The	x							
Trelleborg AB	x							
Tryg A/S								x
Tyson Foods Inc			x				x	
Unilever NV	x							
UnitedHealth Group Inc	x							
US Bancorp	x							x
Valero Energy Corp	x							x

Company	Voting intentions	Anti-corruption	Circular economy	Diversity in manage-ment	Indigenous peoples	Climate and transport	Living wage	Climate reporting
Vestas Wind Systems A/S			x					
Vicinity Centres								x
Vinci SA	x							x
Visa Inc	x							
voestalpine AG								x
Volvo AB						x		
Vonovia SE	x							x
WABCO Holdings Inc	x							
Waste Management Inc	x							
WEC Energy Group Inc	x							
Westpac Banking Corp								x
Wm Morrison Supermarkets PLC							x	
Woolworths Group Ltd	x						x	
Wyndham Destinations Inc	x							
Xcel Energy Inc	x				x			
Xylem Inc/NY	x							
Yamada Denki Co Ltd				x				
Yamato Holdings Co Ltd						x		
Yokohama Rubber Co Ltd/The	x							
Total	**220**	**6**	**25**	**57**	**5**	**12**	**7**	**88**